

# Notice of meeting and agenda

## Edinburgh and South East Scotland City Region Deal Joint Committee

**10am, Friday 1 March 2019**

Dean of Guild Room, City Chambers, High Street, Edinburgh

This is a public meeting and members of the public are welcome to attend.

### Contact

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### Membership

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**The City of Edinburgh Council**  
Councillor Adam McVey (Chair)

**East Lothian Council**  
Councillor Willie Innes (Vice-Chair)

**Fife Council**  
Councillor David Alexander  
Councillor David Ross

**Midlothian Council**  
Councillor Derek Milligan

**Scottish Borders Council**  
Councillor Shona Haslam

**West Lothian Council**  
Councillor Lawrence Fitzpatrick

**Higher/Further Education Consortium**  
Professor Charlie Jeffery

**Regional Enterprise Council**  
Leeann Dempster  
Claire Pattullo

## **1. Order of business**

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- 1.1 Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

## **2. Declaration of interests**

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- 2.1 Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

## **3. Previous Minutes**

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- 3.1 Minute of the Edinburgh and South East Scotland City Region Joint Committee meeting 17 December 2018 – submitted for approval as a correct record (circulated)

## **4. Forward Planning**

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- 4.1 Joint Committee Work Programme – report by Andy Nichol, Programme Manager, Edinburgh and South East Scotland City Region Deal (circulated)
- 4.2 Joint Committee Rolling Actions Log (circulated)

## **5. Items for Consideration**

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- 5.1 City Region Deal Dashboard – report by Andy Nichol, Programme Manager, Edinburgh and South East Scotland City Region Deal (circulated)
- 5.2 Presentation: Equalities and Human Rights Commission – Johanna Boyd and Chris Oswald
- 5.3 Central Borders Innovation Park – Business Case – report by Rob Dickson, Senior Responsible Officer, Scottish Borders Council (circulated)
- 5.4 Fife Industrial Innovation Investment (Fife i<sup>3</sup>) – Programme Business Case – report by Keith Winter, Executive Director – Enterprise and Environment, Fife Council (circulated)
- 5.5 Edinburgh Futures Institute – report by Hugh Edmiston, Chair, Data Driven Innovation Delivery Board (circulated)
- 5.6 Data Driven Innovation (DDI) Skills Gateway Project Proposition – report by Angela Leitch, Chair, Integrated Employability and Skills Board (circulated)
- 5.7 Housing Construction and Infrastructure (HCI) Skills Gateway Project Proposition – report by Angela Leitch, Chair, Integrated Employability and Skills Board (circulated)

- 5.8 Intensive Family Support (IFS) Service Proposition – report by Angela Leitch, Chair, Integrated Employability and Skills Board (circulated)
- 5.9 City Region Deal Regional Transport Appraisal Board – report by Dr Grace Vickers, Chief Executive, Midlothian Council (circulated)
- 5.10 Regional Housing Board – report by Andrew Kerr, Chief Executive, The City of Edinburgh Council (circulated)

# Minutes

## Edinburgh and South East of Scotland City Region Deal Joint Committee

**Edinburgh, 10.00am, Monday 17 December 2018**

Present:

**City of Edinburgh Council:-** Councillor Adam McVey (Chair)

**East Lothian Council:-** Councillor Norman Hampshire

**Fife Council:-** Councillors David Alexander and David Ross

**West Lothian Council:-** Councillor Lawrence Fitzpatrick

**Higher/Further Education Consortium:** - Professor Charlie Jeffrey

**Regional Enterprise Council:-** Leeann Dempster and Claire Pattullo

### 1. Previous Minute

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#### Decision

To approve the minute of the 2 November 2018 meeting of the Edinburgh and South-East Scotland City Region Deal Joint Committee.

### 2. City Region Deal Dashboard

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The Edinburgh and South East City Region Deal dashboard gave an indication of progress across all aspect of the City Region Deal.

#### Decision

To note the progress across the City Region Deal Programme.

(Reference, report by the Chief Officer, Edinburgh and South East Scotland City Region Deal, submitted).



### **3. Bayes Centre Project Business Case**

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Approval was sought for funding of £45m of which government had been asked to fund £32.5m for the Bayes Centre Project. Charlie Jeffrey and John Scott (University of Edinburgh) provided details of the project and what it would deliver over the next 15 years.

#### **Decision**

- 1) To approve the Bayes Centre final business case and implementation of its activities and organisational structure.
- 2) To note that the individual activities to be undertaken as part of Bayes would be approved separately by the Data Driven Innovation Delivery Board and reported to the Joint Committee.

(Reference – report by the Senior Responsible Officer, Data Driven Innovation Board, submitted).

### **4. World Class Data Infrastructure Project Business Case**

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Approval was sought for funding for the World Class Data Infrastructure (WCDI) facility comprising of capital funding of £110m of which the UK and Scottish Governments had been asked to fund £80m. John Scott outlined the WCDI Project's outcomes including that the project would provide the enabling data infrastructure platform for the Data Driven Innovation Programme.

#### **Decision**

- 1) To approve the World Class Data Infrastructure final business case and implementation of its activities and organisational structure.
- 2) To note that the individual activities to be undertaken as part of the World Class Data Infrastructure would be approved separately by the Data Driven Innovation Delivery Board and reported to the Joint Committee.

(Reference – report by the Senior Responsible Officer, Data Driven Innovation Board, submitted).

### **5. National Robotarium Project Final Business Case**

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Approval was sought for funding for the National Robotarium Project. Gillian Hogg explained that the project would deliver a range of outcomes focused on the areas of talent, research, data, adoption and entrepreneurship (TRADE).

#### **Decision**

- 1) To approve the National Robotarium project final business case and implementation of its activities and organisations structures.

- 2) To note that the individual activities to be undertaken as part of National Robotarium would be approved separately by the National Robotarium Management Board for reporting via the Data Driven Innovation Board to the Joint Committee.

(Reference, report by the Senior Responsible Officer, National Robotarium, submitted).

## **6. Integrated Regional Employability and Skills (IRES) Programme Business Case**

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Approval was sought to implement the Integrated Regional Employability and Skills Programme and to provide delegated authority to the chair of the IRES Board.

### **Decision**

- 1) To approve the Integrated Regional Employability and Skills (IRES) programme business case and implementation of its programme of activity.
- 2) To delegate operational responsibility to implement the IRES programme to the chair of the IRES Board, currently Angela Leitch (Chief Executive East Lothian Council).
- 3) To note that the seven projects outlined in the programme would be presented separately to committee for approval once they had been fully developed and considered by the IRES (advisory) Board.

(Reference – report by the Chair of the Integrated Employability and Skills Board), submitted)

## **7. IMPACT Centre Business Case**

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Approval was sought for the business case for the IMPACT Centre. Sir Ewan Brown explained that this was a new concert hall and performance venue which would be the home to the Scottish Chamber Orchestra and situated in St Andrew Square.

### **Decision**

- 1) To approve the business case for the IMPACT centre, recognising that it had been approved by both the UK and Scottish Governments.
- 2) To note that consultation was underway and that the project was dependent on approval by the City of Edinburgh Council's Planning Committee, currently scheduled for March 2019.

(Reference – report by the Chairman, Impact Scotland, submitted)

## **8. Forward Plan for Business Case Approvals**

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Planned dates for the City Region Deal business case approvals were outlined.

### **Decision**

- 1) To note the planned dates for City Region Deal business case approvals for the Joint Committee.
- 2) To agree that the A720 (Sheriffhall Roundabout) business case should be presented to the Joint Committee and to request a more defined timeline from Transport Scotland.

# Edinburgh and South East Scotland City Region Deal Joint Committee

10am, Friday 1 March 2019

## Work Programme for City Region Deal Joint Committee

Item number	4.1
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### Executive Summary

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This paper outlines the planned dates for City Region Deal business case approvals by Joint Committee.

#### Andrew Kerr

Chief Officer, Edinburgh and South East Scotland City Region Deal

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## Work Programme for City Region Deal Joint Committee

### 1. Recommendations

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- 1.1 To note the planned dates for City Region Deal business case approvals for the Joint Committee.

### 2. Background

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- 2.1 The City Region Deal partners and Government are working towards business case approval timelines as set out in this report. This matches with the timeline for drawing down funds from Government over the 15 years of the City Region Deal as set out in the Financial Plan agreed in summer 2018.
- 2.2 The dates are subject to business cases being approved by: The Scottish Government; the UK Government; the relevant Boards within the City Region Deal structure; and the relevant Council committees and/or Higher and Further Education Courts, prior to Joint Committee approval.

### 3. Main report

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- 3.1 The work programme for Joint Committee meetings that partners are currently working towards is shown in Table 1:

**Table 1: Work Programme for Joint Committee**

Joint Committee Date	Business Case(s) / Project Propositions for Consideration
7 June 2019	<ul style="list-style-type: none"> <li>• Concessionary Travel (within IRES programme)</li> <li>• Integrated Knowledge Systems Project Proposition (within IRES programme)</li> <li>• Integrated Employability Engagement Project Proposition (within IRES Programme)</li> <li>• Labour Market Analysis and Evaluation (within IRES Programme)</li> </ul>
6 September 2019	<ul style="list-style-type: none"> <li>• Easter Bush Business Case</li> <li>• Edinburgh Innovation Park (Queen Margaret University) Business Case</li> <li>• Usher Institute Business Case</li> </ul>
To be determined	<ul style="list-style-type: none"> <li>• A720 (Sheriffhall Roundabout)*</li> <li>• Housing projects</li> <li>• West Edinburgh transport</li> </ul>

\* The A720 City Bypass grade separation of Sheriffhall Roundabout will be managed and delivered by Transport Scotland. Transport Scotland will provide regular updates on progress to the Transport Appraisal Board, as well as the Executive Board and Joint Committee.

## 4. Financial impact

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4.1 There is no financial impact relating to this report. Financial cases will be set out in detail in the respective business cases. Financial contributions that are required by partner organisations for projects will be requested in separate reports to councils or courts prior to being taken to Joint Committee for approval.

## 5. Equalities impact

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5.1 There is no equalities impact relating to this report. Inclusion is a key driver for the City Region Deal. Business cases for projects included will demonstrate how they will reduce inequalities and tackle the inclusion challenges specific to the city region.

5.2 A Monitoring and Evaluation Framework is being developed for the programme, which will incorporate clear indicators to align with the Scottish Government Inclusive Growth Framework, also under development. This will form part of the annual reporting process from 2019.

5.3 Partners are working with the Scottish Government and Equalities and Human Rights Commission to develop and Equalities Impact Assessment for the City Region Deal

programme. Integrated Impact Assessments are also be undertaken for individual projects relating to local authorities and will be reported at the respective council meetings.

## **6. Background reading/external references**

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6.1 [City Region Deal Document](#): August 2018

## **7. Appendices**

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None.

## Edinburgh and South East Scotland City Region Deal Joint Committee

1 March 2019

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1.	17 December 2018	<a href="#">Forward Plan for Business Case Approvals</a>	To agree that the Sheriffhall Roundabout business case should be presented to the Joint Committee and to request a more defined timeline from Transport Scotland.	Programme Manager	1 March 2019		A verbal update will be provided at the meeting on 1 March 2019.



# Edinburgh and South East Scotland City Region Deal Joint Committee

10am, Friday 1 March 2019

## City Region Deal Dashboard

Item number	5.1
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### Executive Summary

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The Edinburgh and South East Scotland City Region Deal dashboard gives an indication of progress across the City Region Deal programme.

In this update, the overall status is assigned as “Amber”. There are no actions required from the Joint Committee.

#### Andy Nichol

Programme Manager, Edinburgh and South East Scotland City Region Deal

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# Report

## City Region Deal Dashboard

### 1. Recommendations

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1.1 To note the progress across the City Region Deal Programme.

### 2. Background

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- 2.1 This Dashboard is being used across the City Region Deal's Governance structure to monitor progress across all aspects of the City Region Deal. It is updated on a weekly basis and shared with Government. A RAG (Red, Amber, Green) scale is assigned to programmes and projects by the Programme Management Office (PMO).
- 2.2 Table 1 shows the guidelines that the PMO uses when determining the RAG status, and the action required:

**Table 1: RAG Status Guidelines**

RAG Status	Projects/Programme Status	Action Required
Green	On track for completion within desired timescales.	No management action required.
Amber	Project may be at risk to meet deadlines if issues are not addressed.	Management action is in place by PMO and/or senior management to address issues.
Red	Project is at risk to miss a scheduled completion date.	Immediate action is required by senior management and relevant Boards as appropriate to address issues.

### 3. Main report

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3.1 The Dashboard is shown in Appendix 1. The overall status of the City Region Deal is assigned as "Amber". There are no actions required from the Joint Committee.

### 4. Financial impact

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4.1 There is no financial impact relating to this report. The overall financial status of the City Region Deal programme is shown on Page 4 of the Dashboard.

## 5. Equalities impact

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- 5.1 There are no impacts on equalities relating to this report. Inclusion is a key driver for the City Region Deal. Business cases for projects included will demonstrate how they will reduce inequalities and tackle the inclusion challenges specific to the city region.
- 5.2 A Monitoring and Evaluation Framework is being developed for the programme, which will incorporate clear indicators to align with the Scottish Government Inclusive Growth Framework, also under development. This will form part of the annual reporting process from September 2019.
- 5.3 Partners are working with the Scottish Government and Equalities and Human Rights Commission to develop an Equalities Impact Assessment for the City Region Deal programme. Integrated Impact Assessments are also being undertaken for individual projects relating to local authorities and will be reported at the respective council meetings.

## 6. Background reading/external references

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- 6.1 [City Region Deal Document](#): August 2018

## 7. Appendices

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- 7.1 Appendix 1: City Region Deal Dashboard

Overall Status Last Period	Overall Status This Period
Amber	Amber

## Page 1: Programme Management Updates

### Executive Highlights

In the last period, partners focused on:

- establishing the second-tier governance structure (transport and housing themes in particular);
- agreeing three business cases and three project propositions with Government, for discussion at Joint Committee on 1 March
- developing a regional procurement strategy;
- establishing a position on regional partnership working.

### PMO Updates

<b>Governance</b>	<b>G</b>	<ul style="list-style-type: none"> <li>• Joint Committee, Regional Enterprise Council and IRES Board formed and future meeting cycle agreed.</li> <li>• Proposals to establish Regional Transport and Housing Boards in March/April 2019 to be considered by Joint Committee on 1 March.</li> <li>• Future regional partnership working is being explored by partners, Government and national agencies. A report will be brought to the Joint Committee in June 2019.</li> </ul>
<b>Finance</b>	<b>G</b>	<ul style="list-style-type: none"> <li>• Grant offer letter has been agreed between Accountable Body and Government. Awaiting final signatures.</li> <li>• Individual partner agreements have been drafted and will be agreed in March.</li> <li>• Dedicated accountant has been recruited for programme by Accountable Body.</li> </ul>
<b>Reporting</b>	<b>A</b>	<ul style="list-style-type: none"> <li>• Approach to community benefits agreed at Exec Board.</li> <li>• Feedback from Equalities and Human Rights Commission has been received. They will present at Joint Committee on 1 March.</li> <li>• Timescales for reporting cycle and process (inc. inclusive growth measures) has been agreed with Govt.</li> </ul>
<b>Communications</b>	<b>G</b>	<ul style="list-style-type: none"> <li>• BIG partnership is assisting with communications.</li> <li>• Key messaging document is being developed.</li> </ul>

### Upcoming Milestones

Upcoming Milestones	Target Date
Third Joint Committee meeting: Business cases for EFI, Fife Industrial Estates and Central Borders Innovation Park to be considered, as well next steps on Regional Collaboration and an update from the Equalities and Human Rights Commission.	<b>1 Mar 19</b>
Regional Transport Appraisal Board to be established	<b>Mar/Apr 19</b>
Regional Housing Board to be established	<b>Mar/Apr 19</b>

RAG Status	Projects/Programme Status	Action Required
Green	On track for completion within desired timescales.	No management action required.
Amber	Project may be at risk to meet deadlines if issues are not addressed.	Management action is in place by PMO and/or senior management to address issues.
Red	Project is at risk to miss a scheduled completion date.	Immediate action is required by senior management and relevant Boards as appropriate to address issues.

Overall Status Last Period	Overall Status This Period
Amber	Amber

## Page 2: Thematic/Project Updates

<b>DDI Programme</b>	<b>G</b>	<ul style="list-style-type: none"> <li>Feedback on business cases being sent between partners and Govt. Discussions taking place at bi-weekly phone calls.</li> </ul>	<b>Integrated Regional Employability and Skills (IRES) Programme</b>	<b>G</b>	<p>IRES Board and Executive Board endorsed propositions for DDI Skills Gateway, HCI Skills Gateway and Intensive Family support projects. These will be considered by Joint Committee on 1 March 2019.</p> <p>Board meeting calendar fully established for 2019 and includes regular meeting cycle for project leads (to support programme cohesion) and PMO. Next IRES Board meeting scheduled for 5 Mar 2019.</p> <p>Template Project Delivery Agreement between Accountable Body and Project Lead Partner is in development.</p>
Bayes Centre	<b>G</b>	<ul style="list-style-type: none"> <li>Business case was approved by Joint Committee on 17 Dec 18.</li> </ul>	Integrated knowledge systems	<b>G</b>	<ul style="list-style-type: none"> <li>Led by Capital City Partnership. Project Proposition to be considered by IRES Board in March 2019 and Joint Committee in June 2019.</li> </ul>
Robotarium	<b>G</b>	<ul style="list-style-type: none"> <li>Business case was approved by Joint Committee on 17 Dec 18.</li> </ul>	Labour market analysis and evaluation	<b>G</b>	<ul style="list-style-type: none"> <li>Led by Skills Development Scotland. Project Proposition to be considered by the IRES Board in March 2019 and Joint Committee in June 2019.</li> </ul>
Edinburgh Futures Institute	<b>G</b>	<ul style="list-style-type: none"> <li>Final draft of business case has been approved by both Govts. Awaiting Joint Committee approval in Mar 19.</li> </ul>	Integrated employer engagement	<b>G</b>	<ul style="list-style-type: none"> <li>Led by City of Edinburgh Council. Project Proposition being developed and expected to be considered by IRES Board in April 2019 and then Joint Committee in June 2019.</li> </ul>
Usher Institute	<b>A</b>	<ul style="list-style-type: none"> <li>Some additional work required to finalise business case required. Targeting completion and Joint Committee approval in Sep 19.</li> </ul>	Intensive family support	<b>G</b>	<ul style="list-style-type: none"> <li>Led by Fife Council. Project Proposition endorsed by IRES and Executive Boards in February 2019 and will be considered by Joint Committee on 1 March 2019. Strategic Intervention bid lodged with Scot Govt to secure European Social Fund match for the proposition.</li> </ul>
Easter Bush	<b>A</b>	<ul style="list-style-type: none"> <li>Some additional work required to finalise the case, including finalisation of A701/A702 road infrastructure project. Targeting completion and Joint Committee approval in Sep 19.</li> </ul>	HCI skills gateway	<b>G</b>	<ul style="list-style-type: none"> <li>Led by Edinburgh Napier University. Project Proposition endorsed by IRES Board and Executive Boards in February 2019 and will be considered by Joint Committee on 1 March 2019.</li> </ul>
WCDI	<b>G</b>	<ul style="list-style-type: none"> <li>Business case was approved by Joint Committee on 17 Dec 18.</li> </ul>	DDI skills gateway	<b>G</b>	<ul style="list-style-type: none"> <li>Led by University of Edinburgh. Project Proposition endorsed by IRES Board and Executive Boards in February 2019 and will be considered by Joint Committee on 1 March 2019.</li> </ul>
<b>Edinburgh Innovation Park (QMU Food and Drink Hub)</b>	<b>G</b>	<ul style="list-style-type: none"> <li>Feedback on business case from both Governments received and response in hand.</li> <li>East Lothian LDP recently approved.</li> <li>Aiming for Joint Committee approval Sep 19.</li> </ul>	Workforce mobility (Concessionary travel)	<b>A</b>	<ul style="list-style-type: none"> <li>Led by Scottish Borders Council. Discussion with employability partners and Council transport colleagues ongoing in development of project proposition. Expected to be considered by IRES Board in April 2019 and Joint Committee in June 2019.</li> </ul>
<b>Fife Industrial Estates</b>	<b>G</b>	<ul style="list-style-type: none"> <li>Both councils approved their respective business cases in Jan 19.</li> <li>Seeking Joint Committee approval in Mar 19.</li> </ul>			
<b>Central Borders Innovation Park</b>	<b>G</b>				

Overall Status Last Period	Overall Status This Period
Amber	Amber



<b>West Edinburgh Transport</b>	<b>A</b>	<ul style="list-style-type: none"> <li>Discussions ongoing with Transport Scotland and West Lothian Council to agree priority interventions.</li> </ul>
<b>A720</b>	<b>A</b>	<ul style="list-style-type: none"> <li>Update received from Transport Scotland and discussions ongoing. Transport Appraisal Board will be forum to progress discussions when formed.</li> </ul>
<b>IMPACT</b>	<b>G</b>	<ul style="list-style-type: none"> <li>Business case was approved by Joint Committee on 17 Dec.</li> <li>Planning application is under consultation and will be considered in Apr 19.</li> </ul>

<b>Regional Housing Programme</b>	<b>A</b>	<ul style="list-style-type: none"> <li>Paper to establish Regional Housing Board and to nominate Andrew Kerr to Chair the Board will be considered by Joint Committee on 1 March. Board to be formed in March/April if approved.</li> </ul>
Affordable housing programme	<b>A</b>	<ul style="list-style-type: none"> <li>Each partner has produced a Strategic Housing Investment Plan (SHIP) outlining investment priorities for affordable housing over the next five years.</li> <li>SHIPs will be analysed to produce a regional affordable housing profile.</li> <li>Profile will enable engagement with Scottish Government to highlight regional track record of delivery and to strengthen case for greater certainty over future funding levels for affordable housing.</li> </ul>
Housing Infrastructure funding & 7 strategic sites	<b>A</b>	<ul style="list-style-type: none"> <li>Business cases for seven sites at various stages of development.</li> <li>Winchburgh was announced on 17 Jan as first project.</li> <li>Partners are working together to share best practice.</li> </ul>
Construction innovation, SME growth, skills & jobs	<b>A</b>	<ul style="list-style-type: none"> <li>Work ongoing to align with the IRES Programme and specifically the Housing and Construction Skills Gateway.</li> <li>Regional Housing Board and its workstreams will consider opportunities and challenges around offsite and modern methods of construction.</li> </ul>
Maximising the public sector estate	<b>G</b>	<ul style="list-style-type: none"> <li>Edinburgh Land Commission - draft statement of intent has been developed.</li> </ul>
Housing company – MMR & low cost MR	<b>G</b>	<ul style="list-style-type: none"> <li>First homes completed in Clermiston, Edinburgh in Jan 19.</li> <li>The City of Edinburgh Council and Scottish Futures Trust will continue to share learning and financial models with partners, to explore regional delivery models.</li> </ul>

# ESESCR Deal Monthly Dashboard – 1 March 2019

## Page 4: Summary of financial performance

### Project performance: 1 March 19

Project Name	Total Budget £000	CRD Grant £000	Cumulative spend to date £000	CRD grant claimed £000	CRD grant claimed %	CRD grant balance £000	Financial Plan spend 18/19 £000	Forecast Spend outturn 18/19 £000	Financial Plan Forecast Grant 18/19 £000	Financial Plan spend Variance £000
DDI - Bayes Centre	45,000	32,545	36,781	0	0%	32,545	42,911	36,831	22,412	(6,130)
DDI - National Robotarium	22,469	22,469	110	0	0%	22,469	70	168	70	40
DDI – EFI	131,208	57,920	36,080	0	0%	57,920	47,436	36,730	15,107	(11,356)
DDI - Usher Institute	68,000	49,205	215	0	0%	49,205	2,720	319	0	(2,505)
DDI - Easter Bush	34,983	17,366	12,583	0	0%	17,366	13,368	12,583	0	(785)
DDI - Easter Bush – A701 & A702	30,000	10,900	0	0	0%	10,900	0	0	0	0
DDI – WCDI	109,997	79,595	585	0	0%	79,595	17,718	885	0	(17,133)
<b>DDI Total</b>	<b>441,657</b>	<b>270,000</b>	<b>86,354</b>	<b>0</b>	<b>0%</b>	<b>270,000</b>	<b>124,223</b>	<b>87,516</b>	<b>37,589</b>	<b>(37,869)</b>
Food and Drink Hub	52,003	30,000	0	0	0%	30,000	4,000	0	0	(4,000)
Business Innovation – Fife	49,425	35,000	21	0	0%	35,000	213	125	0	(192)
Business Innovation – Scottish Borders	29,050	15,000	777	0	0%	15,000	9,525	1,335	0	(8,748)
<b>Business Innovation Total</b>	<b>78,475</b>	<b>50,000</b>	<b>798</b>	<b>0</b>	<b>0%</b>	<b>50,000</b>	<b>9,738</b>	<b>1,460</b>	<b>0</b>	<b>(8,940)</b>
Skills – IRES	25,000	25,000	0	0	0%	25,000	250	70	250	(250)
Transport - Sheriffhall Roundabout	120,000	120,000	0	0	0%	120,000	0	0	0	0
Transport – WETA	36,000	20,000	0	0	0%	20,000	1,800	0	1,000	(1,800)
<b>Transport Total</b>	<b>156,000</b>	<b>140,000</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>140,000</b>	<b>1,800</b>	<b>0</b>	<b>1,000</b>	<b>(1,800)</b>
Culture - IMPACT Concert Hall	44,990	20,000	3,336	0	0%	20,000	4,121	3,936	0	(785)
Housing – Housing Company	263,000	15,000	2,926	0	0%	15,000	71,878	4,400	4,100	(68,952)
Housing – Infrastructure	50,000	50,000	0	0	0%	50,000	0	0	0	(0)
<b>Housing Total</b>	<b>313,000</b>	<b>65,000</b>	<b>2,926</b>	<b>0</b>	<b>0%</b>	<b>65,000</b>	<b>71,878</b>	<b>4,400</b>	<b>4,100</b>	<b>(68,952)</b>
<b>CRD Programme Total</b>	<b>1,111,125</b>	<b>600,000</b>	<b>93,414</b>	<b>0</b>	<b>0%</b>	<b>600,000</b>	<b>216,010</b>	<b>97,382</b>	<b>42,939</b>	<b>(122,596)</b>



### Spend performance

- Spend figures represent the cumulative spend for projects from 2017/18 to the end of January 2019.
- WETA (Amber): No spend will be incurred this financial year as forecast in Financial Plan.
- The total City Region Deal grant claim for 2018/19 is assumed to be £45.7m

### Accountable Body

- Work is underway to develop and detail the processes that will be required to carry out the role of the Accountable Body (largely informed by grant offer letter). A workshop will also be organised so that all partners can help shape this processes required to meet government reporting and governance requirements.
- Final version of the grant offer letter has been received from the Scottish Government and now reflects the amendments the Council last submitted. Now awaiting signed copy from Scottish Government.
- The final signed version of the grant offer letter will be backed off with each individual partner agreement so that grant can be claimed for 2018/19. CEC's legal team has been working on these and are close to having a final draft to share with partners for comment and acceptance. Once this has been agreed, the grant claim can be submitted to Scottish Government.
- The dedicated account to support the role of Accountable Body has been filled and Henna Khatoon will now be the direct contact for all financial matters relating to the City Region Deal.



# Edinburgh and South East Scotland City Region Deal Joint Committee

10am, Friday 1 March, 2019

## Central Borders Innovation Park – Full Business Case

Item number 5.3

### Executive Summary

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This report seeks approval to secure funding for the Central Borders Innovation Park, Tweedbank (as set out in the Central Borders Innovation Park Full Business Case). The preparation of this business case has been led by Scottish Borders Council on behalf of the City Region Deal consortium partners and has been prepared in accordance with the HM Treasury five-case model.

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## City Region Deal Checklist

Criteria	Details/Link to Document
<b>Contribution to City Region Deal commitments and Inclusive Growth Framework</b>	<p>The Central Borders Innovation Park will cost £29.1 million and generate an economic benefit-cost-ratio quantified at £16:£1. It will provide a wide range of benefits to the Scottish Borders within the context of the wider Edinburgh and South East Scotland City Region as it:</p> <ul style="list-style-type: none"> <li>• Complies with all key national, regional, and local strategic plans.</li> <li>• Will boost employment by creating 383 jobs excluding construction.</li> <li>• Is anticipated to increase GVA by £350 million excluding construction.</li> <li>• Will contribute to Inclusive Growth by creating high-quality employment opportunities.</li> <li>• Will encourage Innovation through the development of high quality infrastructure that will enable businesses to grow.</li> <li>• Will encourage new employers and employees into the area, bringing new skills and experience.</li> </ul> <p>The programme also supports the Inclusive Growth Framework set out in the <a href="#">Edinburgh and South-East Scotland City Region Deal Document</a></p>
<b>Alignment, integration with, or dependence on, other City Region Deal activities</b>	<p>Within the context of the City Region Deal, Scottish Borders Council will work with strategic partners, particularly Fife Council and the University of Edinburgh, to maximise the benefits of data-driven innovation and its potential to increase the number of innovation-active businesses, both regionally and locally. At the local level, there are a number of key stakeholders involved in the programme: Scottish Enterprise, businesses occupying the programme sites, and local business organisations. These interdependencies will be managed through the governance structures described in the Full Business Case.</p>
<b>Scale and regional distribution of expected outcomes, benefits, and leverage, from activity</b>	<p>This programme is the key City Region Deal investment in the Scottish Borders, helping to spread the economic benefits of the Deal into the more peripheral areas of the city-region. The expected benefits of the programme are anticipated to be in the region of £350 million of GVA and the creation of 383 jobs.</p> <p>Contributions from the Borders Railway Blueprint, Scottish Borders Council, the private sector, and Scottish Enterprise make up 48.3 per cent of the programme's costs (£14.1 million).</p> <p>Indicative outcomes have been developed as part of the Full Business Case:</p> <ul style="list-style-type: none"> <li>• The occupation of at least 75 per cent of the new office and industrial space.</li> <li>• Targeting of occupation types.</li> <li>• The creation of high quality, high earning jobs.</li> <li>• Accessibility to employment for disadvantaged groups.</li> <li>• Uplift in the GVA of the Scottish Borders local authority area.</li> </ul>

	<ul style="list-style-type: none"> <li>Increasing the area's spending per head on Research and Development.</li> <li>Improving the area's place on the table of productive regions.</li> <li>Increasing the number of High Growth Firms and innovation-active businesses.</li> <li>Increasing the number of account managed and Business Gateway clients.</li> <li>Proportion of procurement spend in the Scottish Borders.</li> </ul>
<b>Compliance with financial requirements and agreed expenditure profile</b>	<p>The Full Business Case complies with the financial requirements and overall expenditure profile of the City Region Deal.</p> <p>See cover report for more detail on financial issues.</p>
<b>Equalities Impact</b>	<p>The programme intends to address those Inclusive Growth challenges identified at City Region Deal level that are particularly relevant to the Scottish Borders.</p> <p>See cover report for more detail on equalities impact.</p>
<b>Anticipated significant risks and mitigation measures</b>	<p>A full risk register has been included within the Full Business Case.</p>
<b>Alignment and fit with City Region Deal governance arrangement</b>	<p>The City Region Deal programme has the following tiers of governance:</p> <ul style="list-style-type: none"> <li>A Joint Committee that is responsible for delivering increased value-for-money from the City Region Deal and wider regional collaboration. Scottish Borders Council is represented by its Leader on the Joint Committee.</li> <li>The Executive Board supports and makes recommendations for the Joint Committee in the delivery of the City Region Deal Programme. Scottish Borders Council is represented by its Chief Executive on the Executive Board.</li> </ul> <p>The Central Borders Innovation Park will be governed locally by an officer-level Programme Delivery Team under a Programme Manager with the primary responsibility for managing the delivery of the programme. The Delivery Team is accountable to the local authority's Executive Team, which also provides the link into the regional governance structure.</p>
<b>PMO check</b>	<p>All necessary evidence has been provided: Full Business Case and Appendices covering Financial and Economic Modelling; Sensitivity Analysis; Programme Risk Register; and Programme Plan.</p>
<b>Government approval</b>	<p>The Scottish Government confirmed final approval on 25 February 2019.</p>
<b>Partner sign-off</b>	<p>Scottish Borders Council agreed on 31 January 2019 that this Business Case can progress for formal approval.</p>
<b>Advisory Board sign off</b>	<p>The Business Case was approved by Scottish Borders Council on 31 January 2019.</p>
<b>Executive Board sign off</b>	<p>The Business Case was approved by the Executive Board on 14 February 2019.</p>
<b>PMO Recommendation</b>	<p>That the Joint Committee approves the Central Borders Innovation Park Business Case.</p>

## Central Borders Innovation Park Business Case

### 1. Recommendations

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- 1.1 To approve the Business Case for the Central Borders Innovation Park, recognising that it has been approved by the Scottish Government.
- 1.2 To note the drawdown of £15 million Scottish Government funding by Scottish Borders Council on a variable basis over 15 years, based on the City Region Deal Financial Plan.

### 2. Background

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- 2.1 The opening of the Borders Railway in 2015 has presented a once-in-a-generation opportunity to transform economic development in the Scottish Borders. A commitment in the [Borders Railway Blueprint](#) to a Central Borders Business Park — now the Central Borders Innovation Park — was taken forward as part of a masterplanning exercise for Tweedbank. The masterplan envisages the development of in excess of 400 new homes and 71,545 m<sup>2</sup> of mixed use accommodation (hotel, office, retail, hospitality, and light manufacturing) over the long-term, across 98.6 hectares of land around Tweedbank Station, including Lowood Estate.
- 2.2 The current, depressed state of the office and industrial property market in the Scottish Borders requires the level of public sector investment planned under this programme. Such investment would supplement the £350m already spent on the Borders Railway. It would replace low value, obsolescent stock with high quality premises that will allow for a far more competitive business location. Recent analyses by Ryden and Graham & Sibbald suggest that there is potential demand for the office and industrial space being proposed. Property experts from Scottish Futures Trust and Scottish Enterprise (acting on behalf of the Scottish Government) have also reviewed the proposals and concluded that there is robust demand evidence supporting the programme.
- 2.3 The masterplanning exercise carried out in late 2017 concluded that the initial part of the development process at Tweedbank, including Lowood Estate, should result in new business premises being built to occupy the land around the railway station. Within the City Region Deal programme, a 'core' of the Central Borders Innovation

Park will be created. This will help to define the character of the new development and also assist in building the critical mass around the railway station that is required to attract future investment into the area, to fulfil the aspirations of the masterplan.

- 2.4 The development plots are being constructed in three phases (see Appendix 1). The first phase will create approximately 4,660m<sup>2</sup> of new office space and 2,950m<sup>2</sup> of new industrial space on plots 1 to 4. The second phase will create up to a further 5,177m<sup>2</sup> of new office space on plot 4. A third phase will create 1,632m<sup>2</sup> of office space and 400 m<sup>2</sup> of industrial space on plot 5.
- 2.5 The delivery of the first phase of the programme will be completed in December 2020. The whole programme will take at least five years to deliver. However, there is flexibility to lengthen these timescales with regard to the development of Phases 2 and 3. This will be determined by affordability and by the anticipated demand for the planned space. Property experts in Scottish Futures Trust and Scottish Enterprise (acting on behalf of the Scottish Government) have expressed their satisfaction with the programme's plans, although they acknowledge that there is risk with the speculative development planned later in the programme. Officers from Scottish Borders Council, working closely with Scottish Enterprise, will continue to monitor market demand and amend the programme if required.

### **3. Main report**

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- 3.1 The Central Borders Innovation Park Programme is part of the Research, Development and Innovation theme of the City Region Deal and sits alongside the Fife Industrial Innovation Investment Programme. Officers have been working with colleagues in Scottish Government and Scottish Futures Trust to refine the Full Business Case to ensure that it is ready for approval. Initial discussions have also taken place with the University of Edinburgh, which is leading on a programme of data-driven innovation, to identify how this could be applied to the Central Borders Innovation Park and the Scottish Borders more generally.
- 3.2 The Scottish Government's Economic Strategy includes Innovation and Inclusive Growth as key drivers. The development of high quality infrastructure in the Central Borders Innovation Park will encourage Innovation, boosting productivity and enabling businesses to grow. The provision of a high quality, well-paid employment offer will assist in stimulating Inclusive Growth.
- 3.3 Public sector intervention is required to overcome the issues related to market failure that have led to a depressed office and industrial property offer in the Scottish Borders. By funding an intervention to create a high quality, competitive business location, the public sector is creating the necessary conditions for present and future private sector investment.
- 3.4 The programme has five strategic objectives. These are to: spend up-front and leverage in investment; construct employment property for businesses; apply data-driven innovation; offer high-skilled, well-paid employment; and reduce carbon footprints.

- 3.5 The Economic Case section of the Full Business Case builds on the preferred option that emerged from the options appraisal in the Outline Business Case, which was a 'do minimum' approach that would provide the best basis for future development of the masterplan area. The Economic Impact Analysis for this option has been updated and shows that it would create 383 jobs and generate GVA of £350 million over 30 years (excluding benefits from construction). The programme therefore offers very high value-for-money with every £1 spent providing a return of £16.
- 3.6 Given the phasing of the programme, a separate procurement strategy is required for each phase. In Phase 1, each of the four sites is being procured separately. Scottish Enterprise and the private sector are responsible for the procurement of their buildings with the exception of a building on plot 4, which will be procured by Scottish Borders Council. All procurement will be done in accordance with Scottish Borders Council's procurement regulations and the relevant Scottish, UK and European legislation.
- 3.7 The Management Case section describes how the programme will be delivered, managed, and evaluated. It includes reference to City Region governance structures and also clarifies the governance approach within Scottish Borders Council. With regard to State Aid, the advice from the State Aid Unit at the Scottish Government remains that servicing sites for the private sector does not constitute State Aid as long as Scottish Borders Council is operating on commercial terms. A change management process has been implemented that will allow for oversight of any changes to programme scope, scale, and cost.

## **4. Financial impact**

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- 4.1 The City Region Deal Financial Agreement allocates £50 million for infrastructure in the Scottish Borders and Fife Council areas. This sum is apportioned between Scottish Borders (£15 million) and Fife (£35 million). The assumption is that funding from the Scottish Government is payable on a variable basis over a 15-year period, requiring Scottish Borders Council to borrow to cash flow the project. It is anticipated that the payment of the £15 million grant will in reality be optimised within the parameters of the overall City Region Deal Programme to reflect the actual delivery programme and minimise the borrowing costs for individual City Region Deal partners.
- 4.2 The financial modelling estimates the amount of borrowing that would be required to cover outstanding deficits at the end of each financial year under the scenario of a variable drawdown of Scottish Government grant over 15 years. The financial model shows that the overall borrowing requirement would peak at £4.5 million in 2024 and would be repaid in 2029. .
- 4.3 Scottish Borders Council approved the Full Business Case on the basis of financial modelling of a pessimistic scenario of grant drawdown fixed at £1 million p.a. over 15 years. In this scenario, overall borrowing would peak at £12.3 million in 2024 with repayment taking place in 2032. This modelling allowed the Council to understand the worst-case scenario and how this would impact upon its financial

position. The Council noted that there was flexibility in the programme to amend the profile and the more optimistic scenario is now presented in the Full Business Case for approval by the Joint Committee.

- 4.4 The overall programme will cost £29.1 million. Table 1 shows the distribution of costs by development and funding source.

**Table 1: Distribution of Costs by Development and Funding Source**

Development	Estimated Cost £'000	Funding Source				
		SBC £'000	Scottish Enterprise £'000	City Region Deal £'000	Railway Blueprint £'000	Private Sector £'000
		Infrastructure Work	1,270	635		
Plot 1	3,000		1,500		1,500	
Plot 2	2,370	100			100	2,170
Plot 3	2,180	150			150	1,880
Plot 4	16,330	4,115		11,100	1,115	
Plot 5	3,900			3,900		
	29,050	5,000	1,500	15,000	3,500	4,050

## 5. Equalities impact

- 5.1 The City Region Deal has the concept of Inclusive Growth at its core. This requirement has been built into the Full Business Case and will be measured as the programme progresses.
- 5.2 Of the main Inclusive Growth challenges identified at City Region Deal level, there are four that the programme intends to address as being particularly relevant to the Scottish Borders:
- **Slow Growth.** The level of Research and Development expenditure by businesses in the Scottish Borders is low at £64 per head of population (in 2017) compared to an average of £230 across Scotland. By accessing the opportunities at a regional level to participate in data-driven innovation, the programme aims to increase the number of innovative businesses in the Scottish Borders. This in turn should help to address the relatively slow growth of the area.
  - **Skills Inequality and Polarisation.** Community benefits will be put in place to unlock opportunities within relatively deprived urban and rural communities. These will apply to contracts let by Scottish Borders Council, but discussions will also take place to encourage the private sector and Scottish Enterprise to use these incentives. The construction phase will create 380 jobs and will create high-value apprenticeships that can be tailored to under-represented groups, for example, based on age and gender. As a participant in the City Region Deal Housing,



Construction & Infrastructure (HCI) Skills Gateway, Scottish Borders Council will look to develop new talent. The Innovation Park is in a good location to allow for access to a wide range of people across the Scottish Borders who have previously been isolated from high value employment opportunities. The mix of the workforce at the nearby Borders General Hospital demonstrates the opportunities that could be available.

- **Gender and Health Inequalities.** One of the programme's targets is to increase the number of highly productive jobs in the area. It is intended that there will be a focus on creating employment for under-represented groups as part of the process for achieving this target. One tenant has been identified from a highly productive sector and we will be liaising with all potential tenants about workforce mix and the potential to employ workers from a wide base. Outputs and outcomes will be monitored as the programme proceeds.
- **Low Incomes and Low Pay.** Workplace-based gross median weekly earnings in the Scottish Borders were the lowest of Scotland's local authorities in 2016 at £453.40. This programme has the potential to attract more productive sectors of the economy, with commitments already in place from Account Managed businesses to re-locate to the Innovation Park. We will speak to tenants and potential tenants about the wider equalities agenda as the programme proceeds and any speculative buildings will only be let after such discussions take place.

## **6. Background reading/external references**

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6.1 [Edinburgh and South-East Scotland City Region Deal Document](#)

6.2 [Borders Railway Blueprint](#)

## **7. Appendices**

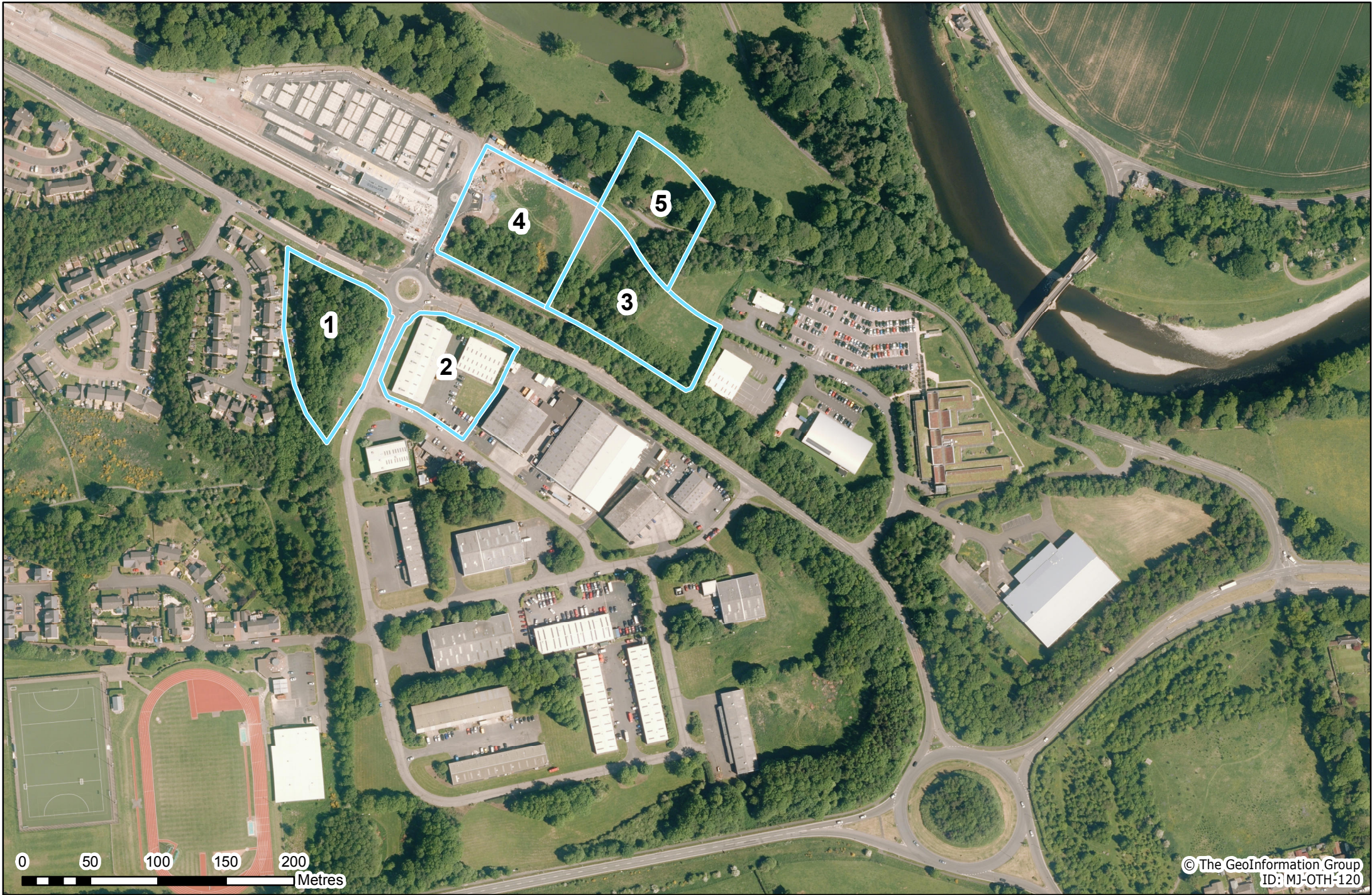
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7.1 Central Borders Innovation Park Site Plan.

7.2 Central Borders Innovation Park Full Business Case.



# APPENDIX 1



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Central Borders Innovation Park Programme:

## Full Business Case (FBC)

Edinburgh and South East of Scotland City Region Deal

**Final Version**

Issue Date: 25 February 2019

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## **Purpose of this document**

This document sets out the Full Business Case (FBC), in support of the Central Borders Innovation Park Programme.

An Outline Business Case (OBC) was completed and agreed as part of the development of the Edinburgh and South East of Scotland City Region Deal agreed in July 2018.

This FBC provides the evidence that the most economically advantageous investment programme is being delivered and that it is affordable. In addition, the FBC explains the fundamentals of the Central Borders Innovation Park Programme and demonstrates that the required outputs can be successfully achieved.

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# Executive Summary

## Background

1. This document constitutes the Full Business Case (FBC) for the Central Borders Innovation Park and seeks approval of £15 million of funding under the authority of the Edinburgh and South East Scotland City Region Deal approved by the Prime Minister and First Minister in July 2018.
2. This FBC is structured according to the five case model as recommended by the guidance in the HM Treasury Green Book: strategic, economic, financial, commercial, and management. The Strategic Case discusses the rationale for the programme. Based on the Strategic Case, the rationale and policy context for the programme are carried forward to be considered in the Economic, Financial, Commercial, and Management Cases.
3. The full cost of implementing the proposed programme is estimated to be £29,020,000. **The project has a positive economic impact with an estimated Benefit-Cost ratio (BCR) of £16:£1.**

## Strategic Case

4. There is a strong rationale for major investment to be expended on a Central Borders Innovation Park at Tweedbank. It will provide a wide range of benefits to the Scottish Borders within the context of the wider Edinburgh and South East Scotland City Region as it:
  - Complies with all key national, regional, and local strategic plans.
  - Will boost employment by creating 383 jobs excluding construction.
  - Is anticipated to increase GVA by £350 million excluding construction.
  - Will contribute to inclusive growth by creating high-quality employment opportunities.
  - Will encourage innovation through the development of high quality infrastructure that will enable businesses to grow.
  - Will encourage new employers and employees into the area, bringing new skills and experience.
5. To ensure that the programme realises these benefits, five strategic objectives have been identified with accompanying targets and “indicators of success”.
6. The opening of the Borders Railway in 2015 began to reverse the process of curtailed economic development in the Scottish Borders that had set in over the previous few decades. A commitment in the Borders Railway Blueprint to a Central Borders

Business Park—now the Central Borders Innovation Park—has been taken forward through a 2017 master planning exercise for Tweedbank, which was funded by the Blueprint and Scottish Borders Council at a cost of £200,000.

7. The programme is compatible with strategies for economic growth at the UK, Scottish, regional, and local levels. It is intended to encourage innovation and foster inclusive growth through developing more productive businesses that will result in higher skilled, better paid jobs. This would further enable the Scottish Borders to attract businesses engaged in higher productivity sectors, aiming to address its position as the fourth lowest NUTS 3 region for productivity in Scotland.
8. In line with the rationale behind the City Deal concept, the Central Borders Innovation Park is a project that would unlock potential. It would provide high quality business premises that would attract inward investment and stimulate inclusive economic growth. The masterplan includes detailed design studies of the land next to the railway, and the potential occupiers of the first phase of the programme have already been identified. The proposed buildings are being constructed in line with their requirements.

### **The Case for Change**

9. The current, depressed state of the office and industrial property market in the Scottish Borders requires the level of public sector investment planned under this programme. Such investment would supplement the £350 million spent on the Borders Railway. It would overhaul the current reliance on low value, obsolescent stock with high quality premises that will allow for a more competitive business location. Demand analysis suggests that there is potential to fill the space proposed.
10. As with many other rural economies, the Scottish Borders has to overcome the problem of market failure caused by a combination of remote locations and poor infrastructure, a lack of supply of modern business premises and the increasing obsolescence of existing stock. Public sector intervention is needed to address this issue, which is crucial to ensuring that sustainable, inclusive economic growth can take place. **The coming of the Borders Railway has presented a once-in-a-generation opportunity to enable the local economy to grow.**
11. A Central Borders Innovation Park, situated next to the Borders Railway terminus at Tweedbank, would meet the urgent need for high-quality business space in the central Scottish Borders. It would stimulate business growth and associated job creation, enhancing the area's inward investment offer, particularly to high-value, innovative sectors, as well as meeting the needs of indigenous businesses thereby improving their competitiveness. It would also help to address inequalities in the area by providing access to better quality, higher paid jobs.
12. This FBC seeks approval to invest £27,750,000, including £15,000,000 of City Region Deal funding, to develop five plots in the vicinity of Tweedbank Railway Station across

three programme phases. A further £1,270,000 will be spent on creating infrastructure to improve access to these plots. This will form the “core” of the Central Borders Innovation Park and will provide critical mass to allow further long-term development as envisaged in the Tweedbank masterplan.

13. The Central Borders Innovation Park programme phase 1 will open between December 2019 and September 2020, creating 4,660 m<sup>2</sup> of new office space and 2,950 m<sup>2</sup> of new industrial space. Further development will take place beyond this date with phase 2 being completed by March 2022. This further development will create another 5,177 m<sup>2</sup> of new office space. A third phase will create 1,632 m<sup>2</sup> of office space and 400 m<sup>2</sup> of industrial space on land currently on the southern edge of Lowood Estate. It is anticipated that this phase will be completed by March 2024.

## **Economic Case**

14. The economic assessment has been prepared in a way considered to be proportionate to the size of the programme and is based on the preferred scenario that best fits the objectives for the programme.
15. The economic benefits of the programme outweigh its costs and confirm the findings of the OBC. The programme has an initial BCR of £16:£1 and estimated GVA of £350 million with 383 jobs created. It therefore represents very high value-for-money.
16. There are risks to value-for-money: lower underlying demand for phases 2 and 3 of the programme; and an increase in costs. However, these risks have been identified and are addressed in the programme risk register.
17. Economic analysis suggests that the programme will meet its objectives of increasing employment, particularly that which is highly skilled and well-paid, and increasing productivity.

## **Financial Case**

18. The Financial Case presents evidence of the programme’s affordability both now (for the implementation and construction elements of Phase 1) and with regard to the requirements of Phases 2 and 3, and also whole life costs and operating income. The costs of the programme have recently been verified and remain the same as at the OBC stage.
19. Of the programme cost of £29,020,000, the Scottish Government will provide £15,000,000 through the City Region Deal. Expenditure profiling has been done on the basis of the City Region Deal Financial Plan with a variable annual drawdown from the City Region Deal assumed from 2020-21.



20. The financial modelling shows that the programme's whole life costs are expected to be almost £8.8 million. However, this cost is offset by anticipated operating income of over £19.9 million. The programme is expected to generate an overall surplus of £11.1 million by Year 30 (2047-48).
21. Revenue activity will focus on employability initiatives, community benefits, and also innovative activity and business support through Business Gateway.

## **Commercial Case**

22. The Commercial Case sets out the approach to procurement activity on the programme. All procurement activity on the programme will take place in accordance with the provisions of relevant Scottish, UK, and EU procurement legislation.
23. In accordance with the requirements of the City Region Deal and also with Scottish Borders Council policy, community benefit clauses will be put in place to assist inclusive growth by unlocking opportunities within relatively deprived communities and groups.
24. Owing to the differing timescales of the programme's phases, each requires a separate procurement strategy. There are four separate procurements taking place in phase 1 of the programme, one for each site to be developed. The procurement strategy to be adopted for phases 2 and 3 will be informed by the experience of phase 1.

## **Management Case**

25. The management approach that is proposed for the programme is proportionate to its overall cost and is also compatible with the wider governance arrangements for the Edinburgh and South East Scotland City Region Deal.
26. The Programme is considered to be highly deliverable. It has similarities not only with similar programmes and projects delivered throughout the UK, but also with other City Region Deal programmes and projects, notably the Fife Industrial Estates Investment Programme.
27. Scottish Borders Council has experience of delivering large scale, multi-million pound capital projects. It has an in-house Major Projects team that has successfully delivered new schools, flood schemes, and other significant infrastructure projects in the recent past.
28. Transparent governance arrangements are in place through the City Region Deal and Scottish Borders Council. Effective reporting and change control will ensure that there is strong risk management of the programme.
29. Scottish Borders Council will implement an effective stakeholder management and communications plan. It will also ensure that the programme's benefits are realised through effective monitoring.

# 1. Introduction

## 1.1. Context

1.1.1. The closure of the Waverley line in 1969 left a series of towns, including Tweedbank, further from the national rail network than any other towns of similar size in the UK. This resulted in significant isolation, curtailing economic development in the Scottish Borders. This trend is now being reversed after the opening of the Borders Railway in 2015. The new railway line terminates at Tweedbank although feasibility work is examining the possibility of extending the line towards Hawick and possibly to Carlisle.

1.1.2. The rationale for the Central Borders Innovation Park originated in work done by the South of Scotland Alliance in 2013. Following this work, the Borders Railway Blueprint launched by the Scottish Government in late 2014 committed to providing a number of incentives to support growth in more productive business activity, including the flagship transformation of the Tweedbank Industrial Estate area into a 21<sup>st</sup> century business location, as part of its theme, “Great Locations for Working and Investing”.<sup>1</sup> Scottish Borders Council received match funding from the Borders Railway Blueprint enabling it to commission a master planning exercise for Tweedbank, which concluded in November 2017 and cost £200,000.

1.1.3. The Scottish Government’s National Planning Policy (NPF3) mentions the importance of the Borders Railway and the centrality of Galashiels, which with Tweedbank, is situated within the Rural Growth Area in the Central Borders. Tweedbank is also located within the Central Borders Strategic Growth Area as defined in the South East Scotland Plan (SESplan). The local authority has sanctioned a Tweedbank Simplified Planning Zone. The project will also complement any future extension of the railway to Hawick and beyond.

## 1.2. Document Purpose

1.2.1. This document and its appendices form the Full Business Case (FBC) for the Central Borders Innovation Park Programme. This FBC represents the final stage of the agreed City Region Deal business case development process following approval of the OBC in July 2018. The FBC is submitted for approval in the City Region Deal Funding Agreement.

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<sup>1</sup> Scottish Government: *Borders Railway Maximising the Impact: A Blueprint for the Future*, November 2014, p. 10.

### 1.3. Document Status

1.3.1. This FBC is intended for review by the Scottish Government to confirm the programme should be approved for funding through the Funding Agreement.

### 1.4. Document Structure

1.4.1. This FBC is structured around HM Treasury Green Book guidance:

- **Strategic Case** (Section 3), setting out a clear rationale for all three phases of the Central Borders Innovation Park programme.
- **Economic Case** (Section 4), identifying the key economic impacts of the programme and its overall value-for-money.
- **Financial Case** (Section 5), presenting evidence of the programme's affordability.
- **Commercial Case** (Section 6), summarising the preferred approach to programme procurement and rationalising the commercial and legal viability of such an approach.
- **Management Case** (Section 7), setting out how Scottish Borders Council will ensure that the programme is delivered successfully – on time and to budget, with suitable governance and risk management processes in place.

## 2. PROGRAMME DESCRIPTION

2.1.1. The programme outlined in this FBC is intended to encourage innovation and foster inclusive growth through building modern, fit-for-purpose, business infrastructure that will result in higher skilled, better paid jobs therefore stimulating increased productivity. The Central Borders Innovation Park will be developed at Tweedbank in the central Scottish Borders.



- 2.1.2. The commitment in the Borders Railway Blueprint of late 2014 to the Central Borders Innovation Park was taken forward through a 2017 masterplanning exercise for Tweedbank, which was funded by the Blueprint and Scottish Borders Council at a cost of £200,000. The masterplan aspires to create a high quality place to live, work and invest at the current terminus of the Borders Railway.
- 2.1.3. Ultimately, the masterplan envisages a transformational development of approximately 400 new homes and 71,500 m<sup>2</sup> of mixed use commercial space (hotel, office, retail, hospitality, and light manufacturing) in a high quality setting extending over a site area of 98.6 hectares. To enable this development, Scottish Borders Council took the decision in 2018 to purchase the Lowood Estate to the north of Tweedbank Station.
- 2.1.4. A fundamental issue driving the Central Borders Innovation Park at Tweedbank is that there is industrial and office property market failure in the central Borders, which requires investment by the public sector to provide serviced sites and also to lead the market by providing speculative office property. As a rural economy with dispersed, relatively small centres of population, the Scottish Borders is constrained by poor infrastructure and remoteness compared to the more urbanised economies of the neighbouring central belt. Over time, the difficulties in creating a critical mass to stimulate the market has led to market failure resulting in a lack of supply of modern business premises and the increasing obsolescence of existing stock.
- 2.1.5. Scottish Borders Council owns most of the land that lies around Tweedbank Railway Station and has been able to take a strategic and proactive approach to securing the development sites that will constitute the Central Borders Innovation Park programme.
- 2.1.6. The FBC will seek approval to invest £27,750,000 to develop five plots in the vicinity of Tweedbank Railway Station across three programme phases. A further £1,270,000 will be spent on creating infrastructure to improve access to these plots. This will form the “core” of the Central Borders Innovation Park and will provide critical mass to allow further long-term development as envisaged in the masterplan. The implementation of the first phase of the programme is supported by a £3.5 million investment commitment from the Borders Railway Blueprint, matched by £1.5 million commitment from Scottish Enterprise and £5 million from Scottish Borders Council. It is proposed to draw down £15 million of City Region Deal funding from 2019-20 to invest in phases 2 and 3 of the programme.
- 2.1.7. The first of the five plots earmarked for the programme was previously identified as a site for the proposed Great Tapestry of Scotland building across from Tweedbank Station. This site will now be developed by Scottish Enterprise as a business centre/co-working space, with a £3 million project investment commitment (£1.5 million from the Scottish Government and £1.5 million from Scottish Enterprise) as part of the Borders Railway Blueprint (Site 1).

- 2.1.8. The second plot is Eildon Mill, a building that is now quite old and does not provide the type of energy efficient space that businesses now require. It will be demolished, with its present occupier being re-located elsewhere in Tweedbank. The site will be made ready for commercial re-development, and will be developed and occupied by an Account Managed expanding business (Site 2).
- 2.1.9. Two of the remaining plots are in a greenfield site to the east of the station called the Quarry. The easternmost plot (Site 3) will be serviced and made ready for a commercial modern manufacturing development, and will be developed and occupied by a Growth Pipeline/Account Managed expanding business.
- 2.1.10. Heads of terms are currently being negotiated with each business. Scottish Borders Council will ensure that there are conditions to avoid land banking, i.e., the businesses must submit planning applications and develop the buildings.
- 2.1.11. The westernmost site (Site 4) will be used to develop new, speculative office space in two phases, and the first building is expected to be occupied by a private sector business under a commercial contract with Scottish Borders Council.
- 2.1.12. The servicing of sites 2 and 3, and the first building in site 4, are part of a £2 million investment from the Borders Railway Blueprint, matched by a £5 million commitment from Scottish Borders Council. The commercial development of sites 2 and 3 will also unlock significant private sector contributions of £4 million from the businesses that will occupy each site. Advice has been taken from the State Aid Unit, which states that servicing sites 2, 3, and 4 does not constitute State Aid as long as the Council is operating on commercial terms.
- 2.1.13. Finally, there is a plot (Site 5) on the southern edge of Lowood Estate that will be used to develop a mix of speculative office and industrial space on newly zoned development land. This development will not take place until the third and final phase of the programme. Figure 1 shows the location of the five plots that constitute the core of the Central Borders Innovation Park.

**Figure 1: Plots making up the Central Borders Innovation Park core**



<b>KEY</b>	
1.	Ex-Tapestry site
2.	Eildon Mill
3.	Quarry site (east)
4.	Quarry site (west)
5.	Edge of Lowood Estate

**Figure 2: Development plots by phase**

<b>Location of plot</b>	<b>Occupier of plot</b>
Site 1	Scottish Enterprise business centre/co-working space (Phase 1)
Site 2	Private sector (Phase 1)
Site 3	Private sector (Phase 1)
Site 4	Private sector (Phases 1 and 2)
Site 5	Private sector (Phase 3)

*Source: Scottish Borders Council*

2.1.14. The development of these plots provides an opportunity to set the tone and standard of future development in line with the new Tweedbank Simplified Planning Zone. Scottish Borders Council is commissioning additional work to assist with the design of the office and industrial space.

2.1.15. The total cost of the programme is estimated to be £29,020,000. This cost will be expended across the three phases of the programme:

- Phase 1 cost: £14,050,000.
- Phase 2 cost: £11,070,000
- Phase 3 cost: £3,900,000.

2.1.16. The build-out of the programme will be completed by March 2024 as illustrated in this table regarding the programme's milestones (figure 3).

**Figure 3: Key programme milestones**

Element of programme	Completion date
<b>Phase 1</b>	
Ex-Tapestry site (Site 1)	December 2020
Eildon Mill (Site 2)	December 2019
Quarry East (Site 3)	September 2020
Quarry West (Site 4)	April 2020
<b>Phase 2</b>	
Remainder of Quarry West (Site 4)	March 2022
<b>Phase 3</b>	
Edge of Lowood Estate (Site 5)	March 2024

*Source: Scottish Borders Council*

2.1.17. An independent economic impact appraisal of the programme was undertaken to verify the anticipated benefits of the project and to justify the value-for-money of the proposed interventions. The benefits are summarised below in figure 4.

**Figure 4: Summary of Programme benefits**

Type of benefit	Quantifiable benefit
GVA (exc. construction)	£350 million
Jobs	383
Construction Jobs	380
Benefit-to-Cost Ratio	£16:£1



Source: Scottish Borders Council

- 2.1.18. The programme will help to ensure that the Scottish Borders becomes a more competitive location, which is able to meet the requirements of modern businesses and thereby attract new investment into Scotland as well as ensuring that indigenous businesses are able to expand and prosper. By providing serviced employment sites and modern business premises in a strategic location, this will enable businesses to improve their productivity.
- 2.1.19. The programme will also support the regional strategic growth ambitions within SES Plan's *A Place to Do Business* theme, which identifies locations for investment and opportunities to support a low carbon economy. In relation to the latter, it is intended that the new premises will meet current building regulations and climate change legislation. Any plans to go beyond the limits imposed by these regulations and legislation will be developed in due course.
- 2.1.20. Demand analysis indicates that there is scope for innovative businesses to move into the Central Borders Innovation Park to accelerate their growth. Meanwhile, businesses that are less developed—particularly start-ups—will have opportunities to move into lower value space that is vacated elsewhere, enabling them to develop in a way that will allow them to move into the innovation park in the future.
- 2.1.21. Scottish Enterprise is confident that its business centre/co-working space will assist in helping to kick-start the wider regeneration of Tweedbank and also in creating a gateway to the Scottish Borders and an office hub that can compete with the out-of-town/satellite offices on Edinburgh's periphery.
- 2.1.22. The programme is intended to narrow the current productivity gap between the Scottish Borders and more productive areas. The ambition is to create more innovation-active businesses in the Scottish Borders, i.e. businesses that are engaged in all forms of innovation. In the medium-term, the ambition is to increase business investment in formal innovation such as research and development through working with Higher Education institutions, particularly through the City Region Deal data-driven innovation programme. As a partner in the City Region Deal programme, Scottish Borders Council has an opportunity to link into initiatives that would have previously been inaccessible to it. An example is the work being undertaken by the University of Edinburgh and Heriot-Watt University to improve digital skills across south-east Scotland. Such initiatives will help to deliver improved productivity and higher value jobs.

2.1.23. In the longer-term, businesses could sustain and improve their economic performance through increasing the value they generate from their data by adopting digital technologies—to create new products, new supply chain arrangements, new business models, individually and through collaboration—thereby creating/safeguarding jobs and turnover. This aspiration is particularly relevant to the second and third phases of the programme.

2.1.24. Investing in new office and industrial space will therefore create the conditions that can allow business innovation to occur more easily and allow innovative businesses to grow. Scottish Enterprise will be a key partner in advising and supporting businesses to this end as will Borders Business Gateway, which works closely with small and medium-sized enterprises that have been categorised as Early Stage Growth. Scottish Enterprise and Business Gateway will also assist businesses to become innovation-active in conjunction with the work being done through data-driven innovation.

2.1.25. The procurement of Phase 1 is already being implemented. Plans for Phases 2 and 3 will be considered in the light of this experience and also within the context of the approach being taken to procurement at the City Region Deal level. The capital spend on the development of the buildings will lead to opportunities for local SMEs to tender for contracts while prime contractors will have to meet the requirements of community benefit clauses that will be tailored to assist inclusive growth requirements.

2.1.26. The following table summarises the programme (figure 5).

**Figure 5: Summary of programme**

Development	Cost	Space to be provided		
		Office	Industrial	Totals
<b>Phase 1</b>				
Site 1	£3,000,000	1,404 m <sup>2</sup>	n/a	1,404 m <sup>2</sup>
Site 2	£2,370,000	60 m <sup>2</sup>	1,250 m <sup>2</sup>	1,310 m <sup>2</sup>
Site 3	£2,180,000	750 m <sup>2</sup>	1,700 m <sup>2</sup>	2,450 m <sup>2</sup>
Site 4	£5,230,198	2,446 m <sup>2</sup>	n/a	2,446 m <sup>2</sup>
Infrastructure	£1,270,000	n/a	n/a	n/a

<b>Sub-totals</b>	<b>£14,050,198</b>	<b>4,660 m<sup>2</sup></b>	<b>2,950 m<sup>2</sup></b>	<b>7,610 m<sup>2</sup></b>
<b>Phase 2</b>				
Site 2	£11,069,802	5,177 m <sup>2</sup>	n/a	5,177 m <sup>2</sup>
<b>Sub-totals</b>	<b>£11,069,802</b>	<b>5,177 m<sup>2</sup></b>	<b>n/a</b>	<b>5,177 m<sup>2</sup></b>
<b>Phase 3</b>				
Site 5	£3,900,000	1,632 m <sup>2</sup>	400 m <sup>2</sup>	2,032 m <sup>2</sup>
<b>Sub-totals</b>	<b>£3,900,000</b>	<b>1,632 m<sup>2</sup></b>	<b>400 m<sup>2</sup></b>	<b>2,032 m<sup>2</sup></b>
<b>TOTALS</b>	<b>£29,020,000</b>	<b>11,469 m<sup>2</sup></b>	<b>3,350 m<sup>2</sup></b>	<b>14,819 m<sup>2</sup></b>

*Source: Scottish Borders Council*

### 3. Strategic Case

#### 3.1. Overview

3.1.1. This section describes the “case for change”, explaining the rationale for making the proposed investment and presenting evidence on the strategic policy fit of the programme.

3.1.2. The strategic case establishes the:

- Context for the business case, outlining the strategic aims at national, devolved, and local levels.
- Market failure that has been identified, using evidence to justify the proposed intervention and demonstrating the critical success factors for this.
- A set of objectives to meet the programme’s aims.
- Measures for determining successful delivery of the objectives.
- Programme scope, determining what it will deliver.
- Breakdown of interdependencies on which the successful delivery of the programme will depend.
- Evaluation of the options considered.

#### 3.2. National policy objectives

3.2.1. The project is timely in that its aims dovetail with the UK Government’s *Industrial Strategy* of November 2017. This strategy articulates five foundations to transform the UK economy and boost productivity and earning power: Ideas; People; Infrastructure; Business Environment; and Place (Figure 6).<sup>2</sup>

**Figure 6: The compatibility of the Central Borders Innovation Park with the UK’s Industrial Strategy**

<b>UK Industrial Strategy Five Foundations</b>	<b>Description</b>	<b>Compatibility with the objectives of the Central Borders Innovation Park</b>
Ideas	The world’s most innovative economy	Creation of business space to allow innovative businesses to flourish.
People	Good jobs and greater earning power for all	Improvement in access to better jobs for the local population.
Infrastructure	A major upgrade to the UK’s infrastructure	Accessibility to the Tweedbank site will be further improved.

<sup>2</sup> H.M. Government: *Industrial Strategy: Building a Britain fit for the future*, November 2017, p. 10.

Business Environment	The best place to start and grow a business	Provision of space to aid start-up businesses
Place	Prosperous communities across the UK	Creation of economic activity that will foster inclusive growth.

*Source: Scottish Borders Council*

### **3.3. Devolved policy objectives**

3.3.1. The programme is aligned with the “4i” priorities in the Scottish Government’s Economic Strategy as it will provide *investment* in local business; encourage *innovation* and *internationalisation*; and also contribute to *inclusive growth*.<sup>3</sup> Within the innovation strand of the strategy, this project would aim to foster a culture of innovation in the Scottish Borders through working with business, its regional partners, and the universities. Within the inclusive growth strand of the strategy, this project would look to promote Fair Work and address barriers to labour market entry for disadvantaged groups. The programme is also aligned to the National Performance Framework in that it would make the Scottish Borders a more attractive place to do business and help to maximise economic potential through providing better employment opportunities for local people.

3.3.2. The programme will support the objectives of *Scotland Can Do*<sup>4</sup> drawing on the research of the university sector to maximise the potential of innovative business processes. This work will particularly focus on the second and third phases of the programme.

### **3.4. Regional policy objectives**

3.4.1. The on-going work to establish the South of Scotland Economic Partnership covering the local authority areas of Scottish Borders and Dumfries and Galloway is a key driver in regional policy. This work will complement the objectives of the Edinburgh and South East Scotland City Region Deal, particularly regarding the policy imperatives of innovation and inclusive growth.

3.4.2. This work is also being complemented by Scottish Borders Council’s involvement in the development of a Borderlands Inclusive Growth Deal. This initiative, which also involves Dumfries and Galloway Council, Northumberland County Council, Cumbria County Council, and Carlisle City Council, includes a Business theme, which aims to encourage more innovation active businesses.

3.4.3. As both the South of Scotland Economic Partnership and the Borderlands Deal are still in development, these relationships will evolve over time. In the meantime, steps are being taken to minimise areas of potential duplication.

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<sup>3</sup> Scottish Government: *Scotland’s Economic Strategy*, 2015.

<sup>4</sup> Scottish Government: *Scotland Can Do: Boosting Scotland’s Innovation Performance. An Innovation Action Plan for Scotland*. January 2017.

### 3.5. Local policy objectives

3.5.1. The *Scottish Borders Economic Strategy 2023* sets out a strategic approach to the development of a prosperous economy. Objectives directly relevant to this programme are:

- “To ensure that new land and premises are developed to allow businesses to grow and relocate.”
- “To maximise the economic development potential of the Borders Railway.”
- “To encourage and support new business start-ups, and the growth of existing businesses.”
- “To attract new businesses to the Scottish Borders.”

3.5.2. The strategy’s action plan includes a specific project to pursue land acquisition and phased refurbishment to create a Central Borders Innovation Park. The Scottish Borders Local Development Plan 2016 also notes the potential for development to meet strategic employment needs. The emphasis on an innovation park reflects other local authority aims including addressing being ranked 20th of the 23 Scottish NUTS 3 areas for productivity.

3.5.3. The economic potential of the Borders Railway has been boosted by overall passenger usage exceeding initial expectations with 22 per cent more passengers than predicted. The number of passengers using Tweedbank Station is ten times the number predicted; at Galashiels, it is five times. The railway is helping to bring the attractiveness of living and working in the Scottish Borders to national attention. This programme will help to put Tweedbank Station at the heart of a sustainable, thriving, vibrant community rather than being simply a “Park and Ride” facility for commuters and visitors. At present, most commuters using the railway travel north to Edinburgh. The programme can help to reverse this trend through creating good employment opportunities.

3.5.4. The programme supports the Inclusive Growth Framework set out in the City Region Deal. Of the main inclusive growth challenges identified at the City Region Deal level, the following are especially relevant within the context of the programme:

- Slow Growth;
- Skills inequality and polarisation;
- Gender and age inequalities; and
- Low income and low pay.



3.5.5. In terms of the percentage of working age population in employment, Scottish Borders (with a rate of 74.1 per cent for the period from April 2017 to March 2018) is “mid-to-lower table” when compared with other Scottish local authorities. However, workplace-based gross median weekly earnings in the Scottish Borders were the lowest of Scotland’s local authorities in 2016 at £453.40. These were £81.60 per week less on average than in Scotland as a whole.<sup>5</sup> This programme has the potential to attract more productive sectors of the economy, with commitments already in place from Account managed businesses to re-locate to the innovation park. There will be liaison with tenants and potential tenants about the wider equalities agenda as the programme proceeds and any speculative buildings will only be let after such discussions take place. It is intended that the City Deal investment will act as a catalyst for the whole Tweedbank master plan area and the wider central Borders by creating an environment conducive to higher growth businesses, which will have the effect of creating better paid employment opportunities.

3.5.6. It should also be noted that the area’s working-age population (16-64) is forecast to decrease by 15 per cent between now and 2039.<sup>6</sup> It is for this reason that the *Scottish Borders Economic Strategy 2023* recognises a need to make the area more attractive to younger workers:

“To make the Scottish Borders a more attractive place to live and work and arrest the out-migration of our young people, the area needs to offer alternative options to stay in the area; locate to the area; and/ or raise the value of employment on offer – this is a key challenge...”

3.5.7. Drawing on lessons from the Enterprise and Skills Review, the Scottish Borders recognises constraints on innovation activities, particularly a lack of skilled people. The proportion of those employed in high skilled occupations is currently 38 per cent, the lowest figure of the six local authorities involved in the City Region Deal. As a participant in the City Region Deal Housing, Construction & Infrastructure (HCI) Skills Gateway, Scottish Borders Council will look to develop new talent. The Innovation Park is in a good location to allow for access to a wide range of people across the Scottish Borders who have previously been isolated from high value employment opportunities. The mix of the workforce at the nearby Borders General Hospital demonstrates the opportunities that could be available.

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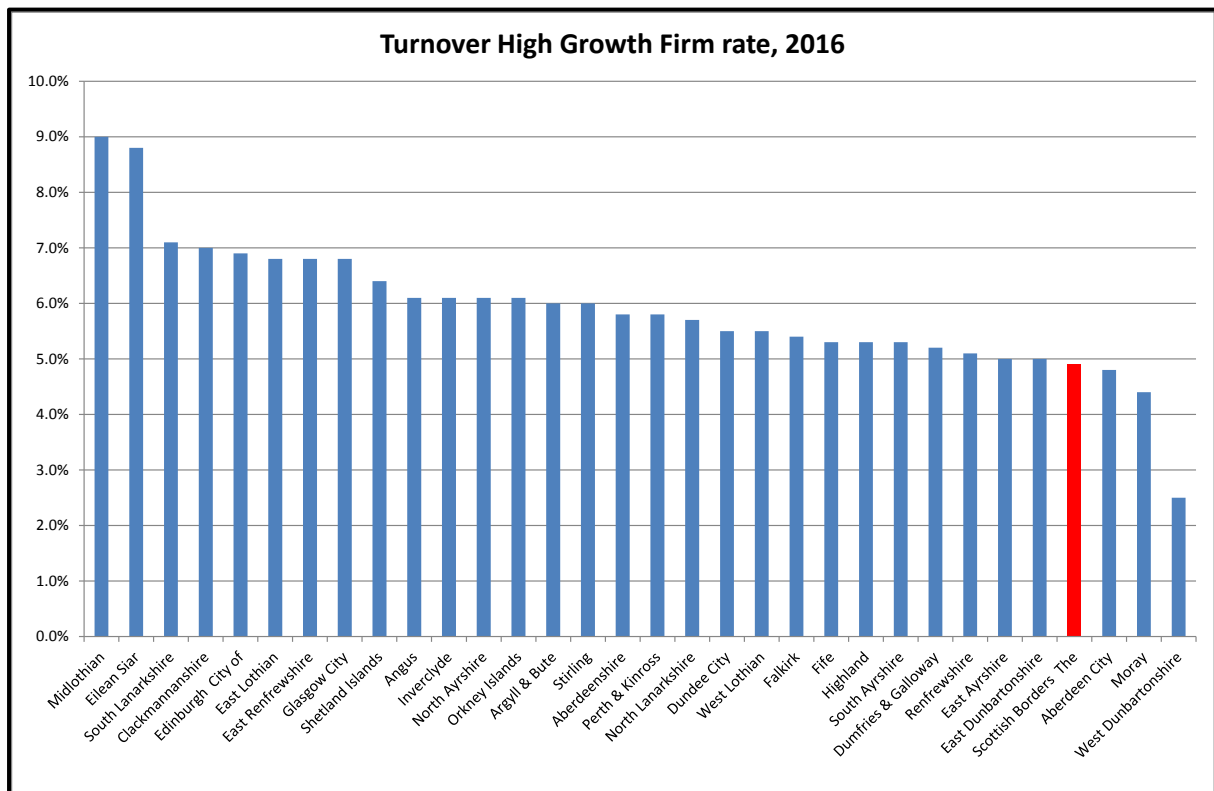
<sup>5</sup> Annual Survey of Hours and Earnings 2016.

<sup>6</sup> National Records of Scotland.

3.5.8. The skills issue is compounded in that the area is at a clear disadvantage given that the higher productive sectors of the economy tend to be located in urban rather than rural areas. Cities are more likely to possess the assets that contribute to higher productivity: a highly skilled workforce; good connectivity; competition; investment in Research and Development; and clustering of knowledge and innovation. An aim of this programme is to provide all of these elements with the additional lifestyle benefit of living in a rural area. One tenant has been identified from a highly productive sector and we will be liaising with all potential tenants about workforce mix and the potential to employ workers from a wide base. Outputs and outcomes will be monitored as the programme proceeds.

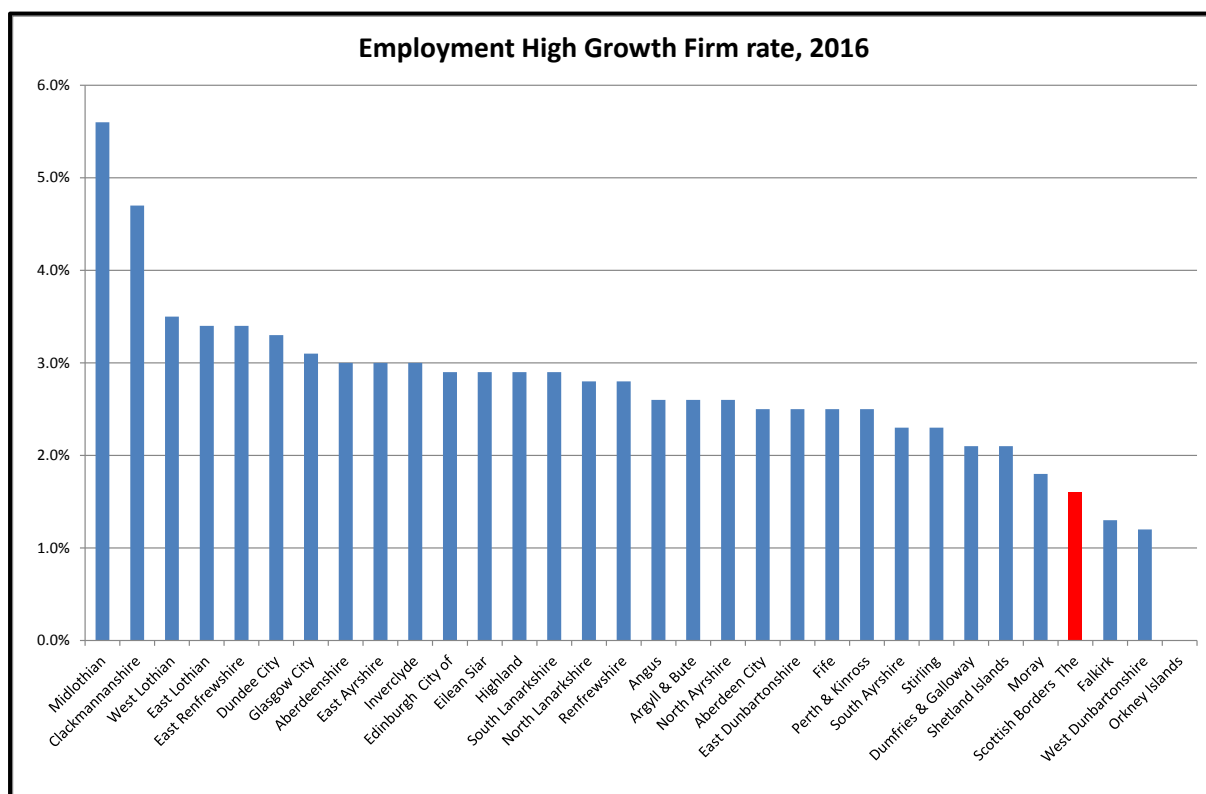
3.5.9. Innovation is a key driver in the economic development strategies that are intended to improve the performance of the Scottish Borders economy—strategies that are dependent on creating the type of programme that is the subject of this business case. The Scottish Borders currently lags behind most of Scotland in its proportion of High Growth Firms and in its share of Research and Development expenditure. Figures 7a and 7b show that the proportion of High Growth Firms within the local business base—measured by turnover and by employment—is among the lowest in the country.

**Figure 7a: High Growth Firms in Scotland by turnover, 2016**



Source: Scottish Borders Council

**Figure 7b: High Growth Firms in Scotland by employment, 2016**



Source: Scottish Borders Council

3.5.10. Building an innovation park has the potential to improve Research and Development levels by working with Higher and Further Education institutions, particularly through the City Region Deal data-driven innovation programme. Businesses with persistently higher levels of Research and Development tend to have a productivity level that is 13 per cent higher than the average.<sup>7</sup> The level of Research and Development expenditure by businesses in the Scottish Borders is low at £64 per head of population (2017 figures) compared to an average of £230 across Scotland.<sup>8</sup> Using the measure of business sites of registered enterprises by urban/rural classification, businesses based in accessible rural areas—such as Tweedbank—are least likely to be innovation active.<sup>9</sup> Increasing the number of innovative businesses would help to address the issue of slow growth, one of the inclusive growth challenges referred to above.

<sup>7</sup> Department for Business, Energy & Industrial Strategy: *Main Report – Science and Innovation Audit, Edinburgh and South East Scotland City Region*, p. 21.

<sup>8</sup> Scottish Government.

<sup>9</sup> UK Innovation Survey 2015.

3.5.11. The Scottish Borders needs to adopt innovative business processes and practices if it is to close the gaps in productivity and wages with the rest of Scotland. Innovation has been factored into the Central Borders Innovation Park Programme in the following ways:

- All incoming occupiers will be expected to undergo some form of innovation review and commit to the investigation of data-driven innovation opportunities to improve their productivity and competitiveness. Local interventions for SMEs will also be available through Business Gateway with one objective being to improve the area's rate of high growth start-up businesses.
- Scottish Borders Council will map existing and potential connections with intermediaries such as innovation hubs, catalysts, industry knowledge organisations and national agencies. This will assess the potential for better connectivity in this regard with a particular emphasis on local businesses.

### **3.6. Market failure**

3.6.1. In its September 2016 report to Scottish Enterprise on a Central Borders Business Park, Ryden wrote that “in a competitive location there are almost no modern, purpose-built offices to offer to expanding or relocating companies, particularly the higher value sectors sought by economic development strategy which are most likely to require such premises”. By siting such space at the railhead, the local economy will be in a much better position to attract businesses in these sectors.

3.6.2. The Central Borders Innovation Park has come forward on the back of the Scottish Government's £350 million investment in the Borders Railway. The Ryden report stated that “Scottish Borders' supply of immediate prime sites for inward investment is very limited. The Railway is providing an opportunity to promote the location to mobile investors.”

3.6.3. This analysis is backed up by recent experience in Hawick, which has shown how hard it is to meet the needs of inward investors with the existing outdated, inflexible property portfolio that exists in the area. Currently there is only one high quality, modern office premises available in the Central Borders and there is very little modern manufacturing space built after 2000. The existing stock of employment property is becoming increasingly obsolescent in physical, functional and environmental terms, which is constraining business activity and economic growth in the area.

3.6.4. According to analysis done by the Scottish Assessors' Association in 2015-16, industrial stock in the Central Borders consisted of 592 premises, which totalled 407,229 m<sup>2</sup> in area.<sup>10</sup> Of these, only 14 per cent were larger than 1,000 m<sup>2</sup> in area. The majority (71 per cent) were less than 500 m<sup>2</sup> in area (Figure 8).

**Figure 8: Industrial stock in the Central Borders, 2015-16**

Size band (m <sup>2</sup> )	Number of properties	Area (m <sup>2</sup> )
0-99	120	7,416
100-199	124	17,621
200-499	175	55,345
500-999	77	54,265
1,000-1,999	42	56,065
2,000-4,999	23	63,872
5,000-9,999	17	108,832
10,000+	3	43,813
Unknown	11	0
<b>Total</b>	<b>592</b>	<b>407,229</b>

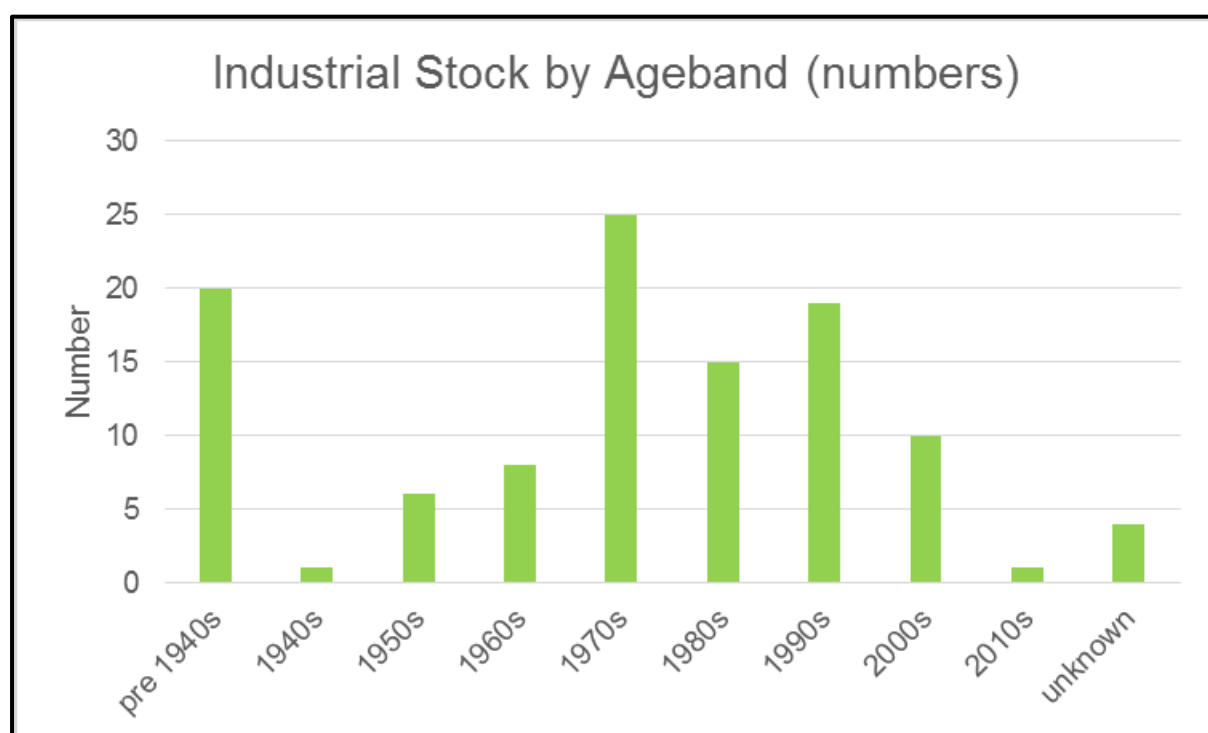
*Source: Scottish Borders Council*

3.6.5. Figure 9 illustrates the age bands of 109 industrial buildings in the Central Borders, which are taken from a smaller sub-set of industrial buildings monitored by CoStar. The majority of these buildings (69 per cent by number of units, 85 per cent by area, not shown) date from before the 1990s.

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<sup>10</sup> This analysis comprises properties classified as depot, factory, industrial unit, warehouse, workroom, workshop, bakery, brewery, laboratory, printing works, sorting office, and vehicle testing.

**Figure 9: Age bands of industrial stock in the Central Borders**



Source: Scottish Borders Council

3.6.6. Given their age, few of these buildings will have been refurbished to standards introduced by the Scottish building regulations of 2002. Moreover, the April 2016 reduction in vacant property rates relief from 100 per cent to 10 per cent after six months means that an older industrial building of over 1,000 m<sup>2</sup> is liable to an annual rates bill of around £18,000.

3.6.7. Over the past five years, average take-up within the Scottish Borders office market has been in the order of 2,500 m<sup>2</sup> per annum largely comprising fairly small individual occupational requirements in the order of 140 m<sup>2</sup>. According to analysis done by the Scottish Assessors' Association in 2015-16, office stock in the Central Borders consisted of 597 premises, which totalled 65,247 m<sup>2</sup> in area. This is only 16 per cent in area of the amount of industrial stock available. Of these, only 2 per cent were larger than 1,000 m<sup>2</sup> in area. Over 90 per cent were less than 500 m<sup>2</sup> in area (Figure 10).

**Figure 10: Office stock in the Central Borders, 2015-16**

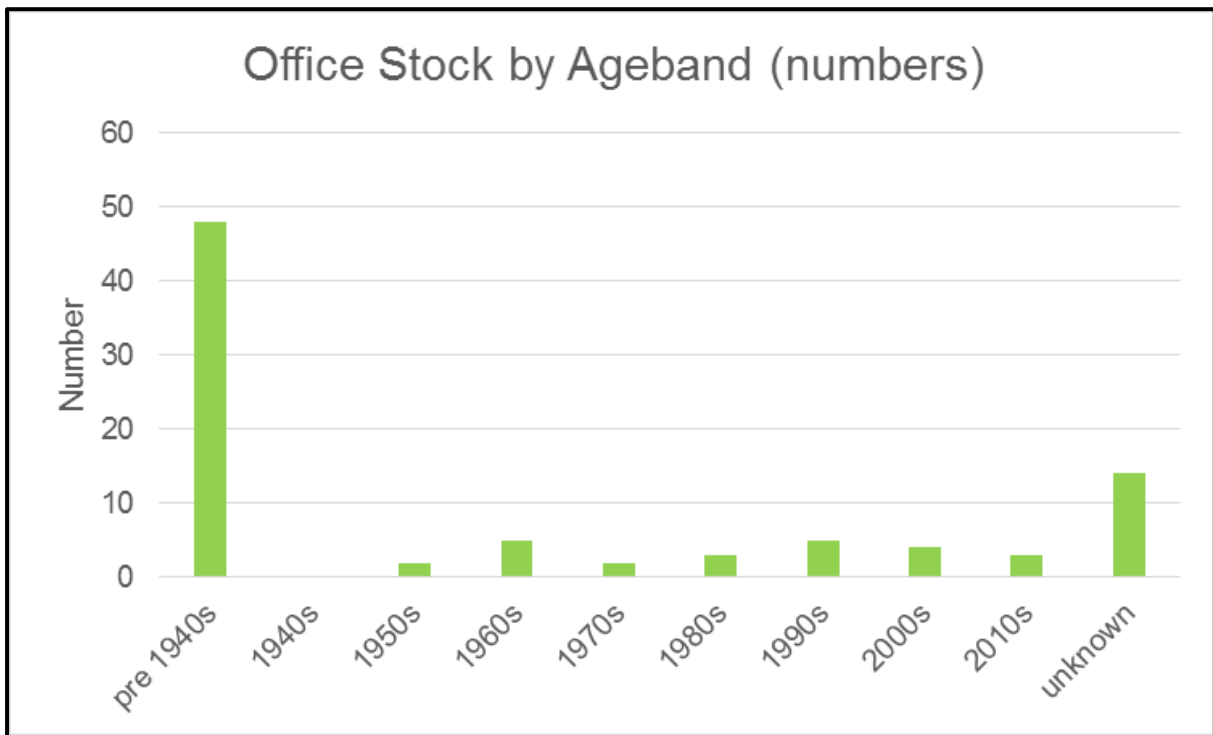
Size band (m <sup>2</sup> )	Number of properties	Area (m <sup>2</sup> )
0-99	398	17,039
100-199	84	11,898
200-499	61	17,588
500-999	7	5,434

1,000-1,999	7	9,070
2,000-4,999	2	4,218
5,000-9,999	0	0
10,000+	0	0
Unknown	38	0
<b>Total</b>	<b>597</b>	<b>65,247</b>

Source: Scottish Borders Council

3.6.8. Figure 11 illustrates that the majority of office stock (56 per cent) dates from before the 1940s.

**Figure 11: Age bands of office stock in the Central Borders**



Source: Scottish Borders Council

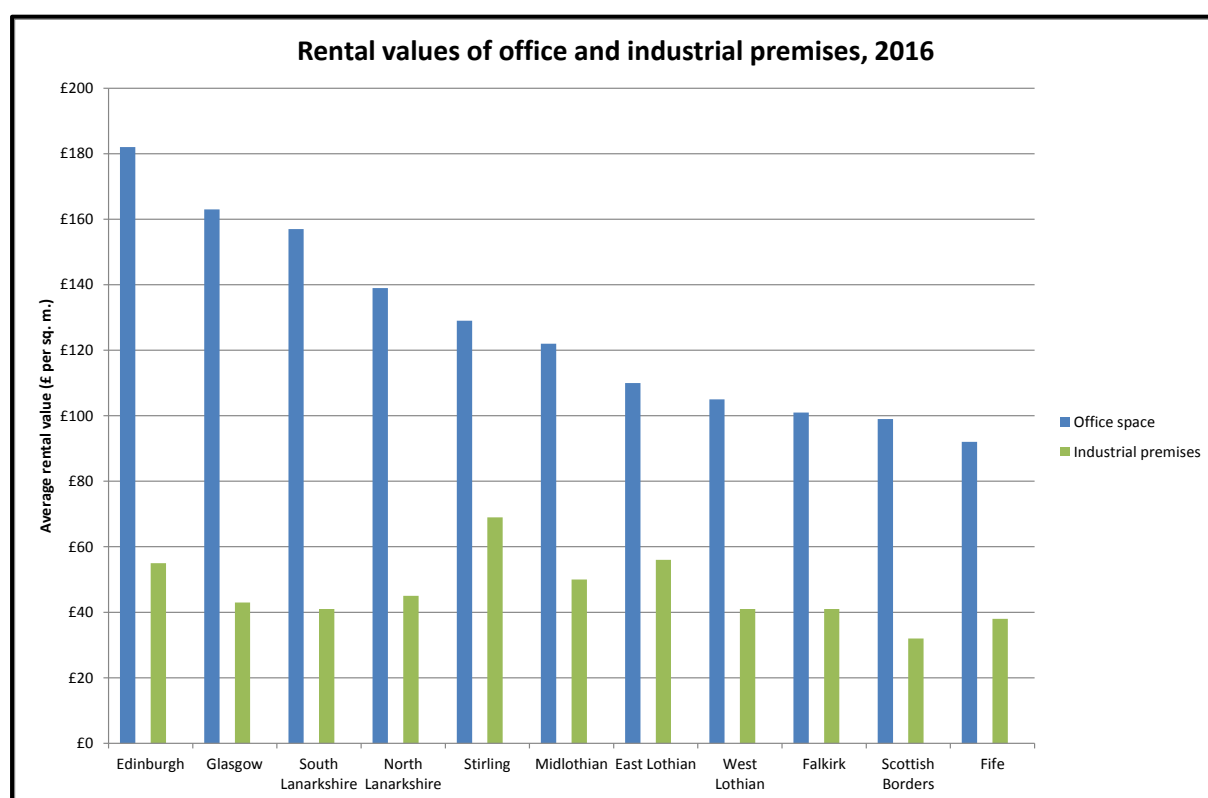


### **3.7. Critical Success factors**

3.7.1. In 2013, an “Economic and Market Assessment” for new business space at Tweedbank was undertaken on behalf of Scottish Borders Council and Scottish Enterprise. It showed that there are a range of positive economic benefits to be yielded from a new railway. These include access to employment, services, business relocations, population change, productivity, and perceptions of an area. The report’s economic analysis highlighted short-term demand for new commercial office space to meet projected growth in the “professional and business services” in the central Borders over five years. This estimated demand for 450 m<sup>2</sup> to 1,750 m<sup>2</sup> of new space with between 180 and 350 new jobs created. Over the medium-to-long term (up to 15 years), the report suggested there could be demand for between 5,000 m<sup>2</sup> and 12,000 m<sup>2</sup> of new office floor space potentially creating between 1,000 and 2,300 jobs. Failure to provide this space would mean that the Scottish Borders would only realise the negative impact of providing a rail link to jobs outside the area.

3.7.2. Figure 12 shows that rental values (and therefore revenue) in the Scottish Borders are lower than those prevalent in the central belt. Industrial premises in the Scottish Borders cost, on average, £32 per m<sup>2</sup> in 2016, which is the lowest rate among the 11 local authorities surveyed. Office space could be rented at £99 per m<sup>2</sup> on average in the Scottish Borders. Only Fife was cheaper at £92. This relatively low cost is an additional short-term advantage for potential inward investors.

**Figure 12: Rental values of office and industrial premises, 2016**



Source: Scottish Borders Council

3.7.3. Within the Central Borders, rents for office space vary. Flexible accommodation within the Tweed Horizons Business & Conference Centre at Newtown St Boswells ranges from £82.24 per m<sup>2</sup> to £96.88 per m<sup>2</sup>. Within multi-let accommodation at Ettrick Riverside, Selkirk, rent is between £64.58 per m<sup>2</sup> and £123.78 per m<sup>2</sup>. In Galashiels, rents at Galabank Business Park have been between £129.17 per m<sup>2</sup> and £134.55 per m<sup>2</sup>, and quoted rents at the Waverley Chambers at Galashiels Transport Interchange are £129.17 per m<sup>2</sup>.

3.7.4. Rental growth is being experienced within the Central Borders industrial market. Rents have typically been within the range of £40.36 per m<sup>2</sup> to £53.82 per m<sup>2</sup>. There are examples above these levels within Galabank Business Park going up to £63.51 per m<sup>2</sup>.

3.7.5. The Ryden report of 2016 provides an analysis of the market need. The supply of commercial and industrial property in the Scottish Borders was significantly lower in 2014-16 than it was in the post-recession period of 2012-13. Anticipating an increase in the supply of quality business premises through the creation of a Central Borders Business Park, Ryden concluded that:

“There is good consensus among consultees around the target occupier market for Tweedbank. Smaller, innovative companies with growth potential from the existing catchment and potentially more footloose are expected to be attracted over time as the location is improved.”

3.7.6. Scottish Enterprise is confident that its business centre/co-working space will assist in the wider generation of Tweedbank and also in creating a nationally competitive office hub. A review of emerging trends in the market for multiple occupancy business space has been completed by Graham & Sibbald and this has identified a mix of room sizes for the business centre.

3.7.7. The operating model for the business centre will include access arrangements for start-ups, commuters, and growing businesses. There may be opportunities to link it to other business centres through using shared applications thereby enabling businesses to have access to various facilities across the region.

### 3.8. Objectives

3.8.1. Overall, the programme will allow for a clear pathway to be created from the initial investment stage to “game-changing” impacts for the Scottish Borders (Figure 13).

**Figure 13: Pathway for innovation and economic growth**

Input →	Activity →	Output →	Outcome →	Impact
<p>City Deal funding for new office and industrial space.</p> <p>Planning with stakeholders to maximise benefits of innovation.</p>	<p>Building of new, modern premises allowing businesses to work more efficiently.</p>	<p>Improved productivity with a proportion of occupiers engaging in innovative processes.</p>	<p>Business growth through increased turnover and profits.</p> <p>“Ripple effect” encouraging private sector to invest in new business space.</p>	<p>Increased employment, including higher skilled jobs, uplift in GVA and productivity.</p>

Source: Scottish Borders Council

3.8.2. To ensure that the programme creates this pathway, five strategic objectives have been identified for it:

- 1.) Spend up-front to install the necessary infrastructure at Tweedbank that will allow further investment to be leveraged in from the public and private sectors.
- 2.) Construct employment property to encourage existing and new businesses to set up and/or expand their operations in the area.
- 3.) Liaise with the Higher Education sector to determine the degree to which innovative concepts such as data-driven innovation can be applied.
- 4.) Work with employers to ensure that high skilled and well-paid employment is on offer to a wide range of potential employees.
- 5.) Utilise existing land and locate the innovation park close to the area's highest concentration of population and the railway so as to reduce carbon footprints.

### 3.9. Measures for success

3.9.1. For each objective set out in 3.8.2, an “indicator of success” has been established to determine what constitutes successful delivery of the programme. Indicators and related targets are outlined in Figure 14.

**Figure 14: Measures for success against the programme’s strategic objectives**

Indicator	Targets	Relating to objective
Attract non-Council and non-City Deal sources of funding	Leverage £5M of other public sector funding and £4.1M of private sector investment	1.) Spend up-front to leverage in investment
Improve the quality of business space on offer	Increase take-up rates of businesses; reduce proportion of empty premises	2.) Construct employment property for businesses
Assist businesses in becoming more innovation-active	Increase the number of High Growth Firms in the Scottish Borders	3.) Application of data-driven innovation
Create higher skilled and better paid jobs	Increase number of more productive jobs, including employment for under-represented groups.	4.) High skilled, well-paid employment offer
Reduction in car usage and in commuter travel times to work	Reduce CO <sup>2</sup> emissions towards the national average.	5.) Reduce carbon footprints

Source: Scottish Borders Council

### 3.10. Interdependencies

3.10.1. Within the context of the City Region Deal, Scottish Borders Council will work with strategic partners, particularly Fife Council and the University of Edinburgh, to maximise the benefits of data-driven innovation and its potential to increase the number of innovation active businesses, both regionally and locally. At the local level, there are a number of key stakeholders involved in the programme: Scottish Enterprise, businesses occupying the sites, and local business organisations. These interdependencies will be managed through the governance structures described in the Management Case below. Each stakeholder will be expected to abide by and, where appropriate, help to meet the programme’s strategic objectives.

### 3.11. Options

3.11.1. Prior to selecting the parameters of the programme, four options were examined. These were “do nothing”; “do minimum”; “do something”; and “do everything”. These options are set out in Figure 15 below, which compares the alignment of each option with the aforementioned stated objectives for the programme.

**Figure 15: Central Borders Innovation Park option assessment summary**

Option	Alignment with Programme objectives					Comments
	1.)	2.)	3.)	4.)	5.)	
<b>Do nothing:</b>  Status quo with Tweedbank Industrial Estate continuing to decline.	×	×	×	×	×	Would exacerbate the gap in economic performance between the Scottish Borders and Scotland as a whole, which is currently a differential of almost one-fifth.
<b>Do minimum:</b>  Building the core of an innovation park in Tweedbank on Council-owned land next to the railway station and also newly acquired land on the southern edge of Lowood Estate.	✓	✓	✓	✓	✓	The favoured option, which is affordable given currently secured funding and the land is ready for development. This option is most likely to secure private sector investment.
<b>Do something:</b>  Building a new innovation park	×	✓	✓	✓	✓	This option does not offer value-for-money as the costs of creating all of the required infrastructure are too prohibitive at present and there are

to include all the newly acquired business land in Lowood and also land on the existing industrial estate.						concerns about the short-to-medium term demand for the additional space in the proposal.
<b>Do maximum:</b>  Build all business and residential infrastructure as outlined in the masterplan.	×	√	√	√	√	Far too costly at this stage; the “do minimum” option provides traction for building out the rest of the masterplan when more funding is available and demand for the proposed development space is more apparent.

Source: Scottish Borders Council

## **4. Economic Case**

### **4.1. Overview**

4.1.1. This section identifies the key economic impacts of the programme and presents an assessment of its overall value-for-money. This effectively shows the extent to which the programme's benefits outweigh its costs. The economic impacts of the programme have been appraised following the principles contained within HM Treasury's Green Book guidance.

4.1.2. The programme's impacts are summarised in Figure 17 on the Economic Assessment, which provides a summary of modelled quantitative and monetised impacts.

4.1.3. This section contains the following elements:

- An overview of the programme's Options Appraisal together with sensitivity analyses.
- A value-for-money statement.
- Potential risks to achieving value-for-money.
- A description of the anticipated economic impacts from the programme.

### **4.2. Options Appraisal**

4.2.1. The strategic case identified a preferred scenario that best fits the objectives for the programme. The other options set out in the strategic case were not taken forward to appraisal as these do not meet the programme's objectives. Sensitivity scenarios have also been appraised and these are presented later in the Economic Case.

4.2.2. The option that has been appraised was based on the following key principles and assumptions:

- A 30-year economic appraisal period, for consistency with other City Region Deal projects and programmes.
- It is assumed that empty property rates relief of 10 per cent would be applied assuming 90 per cent of rates are charged.
- The financial assessment NPV is based on Scottish Borders Council's financing position solely (Scottish Borders Council-built buildings and rents).
- The appraisal includes the full economic impact of the development (including privately funded and built buildings).
- Scottish Borders Council can currently borrow at a rate of between 2.75 per cent and 3 per cent. For reasons of prudence, a borrowing rate of 3 per cent has been used in the appraisal.



- It has been assumed prudent to model an occupancy rate of 75 per cent to allow for uncertainties in predicting economic circumstances over the life of the project.<sup>11</sup>
- Discount rates of 3.5 per cent are assumed across the 30-year period.

4.2.3. Two separate sensitivity tests have been undertaken to demonstrate where there could be a positive impact on the base case and where there could be a negative impact on it (Figure 16 and Appendix 3). The sensitivities tested were:

**Positive impact:**

- An increase of 10 percentage points in the modelled occupancy rate of 75 per cent.
- Under the Business Accelerator, no empty rates costs are assumed.
- A decrease of 10 per cent in construction costs.
- An increase of 5 per cent in the rental income price.
- A decrease of one percentage point in interest payable.
- An increase of 5 per cent in other capital funding.

**Negative impact:**

- A decrease of 5 per cent in other capital funding.
- A 3-year delay in other capital funding.
- A decrease of 5 per cent in the rental income price.
- An increase of two percentage points in interest payable.
- An increase of 10 per cent in construction costs.
- A two-year delay in developments becoming available.
- A decrease of 10 percentage points in the modelled occupancy rate of 75 per cent.

**Figure 16: Sensitivity Analysis**

Sensitivities (£M)	(NPV of surplus)	(Surplus)	Interest	Annual revenue grant	No. of annual revenue grant payments	Change in NPV
<b>Base Case (Medium cost scenario) – Annual grant in arrears</b>	(5.3)	(11.1)	0.6	(3.5) - (0.15)	15	

<sup>11</sup> The average occupancy rate of premises rented by Scottish Borders Council is currently 87 per cent.

<b>Positive impact on Base Case (Low cost scenario)</b>						
Occupancy increased from 75% to 85%	(7.1)	(14.4)	0.5	(3.5) - (0.15)	15	(1.8)
Business Accelerator – No empty rates costs	(6.1)	(12.5)	0.6	(3.5) - (0.15)	15	(0.8)
Construction costs - 10% decrease	(8.5)	(15.0)	0	(3.5) - (0.15)	15	(3.2)
Rental Income Price + 5%	(6.0)	(12.4)	0.6	(3.5) - (0.15)	15	(0.7)
Interest - 1% decrease	(5.5)	(11.4)	0.4	(3.5) - (0.15)	15	(0.2)
Other capital funding + 5% increase	(5.9)	(11.8)	0.5	(3.5) - (0.15)	15	(0.6)
<b>Negative impact on Base Case (High cost scenario)</b>						
Other capital funding - 5%	(5.0)	(10.9)	0.7	(3.5) - (0.15)	15	0.2
3-year delay in other capital funding	(5.0)	(11.4)	1.1	(3.5) - (0.15)	15	0.3
Rental Income Price - 5%	(4.9)	(10.4)	0.6	(3.5) - (0.15)	15	0.3
Interest + 2% increase	(5.5)	(11.4)	1.1	(3.5) - (0.15)	15	(0.2)
Construction costs + 10% increase	(2.5)	(7.8)	1.7	(3.5) - (0.15)	15	2.8
2-year delay in developments being available	(4.6)	(10.3)	0.8	(3.5) - (0.15)	15	0.7
Occupancy reduced from 75% to 65%	(3.8)	(8.4)	0.7	(3.5) - (0.15)	15	1.5

Source: Scottish Borders Council

### 4.3. Value-for-money assessment

4.3.1. The value-for-money assessment summarises the impact of the programme and is based on economic modelling. It uses the HM Treasury Green Book method of cost-benefit analysis, by weighing the benefits against the costs to indicate whether the scheme offers value-for-money. This is based on summing the monetised impacts to establish a BCR, which enables a conclusion about the programme's value-for-money to be made.

4.3.2. The overall BCR for the programme is 16:1 and this forms part of the economic assessment presented in figure 17.

**Figure 17: Economic Assessment summary**

<b>GVA impact and jobs impact</b>	
NPV of Direct GVA	£349,988,318
NPV of Construction GVA	£60,418,673
Net jobs impact (total)	383
Gross construction jobs impact (Maximum in Year 6)	380
BCR	£16:£1
<b>Tax impact</b>	
NPV of direct net Income Tax	£14,790,032
NPV of direct National Insurance	£24,520,679
NPV of direct net Corporation Tax	£8,714,179
NPV of gross NDR impact	£1,987,886

Source: Scottish Borders Council

4.3.3. The following headline conclusions can be drawn from the results of the economic assessment:

- The scheme represents very high value-for-money with a strong BCR.
- An assessment of the quantitative elements of the economic model (jobs and GVA) demonstrates a strong impact on meeting the wider economic objectives of the programme.

### 4.4. Value-for-money risks

4.4.1. There are risks that could potentially impact on the value-for-money of the programme:

- **Lower underlying demand** for phases 2 and 3. This is a risk as it is difficult to determine the levels of demand in three-to-four years' time for the anticipated space given the unpredictability of future economic

conditions. Reduced occupancy is, therefore, one of the tests that has been assessed as part of the sensitivity analysis.

- **Higher costs** resulting from an underestimation of capital costs or an increase in the future costs of buildings in phases 2 and 3 and in maintenance of the buildings in all phases owing to macro-economic conditions.
- These risks have been included within the Programme Risk Register, which is in Appendix 4 of this FBC, and will be monitored as the programme proceeds.

## **4.5. Economic Impacts**

4.5.1. The programme will have a large beneficial impact on local and regional employment and productivity. Meeting the objectives of increasing employment, particularly that which is highly skilled and well-paid, and increasing productivity, would have a direct and an indirect impact on the local economy through increased household income and demand for local services. The utilisation of brownfield and greenfield sites around Tweedbank Station for economic activity should also lead to an increase in land values in the area making it more attractive for future investors.

## 5. Financial Case

### 5.1. Overview

5.1.1. This section presents evidence of affordability across the life of the programme. It also includes information on the drawdown of City Region Deal funding.

### 5.2. Programme costs

5.2.1. The programme will cost £29,020,000. This figure is unchanged from the OBC and was verified by Scottish Borders Council's cost consultants in November 2018. A summary of the programme costs is given in Figure 18.

**Figure 18: Cost estimate summary**

Cost category	Cost (£)			
	Phase 1	Phase 2	Phase 3	Totals
Demolition and site servicing	500,000	0	0	<b>500,000</b>
Development costs	12,280,198	11,069,802	3,900,000	<b>27,250,000</b>
Infrastructure	1,270,000	0	0	<b>1,270,000</b>
<b>Totals</b>	<b>14,050,198</b>	<b>11,069,802</b>	<b>3,900,000</b>	<b>29,020,000</b>

Source: Scottish Borders Council

5.2.2. As can be seen, the majority of the programme's cost will be spent on developing the buildings at each of the five sites. At the present time, it is intended to carry out all infrastructure work during Phase 1 although the construction of the road (costing £450,000) that is required to access the site that will be developed in Phase 3 is not time-critical.

5.2.3. The costs include an allowance of 10 per cent for optimism bias. No allowance for inflation has been included at this stage.

### 5.3. Spend profile

5.3.1. The expenditure profile for the programme is illustrated in Figure 19. Expenditure profiling has been done on the basis of the City Region Deal Financial Plan with a variable annual drawdown from the City Region Deal assumed from 2019-20.

**Figure 19: Expenditure spend profile summary (15 years)**

	18-19	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Scottish Borders Council	0.3	4.7	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Scottish Government	0	1.8	3.5	3.5	1	1	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.3	0.3	0.2
Scottish Enterprise	0.1	0.3	1.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Borders Railway Blueprint	1	1	1.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Private sector	0	3.4	0.6	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>1.4</b>	<b>11.2</b>	<b>6.7</b>	<b>3.5</b>	<b>1</b>	<b>1</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>

Source: Scottish Borders Council

5.3.2. Whole life costs have been built into the financial model. These cover management costs, maintenance costs, empty rates costs, and project management costs. Figure 20 gives a breakdown of the programme's whole life costs, which are anticipated to be almost £8.8 million.

**Figure 20: Summary of whole life costs**

Category	Costs over 30 years
Management costs	£995,326
Maintenance costs	£6,713,316
Empty rates costs (over 1,000m <sup>2</sup> only/10 per cent relief)	£1,080,176
<b>Total</b>	<b>£8,788,818</b>

Source: Scottish Borders Council

5.3.3. The financial model has also allowed for an analysis of operating income. This would be derived from rental income at the sites that will not be owned by the private sector. Figure 21 gives a breakdown of operating income for those sites, which is anticipated to be over £19.9 million.

**Figure 21: Summary of operating income**

Site	Income over 30 years
Site 1	£3,007,368
Site 4	£13,665,195
Site 5	£3,233,952
<b>Total</b>	<b>£19,906,515</b>

Source: Scottish Borders Council

## **5.4. Funding assumptions**

- 5.4.1. The Scottish Government through the City Region Deal will fund some 51.7 per cent of the programme. In its role as the City Region Deal's accountable body, City of Edinburgh Council will have a framework in place to ensure accountability; that the funding represents value-for-money; and that there are sufficient safeguards in place to ensure the money is spent in accordance with appropriate legal requirements. As a recipient of this money, Scottish Borders Council will abide by all accountability and assurance criteria.
- 5.4.2. The contributions from the Borders Railway Blueprint, Scottish Borders Council, the private sector, and Scottish Enterprise make up 48.3 per cent of the programme's costs. These will be managed through the governance structure put in place for the Borders Railway Blueprint. This will ensure that public sector grants and private sector contributions will be claimed and reported through the Borders Railway Blueprint Leaders' Group. The Central Borders Innovation Park programme will have sight of the drawdown of the funding and will also have access to the reporting of this process.
- 5.4.3. In modelling the drawdown of Scottish Government grant, a scenario of a variable drawdown for 15 years from 2019-20 was assumed from the profile in the City Region Deal Financial Plan. This scenario is subject to change and the financial model can be revised accordingly.

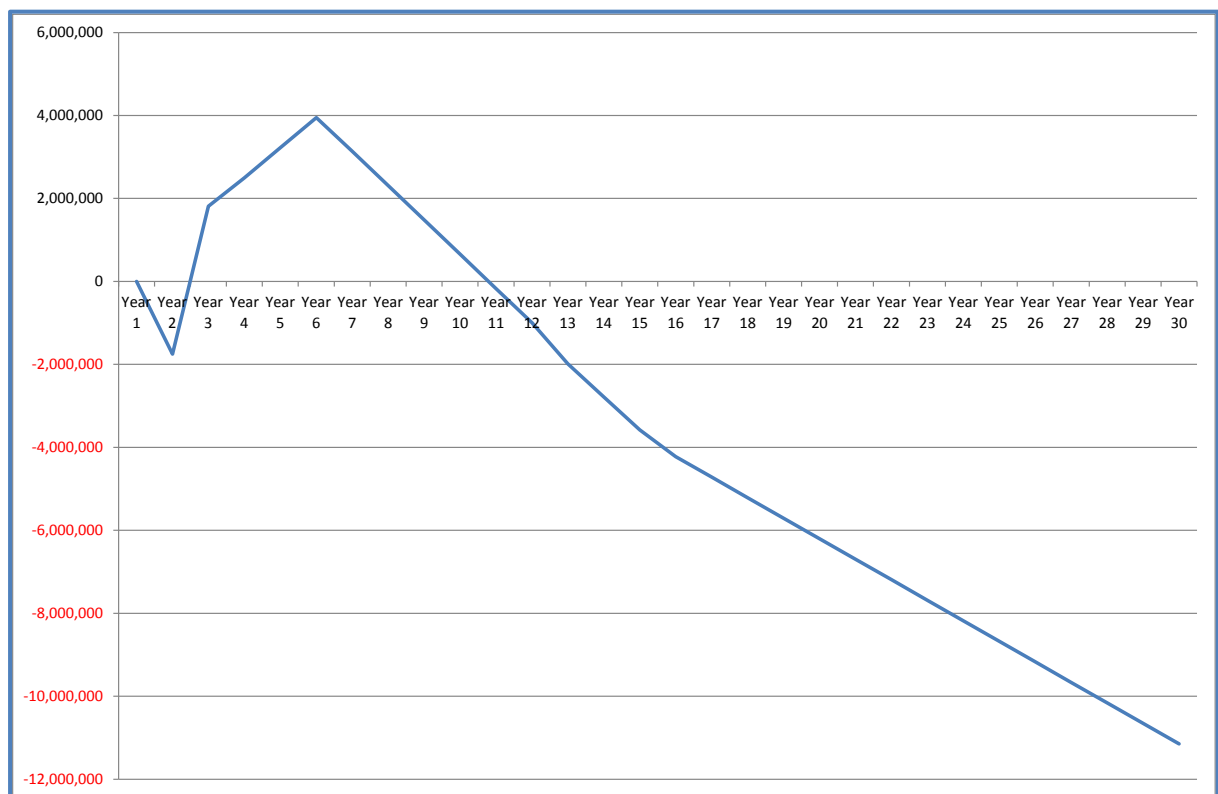
## **5.5. Rental income**

- 5.5.1. The financial modelling informing this part of the business case is indicative at this stage, but has sufficient detail for the purposes of this FBC.
- 5.5.2. Projections for rental income are based on achieving a 75 per cent occupancy rate for the office and industrial space with rates based on the Scottish Borders averages for office and industrial space given in Figure 8 above inflated to 2018-19 prices. (These rates are considered to be on the pessimistic side given the rates that are quoted for high quality premises elsewhere in the Scottish Borders.) Although rental income will probably not be as uniformly consistent throughout the life of the programme as suggested in the financial model, it is possible that vacancy rates will not be as high as 25 per cent given anticipated demand, certainly in the short-and-medium terms.
- 5.5.3. It is assumed that empty property rates relief of 10 per cent would be applied assuming 90 per cent of rates are charged.

## 5.6. Debt requirement

5.6.1. The financial modelling estimates the amount of borrowing that will be required to cover outstanding deficits at the end of each financial year. The overall borrowing requirement would peak at £4.5 million in Year 6 (2023-24) with repayment taking place in Year 11 (2028-29). The cumulative operating costs (capital and revenue) over the life of the programme are illustrated in Figure 22, which shows that it would generate an overall surplus of £11.1 million by Year 30 (2047-48).

**Figure 22: Cumulative operating costs (capital and revenue) over 30 years**



Source: Scottish Borders Council



5.6.2. At the present time, the local authority does not have any capital funding beyond its £5 million contribution and requires the City Region Deal contribution to make the programme viable. As the programme moves into surplus, income will be re-invested in line with the principles of the City Region Deal. This could include using income to support the future build-out of the Tweedbank master plan area as well as re-investing income into the core innovation park. The income will not be re-allocated to other Council budgets.

5.6.3. The Council did not model a scenario where there could be no cumulative cost surplus or development debt at the end of the 30-year period. This was to ensure that the Council could mitigate the financial risk involved in the programme as otherwise all of this risk would rest with it.

## **5.7. Debt drawdown and repayment profile**

5.7.1. Scottish Borders Council can currently borrow at a rate of between 2.75 per cent and 3 per cent. For reasons of prudence, a borrowing rate of 3 per cent has been used in the modelling. The Council will follow its financial regulations with regard to capital borrowing as the programme proceeds. Compliance will be monitored through the Council's internal and external audit procedures.

5.7.2. There are risks that the cost of infrastructure projects which drive the potential rentals and capital receipts are significantly understated or that phases of the programme deliver significant cost over-runs. This might increase the level of unsupported borrowing, increase debt costs or the payback period. Flexibility has therefore been built into the financial model so as to monitor the situation on an on-going basis.

## **5.8. Revenue activity**

5.8.1. Current Council revenue activities will resource work on employability initiatives, community benefits, and also innovative activity and business support through Business Gateway. It will also engage businesses to develop fair and progressive workplace practices through highlighting the need to participate in national, regional, and local initiatives on Fair Work.

## **6. Commercial Case**

### **6.1. Overview**

- 6.1.1. This section sets out the approach for procuring the construction of each phase of the programme. With regard to the procurement of works and services, Scottish Borders Council's procurement regulations will be fully adhered to as will the provisions of relevant Scottish, UK, and EU legislation. Scottish Borders Council is very experienced in delivering infrastructure works in the Scottish Borders.
- 6.1.2. All procurement must be done in accordance with Scottish Borders Council's procurement regulations and the relevant legislation. All contracts let by the Council must comply with the Council's Procurement and Contract Standing Orders.
- 6.1.3. Owing to the differing timescales of the programme's phases, each requires a separate procurement strategy. The outputs and options are described below together with an outline of the proposed approach.

### **6.2. Required outputs**

- 6.2.1. The outputs required throughout the programme from consultants and contractors will be monitored throughout the duration of all contracts that are let. The programme manager will have responsibility for the monitoring of performance; compliance with the specification and other terms of the contract; costs and benefits; Best Value requirements; equality requirements; delivery; and risk management. The contractors must adhere to the procurement regulations described above.
- 6.2.2. In accordance with the requirements of the City Region Deal and also with Scottish Borders Council policy, community benefit clauses will be put in place so as to benefit the long-term unemployed, young people looking for apprenticeships, and other people requiring work experience opportunities. These clauses will help to unlock opportunities within relatively deprived communities and groups thereby assisting inclusive growth. Discussions will also take place to encourage the private sector and Scottish Enterprise to use these incentives. The construction phase will create 380 jobs and will create high-value apprenticeships that can be tailored to under-represented groups, for example, based on age and gender.
- 6.2.3. Scottish Borders Council's Sustainable Procurement Policy Group is putting in place a methodology to measure the impact of community benefits from its construction projects. This methodology will be used to assess the utility of community benefits on this project.

### 6.3. Procurement approach

6.3.1. Owing to the differing timescales of the programme's phases, a separate procurement strategy is required for each phase. Moreover, as each project within the first phase is being procured by different stakeholders, there are four separate procurements taking place.

6.3.2. The private sector is responsible for the procurement of the buildings that will occupy sites 1, 2, and 3 respectively. In the case of Eildon Mill (site 2), the programme manager has been responsible for the demolition of the existing building and subsequent site works. Procurement timescales for sites 2 and 3 can be seen in the Programme Plan for Phase 1, which is given in Appendix 5.

6.3.3. Scottish Enterprise has procured a design team and project management team and will go for internal approval in early 2019. The outline programme for site 1 is shown in Figure 23.

**Figure 24: Outline programme for site 1**

Activity	Date	Potential related activity
Stakeholder review meeting (RIBA Stage 2 – concept design).	January 2019	Stakeholders with interest in the facility have the opportunity to attend.
Submission of planning application to Scottish Borders Council.	March 2019	Stakeholders can review the application through the Council's planning portal.
Issues Works Contract Tender documents.	October 2019	Ensure that community benefits are achieved. (employment, training, and supplier development opportunities).
Appoint contractor.	December 2019	
Start on site.	January 2020	
RIBA Stage 6 – facility handover and operational staff training.	October 2020	

Source: Scottish Enterprise

6.3.4. Site 4 will be procured by Scottish Borders Council. An ESPD route is being used and the procurement timescales, which extend over a period of six months, are illustrated in Figure 23.

**Figure 23: Procurement timescales for site 4**

Procurement activity	Start date	End date
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Preparation of tender documents	03.09.18	19.10.18
Issue ESPD	22.10.18	22.10.18
ESPD period	22.10.18	16.11.18
Review of ESPD returns	19.11.18	30.11.18
Selection of shortlist	03.12.18	03.12.18
Issue of ITT	21.01.19	21.01.19
Tender period	21.01.19	01.03.19
Tender return deadline	04.03.19	04.03.19
Review and preparation of report (including interviews if required)	04.03.19	15.03.19
Contract award	18.03.19	18.03.19

*Source: Scottish Borders Council*

6.3.5. A similar approach is likely to be followed to the procurement of the other buildings in site 4 during the second phase of the programme and also in the procurement of the buildings that will complete site 5. The procurement strategy to be adopted for phases 2 and 3 will be informed by the experience of phase 1.

## **7. Management Case**

### **7.1. Overview**

7.1.1. This section describes how the programme will be delivered. It demonstrates the realism of the timescales and the phasing; that a robust governance structure is in place; that risks have been identified and can be managed; and that there are clear processes in place for communications and stakeholder management.

7.1.2. The Management Case also shows how the benefits set out in the Economic Case will be realised and includes measures to assess and evaluate these.

7.1.3. This section contains the following elements:

- Programme dependencies.
- Governance, organisational structure and proposed roles.
- A programme implementation scheme.
- Information on proposed communication and stakeholder management.
- Risk identification and a risk management strategy, setting out how the risks that have been identified, their potential impact, appropriate mitigation and management.
- A Benefits, Realisation, Monitoring and Evaluation Plan, which describes the approach to ensuring that the stated benefits in the Economic Case are delivered. It also describes monitoring of the programme's objectives and KPIs as stated in the strategic case.
- Change management process.

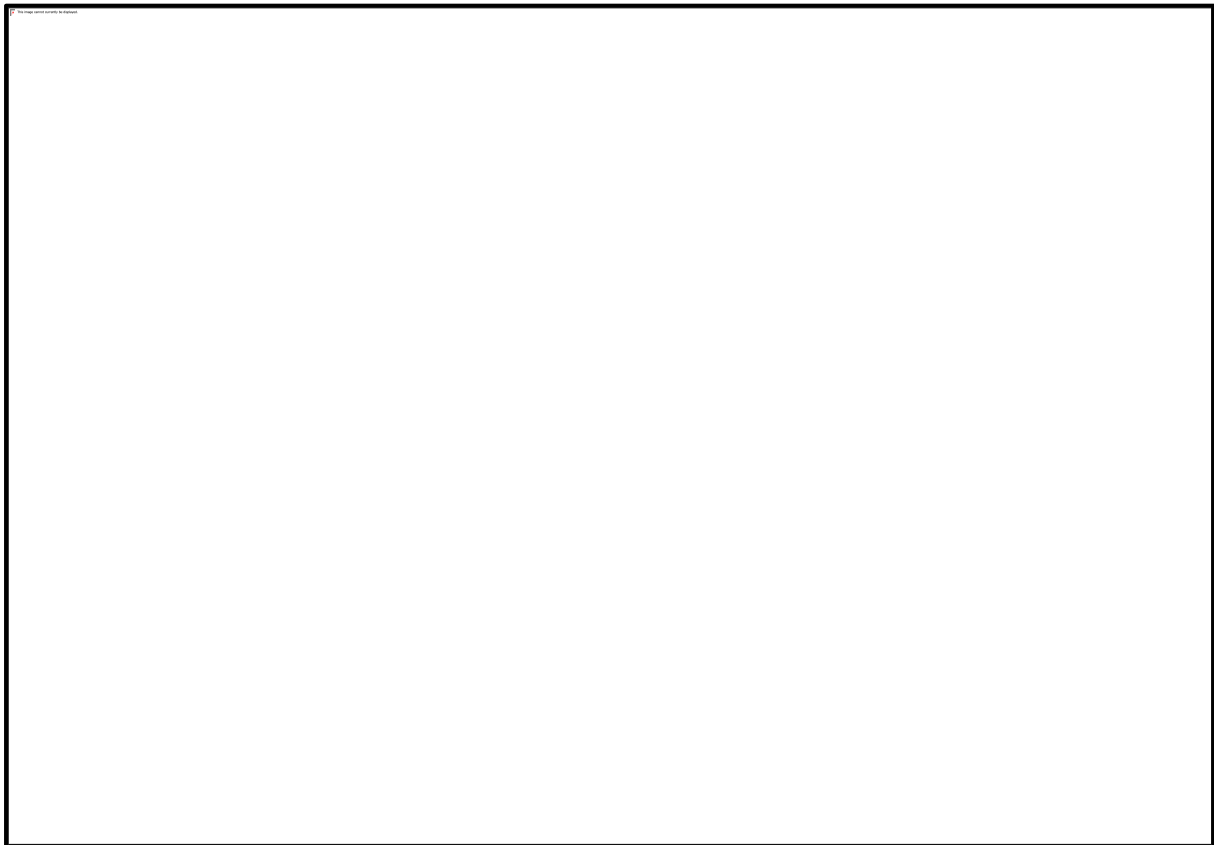
### **7.2. Programme dependencies**

7.2.1. The Central Borders Innovation Park programme closely aligns with the wider plans for realising the vision of the Tweedbank Masterplan. It includes five individual projects that will be completed across the programme's three phases. Successor phases will be dependent on the completion of the previous phase of the programme. This is particularly relevant in Phase 2, which will complete the buildings being constructed at site 4. Future plans for the build out of industrial, retail, and office space within the whole masterplan area are dependent on the successful completion of this programme.

### **7.3. Programme governance and reporting**

7.3.1. At the regional level, the project sits within the governance structure agreed by the City Region Deal partners (Figure 25). These governance arrangements will enable decisions to be taken in an open and transparent way for the whole region.

**Figure 25: City Region Deal Governance Structure**

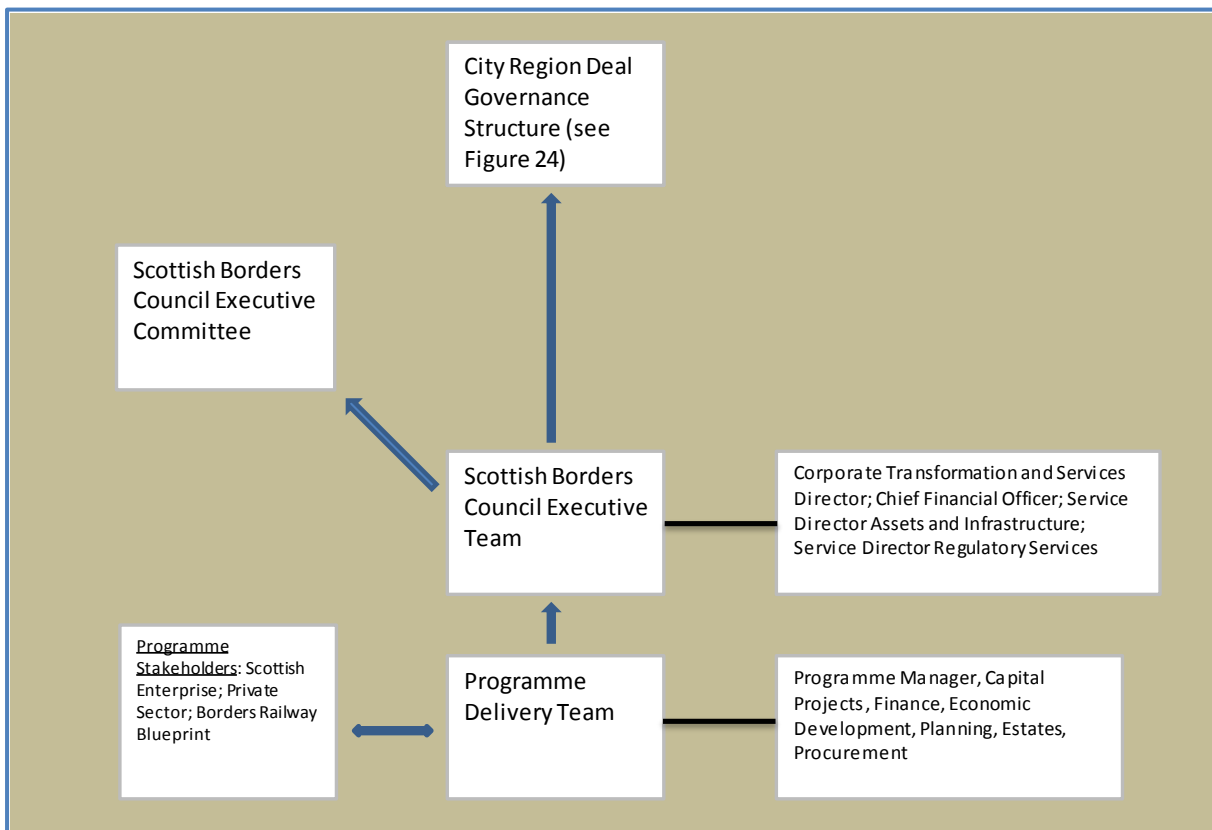


*Source: Edinburgh and South East Scotland City Region Deal*

7.3.2. Scottish Borders Council will be represented on the Joint Committee by its Leader; on the Executive Board by its Chief Executive; on the Directors' Group by a senior officer; and on the Finance Directors' Group by its Chief Financial Officer. The Scottish Borders will also have representation on the Transport Appraisal Board (by a council officer); on the Regional Enterprise Council (by a business person yet to be appointed); and on the Higher/Further Education Group (by Borders College).

7.3.3. An officer-level Programme Delivery Team has been established and a Programme Manager put in place with the primary responsibility for managing the delivery of the programme. Figure 26 shows how this team fits into the local governance structure, which, in turn, fits into the regional governance structure. It should also be noted that officers from Scottish Borders Council will also continue to work with Fife Council, Scottish Futures Trust, and the Scottish Government to develop the detail of the programme and its constituent projects.

**Figure 26: Local Governance Structure**



Source: Scottish Borders Council

7.3.4. The purpose of the Executive Team will be to review and monitor progress of the programme and to provide advice and guidance where necessary. It will feed into the Executive Board within the regional governance structure (see Figure 25 above). The Executive Board will hold decision-making power for the project and reports into the Joint Committee. The Executive Board comprises the six regional local authority chief executives, six regional local authority directors with a remit for the economy, a representative for the region's universities and colleges, and a Programme Management Office function.

7.3.5. This programme will submit its funding claims to City of Edinburgh Council, which is the accountable body for the City Region Deal finances. Stewardship will be provided by a Programme Board and membership will include a Section 95 Officer to provide assurance of the overall programme's finances, and ensure that the financial requirements agreed with both the UK and Scottish Governments are met. The overall programme will also be aligned with the City of Edinburgh Council's financial regulations and, where appropriate, the regional partners'. Should the programme present any risks to the overall programme, it will be held to account by City of Edinburgh Council.

7.3.6. Should this FBC be approved, formal Government approval will be sought to enable City Region Deal funds to flow to the programme. Funding will be provided by the Scottish Government to Scottish Borders Council via City of Edinburgh Council in the respective roles of the local authorities as the delivery and the accountable bodies.

## 7.4. Programme implementation scheme

7.4.1. An outline programme implementation scheme with key milestones is described in Figure 27.

**Figure 27: Summary of Programme implementation scheme**

Element of project	Start date	End date
Phase 1		
Ex-Tapestry site	March 2018	September 2020
Eildon Mill	May 2018	December 2019
Quarry East	August 2018	September 2020
Quarry West	March 2018	April 2020
Phase 2		
Remainder of Quarry site	April 2020	March 2022
Phase 3		
Edge of Lowood Estate	April 2022	March 2024

Source: Scottish Borders Council



## 7.5. Communications and stakeholder management

7.5.1. A communications plan will be prepared to enable Scottish Borders Council to:

- Inform the public and key stakeholders of progress with the programme.
- Communicate the expected benefits of the programme.
- Manage stakeholder expectations.

## 7.6. Risk management strategy

7.6.1. As lead delivery partner, Scottish Borders Council will be responsible for the identification, management, and mitigation of all risks associated with the programme. A programme risk register has been developed and is presented in Appendix 4.

## 7.7. Benefits realisation plan

7.7.1. As lead delivery partner, Scottish Borders Council will be responsible for recording the benefits of the programme. Indicative outcomes (see Strategic Case) have been developed as part of this FBC:

- The occupation of at least 75 per cent of the new office and industrial space.
- Targeting of occupation types.
- The creation of high quality, high earning jobs.
- Accessibility to employment for disadvantaged groups.
- Uplift in the GVA of the Scottish Borders local authority area.
- Increasing the area's spending per head on Research and Development.
- Improving the area's place on the table of productive regions.
- Increasing the number of High Growth Firms and innovation-active businesses.
- Increase in the number of account managed and Business Gateway clients.
- Proportion of procurement spend in the Scottish Borders.

7.7.2. These objectives will create impacts at the culmination of the programme pathway (Figure 28).

**Figure 28: Programme pathway for inclusive growth**

Input →	Activity →	Output →	Outcome →	Impact
City Deal funding for new office and industrial space.	Allocation of resources to help local SMEs bid for sub-contracts and	Local SMEs winning sub-contract tenders.	Creation of jobs among the unemployed and under-	Increased employment, including higher skilled jobs,

	unemployed people/under-represented groups to take part in employment programmes.	Job offers to underemployed and under-represented groups.	represented groups.	reduction in inequalities.
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Source: Scottish Borders Council

## 7.8. Monitoring and evaluation

7.8.1. Processes will be put in place to ensure that thorough through-life project evaluation takes place to demonstrate that the programme is meeting its strategic objectives. The day-to-day monitoring of performance, budgets, and risks will take place as the programme is being implemented. A longer-term impact evaluation will supplement this process evaluation through assessing the success of the intervention at all points on the impact evaluation pathway described in Figure 29.

**Figure 29: Impact evaluation pathway**

Input →	Activity →	Output →	Outcome →	Impact
Funding streams, including City Region Deal.	Development of office and industrial space.	Increase in turnover.	Number of jobs created.	Increased GVA.
People resource.	Creation of innovation active businesses.	Occupiers undertaking data driven innovation.	Number of jobs for the unemployed and under-represented groups.	Increased productivity.
Private sector expertise.	Creation of new jobs.	High quality jobs for the unemployed and under-represented groups.	Number of new innovation active businesses.	Increase in higher skilled jobs.
Construction activity.	Pre-and post-occupancy reviews.			Decreased unemployment among under-represented groups.

Source: Scottish Borders Council

## **7.9. Change management**

- 7.9.1. Scottish Borders Council will be responsible for the monitoring and reporting of changes to programme scope, scale, and cost. These changes will be recorded in a Change Control Notification and immediately reported to the relevant authority as per the governance arrangements described above.

## **Appendix 1: Economic Appraisal**

Submitted separately.

## **Appendix 2: Financial Appraisal**

Submitted separately.

## **Appendix 3: Sensitivity Analysis**

Submitted separately.

## Appendix 4: Programme Risk Register

Risk	Impact	Probability	Mitigation
Businesses with pre-let agreements decide not to proceed with their projects.	High.	Low.	Constant engagement with businesses to ensure that suitable Heads of Terms are agreed.
Main construction contractor(s) appetite is not there for a programme of this size and location.	High.	High.	Early sift market testing undertaken to gauge appetite of potential contractors.
Increases in the cost of the programme	High.	Medium.	Financial costs with an allowance for inflation are being calculated as the programme goes forward with input from technical cost consultants.
Delays to the programme.	High.	Medium.	The programme timescales have been lengthened, which is relieving pressure in this respect.
Lack of sufficient demand for space in phases 2 and 3	High.	Medium.	Baseline has been established with marketing planned. If demand is weaker than expected, change management process allows for delays.
Inadequate monitoring processes	Medium.	Low.	Programme Manager to be responsible for ensuring that robust monitoring is in place to measure the indicators outlined in this FBC.
Re-allocation of surplus revenue to other budgetary priorities.	Medium.	Low.	Steps to be taken to ensure that revenue is re-invested in the project throughout its life or re-invested into future work to build out other

			commercial developments in the master plan area.
Increased debt servicing costs	High.	Medium.	Robust sensitivity analysis of the base case to determine affordability of increases in servicing of debt.
Over-optimistic assumptions about revenue	High.	Low.	Robust sensitivity analysis of the base case to determine impact of changes in occupancy and rental levels.
Compliance with State Aid regulations	High.	Low.	Regular consultation with State Aid Unit to ensure compliance of programme.
Ineffective governance structures	High.	Low.	Clear governance structure with transparent reporting lines and buy-in from all stakeholders.
Lack of engagement with under-represented groups	High.	Low.	Leverage of local and regional networks that exist regarding employability and skills.
Interdependencies with other City Region Deal initiatives	High.	Low.	SBC is working collaboratively with other relevant stakeholders, particularly Fife Council and the University of Edinburgh.



## **Appendix 5: Programme Plan**

Submitted separately.

# Edinburgh and South East Scotland City Region Deal Joint Committee

1 March 2019

## Fife Industrial Innovation Investment (Fife i<sup>3</sup>) Programme Business Case

Item number 5.4

### Executive Summary

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This report seeks approval to implement the Fife Industrial Innovation Investment (Fife i<sup>3</sup>) programme (as set out in the Fife i<sup>3</sup> Programme Business Case) which has been developed by Fife Council with input and support from the regional partners, Scottish Government, Scottish Enterprise and the Scottish Futures Trust to deliver a sustained investment programme in modern business premises to support the delivery of Inclusive Growth and Innovation in Fife.

It also seeks to devolve operational management of the programme to the Chair of the Fife i<sup>3</sup> Programme Board.

#### Keith Winter

Executive Director – Enterprise and Environment

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55 + ext 44 22 84



## City Region Deal Checklist

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Criteria	Details/Link to Document
Contribution to City Region Deal commitments and Inclusive Growth Framework	See <a href="#">Inclusive Growth Assessment</a>
Alignment, integration with, or dependence on, other City Region Deal activities	See <a href="#">Overview</a>
Scale and regional distribution of expected outcomes, benefits, and leverage, from activity	See <a href="#">Equalities impact</a>
Compliance with financial requirements and agreed expenditure profile	See <a href="#">Profile Of Funding</a>
Equalities Impact	See <a href="#">Equalities impact</a>
Anticipated significant risks and mitigation measures	See <a href="#">Risk Management Arrangements</a> and <a href="#">Appendix 2 – Risk Register</a>
Alignment and fit with City Region Deal governance arrangement	See <a href="#">Project and Programme Management Arrangements</a>
PMO check	All necessary evidence has been provided: Full Business Case and Appendices covering Financial and Economic Modelling; Sensitivity Analysis; Programme Risk Register; and Programme Plan.
Government approval	The Scottish Government confirmed final approval on 25 February 2019.
Partner sign-off	Fife Council approved the Business Case on 24 January 2019 at its Policy & Co-ordination Committee
Advisory Board sign off	Fife Council approved the Business Case on 24 January 2019 at its Policy & Co-ordination Committee
Executive Board sign off	The Business Case was approved by the Executive Board on 14 February 2019
PMO Recommendation	That the Joint Committee approves the Fife Industrial Innovation Investment Programme Business Case.

## Fife Industrial Innovation Investment (Fife i<sup>3</sup>) Programme Business Case

### 1. Recommendations

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- 1.1 Approve the Fife i<sup>3</sup> Programme, as set out in the Full Business Case attached in Appendix 3. This is a 10 year programme delivered by Fife Council as part of Edinburgh and South East Scotland City Region Deal.
- 1.2 Delegate operational responsibility to implement the Fife i<sup>3</sup> Programme to the chair of the Fife i<sup>3</sup> Board, currently Gordon Mole (Interim Chief Officer - Business & Employability, Fife Council).
- 1.3 Note that a paper for more detailed approval of Phase 2 will be provided in late 2020, accompanied by a further update on Phase 1 progress.
- 1.4 Note that a paper for more detailed approval of Phase 3 will be provided in 2023/24, accompanied by a further update on Phase 2 progress.

### 2. Background

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- 2.1 The Fife i<sup>3</sup> Programme will be delivered as part of the Edinburgh and South East Scotland City Region Deal's innovation theme. It will deliver a sustained investment programme in modern business premises to support the delivery of Inclusive Growth and Innovation in Fife. It will increase the supply of serviced employment land and new industrial, office and business space in Fife.
- 2.2 This will be achieved through direct investment by Fife Council in its existing land holdings, and new acquisitions, as well as working in partnership with private sector land owners and developers to leverage additional investment and funding into Fife and the City Region. The programme will also explore alternative development models.
- 2.3 Fife Council will seek to ensure the Fife i<sup>3</sup> Programme supports the growth of innovative businesses and sectors in Fife, in order to improve Fife's overall innovation performance, by providing opportunities via the building specification and through company support to develop and use new approaches that enhance productivity.
- 2.4 This Programme Business Case has been endorsed by Scottish Government, and it is now presented to Joint Committee for approval.

### 3. Main report

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#### Overview

- 3.1 The Fife i<sup>3</sup> Programme will be delivered as part of the Edinburgh and South East Scotland City Region Deal's innovation theme. It will deliver a sustained investment programme in modern business premises to support the delivery of Inclusive Growth and Innovation in Fife. It will increase the supply of serviced employment land and new industrial, office and business space in Fife. This will be achieved through direct investment by the Council in its existing land holdings, and new acquisitions, as well as working in partnership with private sector land owners and developers to leverage additional investment and funding into Fife and the City Region. The programme will also explore alternative development models.
- 3.2 The Council will seek to ensure the Fife i<sup>3</sup> Programme supports the growth of innovative businesses and sectors in Fife, in order to improve Fife's overall innovation performance, by providing opportunities via the building specification and through company support to develop and use new approaches that enhance productivity.

#### Phasing and Delivery

- 3.3 The Fife i<sup>3</sup> Programme will be delivered in three phases, summarised in Table 1:

**Table 1: Preferred Project Investment Scenario**

<b>Phase 1 (Years 1-3)</b>	<b>Description</b>	<b>Investment (millions)</b>
New Build	3227m <sup>2</sup>	£10.1
Site Servicing	7.8 ha unlocked	£3.3
Acquisitions	2	£1.0
	<b>Sub Total</b>	<b>£14.4</b>

<b>Phase 2 (Years 4-6)</b>	<b>Description</b>	<b>Investment (millions)</b>
New Build	7063m <sup>2</sup>	£21.3
Site Servicing	3.9 ha unlocked	£0.4
Acquisitions	0	£0
	<b>Sub Total</b>	<b>£21.7</b>

<b>Phase 3 (Years 7-10)</b>	<b>Description</b>	<b>Investment (millions)</b>
New Build	1932m <sup>2</sup>	£7.9
Site Servicing	48.6 ha unlocked	£3.6
Acquisitions	0	£0
	<b>Sub Total</b>	<b>£11.5</b>
<b>Broadband infrastructure, digital technologies and innovative building methods</b>		
		£0.8
	<b>TOTAL</b>	<b>£48.4</b>
Capital receipts		(£5.2)

- 3.4 The overall investment of £48.4m will comprise £35m from Scottish Government and £9.2m from Fife Council, representing 72% / 19% apportionment respectively, with the remaining 9% funded from capital receipts. Additionally, the programme is expected to lever at least £30m of private sector investment in the fitting out of the new business space and in developing the serviced sites delivered by the programme.
- 3.5 This programme builds on and complements previous investment in site infrastructure e.g. Levenmouth Business Park and a number of previous projects funded by Fife Council, Scottish Enterprise and Scottish Government.
- 3.6 Some flexibility is required during the 10-year investment programme, as several factors could potentially alter which projects should be prioritised. These factors include:
- Unavoidable delays in acquiring sites;
  - Securing of statutory consents;
  - Abnormal costs e.g. onerous ground conditions;
  - Changes in market conditions and the wider economy;
  - Changes in development costs, including construction costs; and
  - Specific investment opportunities that may emerge.
- 3.7 The Programme will be reviewed at 18 months (Quarter 3 2020/21) as part of the preparation for Phase 2; and at the end of Phases 1 and 2. Lessons learned from reviews will be incorporated into future projects and phases.
- 3.8 A demand assessment has been undertaken by Fife Council based on guidance developed by Scottish Futures Trust, Scottish Enterprise and Scottish Government. This process provided the partners with confidence that there is robust demand evidence supporting the programme. The key findings of the Scottish Futures Trust's review of the demand assessment are summarised in Appendix 1.

### *Prioritisation of Sites*

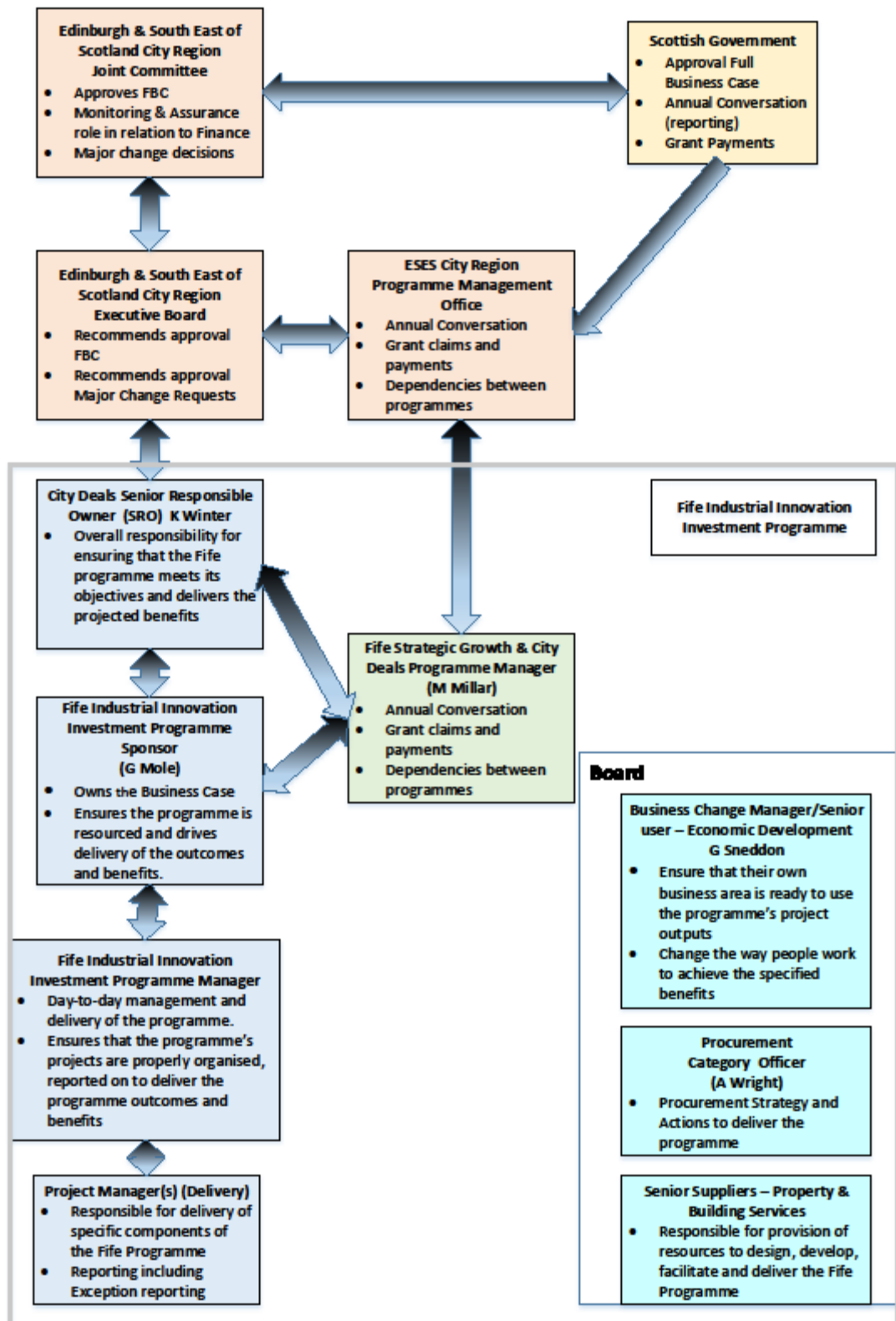
- 3.9 All potential employment sites within the Fife Employment Land Audit ([https://www.fifedirect.org.uk/uploadfiles/publications/c64\\_FINAL\\_ELA20161.pdf](https://www.fifedirect.org.uk/uploadfiles/publications/c64_FINAL_ELA20161.pdf)) including Fife Council's industrial portfolio were assessed in terms of priority and risk, based on the criteria drawn from agreed Fife Council priorities e.g. those detailed in FIFEplan. These factors include:
- Supports strategic business clusters;
  - Well located for strategic growth corridors (M90, A92);
  - Fit with existing predominant land use;
  - Potential impact on sensitive and incompatible land uses; and
  - Potential to deliver lower-cost business space.
- 3.10 The short list of sites was further refined for their deliverability within the City Deal timescales and to ensure a balance of investment between mid and south Fife, brownfield and greenfield sites. The sites will be reviewed again in the preparation of Phase 2 after the first 18 months of delivery and to prepare for Phase 3. Further reviews may be undertaken to respond to changes in market demand, provided the anticipated outputs can be delivered. To develop this Final Business Case, the sites have been prioritised further to manage risk and advance the creation of new jobs in Phase 1.
- 3.11 Phase 1 of the programme will develop sites at:
- Queensway Industrial Estate, Glenrothes;
  - Fife Interchange, Dunfermline;
  - Dunnikier Business Park, Kirkcaldy;
  - The Avenue, Lochgelly; and
  - Hillend and Donibristle Industrial Estate, Dalgety Bay.
- 3.12 Subsequent phases also include:
- Levenmouth Business Park, Buckhaven;
  - John Smith Business Park, Kirkcaldy;
  - Kirkcaldy and Cowdenbeath Town Centres;
  - Westwood Industrial Estate, Glenrothes; and
  - Rosyth.

## **Project and Programme Management Arrangements**

- 3.13 The Fife i<sup>3</sup> Programme ultimately reports to the Edinburgh and South East Scotland City Region Deal Executive Board and its Joint Committee in terms of the City Region Deal governance. Fife Council authorised participation in the Joint Committee and City Deal governance in June 2018. Work is underway to agree an operational Minute of Understanding between the University of Edinburgh (lead for the Data Driven Innovation Programme) and Fife Council.
- 3.14 Fife Council has established a Strategic Growth and City Deals Programme Board to provide strategic direction and oversee all city deal activities, programmes and projects. Its remit includes management of the Fife i<sup>3</sup> Programme, the Fife Tax Incremental Finance schemes and all other City Deal projects to ensure their inter-dependencies are managed and benefits realised. The Fife Strategic Growth and City Deals Programme Board will also integrate the governance relating to both Edinburgh and South East Scotland and Tay Cities Deals. Project and Programme Management Arrangements are outlined in Figure 1.
- 3.15 The process for control of changes that exceed project and programme tolerances is set out in terms of cost, time, resources, quality, scope, risk and benefits. Where project or programme tolerances are exceeded, exception reports are triggered and escalated in line with agreed procedures. Each project will be managed by officers under delegated authority. A gateway approach will be used to manage key decision points in each project.



**Figure 1: Project and Programme Management Arrangements**



## **Risk Management Arrangements**

- 3.16 The programme risks relate to delivery and viability; finance; and legal. A copy of the risk register is set out in Appendix 2, this includes risks identified in the Outline Business Case that are still pertinent and new risks that have emerged. Risks within the control of Fife Council, (staff capacity, appropriate governance arrangements, early site investigation and utility scoping), are being actively managed. Mitigation strategies relating to the wider economic environment (economic instability, interest rates) have been developed and will be deployed in response to changes or developments. All risks will be regularly reviewed and reported to the Programme Board.
- 3.17 The risks relating to Interest Rates, Construction and Completion, Operating Risks, Demand Risk, Force Majeure and changes in Law, Political, Regulatory, Environmental and Social Risks associated with the delivery of the Fife i<sup>3</sup> Programme will be allocated to the party that is best placed to manage them in a cost-effective way to maximise value for money, including to the private sector. This allocation and/or transfer will include the occurrence and impact of the risk, be informed by market conditions and transaction costs. For Phase 1 of the programme these risks will be allocated to Fife Council. The allocation of risk will be reviewed as part of the Programme review process. Reviews are planned at 18 months (Quarter 3 2020/21) as part of the preparation for Phase 2; and at the end of Phases 1 and 2. Lessons learned from reviews will be incorporated into future projects and phases.

## **4. Financial impact**

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### **Profile of Funding**

- 4.1 The Outline Business Case explored different funding arrangements for the drawdown of City Deal grant. The preferred proposal is that the Fife i<sup>3</sup> Programme is funded in arrears from an annual, variable Scottish Government grant; Fife Council capital funding; capital receipts from the sale of developed land; and rental receipts from leased premises. This funding approach formed part of the Edinburgh and South East Scotland City Region Deal agreed in August 2018 and underpins the financial modelling undertaken to support the Full Business Case, which now includes more refined information on the expected costs and delivery timetable for the programme.
- 4.2 The grant funding arrangements allow time for decisions on potential re-phasing to be made in response to identified risks, to ensure that the financial profiling outlined here is delivered and that underspend is avoided. Since the preparation of the Outline Business Case, the financial modelling shows significant movement in the expected NPV (Net Present Value) for the programme. This is principally caused by a change in the assumed rate of inflation for the projects from the general rate of inflation (2%) to the BCIS (Building Cost Information Service) rate (3.75%). The updated model also reflects more detailed design and costing of the Phase 1 projects, which has been undertaken since the Outline Business Case was agreed.

- 4.3 The movement in grant profile from the City Deal Financial Plan is shown below, this is based on claims being made annually in arrears for 79% of costs incurred. Compared to the Financial Plan this results in advancement of grant drawdown in Year 2 (relating to Year 0 and 1 activity), followed by slippage for three years. The slippage principally relates to re-profiling of some activity on Levenmouth Business Units from Year 3 to Year 5 of the programme.

**Table 2: Movement in Grant Profile from City Deal Financial Plan to Full Business Case**

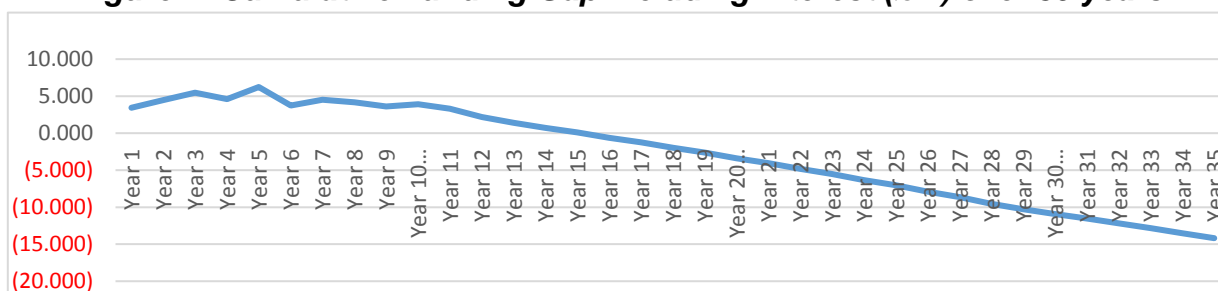
	2018/19 Year 0	2019/20 Year 1	2020/21 Year 2	2021/22 Year 3	2022/23 Year 4	2023/24 Year 5
City Region Deal Financial Plan			(2.840)	(3.748)	(5.173)	(6.317)
Base Case - FBC 3.75% BCIS			(3.243)	(3.665)	(4.489)	(4.119)
Movement in Grant Profile			(0.403)	0.083	0.684	2.198

	2024/25 Year 6	2025/26 Year 7	2026/27 Year 8	2027/28 Year 9	TOTAL
City Region Deal Financial Plan	(8.046)	(2.852)	(3.928)	(2.096)	(35.000)
Base Case - FBC 3.75% BCIS	(7.863)	(5.410)	(3.745)	(2.465)	(35.000)
Movement in Grant Profile	0.183	(2.558)	0.183	(0.369)	(0.000)

#### **Overall Affordability**

- 4.4 The Programme shows a surplus of £14m, and the NPV for the programme is a £0.177m surplus.
- 4.5 Figure 2 (below) shows the funding gap for the duration of the programme. Overall Borrowing peaks at £6.2m in Year 5, and is repaid by 2034. Thereafter the programme is projected to generate a surplus to the end of the 35 year programme life. Any surplus will be managed by the directorate in accordance with Fife Council's Medium Term Financial Strategy.

**Figure 2: Cumulative Funding Gap Including Interest (£m) over 35 years**



## 5. Equalities impact

### Economic Impact Assessment

- 5.1 An Economic Impact Assessment (EIA) has been undertaken to appraise the likely impact of Fife i<sup>3</sup> Programme on key economic indicators. The EIA uses economic data and evidence, alongside key assumptions to model the impact of the programme. The inputs and assumptions have been refined and updated since the Outline Business Case, to reflect more accurate information, particularly relating to Phase 1 projects.
- 5.2 The EIA estimates that the Direct Net Jobs (average per year) is 1,095 and the Gross Construction Jobs (cumulative over life of Programme) are 596. This has increased from the estimate in the Outline Business Case due to changes in the methodology of the economic modelling to make allowance for job creation on serviced land (lagged to reflect a period for construction). The preferred option generates £28 of Gross Value Added (GVA) for every £1 invested by the public sector and a cost per job of £44,340. The programme will be developed in phases with opportunities to review impact between phases. The key inputs and findings of the assessment are summarised in Table 3:

**Table 3: Key Findings from Economic Model**

	Input
Office floorspace	2,300m <sup>2</sup>
Industrial floorspace	9,700m <sup>2</sup>
Capital Cost	£48.4m

<b>GVA (Gross Value Added) Impact</b>	
NPV (Net Present Value) of Net GVA	£711m
NPV of Construction	£191m
<b>Job Impact</b>	
Direct Net Jobs (average per annum)	1,095
Gross Construction Jobs (cumulative over life of Programme)	596
<b>Tax Impact</b>	
NPV of Direct Net Income Tax	£35m
NPV of Direct National Insurance	£53m
NPV of Direct Net Corporation Tax	£7m
NPV of Gross Non-Domestic Rates Income	£10,000

### **Inclusive Growth Assessment**

- 5.3 The Inclusive Growth Challenges for the City Region and a Framework to tackle these are set out in Pages 6/10 of the [City Region Deal](#) document. Inclusive Growth is one of the Scottish Government's four priority areas in Scotland's Economic Strategy and, in submissions to Government, all projects included in the City Region Deal Programme have demonstrated how they will reduce inequalities.
- 5.4 The Scottish Government's Inclusive Growth Assessment of Fife in 2016, which was undertaken to support the work of Fife Task Force, concluded that the number one opportunity/constraint to Inclusive Growth was Digital and new business methods take up. The Fife i<sup>3</sup> Programme and joint working with the City Region's Data Driven Innovation Programme will help to address this constraint/opportunity.
- 5.5 In the short term, the Fife i<sup>3</sup> Programme will help accelerate Inclusive Growth across the city region as it delivers a significant programme of construction. In the longer term, Fife Council will invest in brownfield sites as well as greenfield sites, in both mid and south Fife in order to balance market drivers with inclusive growth priorities. This will contribute to the delivery of investment priorities by increasing the supply of a diverse range of serviced employment land and modern business premises. Public and private sector investment will create employment for local people within some of Fife's most deprived communities.
- 5.6 A regional approach to community benefits is being developed to help maximise the opportunity. Over the medium and long term, the programme will deliver new jobs as the new business property is occupied. In addition, the Full Business Case for the Integrated Regional Employability and Skills Programme has been approved by the Joint Committee. It is envisaged that there will be opportunities for both programmes, alongside existing employer engagement approaches in Fife, to work together to deliver Inclusive Growth opportunities in Fife.

5.7 At a local level, the Fairer Fife Commission was established to provide independent advice and insight into the priorities for tackling poverty and inequality in Fife. The Commission concluded that ever-widening inequality is neither natural nor intractable in its Fairness Matters report in 2015. The recommendations from the Fairer Fife Commission are at the heart of the emerging Local Outcomes Improvement Plan for Fife 2017-2027, the Plan for Fife in terms of the Community Empowerment (Scotland) Act 2015. This is key to Fife Council's approach to meeting the [Fairer Scotland Duty](#).

5.8 An Equalities Impact Assessment (EqIA) has been completed for the Fife i<sup>3</sup> Programme, and this highlighted no negative impacts on any of the protected characteristics. Investment in brownfield sites in established business clusters will provide access through existing public transport services. All employability activities to be delivered will be easily accessed by all protected characteristics without discrimination. The EqIA process is key to Fife Council's approach to meeting the general duties under the [Equalities Act 2010](#). The following general duties were identified as being met by the programme:

- Eliminating discrimination, harassment and victimisation
- Advancing equality of opportunity
- Fostering good relations

This will be updated for each project, as appropriate, as part of the development of final business cases for the prioritised projects.

## **6. Background reading/external references**

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6.1 [The Full Business Case was approved by Fife Council, Policy & Co-ordination Committee 24 January \(Item 9\)](#)

6.2 A copy of the Full Business Case is included as Appendix 3 to the Committee Report.

## **7. Appendices**

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7.1 Appendix 1 – Demand Evidence, Fife Council City Deal Funding

7.2 Appendix 2 – Risk Register

7.3 Appendix 3 – Full Business Case

## Appendix 1 – Demand Evidence, Fife Council City Deal Funding

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*Development of Full Business Cases: Assessing evidence of demand and project costs*

*Objective of this paper*

This paper has been developed by the Scottish Government, Scottish Enterprise and Scottish Futures Trust. The paper provides guidance to Fife Council and Scottish Borders Council (“the authorities”, “the Councils”) on the development of demand evidence and project cost information as part of building Full Business Cases for investment in Industrial Estates through the City Region Deal.

Scottish Enterprise and Scottish Futures Trust have drawn on expertise in quantity surveying, property development and commercial business space letting to develop a set of expectations that they believe should be met to enable the projects to proceed with confidence. The expectations form around four main areas:

1. Define the type of supply and the market for it
2. Forecast the drivers for demand
3. Set out the interaction with existing supply
4. Set out how you will deliver

These challenges and questions are designed to ensure the Scottish Government’s investment of £50m achieves value for money. In setting these expectations Scottish Enterprise and Scottish Futures Trust aim to add value to the projects themselves.

*Summary of findings*

A series of discussions have been held between Fife Council and representatives of the Scottish Government (Scottish Futures Trust and Scottish Enterprise acting on behalf of Scottish Government). Those discussions, and supporting correspondence, have revolved around the strength of demand underpinning the investment programme for Fife Council’s Industrial Estates Regeneration Programme<sup>1</sup>. A summary of the key points is set out below:

- Fife Council have conducted significant work to support the programme including analysing enquiries to the Council’s own property team, reviewing historic vacancy rates and drawing on lessons from recent successful examples of delivering industrial property. An independent property review was also carried out.
- There is robust demand evidence supporting the programme.
- Fife Council are working closely with Scottish Enterprise, Zero Waste Scotland and the Construction Scotland Innovation Centre to determine opportunities for innovation in the design of new premises. This work is highly encouraging and it should continue to be clearly reflected to Scottish Government and other City Deal partners to enable joint working and collaboration opportunities.

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<sup>1</sup> This was the working title name of the Fife i<sup>3</sup> Programme

- Fife Council is also working closely with other local authorities in developing and delivering the programme. Again, this work is encouraging and the partners should continue to reflect that work back to Scottish Government and key agencies to enable wider collaboration.
- Fife Council has a real opportunity to act as a pathfinder for Industrial Regeneration across Scotland. This opportunity should be grasped and the Council should continue to work with Government and agencies to ensure lessons can be passed on to others.
- Significant internal resource will be required to deliver, evaluate and monitor the programme. Fife Council does have an experienced and well resourced internal property and economic development team. The Council should continue to regularly review resource and ensure close joined up working across disciplines including interaction with Finance and Legal teams.



## Appendix 2 – Risk Register

Risk	Potential impact	Likelihood	Suggested mitigations
<b>Delivery and Viability risks</b>			
As a result of insufficient officer capacity and capability to deliver the Fife Industrial Innovation Investment Programme, there is a risk that the programme phasing is optimistic, which may result in delays and cost over-runs.	May be unable to meet the Financial Plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.	Possible - all allocated resources currently to City Deal are allocated part-time until Final Business Case is complete so there will be competing demands for officer time available. Transition to full time work on Industrial Estates Programme will take place in 2019/20.	<ul style="list-style-type: none"> <li>• Ongoing review of the operational resources available and supplement with additional technical resources;</li> <li>• Re-phase the programme of investment so that it can be delivered by existing resources.</li> </ul>
As a result of failure to put in place an effective governance structure, there is a risk that the programme does not have the required controls, which may result in cost over-runs and project delays.	May be unable to deliver the objectives of business case. Reputational, political and legal impact of poor governance.	Potential - requires a clear strategy and engagement.	<ul style="list-style-type: none"> <li>• Ensure appropriate governance structure is in place with key stakeholders represented and that they have the requisite skills.</li> </ul>
As a result of not locking down the Specifications for the projects in Phase 1 programme early, there is a risk that the delivery of projects is delayed, which may result in delays in the drawdown of the City Region Deal funding.	May be unable to meet the Financial Plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.	Possible – The Fife Industrial Innovation Investment Programme Board has signed off the preliminary designs; this will be a key role for the Board.	<ul style="list-style-type: none"> <li>• Ensure appropriate approval milestones are built into the project plans.</li> <li>• City Deals Programme Management unit to ensure Programme Management roles are adhered to.</li> </ul>
As a result of the lack of market demand for employment space, there is a risk that forecast occupancy levels are not achieved, which may result in less rental income and capital receipts	May be unable to deliver the objectives of business case. Reputational, political and legal impact.	Possible – this requires ongoing engagement with occupants and agents in the Fife Commercial Property market to assess changing requirements.	<ul style="list-style-type: none"> <li>• Adopt proximity to strategic transport corridors as a key prioritisation criterion, based on industry consultation and market research.</li> <li>• Deliver the sizes and types of commercial property most relevant to the Fife market.</li> </ul>

<b>Risk</b>	<b>Potential impact</b>	<b>Likelihood</b>	<b>Suggested mitigations</b>
As a result of a lack of suitable occupiers of the industrial premises (prepared to innovate and work with the Universities), there is a risk that the programme is unable to contribute to the Innovation theme, which may result in no improvement in the innovation performance in the Fife Economy.	Reduction on in projected Programme benefits for a project affected by this risk.	Possible but the programme is not reliant on specific government policies or industry sectors. There is an existing track record of joint working on innovation interventions that will form the basis of this activity.	<ul style="list-style-type: none"> <li>• Work with the Universities and National Agencies to establish how the innovation will be delivered, baselined and monitored.</li> <li>• Develop a process that will evolve over the time period of the Fife Industrial Innovation Investment Programme.</li> </ul>
<b>Financial risks</b>			
As a result of delays in the build timetable, there is a risk that City Region Deal funding is not drawn down as profiled in the financial plan, which may cause affordability issues for the Governments and Fife Council.	Delays in commercial development. Increase in level of unsupported borrowing. Revenue projections not as anticipated. Negative reputational impact.	Possible – although these risks are largely controllable by the Council, timescales are indicative, requiring further technical work	<ul style="list-style-type: none"> <li>• Early engagement with Utility providers and early investigation of ground conditions.</li> <li>• Effective contract management and programming.</li> <li>• Manage the funding drawdown with an effective debt management strategy.</li> </ul>
As a result of underestimation of costs or cost over-runs, there is a risk that the programme does not deliver the outputs (m2 built), which may result in a failure to deliver full outcomes (jobs / private sector leverage) in the business case.	May increase levels of unsupported borrowing as a result of reduced drawdown of grant. May increase debt costs. Longer payback period possible.	Possible – current cost plans are indicative, from Quantity Surveyors, based on recent similar projects	<ul style="list-style-type: none"> <li>• Detailed technical appraisal and costings will be undertaken before a Contract is approved by the Fife Industrial Innovation Investment Programme Board.</li> <li>• Fixed price contracts will be used where possible.</li> <li>• Use of effective contract management and programming processes.</li> </ul>
As a result of economic instability, there is a risk that the private sector investment does not happen or is significantly delayed, which may result in failure to deliver private sector leverage benefits.	Reduction in projected Programme benefits for a project affected by this risk.	Possible but the programme is not reliant on specific government policies or industry sectors. The private sector leverage forecasts in the Financial Model are based on prudent assumptions.	<ul style="list-style-type: none"> <li>• Ensure that the modelling assumptions are prudent and based on a realistic scale of build out.</li> <li>• Early on ongoing engagement with project partners and statutory bodies, e.g. Scottish Enterprise.</li> </ul>

<b>Risk</b>	<b>Potential impact</b>	<b>Likelihood</b>	<b>Suggested mitigations</b>
As a result of the programme not meeting the needs of industry, there is a risk that forecast occupancy levels are not achieved, which may result in less rental income and capital receipts.	The Fife Industrial Innovation Investment Programme is ill suited to market requirements and does not fully unlock its development potential.	Limited as the infrastructure plan is based on extensive market knowledge and experience. The programme has adopted a phased approach to implementation to build in flexibility in the planning of the development programme.	<ul style="list-style-type: none"> <li>• Ongoing review and alignment of the project specifications to ensure programme addresses anticipated requirements.</li> <li>• Ensure programme provides enough flexibility to react to changes in likely development demand.</li> </ul>
As a result of increased interest rates, there is a risk that the cost of debt increases which may result in the business case becoming unviable.	The level of unsupported borrowing may increase. The debt cost may increase. The payback period may increase.	High - as current rates are at a historic low and this is a potential consequence of Brexit.	<ul style="list-style-type: none"> <li>• Undertake sensitivity analysis of the base case to confirm affordability of debt pricing movements. Appropriate use of hedging.</li> <li>• Model a range of scenarios to develop the optimal financial package for the programme.</li> <li>• Model borrowing on the council's consolidated pool rate to reduce interest rate increase exposure.</li> </ul>
As a result of cost inflation, there is a risk that the cost of future projects increases which may result in the business case becoming unviable.			<ul style="list-style-type: none"> <li>• Model based on a specific inflation rate for building projects (BCIS) which is higher than standard inflation</li> <li>• Model a range of scenarios to determine the impact of higher inflation levels</li> </ul>
<b>Legal and Technical risks</b>			
As a result of not locking down the Phase 1 programme early, there is a risk that the development of the final business case is delayed, which may result in delays in the drawdown of the City Deal funding.	May be unable to meet the financial plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.	Limited as the Phase 1 programme will be approved by Fife Council at Committee prior to submission to City Deal and Government approvals.	<ul style="list-style-type: none"> <li>• Early and ongoing stakeholder engagement prior to consideration for approval by the Council, the City Deal and the Governments.</li> </ul>

<b>Risk</b>	<b>Potential impact</b>	<b>Likelihood</b>	<b>Suggested mitigations</b>
As a result of not having a regional economic strategy with regional/ sectoral priorities, there is a risk that we only attract business with low-value generic jobs, which may result in a missed opportunity to create higher value sector specific jobs.	May result in fewer benefits from the investment and less impact on the goals of Inclusive Growth and Innovation.	Possible – the distributional impact of the City Deal investment will be reduced.	<ul style="list-style-type: none"> <li>• Work with regional partners to develop a regional economic strategy based around the city region's sectoral assets.</li> </ul>
As a result of late engagement with Utility providers, there is a risk that the utilities cannot meet site requirements within required timescales, which may result in delays and cost over-runs.	May be unable to meet the Financial Plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.	Limited as although the Phase 1 programme will be approved by Fife Council at Committee prior to submission to City Deal and Government approvals, work is underway with the Utility providers for the initial sites to be delivered. A similar approach will be adopted for later phases.	<ul style="list-style-type: none"> <li>• Early and ongoing stakeholder engagement prior to consideration for approval by the Council, the City Deal and the Governments.</li> </ul>
As a result of failure to carry out enough ground investigations early in the build programme, there is a risk that unexpected ground works are required before any buildings can be erected, which may result in delays and cost over-runs.	May be unable to meet the Financial Plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.	Limited as, although Phase 1 of the programme will be approved by Fife Council in 2019, work is underway to carry out the necessary investigation work for the initial sites to be delivered. A similar approach will be adopted for later phases.	<ul style="list-style-type: none"> <li>• Early and ongoing investigation of ground conditions of sites included in Phase 1 of the Programme.</li> <li>• Early investigation of the initial sites for Phase 2 during Phase 1.</li> </ul>
As a result of not using a proven specification for the Industrial Units, there is a risk that the spec does not meet Planning & Building Regulations, which may result in delays to the delivery plan and cost over-runs.	May be unable to meet the Financial Plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.	Limited as, during Phase 1 of the programme previous specifications for units will be used. Innovation will be adopted in later phases.	<ul style="list-style-type: none"> <li>• Use previous specifications for units during Phase 1</li> <li>• Develop required new specification for later phases, factoring in current and known future changes to Planning &amp; Building Regulations</li> </ul>

# **Fife Industrial Innovation Investment Programme**

## **Full Business Case (FBC)**

Edinburgh and South East of Scotland City Region Deal

**Version No: 3.3**

Issue Date: 19 February 2019

## Purpose of this document

This document sets out the Full Business Case, in support of the Fife Industrial Innovation Investment Programme. An Outline Business Case was completed and agreed in 2018 as part of the development of the Edinburgh and South East of Scotland City Region Deal agreed in July 2018.

This Full Business Case provides the evidence that the most economically advantageous investment programme is being delivered and that it is affordable. In addition, the Full Business Case explains the fundamentals of the Fife Industrial Innovation Investment Programme and outlines the detailed arrangements for its delivery, demonstrating that the required outputs can be successfully achieved.

## Version history

<b>Version</b>	<b>Date Issued</b>	<b>Brief Summary of Change</b>	<b>Owner's Name</b>
Draft 0.0	21/09/18	First Draft Table Contents	M Millar
Draft 1.0	20/11/18	First Draft	K Marsh
Draft v1.2	26/11/18	2 <sup>nd</sup> draft	M Millar
Draft v3	12/12/18	3 <sup>rd</sup> Draft	K Marsh
Draft v3.2	14/01/19	4 <sup>th</sup> draft – Fife Council P&C Committee	K Marsh
Final v3.3	19/02/19	Final Signed Version	G Mole

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# 1. Executive summary

## Overview

The Fife Industrial Innovation Investment Programme will be delivered as part of the Edinburgh and South East Scotland City Region Deal's innovation theme. It will deliver a sustained investment programme in modern business premises to support the delivery of Inclusive Growth and Innovation in Fife. It will increase the supply of serviced employment land and new industrial, office and business space in Fife. This will be achieved through direct investment by the Council in its existing land holdings, and new acquisitions, as well as working in partnership with private sector land owners and developers to leverage additional investment and funding into Fife and the City Region. The programme will also explore alternative development models.

The Council will seek to ensure the Fife Industrial Innovation Investment Programme supports the growth of innovative businesses and sectors in Fife, in order to improve Fife's overall innovation performance, by providing opportunities via the building specification and through company support to develop and use new approaches that enhance productivity.

## Phasing and Delivery

The Fife Industrial Innovation Investment Programme will be delivered in three phases, summarised in the table below. Further detail is shown in Appendix 4.

### Preferred Project Investment Scenario

Phase 1 (Years 1-3)	Description	Investment (millions)
New Build	3227m2	£10.1
Site Servicing	7.8 ha unlocked	£3.3
Acquisitions	2	£1.0
	<b>Sub Total</b>	<b>£14.4</b>

Phase 2 (Years 4-6)	Description	Investment (millions)
New Build	7063m2	£21.3
Site Servicing	3.9 ha unlocked	£0.4
Acquisitions	0	£0
	<b>Sub Total</b>	<b>£21.7</b>

<b>Phase 3 (Years 7-10)</b>	<b>Description</b>	<b>Investment (millions)</b>
New Build	1932m2	£7.9
Site Servicing	48.6 ha unlocked	£3.6
Acquisitions	0	£0
	<b>Sub Total</b>	<b>£11.5</b>
<hr/>		
Broadband infrastructure, digital technologies and innovative building methods		£0.8
	<b>TOTAL</b>	<b>£48.4</b>
Capital receipts		(£5.2)

The overall investment of £48.4m will comprise £35m from Scottish Government and £9.2m from Fife Council, representing 72% / 19% apportionment respectively, with the remaining 9% funded from capital receipts. Additionally, the programme is expected to lever at least £30m of private sector investment in the fitting out of the new business space and in developing the serviced sites delivered by the programme. The 10-year Investment Programme is set out in Appendix 1.

More detail on individual projects is provided in Appendix 2. This programme builds on and complements previous investment in site infrastructure e.g. Levenmouth Business Park and a number of previous projects funded by Fife Council, Scottish Enterprise and Scottish Government.

Some flexibility is required during the 10-year investment programme, as several factors could potentially alter which projects should be prioritised. These factors include:

- Delays in acquiring sites;
- Securing of statutory consents;
- Abnormal costs e.g. onerous ground conditions;
- Changes in market conditions and the wider economy;
- Changes in development costs, including construction costs; and
- Specific investment opportunities that may emerge.

The Programme will be reviewed at 18 months (Quarter 3 2020/21) as part of the preparation for Phase 2; and at the end of Phases 1 and 2. Lessons learned from reviews will be incorporated into future projects and phases.

## Prioritisation of Sites

All potential employment sites within the Fife Employment Land Audit [https://www.fifedirect.org.uk/uploadfiles/publications/c64\\_FINALELA20161.pdf](https://www.fifedirect.org.uk/uploadfiles/publications/c64_FINALELA20161.pdf) including Fife Council's industrial portfolio were assessed in terms of priority and risk, based on the criteria drawn from agreed Fife Council priorities e.g. those detailed in FIFEplan. These factors include:

- Supports strategic business clusters;
- Well located to strategic growth corridors (M90, A92);
- Fit with existing predominant land use;
- Potential impact on sensitive and incompatible land uses; and
- Potential to deliver lower-cost business space.

The short list of sites was further refined for their deliverability within the City Deal timescales and to ensure a balance of investment between mid and south Fife, brownfield and greenfield sites. The sites will be reviewed again in the preparation of Phase 2 after the first 18 months of delivery and to prepare for Phase 3. Further reviews may be undertaken to respond to changes in market demand, provided the anticipated outputs can be delivered. To develop this Final Business Case, the sites have been prioritised further to manage risk and advance the creation of new jobs in Phase 1.

Phase 1 of the programme will develop sites at:

- Queensway Industrial Estate, Glenrothes;
- Fife Interchange, Dunfermline;
- Dunnikier Business Park, Kirkcaldy;
- The Avenue, Lochgelly; and
- Hillend and Donibristle Industrial Estate, Dalgety Bay.

Subsequent phases also include:

- Levenmouth Business Park, Buckhaven;
- John Smith Business Park, Kirkcaldy;
- Kirkcaldy and Cowdenbeath Town Centres;
- Westwood Industrial Estate, Glenrothes; and
- Rosyth.

## Expected Benefits

An Economic Impact Assessment (EIA) has been undertaken to appraise the likely impact of Fife Industrial Innovation Investment Programme on key economic indicators. The EIA uses economic data and evidence, alongside key assumptions to model the impact of the programme. The inputs and assumptions have been refined and updated since the Outline Business Case, to reflect more accurate information, particularly relating to Phase 1 projects. The full assessment is included in Appendix 3.

The EIA estimates that the Direct Net Jobs (average per year) is 1,095 and the Gross Construction Jobs (cumulative over life of Programme) are 596. The preferred option generates £28 of Gross Value Added (GVA) for every £1 invested by the public sector and a cost per job of £44,340. The programme will be developed in phases with opportunities to review impact between phases. The Benefits Register is set out in Appendix 5.

## **Inclusive Growth and Innovation**

The Inclusive Growth Challenges for the City Region and a Framework to tackle these are set out in Pages 6/10 of the [City Region Deal](#) document. The Scottish Government's Inclusive Growth Assessment of Fife in 2016, which was undertaken to support the work of Fife Task Force, concluded that the number one opportunity/constraint to Inclusive Growth was Digital and new business methods take up. The Fife Industrial Innovation Investment Programme and joint working with the City Region's Data Driven Innovation Programme will help tackle this constraint/opportunity. In the short term, the Fife Industrial Innovation Investment Programme will help accelerate Inclusive Growth across the city region as it delivers a significant programme of construction.

A regional approach to community benefits is being developed to help maximise the opportunity. Over the medium and long term, the programme will deliver new jobs as the new business property is occupied. In addition, the Full Business Case for the Integrated Regional Employability and Skills Programme has been approved by the Joint Committee. It is envisaged that there will be opportunities for both programmes to work together to deliver Inclusive Growth opportunities in Fife.

## **Programme Risks**

The risks relating to Interest Rates, Construction and Completion, Operating Risks, Demand Risk, Force Majeure and changes in Law, Political, Regulatory, Environmental and Social Risks associated with the delivery of the Fife Industrial Innovation Investment Programme will be allocated to the party that is best placed to manage them in a cost-effective way to maximise value for money, including to the private sector. This allocation and/or transfer will include the occurrence and impact of the risk, be informed by market conditions and transaction costs. For Phase 1 of the programme these risks will be allocated to Fife Council. The allocation of risk will be reviewed as part of the Programme reviews outlined in Paragraph 16 and for Phases 2 and 3 when different development models will be considered by Fife Council. The risk register for the programme is included in Appendix 6 of the Full Business Case.

## **Funding and Affordability**

Since the preparation of the Outline Business Case, the financial modelling shows significant movement in the expected NPV (Net Present Value) for the programme. This is principally caused by a change in the assumed rate of inflation for the projects from the general rate of inflation (2%) to the BCIS (Building Cost Information Service) rate (3.75%). The updated model also reflects more detailed design and costing of the Phase 1 projects, which has been undertaken since the Outline Business Case was agreed.

The Programme shows a surplus of £14m, and the NPV for the programme is a £0.177m surplus. The results of the latest financial modelling and the movement between the financial modelling for the Outline Business Case and Full Business Case are shown in Section 7. The financial model is included in Appendix 4.

Overall Borrowing peaks at £6.2m in Year 5, and is repaid by 2034. Thereafter the programme is projected to generate a surplus to the end of the 35 year programme life. Any surplus will be managed by the directorate in accordance with the medium term financial strategy.

## **Project and Programme Management Arrangements**

The Fife Industrial Innovation Investment Programme ultimately reports to the Edinburgh and South East Scotland City Region Deal Executive Board and its Joint Committee in terms of the City Region Deal governance. Fife Council authorised participation in the Joint Committee and City Deal governance in June 2018. Work is underway to agree an operational Minute of Understanding between the University of Edinburgh (lead for the Data Driven Innovation Programme) and Fife Council.

Fife Council has established a Strategic Growth and City Deals Programme Board to provide strategic direction and oversee all city deal activities, programmes and projects. Its remit includes management of the Fife Industrial Innovation Investment Programme, the Fife Tax Incremental Finance schemes and all other City Deal projects to ensure their inter-dependencies are managed and benefits realised. The Fife Strategic Growth and City Deals Programme Board will also integrate the governance relating to both Edinburgh and South East Scotland and Tay Cities Deals. More detail is provided in Section 8, with Project and Programme Management Arrangements outlined in Figure 10.

The process for control of changes that exceed project and programme tolerances is set out in terms of cost, time, resources, quality, scope, risk and benefits in Figure 11. Where project or programme tolerances are exceeded, exception reports are triggered and escalated in line with agreed procedures. Each project will be managed by officers under delegated authority. A gateway approach will be used to manage key decision points in each project.

## 2. Introduction

1. This Full Business Case outlines how the Fife Industrial Innovation Investment Programme will be delivered and seeks approval to invest £48.4m of public funds in site infrastructure and the construction of modern business premises over a period of 10 years. The Fife Industrial Innovation Investment Programme will increase the supply of serviced employment land and new industrial, office and business space across 10 locations in mid and south Fife. This will support the delivery of Inclusive Growth and Innovation in Fife by providing the conditions for start-ups and SMEs to grow, innovate and internationalise in order to create more businesses, and more jobs.

### 2.1 Objective of this Business Case

2. The objective of this Full Business Case is to set out how the programme will be delivered, detailing the individual projects and locations. It also sets out how the programme will help to deliver Inclusive Growth and improve the innovation and productivity performance of Fife's businesses, contributing to strategic objectives at the national, regional and local levels.
3. The Outline Business Case previously set out how the proposed investment meets the strategic objectives at national, regional and local levels; the anticipated economic outcomes and why investment is required; how the proposals would be delivered in commercial terms; the viability of the investment proposals; and, finally, how the proposals would be achieved and managed.

### 2.2 Structure of this Business Case

4. This Final Business Case adopts the 5-Case structure and together these show how the Fife Industrial Innovation Investment Programme is:
  - Closely aligned to wider strategies and objectives – **the strategic case.**
  - Best value for money – **the economic case.**
  - Achievable in commercial terms – **the commercial case.**
  - Affordable – **the financial case.**
  - Achievable in practical terms – **the management case.**

### 2.3 Key Stakeholders

5. The principal stakeholders for the programme are Fife Council, the partners in the Edinburgh and South East of Scotland City Deal, Scottish Enterprise in its role as national economic development agency but also in its role as a joint venture partner as part of a strategic employment land partnership agreement at Fife Interchange North. Other stakeholders include the Fife Economy Partnership, the Fife business community and private landowners and developers.

## 3. Programme Description

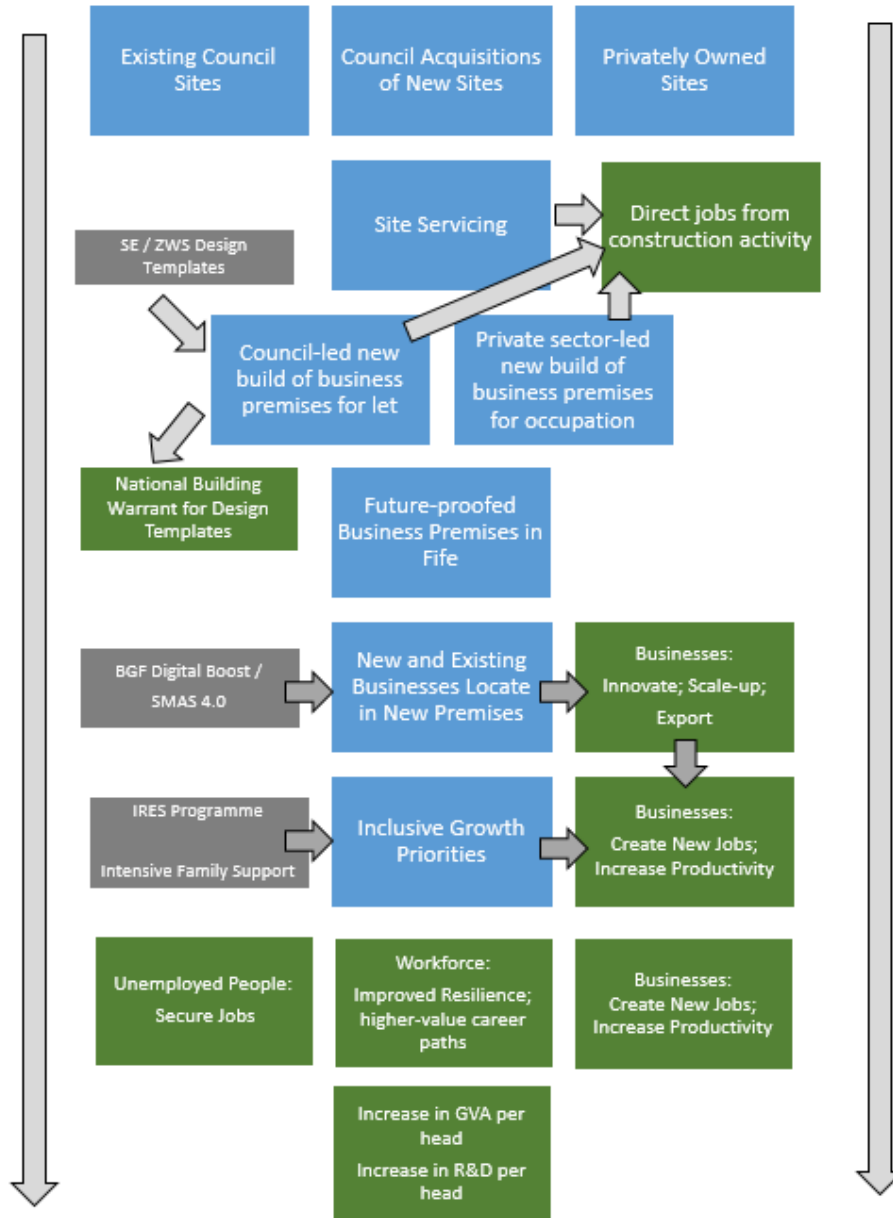
### 3.1 Overview

6. The Fife Industrial Innovation Investment Programme will deliver a sustained investment programme in modern business premises to support the delivery of Inclusive Growth and Innovation in Fife. It will increase the supply of serviced employment land and new industrial, office and business space in Fife. This will be achieved through direct investment by the Council in its existing land holdings, and new acquisitions, as well as working in partnership with private sector land owners and developers to leverage additional investment and funding into Fife and the City Region. The programme will also explore alternative development models.
7. The Fife Industrial Innovation Investment Programme will invest in Fife's key strategic industrial estates, providing a physical presence for modern employment design in these locations. The Council is working with Scottish Enterprise and Zero Waste Scotland to develop design templates for future-proofed industrial premises. This will also consider opportunities to reduce development costs to close, or reduce, the development deficit.
8. The Council intends to build demonstrators of these designs and will consider obtaining approval for a National Building Warrant to encourage re-use by other local authorities and the private sector. These design templates will:
  - reduce development, construction and whole life operating costs of new industrial premises;
  - address future energy usage, other resources and environmental sustainability goals;
  - offer the flexibility, adaptability and technological capabilities required by future manufacturing;
  - support circular economy goals by using sustainable materials, end of life resource recovery and recycling; and
  - incentivise innovative production methods across the construction sector.
9. Fife Council has existing Action Plans for the regeneration of two of Fife's strategic industrial estates and is also a partner in the Development Framework for Rosyth with Scottish Enterprise and private sector landowners. Alongside the delivery of the Fife Industrial Innovation Investment Programme, the Council intends to develop more Regeneration Action Plans and is considering widening the scope to include utilities and waste. The next priority is Mitchelson/Randolph Industrial Estates, Kirkcaldy.
10. In parallel, Fife Council, Business Gateway Fife, National Agencies and the regional Higher Education Partners will target businesses within the industrial estates and nearby to raise awareness of digital opportunities, initially using Business Gateway Fife's Digital Boost programme and Scottish Manufacturing Advisory Service's (SMAS) Manufacturing 4.0 Review to help businesses to scale up output, maximise margins and deliver better performance and value to customers. The Fife Industrial Innovation Investment Programme aims to accelerate the adoption of data driven innovation. Fife Council is part of the Integrated Regional Employability and Skills



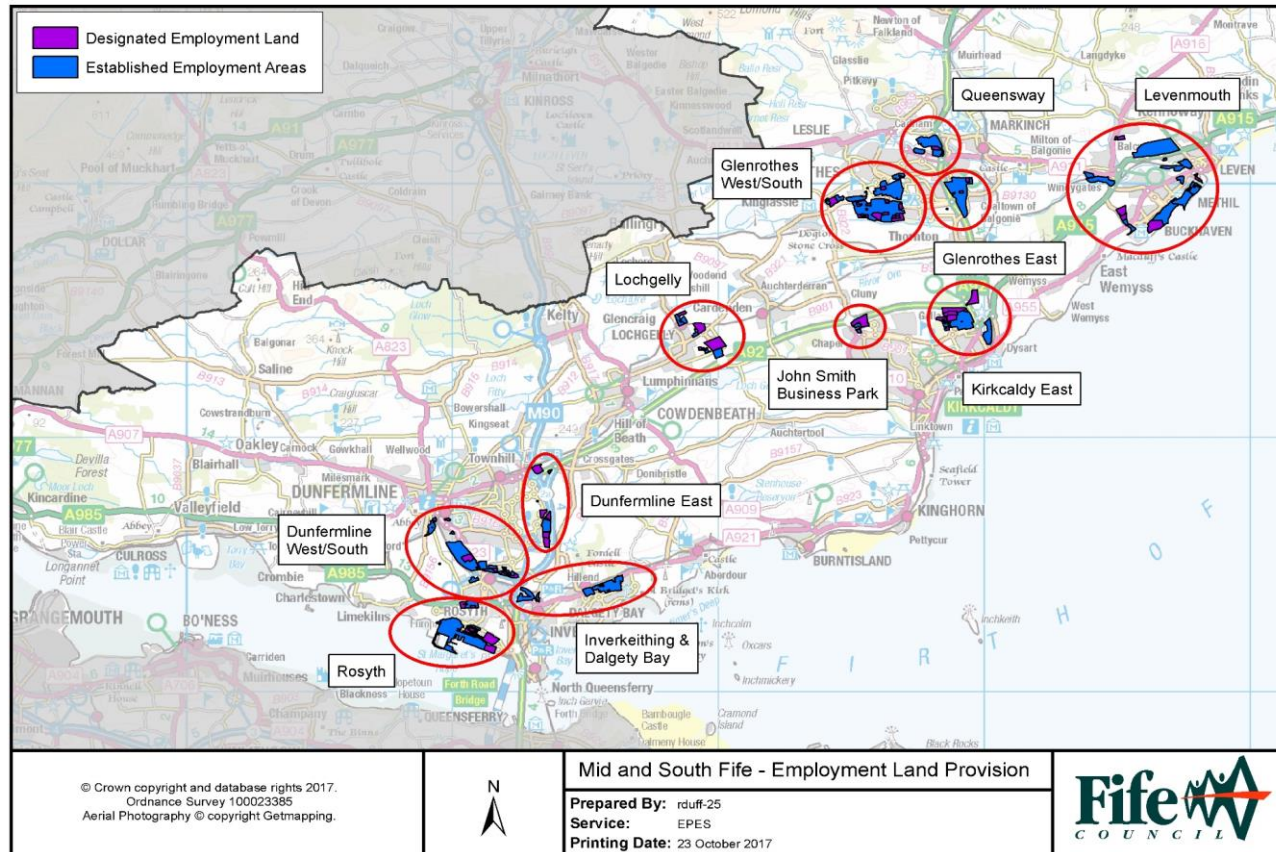
(IRES) programme to upskill the workforce in data skills. Figure 1 provides an overview of the programme, including both public and private sector-led elements.

**Figure 1: Overview of Fife Industrial Innovation Investment Programme**



- The Programme will balance the requirement to improve inclusion for residents in areas of Fife that suffer from higher levels of social deprivation and unemployment, whilst also investing in areas that offer clear opportunities to encourage private sector investment in areas of established demand with a shortage/lack of supply e.g. the Bridgehead. In prioritising its investments, Fife Council will also invest in both brownfield and greenfield sites to balance the risk of adverse ground conditions with Inclusive Growth priorities. The geographical spread of projects across Fife is set out in Figure 2.

**Figure 2: Map of Fife's Strategic Business clusters including designated Employment land.**



### 3.2 Phasing and Delivery

12. The Fife Industrial Innovation Investment Programme will be delivered in three phases, summarised in Table 1.

**Table 1: Preferred Project Investment Scenario**

<b>Phase 1 (Years 1-3)</b>	<b>Description</b>	<b>Investment (millions)</b>
New Build	3227m2	£10.1
Site Servicing	7.8 ha unlocked	£3.3
Acquisitions	2	£1.0
	<b>Sub Total</b>	<b>£14.4</b>
<b>Phase 2 (Years 4-6)</b>	<b>Description</b>	<b>Investment (millions)</b>
New Build	7063m2	£21.3
Site Servicing	3.9 ha unlocked	£0.4
Acquisitions	0	£0
	<b>Sub Total</b>	<b>£21.7</b>
<b>Phase 3 (Years 7-10)</b>	<b>Description</b>	<b>Investment (millions)</b>
New Build	1932m2	£7.9
Site Servicing	48.6 ha unlocked	£3.6
Acquisitions	0	£0
	<b>Sub Total</b>	<b>£11.5</b>
Broadband infrastructure, digital technologies and innovative building methods		£0.8
	<b>TOTAL</b>	<b>£48.4</b>
Capital receipts		<b>(£5.2)</b>

13. The overall investment of £48.4m will comprise £35m from Scottish Government and £9.2m from Fife Council, representing 72% / 19% apportionment respectively, with the remaining 9% funded from capital receipts. Additionally, the programme is expected to lever at least £30m of private sector investment in the fitting out of the new business space and in developing the serviced sites delivered by the programme.
14. The 10-year programme of investment and development is set out in Appendix 1. More detail on individual sites and projects is provided in Appendix 2. This programme builds on and complements previous investment in site infrastructure e.g. Levenmouth Business Park and a range of previous projects funded by Fife Council, Scottish Enterprise and Scottish Government.
15. Flexibility is required during the 10-year investment programme, as several factors could potentially alter which projects should be prioritised. These factors include:
  - Delays in acquiring sites;
  - Securing of statutory consents;
  - Abnormal costs e.g. onerous ground conditions;
  - Changes in market conditions and the wider economy;
  - Changes in development costs, including construction costs; and
  - Specific investment opportunities that may emerge.
16. The Programme will be reviewed at 18 months (Quarter 3 2020/21) as part of the preparation for Phase 2; and at the end of Phases 1 and 2. Lessons learned from reviews will be incorporated into future projects and phases.

### **3.3 Prioritisation of Sites**

17. All potential employment sites within the Fife Employment Land Audit [https://www.fifedirect.org.uk/uploadfiles/publications/c64\\_FINAL\\_ELA20161.pdf](https://www.fifedirect.org.uk/uploadfiles/publications/c64_FINAL_ELA20161.pdf) including Fife Council's Industrial portfolio were assessed in terms of priority and risk, based on the criteria drawn from agreed Fife Council priorities e.g. those detailed in FIFEplan. These factors include:
  - Supports strategic business clusters;
  - Well located to strategic growth corridors (M90, A92);
  - Fit with existing predominant land use;
  - Potential impact on sensitive and incompatible land uses; and
  - Potential to deliver lower-cost business space.
18. The short list of sites was further refined for their deliverability within the City Deal timescales and to ensure a balance of investment between mid and south Fife, brownfield and greenfield sites. During the programme lifetime, the sites will be reviewed again in the preparation of Phase 2 after the first 18 months of delivery and to prepare for Phase 3. Further reviews may be undertaken to respond to market demand, provided the anticipated outputs can be delivered. To develop this Final Business Case, the sites have been prioritised further to manage risk and advance the creation of new jobs in Phase 1.

### 3.4 Objectives and Expected Benefits

19. The Strategic Objectives for the Fife Industrial Innovation Investment Programme, by 2029, are:
  - To increase the supply of modern business accommodation and facilitate investment by the private sector, by servicing 60.3 ha (reduced from 75 ha in OBC) of employment land; and building 12,222 m<sup>2</sup> (reduced from 14,000 m<sup>2</sup> in OBC) new business accommodation with at least £30m Private Sector investment levered.
  - Working in partnership with the Edinburgh and South East Scotland City Region Deal Data-Driven Innovation Programme, to assist 1,000 businesses to become innovation-active, to reduce their costs and improve their productivity.
  - To ensure that Fife businesses sustain and improve their economic performance as the City Region progresses towards becoming the Data Capital of Europe, through improved value from their data and the adoption of digital technologies to create/safeguard jobs and turnover.
20. The Fife Industrial Innovation Investment Programme is intended to create conditions for start-ups and SMEs to grow, innovate and internationalise – to create more businesses in Fife and more jobs. It will create a “ladder” of new, modern, flexible business property across a range of locations, sizes and uses. The site selection follows the strategy laid down in draft SESplan2 (2016) and approved FIFEplan (2017), by focusing on business clusters and strategic growth corridors. The Scottish Government’s Inclusive Growth Assessment of Fife in 2016 concluded that the number one opportunity/constraint to Inclusive Growth was Digital and new business methods take up. The Fife Industrial Innovation Investment Programme and joint working with the City Region’s Data Driven Innovation Programme will help tackle this constraint/opportunity.
21. Innovation is being defined as “doing things in new, hopefully better, ways” that ultimately lead to a transformational change in business performance and local economy mix and strength. In the longer-term, Fife businesses could sustain and improve their economic performance through increasing the value they generate from their data by adopting digital technologies - to create new products, new supply chain arrangements, new business models, individually and through collaboration - thereby creating/safeguarding jobs and turnover. The aim is to create a long-term investment programme in Fife that can be replicated elsewhere in the City Region through other economic development and investment projects.

## 4. Strategic case.

### 4.1 The Strategic Context

22. This section sets out how the Programme will contribute to the strategic objectives set out in the Outline Business Case.

### 4.2 Contribution to National, Regional and Local Policy Objectives

23. The strategic objectives for the Fife Industrial Innovation Investment Programme contribute to national policies outlined in:

- UK Government’s Industrial Strategy White Paper; ‘Building a Britain fit for the future’;
- Scotland’s Purpose and National Outcomes; and
- A Manufacturing Future for Scotland Action Plan, 2016.

24. Figure 3 sets out how Fife Industrial Innovation Investment Programme contributes to Scotland’s Purpose and National Outcomes.

**Figure 3: The contribution by the Fife Industrial Innovation Investment Programme to relevant National Outcomes and Strategies**

<b>Scottish Government Purpose</b>	<b>To create a more successful country with opportunities for all through increasing sustainable economic growth</b>			
<b>Scottish Government National Outcomes</b>	Scotland is the most attractive place for doing business in Europe	We realise our full economic potential with more and better employment opportunities for our people	Well-designed, sustainable places	We are renowned for our research and innovation
<b>Scottish Government National Strategies</b>	Scotland’s Economic Strategy – Increasing competitiveness AND tackling inequality			
	Realising Scotland’s full potential in a digital world	Scotland Can Do; Boosting Innovation	National Planning Framework	Low Carbon Scotland
<b>Strategic outcomes</b>	Internationally competitive, digitally mature businesses across all sectors	Directly encourage more business innovation; make best use of University research, knowledge and talent to drive growth	Successful, sustainable places that support sustainable economic growth and regeneration	Reducing our carbon emissions and adapting to climate change; transition to a low carbon economy.
<b>Contribution by the Fife Investment Programme</b>	Adoption of data-driven innovation and digital technologies	More organisations in Fife are innovation-active	Locations for programme investment reflect strategic priorities in existing or designated employment areas	Increased supply of modern premises that meet or exceed environmental standards
<b>Longer-terms outcomes supported by the Programme</b>	Improved economic performance		Strong and inclusive growth, with access to opportunities for a wide range of individuals in Fife	The Programme influences wider approaches to building sustainability across Scotland
	Fife businesses extract more value from their data and adopt digital technologies to create / safeguard jobs and turnover	Fife businesses reduce their costs and improve their productivity		

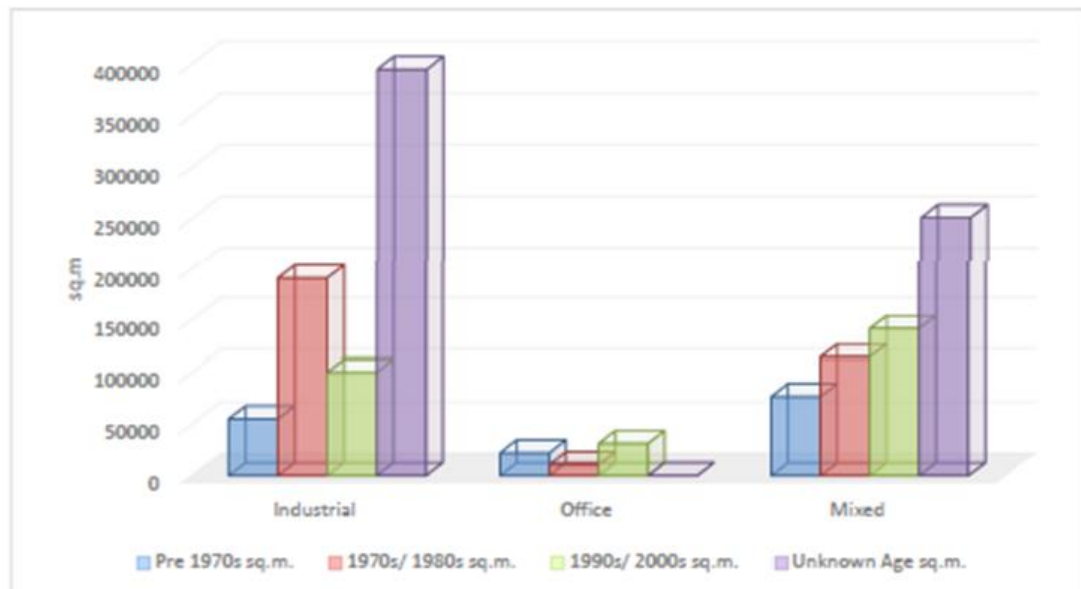
25. Fife Industrial Innovation Investment Programme contributes to regional and local policy objectives outlined in:
- The Edinburgh and South East of Scotland City Region Deal;
  - Draft SESplan 2016;
  - Fife’s Local Outcome Improvement Plan – The Plan4Fife;
  - Fife’s Economic Strategy 2017 – 2027; and
  - FIFEplan 2017.
26. The Inclusive Growth Challenges for the City Region and a Framework to tackle these are set out in Pages 6/10 of the [City Region Deal](#) document. In the short term, the Fife Industrial Innovation Investment Programme will help accelerate Inclusive Growth across the city region as it delivers a significant programme of construction. Over the medium and long term, the programme will deliver new jobs as the new business property is occupied.

### 4.3 The Case for Change

#### 4.3.1 Supply – Business Property and Employment Land

27. The proposed Fife Industrial Innovation Investment Programme is designed to meet an identified, long-term supply challenge in Fife for modern office and industrial space and effective employment land.
28. Research by Ryden in 2014, identified that the employment premises in Fife are located across thirty-eight Industrial Estates, seven Business Parks and fourteen mixed estates (comprising both traditional industrial and office accommodation). The strategic business clusters are mapped out in Figure 2. The report concluded that most of the current supply of property is obsolete and uneconomic to refurbish due to its age and failure to comply with current business requirements.

**Figure 4: Summary of Fife’s Business Property Stock Composition, 2014**



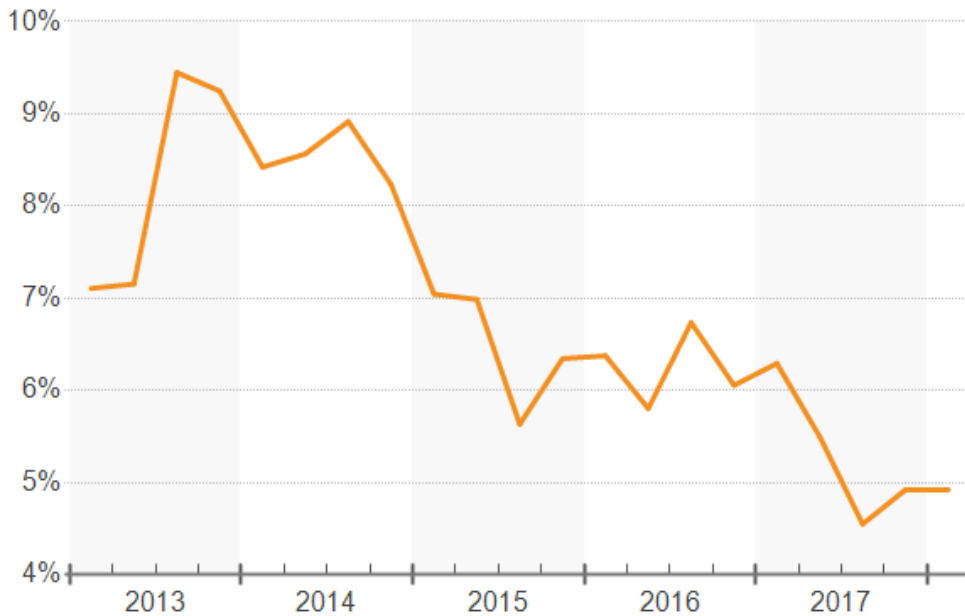
Source: Ryden

Note: the stock of “unknown age” includes all pre-1970 stock



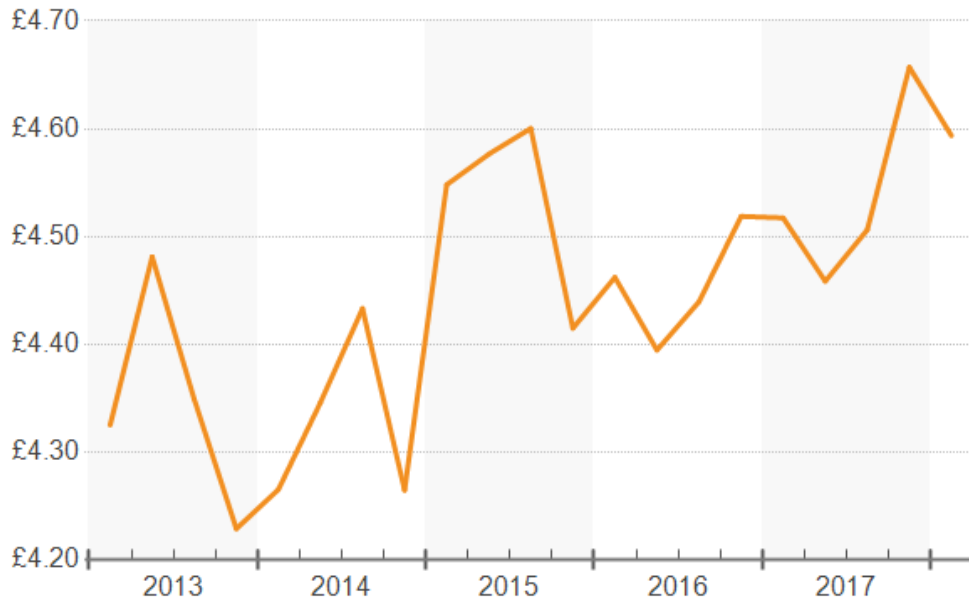
- 29. Fife Council is the largest single landlord in Fife for commercial property. The Council’s business property portfolio comprises around 240 business tenants across a total of 32 locations in both office and industrial properties extending to a total of around 47,400m<sup>2</sup>. The portfolio currently has an occupancy level of 94% (floor area). Vacant units are marketed in an open and transparent manner to secure Best Value, a statutory requirement for the Council. All rental and other commercial lease terms are on standard commercial terms that any commercial developer would expect. No tenant is provided with any commercial advantage and all commercial leases are fully compliant with State Aid regulations. This approach will continue in the delivery of the Fife Industrial Innovation Investment Programme.
- 30. The vacancy rate for the Council’s business property portfolio has reduced over the last 5 years as set out in Figure 5. This has corresponded with an increase in average industrial rental values for units up to 1,000 m<sup>2</sup> as set out in Figure 6.

**Figure 5: Fife Industrial Property, Vacancy Rates 2013 – 18**



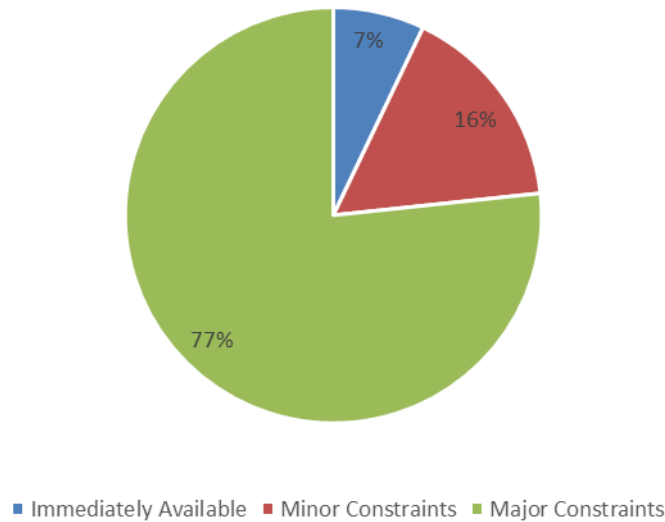
Source: Fife Council / CoStar, 2018



**Figure 6: Asking Rent, Industrial Values (per ft<sup>2</sup>), 2013 – 18**

Source: Fife Council / CoStar, 2018

31. Since 2014, Fife Council has 55 approved planning applications for **new commercial developments**. If all permitted developments come to fruition, then this potentially increases Fife's commercial property stock by almost 182,000 m<sup>2</sup> of floor space. 77% of these applications were in mid and south Fife across Use Classes 4, 5 and 6. Approx. half of these were in Use Class 4.
32. Whilst Fife has a good supply of strategically located employment land, few sites have appropriate infrastructure and utilities to render them effective for immediate development. The latest Fife Employment Land Audit (2016) indicates that, in total, some 940 ha of land across Fife is allocated for employment use. However, only 7% is immediately available, with a further 16% identified as having minor constraints (see Figure 7). This does not constitute an effective employment land supply. The Fife Industrial Innovation Investment Programme will deliver approximately 60 ha of immediately available serviced employment land over 10 years.

**Figure 7: Fife Employment Land Audit, 2016**

Source: Fife Employment Land Audit, Fife Council, 2016

#### 4.3.2 Demand – Business Property and Employment Land

33. Economic forecasters are anticipating that, as businesses become more reliant on technology, the type of business premises that will be required will change. Traditional manufacturing and industrial premises suitable for heavy manufacturing will become less relevant in the future to businesses seeking smaller and flexible premises, capable of adaptation for a range of technology uses. Modern technology could include higher levels of automation, 3D and laser printing, with increased demand on data analytics required within most industry sectors, gigabit broadband connections and the ability to incorporate, for instance, sensor technology.
34. As at 2017, there were 10,105 enterprises in Fife compared to 8,490 enterprises in 2007. Over the same period total turnover increased from £9.49bn to £12.99bn representing an increase of 36.8%. Economic forecasts indicate that Fife's economy will continue to evolve from traditional manufacturing and industrial towards higher-technology and less labour-intensive sectors. It is anticipated that by 2028, the largest employment growth in Fife will be in Administrative and Support Services (13%), Construction (11%) and Professional, Scientific and Technical (11%). By comparison, Manufacturing is forecast to contract by c11% over the same period.
35. Since 2011, occupier demand for industrial buildings has been very strong, particularly for units up to 500 m<sup>2</sup>. Three-quarters of the 443 transactions in Fife recorded in Co-Star since January 2011 have been for units less than 499m<sup>2</sup>. Demand tapers off for larger units, with only 2.25% of transactions for units larger than 3000m<sup>2</sup>. A review of the Fife property market by Ryden in 2017 concluded that there is a diverse and more bespoke range of requirements for 1,000-3,000m<sup>2</sup> units, including scientific, manufacturing, education, construction, healthcare, motor trade, trade counter and food and drink uses.

36. The Fife Industrial Innovation Investment Programme will deliver small, flexible business units aimed at small to medium sized businesses within Use Class 4 i.e. responding to the requirements of businesses within light manufacturing, food and drinks manufacturing, engineering, construction and electronics sectors as well as a range of service-based companies who may operate, for example, a hybrid model of administrative and technical functions. The units will be targeted at local businesses who have outgrown their existing accommodation or seeking to re-structure their operations and unable to do so. The units will not be targeted at any one sector so that they are capable of use by a wide range of business occupiers so long as the use complies with Use Class 4. The units will be constructed in terraces to provide a range of units from 99m<sup>2</sup> to 140m<sup>2</sup> that could be amalgamated into larger units of up to 450m<sup>2</sup> to respond to the demand for larger units from inward investors.
37. Since 2014 the Council's Business Property team have received just over 600 enquiries and concluded 156 leases. Since late 2017, there have been 12 new leases of industrial property in Fife by landlords other than Fife Council. Rental values for south Fife ranged from £67 - £76 per m<sup>2</sup> and £56 - £63 m<sup>2</sup> for mid Fife properties. The estimated yields range from 9 – 12% with lease terms of between one and five years. There have been six sales of industrial/warehouse units since 2014, with yield ranging from 5.28% to 14% depending on the condition of the property. Despite strengthening demand and increasing rental values, a development deficit remains and there is a lack of private sector investment to develop or refurbish stock. The Financial Model, set out in Appendix 4, for the Fife Industrial Estates Regeneration Plan has assumed similar rental values for its operating income. In 2018, seven new units developed by Fife Council in Glenrothes as part of the Fife Taskforce were leased at £62m<sup>2</sup>, with all units occupied within three months of completion.
38. Uptake of employment land has been relatively constant since 2013 at around 40 ha per year of completed development.

#### **4.3.3 Market Failure**

39. The build cost of the industrial units within the Fife Industrial Innovation Investment Programme is based on an open tender construction contract entered in 2017 by the Council for a similar specification and uses. This cost analysed to c £2,200 m<sup>2</sup> inclusive of all construction costs and professional fees. The private sector through the Fife Investment Delivery group has indicated that at these costs development in Fife is unviable. There is clear market failure from the private sector in providing the essential infrastructure required to increase the stock of serviced employment land capable of development, as well as developing new employment units.
40. The Fife Industrial Innovation Investment Programme will help to deliver the required public sector intervention. As mentioned in paragraph 7, Fife Council intends to collaborate with Zero Waste Scotland and Scottish Enterprise to seek innovative ways to reduce the cost per m<sup>2</sup> of new development. The development deficit in Fife is estimated to be £1,000 – £1,500 per m<sup>2</sup> for industrial property £1,400 – £1,900 per m<sup>2</sup> for office and business centre developments (Source: Fife Council).

41. The Fife Industrial Innovation Investment Programme will deliver “patient, committed” investment in commercial property – both for local businesses seeking to grow and for inward investors. The prioritisation of sites in strategic locations and growth corridors will satisfy the requirements of both local and mobile occupiers. The programme will deliver in three phases, reviewing and learning from each site and phase delivered. Section 3.3 outlines how the sites were prioritised and paragraphs 15 and 16 set out how the programme will respond to changes in demand and other factors.

#### **4.3.4 Programme Delivery Approach**

42. In Phase 1 of the programme, the individual projects will be undertaken directly by Fife Council on sites within its control to minimise risk of slippage. Preliminary designs and site investigations are being done in parallel with the Full Business Case at the Council’s risk. Further employment land servicing and construction projects will be delivered as part of Phases 2 and 3. Consideration is being given as to how the Council may effectively stimulate private sector investment which may include, for instance, setting up appropriate joint venture structures.
43. Initial engagement with private sector partners has taken place to assess demand but will intensify during Phase 1 so that this can be included in the preparations for Phase 2. An Infrastructure Investment Group, comprising public and private sector property and economic development professionals, has been set up as part of the Fife Economy Partnership. It has been tasked with reviewing potential delivery options.
44. All properties and sites delivered by the Fife Industrial Innovation Investment Programme will be marketed openly and as widely as possible. The Council uses commercial property websites e.g. Costar, Novaloca, both widely used by property agents throughout the Scotland and UK. The Council has extensive experience of working with national agencies to promote Fife to prospective inward investors as well as local businesses through the Council’s Business Property Team, the Invest in Fife partnership and Business Gateway Fife. The Council maintains a database of all companies seeking either land and/or property to support them to find premises that meet their requirements.

## **5. Economic case**

### **5.1 Financial Scenarios Considered in the Outline Business Case**

45. Fife Council, working with its regional and national partners, has considered the interventions that could be taken and how Fife Council will intervene. The types of innovation being considered include:
- Collaboration arrangements between occupiers in the industrial estates related to resource and energy use;
  - Organisations introducing new products, processes, business models. Supply-chain and working arrangements.
46. The Outline Business Case considered a range of financial scenarios. Only one of these – variable grant payments made annually in arrears – produced a positive NPV (Net Present Value). This scenario formed part of the Edinburgh and South East Scotland City Region Deal agreed in August 2018. Therefore, this Business Case provides more information on that scenario alone. More detail on the assumptions used are shown in the Financial Model in Appendix 4.
47. The Fife Industrial Innovation Investment Programme is expected to deliver Inclusive Growth and Investment in line with the Edinburgh and South East Scotland City Region Deal agreed in August 2018. This section sets out how the economic impact will be delivered from the funding investment in new commercial premises and site servicing in Fife. This is summarised in Figure 8 below.

**Figure 8: Pathway From Intervention to Impact**

Input →	Activity →	Outputs →	Outcome →	Impact
<b>Funding for new commercial premises and site servicing</b>	New commercial premises are built by public sector of required size and with modern specification to allow businesses to optimise and streamline processes	Private sector investment in new buildings and processes	Ability to grow using additional profitability and hire more staff, and more higher value jobs	Increased employment rate
		Removal of cost from business processes, leading to enhanced productivity		
	Employment land servicing	Increased supply of fully serviced employment land; new business units built by private sector occupier	Leverage of private sector investment in additional premises built by private occupiers	Possibly involves better jobs, with a better career path, contributing to higher median weekly earnings
<b>Innovation support activities</b>	Community benefits from construction, including training and modern apprenticeships	% of procurement spend in city region	Businesses committed to innovation improve their competitiveness and increase sales	Uplift in Gross Value Added (GVA) per head
	Businesses are supported to be innovation-active	% of occupiers committed to innovation activity	Outcomes from Data driven research projects with city region's universities	Business expenditure on R&D per head (£) increases
	Businesses undertaking SMAS Reviews and data-driven research projects	Drawdown of innovation funding e.g. specialist grant support to realise projects		

Source: Fife Council and Scottish Enterprise

## 5.2 Contractual Arrangements

48. The partners in the Edinburgh and South East of Scotland City Region Deal, including Fife Council, are developing a regional Procurement Strategy to help deliver Inclusive Growth in the City Region. Fife Council is also reviewing its own Procurement Strategy during 2018/19. The Council's Corporate Procurement team is working with the Council's Building Services Team to prepare a Procurement Strategy for the Fife Industrial Innovation Investment Programme. For Phase 1, the programme's procurement activities will predominately use existing Frameworks. Fife Council Building Services will act as the principal contractor for construction activities. If no framework is available, the Phase 1 procurement activities will be consolidated where practicable, to shorten the time to procure and to achieve the best price. During Phase 1, as these Frameworks come to an end, or new Frameworks are put in place, the Programme will adopt the regional procurement approach.
49. Fife Council intends to commit to adopting the regional approach to Community Benefits from procurement that is being developed as part of the regional Procurement Strategy. Following the award of a procured project and any subsequent individual work packages, the contractor will be required to support the City Region Deal Inclusive Growth objectives through delivery of agreed community benefits. There are six main ways in which the regional procurement best practice intends to help deliver Inclusive Growth in the city region:
  - Delivery of new employment opportunities;
  - Working with local supply chains through the Scottish Supplier Development Programme;
  - Sustainability;
  - Fair work practice;
  - Education and outreach; and
  - Community cohesion.
50. The City Region Deal Partners are developing a consistent framework for contracts. They have also developed a consistent evidence base of regional inclusion priorities and are committed to common reporting. This will help Fife Council identify targets for their suppliers in their community benefit clauses.
51. Supplier engagement will be at the core of delivering Inclusive Growth supported by good procurement. The City Region partners, including Fife Council will support suppliers to shape delivery of these benefits and provide supplier support and tendering training when bidding direct or as a sub-contractor of a prime contractor.
52. A Procurement Action Plan is also being developed for Phase 1 of the Fife Industrial Innovation Investment Programme from the outline programme set out in Appendix 1. Procurement activities will include Topographical Surveys, Ecology Reports; Civil and Structural Engineers to undertake Site Investigations, Drainage Strategies, UKWIR Testing, Air Quality Reports; Simplified Building Energy Models, and the construction of Buildings and Roads.

### 5.3 Economic Appraisal findings

53. An Economic Impact Assessment (EIA) has been undertaken to appraise the likely impact of Fife Industrial Innovation Investment Programme on key economic indicators. The inputs and assumptions have been refined and updated since the Outline Business Case, to reflect more accurate information, particularly relating to Phase 1 projects. The full assessment is included in Appendix 3.
54. The EIA uses economic data and evidence, alongside key assumptions to model the impact of the programme. Programme impacts are assessed over a 30-year timeframe. The key assumptions are:
- Inflation has been added at the rate for construction (3.75%) this is the BCIS (Building Cost Information Service) rate and is consistent with the financial modelling;
  - The displacement rate is 25%;
  - Financial contributions by Fife Council and Scottish Government are fixed in nominal terms;
  - The first year of the programme is 2019/20;
  - Job densities are 1 FTE per 47 m<sup>2</sup> (Net Internal Area) for completed buildings, and 70 jobs per hectare of serviced land unlocked to reflect the end use being Use Class 4;
  - Employment multipliers (Type II, reflecting indirect and induced effects) are 1.7 for office and 2.03 for industrial employment;
  - The properties will have an average 15% vacancy rate from completion, throughout the lifetime of the programme
  - At least £30m in private sector investment will be levered
55. The Fife Industrial Innovation Investment Programme investment would have both a regional and national impact on the business infrastructure in east central Scotland. This includes direct and indirect employment as well as increased household income and demand for local services. Furthermore, investment of this scale would have major benefits for supply chain businesses located in Fife, the wider east central belt and Scotland more generally.
56. The EIA is based on the development proposals set out for the Programme in Appendix 1. The key inputs and findings of the assessment are summarised below:

**Table 2: Modelling Inputs**

	Input
Office floorspace	2,300m <sup>2</sup>
Industrial floorspace	9,700m <sup>2</sup>
Capital Cost	£48.4m

Source: Fife Council



**Table 3: Modelling Outcomes and Impacts**

<b>GVA (Gross Value Added) Impact</b>	
NPV (Net Present Value) of Net GVA	£711m
NPV of Construction	£191m
<b>Job Impact</b>	
Direct Net Jobs (average per annum)	1,095
Gross Construction Jobs (cumulative over life of Programme)	596
<b>Tax Impact</b>	
NPV of Direct Net Income Tax	£35m
NPV of Direct National Insurance	£53m
NPV of Direct Net Corporation Tax	£7m
NPV of Gross Non-Domestic Rates Income	£10,000

57. Based on the preferred option for delivery, an additional £28 of GVA is generated for every £1 spent. Overall, the programme will increase GVA in Fife by 1.94%, and will reduce Fife's unemployment rate to 3.6% (see Table 4):

**Table 4: Summary of Programme Impacts on Key Indicators**

<b>Key Indicator</b>	
GVA (NPV of Net GVA = £711m)	1.94% annual uplift in Fife's GVA
Jobs (Direct Net Jobs ave. p.a.)	Reduction of 0.6% in Fife's unemployment rate
Qualitative Impacts	<ul style="list-style-type: none"> <li>• Increase in private sector investment</li> <li>• New premises to support and stimulate economic growth</li> <li>• Increase in innovation activity in Fife companies</li> <li>• Improved quality of jobs, and better career paths</li> </ul>
Cost per job	£44,340
GVA generated, per £ spent	£28

## **5.4 Overall findings: the preferred option**

58. The preferred option combines new build and servicing of employment land to open up new sites for private development, alongside an innovation programme to benefit occupants of new premises and those in surrounding areas. It balances investment across mid and south Fife and generates £28 of GVA for every £1 invested by the public sector. The programme will be developed in phases with opportunities to review successes and lessons learned between phases.

## **6. Commercial case**

### **6.1 Key contractual arrangements**

59. The partners in the Edinburgh and South East of Scotland City Region Deal, including Fife Council developed an Implementation Plan and a Financial Agreement that profiled the drawdown of the City Region funding based on the Outline Business Cases. The Outline Business Case for the Fife Industrial Innovation Investment Programme input into this profile. Table 6 and Paragraph 66 sets out the variation to this profile as a result of the development of the Full Business Case.
60. City of Edinburgh Council as the Accountable Body for the Edinburgh and South East of Scotland City Region Deal will enter into a Minute of Agreement with Fife Council on approval of this Full Business Case that will set out the contractual obligations on Fife Council in respect of the City Region funding, the outputs and reporting.

### **6.2 Agreed risk allocation mechanism**

61. The risks relating to Interest Rates, Construction and Completion, Operating Risks, Demand Risk, Force Majeure and changes in Law, Political, Regulatory, Environmental and Social Risks associated with the delivery of the Fife Industrial Innovation Investment Programme will be allocated to the party that is best placed to manage them in a cost-effective way to maximise value for money, including to the private sector. This allocation and/or transfer will include the occurrence and impact of the risk, be informed by market conditions and transaction costs. For Phase 1 of the programme these risks will be allocated to Fife Council. At key points in the construction programme key risks will be transferred to contractors, and opportunities will be sought to take approaches that reduce or transfer risk wherever possible. The allocation of risk will be reviewed as part of the Programme reviews outlined in Paragraph 16 and for Phases 2 and 3 when different development models will be considered by Fife Council.



## **6.4 Accountancy treatment**

63. The assets created by the Fife Industrial Innovation Investment Programme will become the assets of Fife Council. These will be transferred to the Business Property Portfolio on completion. Subject to the terms of the offer of grant from Scottish Government, and the Minute of Agreement with the accountable body (City of Edinburgh Council) the rental income and any capital receipts will be used to fund the programme in order to repay borrowing. Any maintenance and management costs will be met from the rental income in line with the assumptions in the Financial Model. Any surplus will be managed by Fife Council's Enterprise and Environment Directorate in accordance with the Council's Medium Term Financial Strategy.

## **7. Financial case**

### **7.1 Profile of Funding**

64. The Outline Business Case explored different funding arrangements for the drawdown of City Deal grant. The preferred proposal is that the Fife Industrial Innovation Investment Programme is funded from an annual, variable Scottish Government grant; Fife Council capital funding; capital receipts from the sale of developed land; and rental receipts from leased premises. This funding approach underpins the financial modelling undertaken, which now includes more refined information on the expected costs and delivery timetable for the programme.
65. The grant funding arrangements allow time for decisions on potential re-phasing to be made in response to identified risks, to ensure that the financial profiling outlined here is delivered and that underspend is avoided. This is discussed further in Section 8.4

### **7.2 Overall affordability**

66. Since the preparation of the Outline Business Case, the financial modelling shows significant movement in the expected NPV (Net Present Value) for the programme. This is principally caused by a change in the assumed rate of inflation for the projects from the general rate of inflation (2%) to the BCIS (Building Cost Information Service) rate (3.75%). The updated model also reflects more detailed design and costing of the Phase 1 projects, which has been undertaken since the Outline Business Case was agreed.
67. The Programme shows a surplus of £14m, and the NPV for the programme is a £0.177m surplus. The results of the latest financial modelling and the movement between the financial modelling for the Outline Business Case and Full Business Case are shown below:

**Table 6: Financial Modelling Results and Movement from Outline Business Case to Full Business Case**

<b>Sensitivities (£m)</b>	NPV of (Surplus) / Deficit	(Surplus) / Deficit £m	(Surplus) / Deficit by Yr25	Investment	Capital Receipts	Interest	Annual Revenue Grant	No of Annual Grant Payments
Base Case - OBC	(2.3)	(15.3)	(8.4)	47.8	(5.2)	1.5	(8.0) to (2.1)	8.0
Base Case - FBC 3.75% BCIS	(0.2)	(14.1)	(7.1)	48.4	(5.3)	1.5	(8.0) to (2.1)	8.0
Movement	2.1	1.2	1.3	0.6	(0.1)	0.0		0.0

Note: figures may not sum due to rounding

68. The movement in grant profile from the City Deal Financial Plan is shown below, this is based on claims being made annually in arrears for 79% of costs incurred. Compared to the Financial Plan this results in advancement of grant drawdown in Year 2 (relating to Year 0 and 1 activity), followed by slippage for three years. The slippage principally relates to re-profiling of some activity on Levenmouth Business Units from Year 3 to Year 5 of the programme. The full detail of the financial modelling is included in Appendix 4.

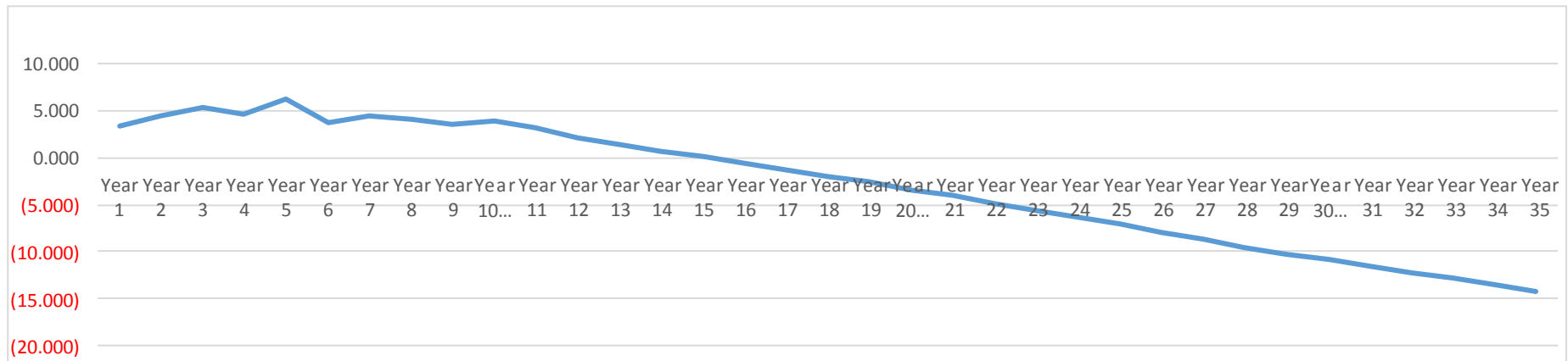
**Table 7: Movement in Grant Profile from City Deal Financial Plan to Full Business Case**

	2018/19 Year 0	2019/20 Year 1	2020/21 Year 2	2021/22 Year 3	2022/23 Year 4	2023/24 Year 5	2024/25 Year 6	2025/26 Year 7	2026/27 Year 8	2027/28 Year 9	TOTAL
City Deal Financial Plan			(2.840)	(3.748)	(5.173)	(6.317)	(8.046)	(2.852)	(3.928)	(2.096)	(35.000)
Base Case - FBC 3.75% BCIS			(3.243)	(3.665)	(4.489)	(4.119)	(7.863)	(5.410)	(3.745)	(2.465)	(35.000)
Movement in Grant Profile			(0.403)	0.083	0.684	2.198	0.183	(2.558)	0.183	(0.369)	(0.000)

### 7.3 The Council’s Debt Requirement

69. Figure 9 (below) shows the funding gap for the duration of the programme. Overall Borrowing peaks at £6.2m in Year 5, and is repaid by 2034. Thereafter the programme generates a surplus to the end of the 35 year programme life. Any surplus will be managed by Fife Council’s Enterprise and Environment Directorate in accordance with the Council’s Medium Term Financial Strategy.

**Figure 9: Cumulative Funding Gap Including Interest (£m) over 35 years**



### 7.3 Sensitivity Analysis

70. Sensitivity analysis has been carried out to evaluate some of the key variables and assumptions within the financial model and to determine where the main financial risks and opportunities lie within the programme. The base case shows a £14.1m surplus, which has a Net Present Value surplus of £0.2m. Variables to the base case have been modelled and result in a range of results from £20.4m surplus to £6m surplus.

**Table 8: Sensitivity Analysis**

Sensitivities (£m)	NPV of (Surplus) / Deficit	(Surplus) / Deficit £m	(Surplus) / Deficit by Yr25	Investment	Capital Receipts	Interest	Annual Revenue Grant	Change in NPV
Base Case	(0.2)	(14.1)	(7.1)	48.4	(5.3)	1.5	(8.0) to (2.1)	-
Positive Impact on Base Case								
Construction Costs decrease by 10%	(4.2)	(20.4)	(12.9)	43.8	(5.3)	0.6	(8.0) to (2.1)	(4.0)
Occupancy increased from 85% to 95%	(1.7)	(19.6)	(10.4)	48.4	(5.3)	1.3	(8.0) to (2.1)	(1.5)
Business Accelerator - No Empty rates costs	(0.9)	(16.8)	(8.7)	48.4	(5.3)	1.4	(8.0) to (2.1)	(0.7)
Rental Income Price increase by 5%	(0.6)	(15.6)	(8.0)	48.4	(5.3)	1.4	(8.0) to (2.1)	(0.4)
Interest 1% decrease	(0.5)	(14.5)	(7.5)	48.4	(5.3)	1.1	(8.0) to (2.1)	(0.3)
Capital Receipts increase by 5%	(0.3)	(14.4)	(7.4)	48.4	(5.5)	1.4	(8.0) to (2.1)	(0.1)



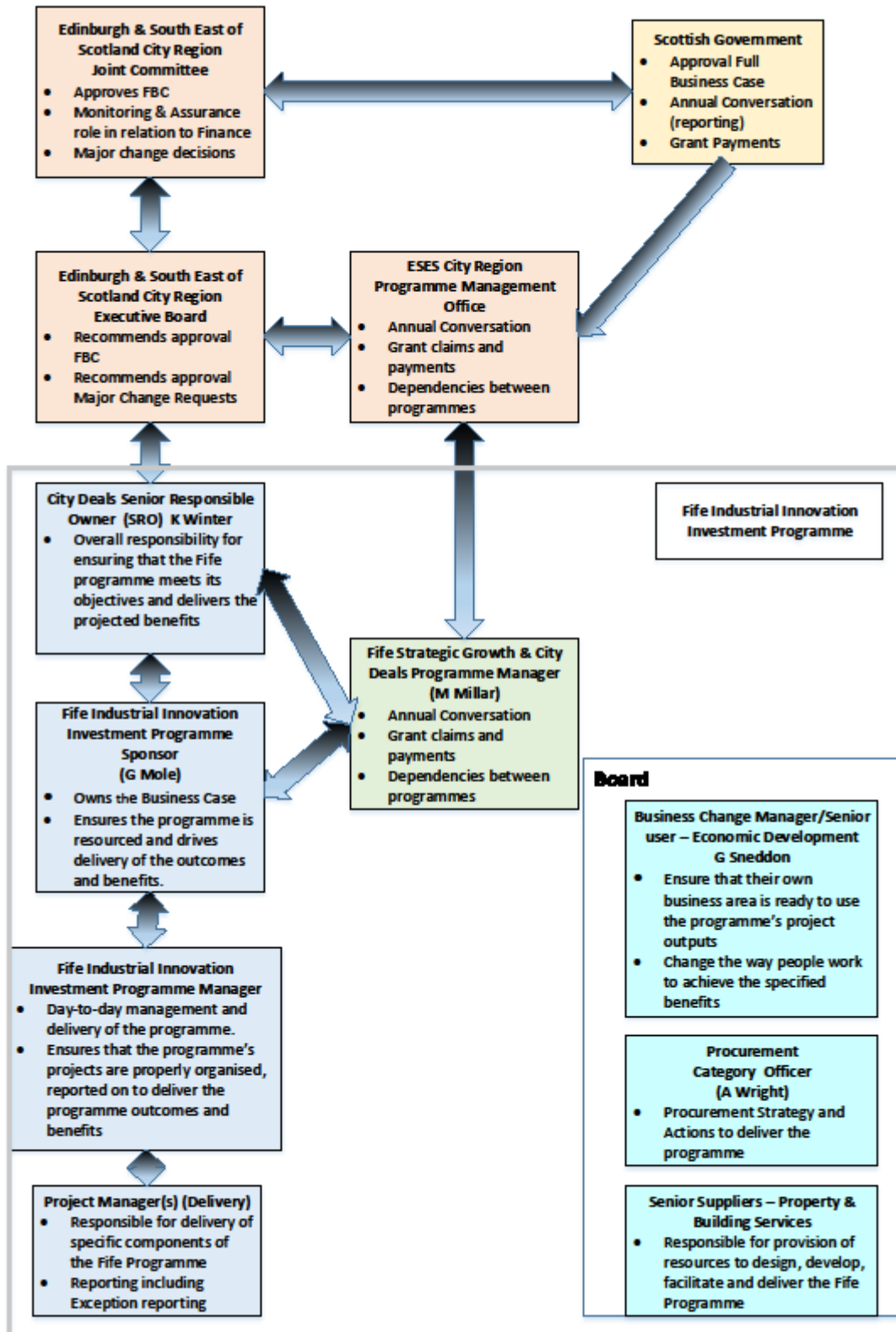
Negative Impact on Base Case								
Capital Receipts reduce by 5%	(0.1)	(13.8)	(6.9)	48.4	(5.0)	1.5	(8.0) to (2.1)	0.1
3 year delay in Capital receipts	(0.1)	(14.1)	(7.0)	48.4	(5.3)	1.5	(8.0) to (2.1)	0.1
Grant drawn at 79% of previous year	0.2	(13.9)	(6.9)	48.4	(5.3)	1.7	(7.9) to (2.5)	0.4
Rental Income Price reduce by 5%	0.2	(12.6)	(6.2)	48.4	(5.3)	1.5	(8.0) to (2.1)	0.4
Interest 2% increase	0.4	(13.3)	(6.3)	48.4	(5.3)	2.2	(8.0) to (2.1)	0.6
2 year delay in developments being available	0.4	(13.1)	(6.1)	48.4	(5.3)	1.7	(8.0) to (2.1)	0.6
Occupancy reduced from 85% to 75%	1.2	(8.5)	(3.8)	48.4	(5.3)	1.6	(8.0) to (2.1)	1.4
Construction Costs 10% increase	4.6	(6.0)	0.5	53.1	(5.3)	3.6	(8.0) to (2.1)	4.8

## **8. Management case**

### **8.1 Programme and Project Management Arrangements**

71. The Edinburgh and South East Scotland City Region Deal includes a regional governance structure and how the Fife Industrial Innovation Investment Programme fits with this is available on the Accelerating Growth webpages (see <http://www.acceleratinggrowth.org.uk/about-us/>)
72. The Fife Industrial Innovation Investment Programme will report to the Edinburgh and South East Scotland City Region Deal Executive Board and its Joint Committee. Fife Council authorised participation in the Joint Committee and City Deal governance in June 2018. Work is underway to agree a Minute of Understanding between the University of Edinburgh (lead for the Data Driven Innovation Programme) and Fife Council.
73. Fife Council has established a Strategic Growth and City Deals Programme Board to provide strategic direction and oversee all city deal activities, programmes and projects. Its remit includes management of the Fife Industrial Innovation Investment Programme, the Fife Tax Incremental Finance schemes and all other City Deal projects to ensure their inter-dependencies are managed and benefits realised. The Fife Strategic Growth and City Deals Programme Board will also integrate the governance relating to both Edinburgh and South East Scotland and Tay Cities Deals. The individual project and programme management arrangements are shown below:

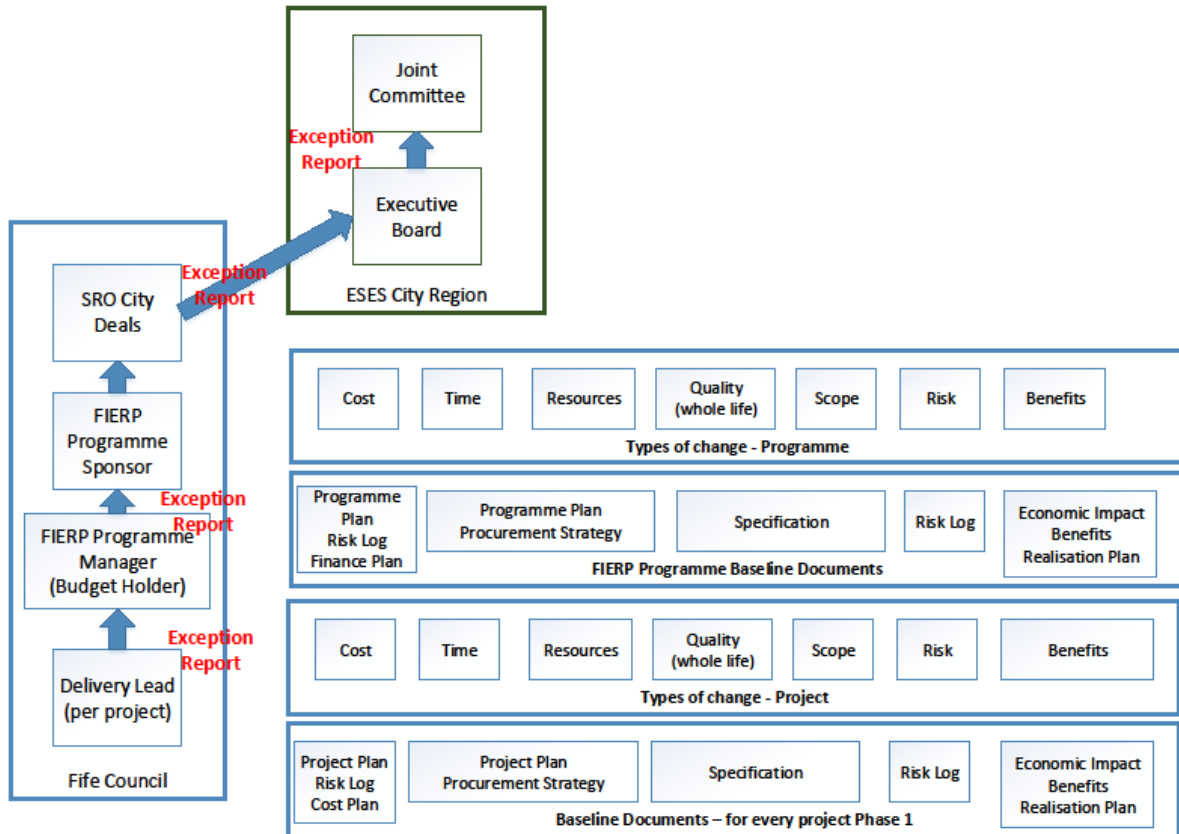
Figure 10: Project and Programme Management Arrangements



## 8.2 Managing Change

74. Project and programme tolerances are set out in terms of cost, time, resources, quality, scope, risk and benefits. Where project or programme tolerances are exceeded, exception reports are triggered and escalated as outlined below:

**Figure 11: Change Control Process**



75. Tolerances will be agreed by the relevant Board and reviewed between programme phases.

## 8.3 Benefits realisation

76. The Benefits Register is set out in Appendix 5. The benefits relate to the Outcomes set out in Figure 8: Intervention Pathway and the Economic Appraisal set out in Section 5.3.1. These will be managed and reviewed through the Governance and change management processes.

## 8.4 Approach to risk management

77. The programme risks relate to delivery and viability; finance; and legal. A copy of the risk register is set out in Appendix 6. Plans to mitigate risk have been developed. Risks within the control of Fife Council, (staff capacity, appropriate governance arrangements, early site investigation and utility scoping), are being

actively managed. Mitigation strategies relating to the wider economic environment (economic instability, interest rates) have been developed and will be deployed in response to changes or developments. All risks will be regularly reviewed and reported to the Programme Board.

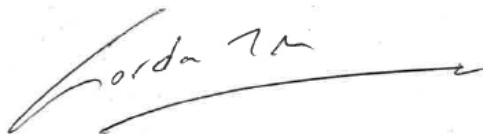
#### **8.4 Programme and project evaluation arrangements**

78. Each project requires its own detailed Business Case setting out its expected contribution to the Fife Industrial Innovation Investment Programme outcomes, and how and when these will be measured and monitored. These will require Committee approval for Fife Council, as well as City Deal approval. Further reviews will be carried out after the procurement is completed for each project; and when each project is completed and ready for service. Benefit Realisation Reviews will also be conducted.
79. A programme evaluation will be carried out at 18 months and again during Year 3 of the programme, as Phase 1 nears completion. This is an essential aid to improving future project performance, achieving best value for money from public resources, improving decision-making and learning lessons for both the Edinburgh and South East Scotland City Region Deal Board and others. The evaluation will capture lessons learned from individual project reviews and for the wider programme and will be used to inform the detailed planning for Phase 2. This will include:
- Post-occupancy surveys with tenants of new-build units (undertaken around 6 months after occupation) to identify any missed opportunities and/or over-specification in order to optimise future investment plans;
  - Regular ongoing tenant satisfaction survey results to identify longer-term maintenance or management issues;
  - Lessons learned from procurement, construction and marketing/letting activities;
  - Tracking of business performance associated with the programme including actual employment achieved, plans for growth and innovation activity; and
  - Regular discussion with Scottish Borders Council and other stakeholders to share best practice and lessons learned.

### **9. Recommendation**

80. It is recommended that the Full Business Case for the Fife Industrial Innovation Investment Programme is approved, and the programme be authorised to proceed into delivery.

**Signed:**



**Date: 19/02/2019**

**Interim Chief Officer - Business & Employability  
Programme Sponsor**

## Appendix 1 – Investment Programme Oct 2018

### Phase 1 – Years 1 to 3

Location	Project	Description	Proposed Use	Estimated cost (£m)	Start Year	No. of Years	Estimated Rental (£/m <sup>2</sup> )	Employment land unlocked (Ha)	Construction Cost (£/m <sup>2</sup> )	Gross floor area development built (m <sup>2</sup> )
Glenrothes	Queensway Development	766m <sup>2</sup> /8,250 ft <sup>2</sup> , Use Classes 4, 5 and 6	Industrial Development	£2.0	Yr. 1	1	£65		2,700	766
Fife Interchange Dunfermline	Phase 1 infrastructure - North	Site servicing – 6.4ha	Site servicing	£2.9	Yr. 1	2		11.7 Net Dev		
Fife Interchange	Phase 1 build Use Class 4, 5 and 6	929m <sup>2</sup> /10,000 ft <sup>2</sup> new build	Industrial Development	£2.1	Yr. 2	1	£75		2,700	929
Kirkcaldy	Dunnikier Business Park	766m <sup>2</sup> /8,250 ft <sup>2</sup> office/ industrial units	Industrial Development	£2.0	Yr. 3	1	£70		2,700	766
Hillend/ Donnibristle Inverkeithing	Strategic site acquisition	Site acquisition	Industrial Development	£0.6	Yr. 3	1				
Lochgelly	The Avenue	766m <sup>2</sup> /8,250 ft <sup>2</sup> of small industrial workshops	Industrial Development	£2.3	Yr. 3	1	£60		2,700	766
Hillend/ Donnibristle Inverkeithing	Site servicing at Westway	Site servicing – 1.32ha	Site servicing	£ 0. 2	Yr. 4	1				

Hillend/ Donnibristle Inverkeithing	Strategic site acquisition	Strategic site acquisition	Acquisition	£ 0.3	Yr. 4	1				
<b>Years 1 to 3 sub total</b>				<b>£ 12.5</b>					<b>3,227</b>	

**Phase 2 – Years 4 to 6**

Location	Project	Description	Proposed Use	Estimated cost (£m)	Start Year	No. of Years	Estimated Rental (£/m <sup>2</sup> )	Employment land unlocked (Ha)	Construction Cost (£/m <sup>2</sup> )	Gross floor area development built (m <sup>2</sup> )
Hillend/ Donnibristle Inverkeithing	Development at Westway	929m <sup>2</sup> /10,000 ft <sup>2</sup> industrial	Industrial Development	£2.4	Yr. 4	2	£75		2,700	929
Glenrothes	Queensway Innovation Centre	1,393m <sup>2</sup> /15,000 ft <sup>2</sup> development Use Class 4	Office Development	£4.0	Yr. 4	2	£95		3,000	1,394
Fife Interchange Dunfermline	Phase 2 build	1,858m <sup>2</sup> /20,000 ft <sup>2</sup> - Use Class 4, 5 and 6	Industrial Development	£4.7	Yr. 4	2	£75		2,700	1,858
Levenmouth	Levenmouth Business Park	Development of 929m <sup>2</sup> /10,000 ft <sup>2</sup> office/industrial units	Industrial Development	£2.3	Yr. 5	1	£60		2,700	929
John Smith Business Park Kirkcaldy	Flexible business space	952m <sup>2</sup> /10,250 ft <sup>2</sup> development of Use Classes 4/5/6	Industrial Development	£2.9	Yr. 5	2	£75		3,006	952
Kirkcaldy	Town Centre innovation Hub	464m <sup>2</sup> /5,000 ft <sup>2</sup> office development	Office Development	£1.3	Yr. 6	1	£100		2,691	465

Cowdenbeath	Cowdenbeath Innovation Hub	464m <sup>2</sup> /5,000 ft <sup>2</sup> office	Office Development	£1.3	Yr. 6	1	£90		2,702	465
Hillend/Donnibristle	Site servicing Cochrane Way	Site servicing – 1.32ha	Site servicing	£0.3	Yr. 6	1				
Hillend/Donnibristle	Site servicing Ridgeway	Site servicing – 2.59ha	Site servicing	£0.1	Yr. 6	1				
<b>Years 4 to 6 sub total</b>				<b>£19.1m</b>						<b>6992m<sup>2</sup></b>

### Phase 3 – Years 7 to 10

Location	Project	Description	Proposed Use	Estimated cost (£m)	Start Year	No. of Years	Estimated Rental (£/m <sup>2</sup> )	Employment land unlocked (Ha)	Construction Cost (£/m <sup>2</sup> )	Gross floor area development built (m <sup>2</sup> )
Glenrothes	Westwood Park	929m <sup>2</sup> /10,000 ft <sup>2</sup> development Use Classes 4, 5 and 6	Industrial Development	£2.5	Yr. 7	1	£65		2,700	929
Hillend/Donnibristle	Development at Cochrane Way	929m <sup>2</sup> /10,000 ft <sup>2</sup> . industrial	Industrial Development	£2.5	Yr. 8	1	£75		2,700	929
Kirkcaldy East	Mitchelston Industrial Estate	Construction of access road – unlocks 32ha	Site servicing	£1.5	Yr. 8	2				
Rosyth	Strategic Infrastructure	Strategic infrastructure	Site servicing	£1.0	Yr. 9	2				



45

Hillend/Donnibristle Inverkeithing	Site servicing at Fullmer Way	Site servicing – 15ha	Site servicing	£0.35	Yr. 10	1
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1858m2

**Years 7 to 10  
sub total**

**£7.4m**

**All Programme Phases**



**Estimated  
cost (£m)**

**Years 1 to 10  
total**

**£39.0m**

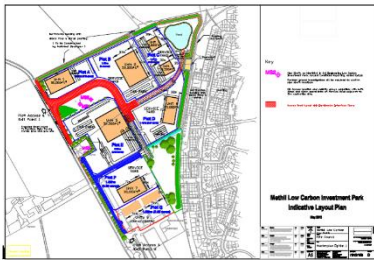

**Appendix 2 – Outline of the Individual Projects within the Programme**



**South Fife Projects**

<p>Dunfermline Fife Interchange North</p> 	<p>Fife Interchange, forms part of a Strategic Joint Venture Agreement between Scottish Enterprise and Fife Council that aims to maximise the economic development of several key sites in Fife. Fife Interchange is situated immediately to the west of the M90 and extends in total to 20.33 ha. A substantial part of the site has been developed with the construction of the Amazon UK Fulfilment Centre in 2011.</p> <p>The southern site is the subject of a separate Tax Incremental Finance agreement with Scottish Government.</p> <p>The site to the north of Amazon UK is referred to as Fife Interchange North and is included in this Programme. 2,787m<sup>2</sup> will be built through this Programme in Phase 1 and 2 with the rest of the site serviced for private sector investment.</p> <p>The intention is to create a major Business Park at Fife Interchange across the three sites to provide a base for a wide range of business sectors including renewables, food and drink, logistics/distribution and, construction sectors.</p>
<p>Inverkeithing Hillend and Donibristle Industrial Estate</p> 	<p>Hillend and Donibristle Industrial Estate is recognised as a strategically important employment and economic hub that accommodates around 120 businesses and 2000 jobs. This location is in high demand from a range of businesses from sole traders to internationally recognised companies. The estate is vitally important to the economy of Fife hosting seven of the top 100 businesses in Fife.</p> <p>The estate evolved from a military airfield and is showing signs of its age with associated problems of obsolescence, vacancy and dereliction. Given the importance of the estate as a strategic location near the Forth bridgehead and the businesses that it accommodates, Fife Council has worked with consultants and businesses to develop a pragmatic regeneration action plan which, if successfully implemented, will secure the future of the estate. There are a variety of vacant and dilapidated industrial buildings and sites throughout the industrial estate that offer the opportunity for redevelopment and regeneration.</p> <p>Programme activity will include site acquisition, site servicing (5.23ha) and new build (1932m<sup>2</sup>) across all three Phases.</p>

<p>Rosyth Waterfront</p> 	<p>Gateway Rosyth is a strategic collaboration to promote Scotland's International Gateway, Rosyth, working in partnership with Fife Council, Scottish Enterprise and all three landowners. Rosyth is an international port on the east coast of Scotland with a proven track record in complex project mobilisation and delivery. It is 12 miles from Edinburgh Airport and West Edinburgh. Rosyth also benefits from direct connections to national road and rail networks and has access to North Sea Oil and Gas fields, Offshore Renewable Energy sites and European ports. Programme activity in Phase 3 may include site acquisition and site servicing.</p>
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## Mid Fife Projects

<p>Buckhaven Levenmouth Business Park</p> 	<p>A limited provision of essential utilities, site stabilisation and site servicing has been undertaken by Fife Council at the Levenmouth Business Park. This is a 15 ha business park adjacent to the A915, on the south west edge of Buckhaven that is subject to a Tax Incrementation Finance agreement with Scottish Government. This is intended to provide additional space to support activity on the main Energy Park Fife site, primarily through supply chain activities. The masterplan envisages the construction of 10 industrial units with a total floor area of 18,500 m<sup>2</sup>. The Fife Industrial Innovation Investment Programme will construct a terrace of 966m<sup>2</sup>, subdivided into smaller units. It is likely that these will attract Small Business Bonus relief from Non-Domestic Rates and will not affect the Tax Incrementation Finance scheme. However, it will deliver activity on the site and help stimulate private sector investment.</p>
<p>Kirkcaldy Dunnikier Business Park</p> 	<p>Dunnikier Business Park is located within the Mitchelston Industrial Estate. This is a serviced site and several sites have already been developed with workshop/industrial units. The Fife Industrial Innovation Investment Programme investment responds to market demand to deliver local jobs in an area of high unemployment.</p> <p>766m<sup>2</sup> of industrial development be developed in Phase 1. In Phase 3 site servicing will be carried out to unlock further employment land.</p>

<p>Lochgelly The Avenue Business Park</p> 	<p>The proposed development site is owned by Fife Council. It is a prime development opportunity in a thriving and vibrant business/ industrial park. The access road has already been constructed so the site is suitable for immediate development. Potential uses include light industrial, office, manufacture or storage and distribution subject to obtaining planning permission. The programme will develop 766m<sup>2</sup> of industrial development in Phase1.</p>
<p>Kirkcaldy Innovation Hub</p> 	<p>Fife Council aims to develop a network of innovation and enterprise hubs throughout Fife's main town centres. The ambition is to inspire entrepreneurs and business growth in the local economy. The Innovation Hub will initiate increased local provision of enterprise and business services to commercial and social entrepreneurs and business start-ups. It will engage with and stimulate home business owners, sole traders and micro businesses to locate or have access to "hot desk hub-space" and innovation and enterprise support services within their local community and town centre location.</p>
<p>Glenrothes Queensway Industrial Estate &amp; Innovation Centre</p> 	<p>Queensway Industrial Estate is one of Glenrothes' highest profile and formerly most popular industrial estates which has over many years been home to a wide range of businesses. However, the age and condition of existing buildings, derelict land and property, retail encroachment, poor image and a lack of management and maintenance, has resulted in the Estate being unable to realise its full economic potential. To secure the future success of the Estate, the Council prepared a Queensway Regeneration Action Plan to attract inward investment and to provide opportunities for local businesses to grow in Glenrothes and deliver significant employment opportunities. Private sector investment is underway to create a Data Centre and District Heating Scheme.</p> <p>This project will build 766m<sup>2</sup> industrial units in Phase 1. In Phase 2 a 1,394m<sup>2</sup> Innovation Centre will be developed and further sites acquired for servicing and private sector investment.</p>
<p>Cowdenbeath Innovation Hub</p>	<p>Like the Kirkcaldy "Innovation Hub" proposal set out above, the programme includes investment to develop an innovation Hub in Cowdenbeath to engage with and stimulate home business owners, sole traders and micro businesses to locate or have access to "hot desk hub-space" and support services within their local community and town centre location.</p>

## Kirkcaldy

### John Smith Business Park



John Smith Business Park is one of Fife's premier business parks adjoining the A92, situated in a high-profile location on the northern edge of Kirkcaldy. There is a Development Framework in place with some private sector investment underway. The Programme will invest in 952m<sup>2</sup> new industrial space to provide small units to attract growing businesses to the Business Park in Phase 2.

### **Appendix 3: Economic Appraisal**

Available on request from report author

## **Appendix 4: Financial Model**

Available on request from report author

## Appendix 5: Benefits Register

Benefit ID	Benefit Title and Description	Link to Fife Industrial Innovation Programme Objectives	Owner	Planned Outcome	Stakeholders and Beneficiaries	Measure Description & Expected Result	Baseline Measure	Frequency
BEN 001	GVA per head (£)	Ensure that Fife businesses sustain and improve their economic performance	Gordon Mole	Economic growth is resilient, sustainable and inclusive	Fife Economy Partnership; Fife residents	Measures the value produced by the economy against Fife's population. The value is expected to increase as businesses become more competitive and productive.	£20,276 (2016)	Annual
BEN 002	Business expenditure on R&D per head (£)	Ensure that Fife businesses sustain and improve their economic performance	Gordon Mole	Economic growth is resilient, sustainable and inclusive	Fife Economy Partnership; Fife residents	Measures the investment by businesses in innovation - their future competitiveness. This is expected to increase.	£78 (2016)	Annual
BEN 003	Number of businesses per 10,000 population	Ensure that Fife businesses sustain and improve their economic performance	Gordon Mole	Economic growth is resilient, sustainable and inclusive	Fife Economy Partnership; Fife residents	Measures the business density. The measure is expected to increase.	245 (2016)	Annual
BEN 004	Employment rate (%)	Ensure that Fife businesses sustain and improve their economic performance	Gordon Mole	Economic growth is resilient, sustainable and inclusive	Fife Economy Partnership; Fife residents	Measures the proportion of the working age population in employment	74.6% (2016)	Annual
BEN 005	Median Weekly Earnings (full time employ	Ensure that Fife businesses sustain and improve their economic	Gordon Mole	Economic growth is resilient, sustainable and inclusive	Fife Economy Partnership; Fife	Measures the income generated for residents from jobs in Fife based businesses. Expected to	£530.50 (2016)	Annual



	ees) resident s' analysis	performance			resident s	increase.		
BEN 006	Employ ment in high- skilled occupat ions (%)	Ensure that Fife businesses sustain and improve their economic performance	Gordo n Mole	Economic growth is resilient, sustainable and inclusive	Fife Econom y Partner ship; Fife resident s	Measures the skills levels of jobs in Fife based businesses. Expected to increase.	40.6% (2016)	Annual

## Appendix 6: Risk Register

Risk	Potential impact	Likelihood	Suggested mitigations
<b>Delivery and Viability risks</b>			
<p>As a result of insufficient officer capacity and capability to deliver the Fife Industrial Innovation Investment Programme, there is a risk that the programme phasing is optimistic, which may result in delays and cost over-runs.</p>	<p>May be unable to meet the Financial Plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.</p>	<p>Possible - all allocated resources currently to City Deal are allocated part-time until Final Business Case is complete so there will be competing demands for officer time available. Transition to full time work on Industrial Estates Programme will take place in 2019/20.</p>	<ul style="list-style-type: none"> <li>• Ongoing review of the operational resources available and supplement with additional technical resources;</li> <li>• Re-phase the programme of investment so that it can be delivered by existing resources.</li> </ul>
<p>As a result of failure to put in place an effective governance structure, there is a risk that the programme does not have the required controls, which may result in cost over-runs and project delays.</p>	<p>May be unable to deliver the objectives of business case. Reputational, political and legal impact of poor governance.</p>	<p>Potential - requires a clear strategy and engagement.</p>	<ul style="list-style-type: none"> <li>• Ensure appropriate governance structure is in place with key stakeholders represented and that they have the requisite skills.</li> </ul>
<p>As a result of not locking down the Specifications for the projects in Phase 1 programme early, there is a risk that the delivery of projects is delayed, which may result in delays in the drawdown of the City Region Deal funding.</p>	<p>May be unable to meet the Financial Plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.</p>	<p>Possible – The Fife Industrial Innovation Investment Programme Board has signed off the preliminary designs; this will be a key role for the Board.</p>	<ul style="list-style-type: none"> <li>• Ensure appropriate approval milestones are built into the project plans.</li> <li>• City Deals Programme Management unit to ensure Programme Management roles are adhered to.</li> </ul>

Risk	Potential impact	Likelihood	Suggested mitigations
<p>As a result of failure to put in place an effective governance structure, there is a risk that the programme does not have the required controls, which may result in cost over-runs and project delays.</p>	<p>May be unable to deliver the objectives of business case. Reputational, political and legal impact of poor governance.</p>	<p>Possible – this requires a roles and processes for governance of the programme within Fife Council.</p>	<ul style="list-style-type: none"> <li>• Ensure appropriate governance structure is in place with key stakeholders the requisite skills and authority are represented.</li> </ul>
<p>As a result of the lack of market demand for employment space, there is a risk that forecast occupancy levels are not achieved, which may result in less rental income and capital receipts</p>	<p>May be unable to deliver the objectives of business case. Reputational, political and legal impact.</p>	<p>Possible – this requires ongoing engagement with occupants and agents in the Fife Commercial Property market to assess changing requirements.</p>	<ul style="list-style-type: none"> <li>• Adopt proximity to strategic transport corridors as a key prioritisation criterion, based on industry consultation and market research.</li> <li>• Deliver the sizes and types of commercial property most relevant to the Fife market.</li> </ul>
<p>As a result of a lack of suitable occupiers of the industrial premises (prepared to innovate and work with the Universities), there is a risk that the programme is unable to contribute to the Innovation theme, which may result in no improvement in the innovation performance in the Fife Economy.</p>	<p>Reduction on in projected Programme benefits for a project affected by this risk.</p>	<p>Possible but the programme is not reliant on specific government policies or industry sectors. There is an existing track record of joint working on innovation interventions that will form the basis of this activity.</p>	<ul style="list-style-type: none"> <li>• Work with the Universities and National Agencies to establish how the innovation will be delivered, baselined and monitored.</li> <li>• Develop a process that will evolve over the time period of the Fife Industrial Innovation Investment Programme.</li> </ul>
<p><b>Financial risks</b></p>			

Risk	Potential impact	Likelihood	Suggested mitigations
<p>As a result of delays in the build timetable, there is a risk that City Region Deal funding is not drawn down as profiled in the financial plan, which may cause affordability issues for the Governments and Fife Council.</p>	<p>Delays in commercial development. Increase in level of unsupported borrowing. Revenue projections not as anticipated.</p> <p>Negative reputational impact.</p>	<p>Possible – although these risks are largely controllable by the Council, timescales are indicative, requiring further technical work</p>	<ul style="list-style-type: none"> <li>• Early engagement with Utility providers and early investigation of ground conditions.</li> <li>• Effective contract management and programming.</li> <li>• Manage the funding drawdown with an effective debt management strategy.</li> </ul>
<p>As a result of underestimation of costs or cost overruns, there is a risk that the programme does not deliver the outputs (m2 built), which may result in a failure to deliver full outcomes (jobs / private sector leverage) in the business case.</p>	<p>May increase levels of unsupported borrowing as a result of reduced drawdown of grant. May increase debt costs. Longer payback period possible.</p>	<p>Possible – current cost plans are indicative, from Quantity Surveyors, based on recent similar projects</p>	<ul style="list-style-type: none"> <li>• Detailed technical appraisal and costings will be undertaken before a Contract is approved by the Fife Industrial Innovation Programme Board.</li> <li>• Fixed price contracts will be used where possible.</li> <li>• Use of effective contract management and programming processes.</li> </ul>

Risk	Potential impact	Likelihood	Suggested mitigations
<p>As a result of economic instability, there is a risk that the private sector investment does not happen or is significantly delayed, which may result in failure to deliver private sector leverage benefits.</p>	<p>Reduction in projected Programme benefits for a project affected by this risk.</p>	<p>Possible but the programme is not reliant on specific government policies or industry sectors. The private sector leverage forecasts in the Financial Model are based on prudent assumptions.</p>	<ul style="list-style-type: none"> <li>• Ensure that the modelling assumptions are prudent and based on a realistic scale of build out.</li> <li>• Early on ongoing engagement with project partners and statutory bodies, e.g. Scottish Enterprise.</li> </ul>
<p>As a result of the programme not meeting the needs of industry, there is a risk that forecast occupancy levels are not achieved, which may result in less rental income and capital receipts.</p>	<p>The Fife Industrial Innovation Programme is ill suited to market requirements and does not fully unlock its development potential.</p>	<p>Limited as the infrastructure plan is based on extensive market knowledge and experience. The programme has adopted a phased approach to implementation to build in flexibility in the planning of the development programme.</p>	<ul style="list-style-type: none"> <li>• Ongoing review and alignment of the project specifications to ensure programme addresses anticipated requirements.</li> <li>• Ensure programme provides enough flexibility to react to changes in likely development demand.</li> </ul>

Risk	Potential impact	Likelihood	Suggested mitigations
<p>As a result of increased interest rates, there is a risk that the cost of debt increases which may result in the business case becoming unviable.</p>	<p>The level of unsupported borrowing may increase.</p> <p>The debt cost may increase.</p> <p>The payback period may increase.</p>	<p>High - as current rates are at a historic low and this is a potential consequence of Brexit.</p>	<ul style="list-style-type: none"> <li>• Undertake sensitivity analysis of the base case to confirm affordability of debt pricing movements. Appropriate use of hedging.</li> <li>• Model a range of scenarios to develop the optimal financial package for the programme.</li> <li>• Model borrowing on the council's consolidated pool rate to reduce interest rate increase exposure.</li> </ul>
<p><b>Legal and Technical risks</b></p>			
<p>As a result of not locking down the Phase 1 programme early, there is a risk that the development of the final business case is delayed, which may result in delays in the drawdown of the City Deal funding.</p>	<p>May be unable to meet the financial plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.</p>	<p>Limited as the Phase 1 programme will be approved by Fife Council at Committee prior to submission to City Deal and Government approvals.</p>	<ul style="list-style-type: none"> <li>• Early and ongoing stakeholder engagement prior to consideration for approval by the Council, the City Deal and the Governments.</li> </ul>
<p>As a result of not having a regional economic strategy with regional/ sectoral priorities, there is a risk that we only attract business with low-value generic jobs, which may result in a missed opportunity to create higher value sector specific jobs.</p>	<p>May result in fewer benefits from the investment and less impact on the goals of Inclusive Growth and Innovation.</p>	<p>Possible – the distributional impact of the City Deal investment will be reduced.</p>	<ul style="list-style-type: none"> <li>• Work with regional partners to develop a regional economic strategy based around the city region's sectoral assets.</li> </ul>

Risk	Potential impact	Likelihood	Suggested mitigations
<p>As a result of late engagement with Utility providers, there is a risk that the utilities cannot meet site requirements within required timescales, which may result in delays and cost over-runs.</p>	<p>May be unable to meet the Financial Plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.</p>	<p>Limited as although the Phase 1 programme will be approved by Fife Council at Committee prior to submission to City Deal and Government approvals, work is underway with the Utility providers for the initial sites to be delivered. A similar approach will be adopted for later phases.</p>	<ul style="list-style-type: none"> <li>• Early and ongoing stakeholder engagement prior to consideration for approval by the Council, the City Deal and the Governments.</li> </ul>
<p>As a result of failure to carry out enough ground investigations early in the build programme, there is a risk that unexpected ground works are required before any buildings can be erected, which may result in delays and cost over-runs.</p>	<p>May be unable to meet the Financial Plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.</p>	<p>Limited as, although Phase 1 of the programme will be approved by Fife Council in 2019, work is underway to carry out the necessary investigation work for the initial sites to be delivered. A similar approach will be adopted for later phases.</p>	<ul style="list-style-type: none"> <li>• Early and ongoing investigation of ground conditions of sites included in Phase 1 of the Programme.</li> <li>• Early investigation of the initial sites for Phase 2 during Phase 1.</li> </ul>
<p>As a result of not using a proven specification for the Industrial Units, there is a risk that the spec does not meet Planning &amp; Building Regulations, which may result in delays to the delivery plan and cost over-runs.</p>	<p>May be unable to meet the Financial Plan agreed with City Region Deal partners, building work needs to begin on site early 2019/2020 and continue at pace to meet the delivery plan.</p>	<p>Limited as, during Phase 1 of the programme previous specifications for units will be used. Innovation will be adopted in later phases.</p>	<ul style="list-style-type: none"> <li>• As a result of not using a proven spec for the Industrial Units, there is a risk that the spec does not meet Planning &amp; Building Regulations, which may result in delays to the delivery plan and cost over-runs.</li> </ul>

# Edinburgh and South East Scotland City Region Deal Joint Committee

1 March 2019

## Edinburgh Futures Institute

Item number 5.5

### Executive Summary

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This report seeks approval to secure funding for, and enact, the Edinburgh Futures Institute (as set out in the Edinburgh Futures Institute Final Business Case). The preparation of this business case has been led by the University of Edinburgh (UoE) on behalf of City Region Deal consortium partners and has been prepared in accordance with the HM Treasury 5 Cases model.

#### Responsible Officer:

Hugh Edmiston, Chair, Data Driven Innovation Delivery Board, Edinburgh and South-East Scotland City Region Deal.

E-mail: [hugh.edmiston@ed.ac.uk](mailto:hugh.edmiston@ed.ac.uk) | Tel: 0131 650 9845





## City Region Deal Checklist

Criteria	Details/Link to Document
<p><b>Contribution to City Region Deal commitments and Inclusive Growth Framework</b></p>	<p>The Edinburgh Futures Institute (EFI) project supports the Inclusive Growth ambitions of the partnership including:</p> <ul style="list-style-type: none"> <li>• <b>Accelerating inclusive growth</b> by unlocking new talent pools for business, promoting fair work, and equipping disadvantaged citizens with the skills they need to succeed;</li> <li>• <b>Removing the barriers to growth</b> through interventions to unlock current physical barriers to growth, including housing and transport;</li> <li>• <b>Community benefits through procurement</b> by integrating our approach to employer engagement and procurement to increase the value achieved from our collective investments;</li> <li>• <b>Targeted skills interventions</b> through integrated and targeted employability and skills interventions widening access and addressing skills shortages to boost the flow of individuals from disadvantaged groups into good career opportunities; and,</li> <li>• <b>Social benefit through Innovation</b> to drive out challenged-based social benefit projects and programmes across the city region over the medium and long term.</li> </ul> <p>In particular the UoE has committed (in its Procurement Strategy) to add value to local and regional communities by identifying and achieving robust, relevant and proportionate Community Benefits (CBs) through the:</p> <ul style="list-style-type: none"> <li>• University’s Procurement Strategy: <i>“For every procurement over £4million, the delegated authority of the University will consider how the acquisition can improve the economic, social or environmental wellbeing of our area through inclusion of community benefit clauses, to assist with our strategic objective of Community Engagement”</i>; and,</li> <li>• Procurement Category Strategies: <i>“Contributing locally [by] applying community benefits to major contracts, engagement in local collaborations in the city and with Scottish peer groups, including shared services and collaborative framework agreements.”</i></li> </ul> <p>Consequently, in taking forward the EFI project, robust, relevant and proportionate community benefits will be incorporated in future procurements of £4million and above and will be considered in regulated procurements below £4million at strategy stage (i.e. at £50,000 and above).</p> <p>Where community benefit requirements are included in a DDI contract, the contracting authority must include in the award notice a statement of the benefits it considers will be derived from those requirements.</p> <p>The project sponsors, procurement manager and any other participating University entity must agree who will be responsible post-contract award for the initiation of engagement with the supplier to achieve the CB commitments, as well as who will be responsible for delivering, monitoring and reporting the achieved CB.</p>

	<p>At the discretion of the University, CBs offered as part of the tender response may be enforceable as part of the final contract (or where submitted after contract award, pursuant to a legally compliant contract variation process). On high risk projects, written commitments may be required from suppliers that obligate them to follow through with offered CBs, which include means to penalise suppliers who are non-compliant.</p> <p>EFI will also deliver research, education, and engagement activities, aimed at transforming public services for inclusive societal benefit. A principal focus will be on the ways in which public policy is made and delivered, and - in particular - the role which data driven innovation can play in: supporting citizenship and participation; enabling more informed and ethical decision-making; promoting greater efficiencies in the deployment of resource and better evaluation of outcomes; and, developing effective services which have measurable and sustained benefits and enable individuals and communities to flourish including:</p> <p><b><i>Civic/Community Engagement</i></b></p> <ul style="list-style-type: none"> <li>• A major programme of public education and outreach, working with the Centre for Open Learning and the Department for Social Responsibility and Sustainability (Community Engagement team);</li> <li>• A series of Utopia Labs on future-scoping, bringing together a wide spectrum of visionary thinkers, and key leaders in government, business and the community, linking to the Centre for Cultural Relations and the Institute for Academic Development;</li> <li>• A series of Policy Delphi, with leaders in local/central government, linking to the Academy of Government;</li> <li>• A programme of citizens' juries and experimentation with new approaches to participative and deliberative democracy, community building, place-making and identity, building on models and networks developed by Edinburgh Living Lab and the Edinburgh Partnership;</li> <li>• The development of new integrative models of research and learning and teaching as being pioneered by the new Centre for Homeless and Inclusion Health and in development by the Centres for Palliative and Dementia Care and Access to Justice;</li> <li>• A programme of bold 'Whole University' place-making projects in partnership with communities, local government, third sector groups, and SMEs beginning with the 'Old Town Project', in which multi-disciplinary teams will work to devise an integrated strategy for the resolution of critical policy issues; and,</li> <li>• Building capacity for public and community engagement, co-production and co-design via training and support for researchers, students and wider stakeholders, delivered under the auspices of the University's Strategy for Public Engagement with Research and in collaboration with the Institute for Academic Development and the Community of Practice for Experiential Learning.</li> </ul>
<p><b>Alignment, integration with, or dependence on, other City Region Deal activities</b></p>	<p>The overarching objective for the Programme is to ensure a financially robust and self-sustaining DDI Campus. In addition, the Programme will also specifically address – once fully defined by Scottish Government – (agreed) inclusive growth objectives. Based on the Universities existing inclusive growth-related policies and programmes (as detailed in the table below) and</p>

	<p>current understanding of Government policy, objectives and related output measures being considered include:</p> <ul style="list-style-type: none"> <li>• Improving access to DDI training to those already in work;</li> <li>• Supporting - via the City Region Deal Skills Group programme - the role out of DDI training to schools and FE and HE partners across the City Region;</li> <li>• Contributing to more efficient and effective public service delivery through extended collaboration with public bodies; and,</li> <li>• Developing DDI products that reach and benefit the most vulnerable in society.</li> </ul> <table border="1" data-bbox="502 560 1428 1041"> <thead> <tr> <th data-bbox="502 560 901 593">CRD Theme</th> <th data-bbox="901 560 1428 593">Scope of Potential Collaboration</th> </tr> </thead> <tbody> <tr> <td data-bbox="502 593 901 750">Skills</td> <td data-bbox="901 593 1428 750"> <ul style="list-style-type: none"> <li>• Establish DDI Skills Gateway extending from school-age to life-long learning</li> <li>• Establish point where DDI skills end and scale-up activities commence</li> </ul> </td> </tr> <tr> <td data-bbox="502 750 901 784">Housing</td> <td data-bbox="901 750 1428 784"> <ul style="list-style-type: none"> <li>• Establish DDI housing 'living lab'</li> </ul> </td> </tr> <tr> <td data-bbox="502 784 901 840">Transport</td> <td data-bbox="901 784 1428 840"> <ul style="list-style-type: none"> <li>• Establish DDI transport infrastructure 'living lab'</li> </ul> </td> </tr> <tr> <td data-bbox="502 840 901 873">Culture</td> <td data-bbox="901 840 1428 873"> <ul style="list-style-type: none"> <li>• Establish culture venue living labs</li> </ul> </td> </tr> <tr> <td data-bbox="502 873 901 907">Food &amp; Drink Hub</td> <td data-bbox="901 873 1428 907"> <ul style="list-style-type: none"> <li>• Establish 'farm to fork' DDI living lab</li> </ul> </td> </tr> <tr> <td data-bbox="502 907 901 1041">Business Innovation Parks</td> <td data-bbox="901 907 1428 1041"> <ul style="list-style-type: none"> <li>• Establish parks as DDI start-up and scale-up company locations within targeted areas (e.g. the Scottish Borders)</li> </ul> </td> </tr> </tbody> </table>	CRD Theme	Scope of Potential Collaboration	Skills	<ul style="list-style-type: none"> <li>• Establish DDI Skills Gateway extending from school-age to life-long learning</li> <li>• Establish point where DDI skills end and scale-up activities commence</li> </ul>	Housing	<ul style="list-style-type: none"> <li>• Establish DDI housing 'living lab'</li> </ul>	Transport	<ul style="list-style-type: none"> <li>• Establish DDI transport infrastructure 'living lab'</li> </ul>	Culture	<ul style="list-style-type: none"> <li>• Establish culture venue living labs</li> </ul>	Food & Drink Hub	<ul style="list-style-type: none"> <li>• Establish 'farm to fork' DDI living lab</li> </ul>	Business Innovation Parks	<ul style="list-style-type: none"> <li>• Establish parks as DDI start-up and scale-up company locations within targeted areas (e.g. the Scottish Borders)</li> </ul>
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<p><b>Scale and regional distribution of expected outcomes, benefits, and leverage, from activity</b></p>	<p>As illustrated, in the table below, a range of (“net additional”) outcomes have been identified for the EFI over the period of CDR funding, namely:</p> <ul style="list-style-type: none"> <li>• <b>Talent:</b> using the teaching resources within the UoE arts, humanities engineering and social sciences disciplines around 300,000 people will be engaged across a range of online and on campus DDI, CPD and other courses;</li> <li>• <b>Research:</b> the EFI will provide an important physical and virtual infrastructure to host world-leading applied researchers and convene multi-disciplinary projects worth £109 million of which around £27 million will be leveraged from non-UK Research Council and public sector sources;</li> <li>• <b>Adoption:</b> staff from within the EFI will undertake around 2,700 new company engagements, including early stage and scale-up companies, to increase their level of data adoption with anticipated uplifts in industry focused research of around £100 million; and,</li> <li>• <b>Entrepreneurship:</b> using the expertise of organisations such as Informatics Ventures and Edinburgh Innovations, the fast-growth company pipeline will be refreshed through the establishment of 92 new high-growth EFI start-ups utilising a new, targeted, Pre-Incorporation Accelerator Programme, and support equity investment through an investor-readiness programme: Engage Invest Exploit.</li> </ul> <p>Based on the distribution of current activities across the areas of talent, research, adoption and entrepreneurship the anticipated direct net economic benefits of the EFI have been projected to be in the region of £827 million for the whole of the UK of which a minimum of £223 million will accrue the City Region. These benefits exclude – by definition – the wider eco-system effects of the Programme on the current DDI cluster within the Region. While no explicit quantitative analysis has been undertaken of these wider impacts they are likely</p>														

	<p>to be significant if the Programme achieves one of its longer term objectives of the City Region becoming a world-leading centre of excellence for applied data science.</p> <table border="1" data-bbox="501 286 1426 651"> <thead> <tr> <th data-bbox="501 286 855 398">Outcome or benefits</th> <th data-bbox="855 286 1046 398">Baseline (without DDI)</th> <th data-bbox="1046 286 1241 398">Target Uplift (with DDI)</th> <th data-bbox="1241 286 1426 398">Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="501 398 855 477">Total learners engaging with DDI Programme</td> <td data-bbox="855 398 1046 477">12,000</td> <td data-bbox="1046 398 1241 477">300,000</td> <td data-bbox="1241 398 1426 651" rowspan="4">Programme lifetime</td> </tr> <tr> <td data-bbox="501 477 855 521">DDI research funding</td> <td data-bbox="855 477 1046 521">£36m</td> <td data-bbox="1046 477 1241 521">£109m</td> </tr> <tr> <td data-bbox="501 521 855 566">DDI adoption funding</td> <td data-bbox="855 521 1046 566">0</td> <td data-bbox="1046 521 1241 566">£100m</td> </tr> <tr> <td data-bbox="501 566 855 651">New spin out, scale-up and spin in companies</td> <td data-bbox="855 566 1046 651">0</td> <td data-bbox="1046 566 1241 651">92</td> </tr> </tbody> </table>	Outcome or benefits	Baseline (without DDI)	Target Uplift (with DDI)	Date	Total learners engaging with DDI Programme	12,000	300,000	Programme lifetime	DDI research funding	£36m	£109m	DDI adoption funding	0	£100m	New spin out, scale-up and spin in companies	0	92
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<p><b>Compliance with financial requirements and agreed expenditure profile</b></p>	<p>The vision of the City Region Deal regional partners is for Edinburgh to become the Data Capital of Europe. To realise this vision, the UoE is proposing a total capital investment of £131.3million in a global centre for multi-disciplinary, challenge-based DDI research, teaching and impact in the heart of Edinburgh which will be known as the “Edinburgh Futures Institute”. This business case is specifically seeking £57.9m towards the £131.3m capital investment in the EFI.</p>																	
<p><b>Equalities Impact</b></p>	<p>This programme of work sits within the Equalities framework laid out by the Edinburgh and South East Scotland City Region Deal, through its Inclusive Growth Framework, which has five key themes aimed at accelerating inclusive growth and social benefit through innovation, with specific regard to minorities and disadvantaged population. The University of Edinburgh also has an Equality and Diversity Strategy, Outcomes and Action Plan, which outlines the University’s continuing commitment to equality and diversity for both students and staff. These frameworks highlight the central concepts of fair and equitable treatment regardless of race, disability, ethnicity, gender (including transgender), age, sexual orientation or beliefs. These will be key principles governing the development and delivery of programme activities outlined in this document. For all projects carried out within the programme of work, an equalities screening will be carried out to ensure that these issues are raised and addressed from project inception through to delivery and evaluation.</p>																	
<p><b>Anticipated significant risks and mitigation measures</b></p>	<p>As detailed in the EFI Business Case, a risk and mitigation approach has been prepared, and will be updated as the EFI is developed. The top three (current) risks and mitigation approaches are illustrated below:</p> <table border="1" data-bbox="501 1615 1426 2002"> <thead> <tr> <th data-bbox="501 1615 991 1659">Risk</th> <th data-bbox="991 1615 1426 1659">Mitigation</th> </tr> </thead> <tbody> <tr> <td data-bbox="501 1659 991 1771">Receiving money from a partner that is then involved in a scandal (e.g. working with a large data provider, who are then found out to be using people’s data illegally).</td> <td data-bbox="991 1659 1426 1771">Implement appropriate due diligence and ethics procedures with on-going monitoring of funder operations.</td> </tr> <tr> <td data-bbox="501 1771 991 1883">Insufficient student numbers attracted to EFI courses.</td> <td data-bbox="991 1771 1426 1883">On-going market engagement and business development to address existing and emerging needs at both Hub and Programme levels.</td> </tr> <tr> <td data-bbox="501 1883 991 2002">Research opportunities not realised</td> <td data-bbox="991 1883 1426 2002">Continual engagement with a range of research funding sources to address existing and emerging needs at both Hub and Programme levels</td> </tr> </tbody> </table>	Risk	Mitigation	Receiving money from a partner that is then involved in a scandal (e.g. working with a large data provider, who are then found out to be using people’s data illegally).	Implement appropriate due diligence and ethics procedures with on-going monitoring of funder operations.	Insufficient student numbers attracted to EFI courses.	On-going market engagement and business development to address existing and emerging needs at both Hub and Programme levels.	Research opportunities not realised	Continual engagement with a range of research funding sources to address existing and emerging needs at both Hub and Programme levels									
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Insufficient student numbers attracted to EFI courses.	On-going market engagement and business development to address existing and emerging needs at both Hub and Programme levels.																	
Research opportunities not realised	Continual engagement with a range of research funding sources to address existing and emerging needs at both Hub and Programme levels																	

<p><b>Alignment and fit with City Region Deal governance arrangement</b></p>	<p>The ESES City Region Deal programme has the following tiers of governance:</p> <ul style="list-style-type: none"> <li>• Joint Committee that is responsible for delivering increased value for money from the Edinburgh and South East Scotland City Region deal and wider regional collaboration and will assume responsibility for the monitoring and evaluation of DDI Programme outcomes at the regional level; and,</li> <li>• EFI Programme activities will be governed by a dedicated DDI City Deal Executive Governance Board that will report to the overall City Deal Joint Committee.</li> </ul> <p>The DDI Governance Board will be responsible for commissioning the EFI investment including identifying the EFI Senior Executive, establishing the EFI Project Board and defining the key resources, financial and KPI delivery parameters within which the EFI will operate.</p> <p>In addition – and prior to setting up a separate EFI Advisory Board – the University in general and the EFI team in particular will seek advice, guidance and support from the Regional Enterprise Council that has recently been set up to support the wider City Regional Deal programme.</p>
<p><b>PMO check</b></p>	<p>All evidence provided.</p>
<p><b>Government approval</b></p>	<p>Scottish and UK Governments have confirmed their agreement to this Business Case progressing in this form for formal approval on 15 February 2019/</p>
<p><b>Partner sign-off</b></p>	<p>The DDI Delivery Board agreed in February 2019 that this Business Case can progress for “formal approval.”</p>
<p><b>Advisory Board sign off</b></p>	<p>The business case was approved by the DDI Delivery Board on 12 February 2019.</p>
<p><b>Executive Board sign off</b></p>	<p>The business case was approved by the Executive Board on 14 February 2019.</p>
<p><b>PMO Recommendation</b></p>	<p>That Joint Committee approves the Edinburgh Futures Institute business case.</p>

## Edinburgh Futures Institute (EFI)

### 1. Recommendations

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- 1.1 To approve the EFI final business case and implementation of its activities and organisational structure.
- 1.2 To note that the individual activities to be undertaken as part of EFI will be approved separately by the DDI Delivery Board and reported to the Joint Committee.

### 2. Background

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- 2.1 As evidenced in various Scottish and UK Government policy documents, and in publications by the OECD and global consultancies, Data-Driven Innovation has become a key pillar of 21st century growth with the potential to significantly enhance: productivity; resource efficiency; economic competitiveness; and, social wellbeing.
- 2.2 The [Edinburgh and South East Scotland Science and Innovation Audit](#) (SIA), published in 2016, identified that:
  - The city region is already a powerhouse in Data-Driven innovation with a fast-growing cluster;
  - Cluster growth is at a tipping point and requires further investment to meet demand; and
  - There are a number of industry sectors that are key to the local economy and which align to national areas of focus and opportunity, providing an opportunity for inclusive growth.
- 2.3 The University of Edinburgh's vision is to be a world leader in Data Science. It will do this by playing to its strengths in education and research and boosting its commercial activity. Within the Edinburgh Futures Institute (EFI) it will enable these activities to maximum effect by bringing together expertise in data science and digital technologies with the arts, humanities, social and physical sciences across three key areas: public policy; creative industries and education; and finance, markets and societies.
- 2.4 As part of the City Region Deal, and in recognition of the Data Science opportunity identified by the SIA, UoE is investing c. £131 million to construct and fit out in the development of EFI to provide physical space and facilities for the relevant UoE schools and external partners to collaborate, innovate and deliver TRADE activities

initially across the financial services, creative industries and the public sectors. Thereafter the UoE will fund the EFI ongoing operational cost.

- 2.5 This business case requests an overall government contribution of **£57.9m** in EFI to fulfil the vision of drawing together world-class expertise in the humanities, arts and social sciences with sector-defining research in new data technologies that will produce practical solutions and new approaches for the common good.
- 2.6 This Business Case has been endorsed by UK and Scottish Governments and is now presented to the Joint Committee for approval.

### **3. Main report**

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- 3.1 The city region has a long history of data excellence and leadership, including: the largest computing school in Europe; the UoE School of Informatics; the UK's principal super-computing facility - the Edinburgh Parallel Computing Centre (EPCC); and, the largest concentration of internationally significant and world-leading informatics research in the UK.
- 3.2 Moreover, in the last four years, the local DDI capability has grown significantly as multiple new initiatives within the data science, robotics and computer systems areas have been secured. The city region hosts Scotland-wide initiatives like the Data Lab, the Farr Institute, the Centre of Excellence for Cyber Security Research, and Administrative Data Research Centre, as well as hosting four doctoral training programmes in Data, Robotics, Systems and Analysis. It hosts the UK's most successful computing start-up community around a university and has joined an elite group of key UK universities in data science.
- 3.3 As with the Data Driven Innovation programme as a whole, the EFI is designed around five key areas of intervention (or "TRADE" themes):
  - **Talent:** Develop a world-flow of talent in data driven entrepreneurship and the application of DDI;
  - **Research:** Develop, in conjunction with industry, a world-leading research capability in data science;
  - **Adoption:** Undertaken a range of industry engagements focused on building collaborative partnerships to enable new research and innovation activity;
  - **Data:** Support initiatives such as IoT and City Data Exchanges to encourage and enable the creation of new forms of data asset; and,
  - **Entrepreneurship:** Generate a pipeline of new high-growth start-ups and scale-ups, and support equity investment.
- 3.4 By demonstrably improving innovation and incrementally enhancing the City Region DDI ecosystem the EFI will, over the next 15 years, deliver:
  - **Talent:** using the teaching resources within the UoE arts, humanities, engineering and social sciences disciplines around 300,000 people will be engaged across a range of online and on campus DDI, CPD and other courses;

- **Research:** the EFI will provide an important physical and virtual infrastructure to host world-leading applied researchers and convene multi-disciplinary projects worth £109 million of which around £27 million will be leveraged from non-UK Research Council and public sector sources;
- **Adoption:** staff from within the EFI will undertake around 2,700 new company engagements, including early stage and scale-up companies, to increase their level of data adoption with anticipated uplifts in industry focused research of around £100 million;
- **Data:** EFI will work with partners across the DDI programme (e.g. the Bayes Centre, Usher Institute, together with the WCDI) to help increase the City Region's ability to manage, access and utilise large pools of diverse data assets, and the associated value that it generates; and,
- **Entrepreneurship:** using the expertise of organisations such as Informatics Ventures and Edinburgh Innovations, the fast-growth company pipeline will be refreshed through the establishment of 92 new high-growth EFI start-ups.

### **Intervention 1: Talent**

- 3.5 In order to fully unlock the value in data, the managers, leaders and change agents of the future (across all sectors in the economy) EFI's educational programmes will:
- Bring data literacy into the UG and PG curriculum across the arts, humanities and social sciences;
  - Enhance the delivery of arts, humanities and social science courses in the data science and data technology curricula (through collaboration with all the other DDI Hubs); and,
  - Develop CPD and Executive Education programmes designed to promote data literacy across management and leadership levels within public, private and third sectors organisations in the UK and internationally.
- 3.6 The majority of EFI outreach activities will be delivered through uptake of 4 core content DDI MOOCs (with anticipated uptake over 20 years of between 250,000 to 300,000) supplemented by public facing DDI learning and engagement events with uptake of up to 10,000 (building upon, for example, the approach adopted for the current EFI "Controversies in the Data Society" Spring Seminar series) and a range of tailored EFI engagement programmes with schools and HE organisations (as part of the wider UoE Schools Skills Programme that will engage with over 200,000 pupils).

### **Intervention 2: Research**

- 3.7 The collocation of arts, humanities and social sciences experts with external partners in EFI's challenge-led ecosystem provides an unparalleled opportunity to create new DDI knowledge and insight. Technological and scientific advances are rapidly extending possible applications of data technology and data science and, critical to the success of data driven innovation, will be how the EFI matches these advances to economic and inclusive growth opportunities, as well as addressing related



complexities (e.g. disruption and change in many aspects of society) and challenges (e.g. ethics, morality, security).

- 3.8 UoE has considerable strengths in conducting research in the arts, humanities and social sciences and, while there are many examples of multidisciplinary projects with external partners, the existing physical and institutional structures do not enable this at scale. EFI will provide, therefore, an important physical and virtual infrastructure both for the collaborative identification of challenge themes and for multidisciplinary researchers to collocate with external partners and stakeholders around challenge-led projects.

### **Intervention 3: Adoption**

- 3.9 It is critical to the success of the DDI programme that the new knowledge and insight created by EFI can be accessed, adopted and used by external stakeholders for the benefit of society. UoE will invest substantially in the business development and external engagement teams necessary to:

- Develop relationships across key EFI DDI sectors;
- Put into practice the engagement models necessary for challenge-led education and research (building on existing best-practice models such as Edinburgh Innovations' *AIMDay* and *Fast Forward* and Design Informatics' *Collider* sessions);
- Bring key partners into EFI collocation spaces;
- Identify and drive forward adoption projects with partners; and,
- Leverage funding from partners and third-party funding sources.

### **Intervention 4: Datasets**

- 3.10 Gaining convenient access to “real” data is a recurring problem with the Open Research Data Task Force recognising that a number of technical, cultural and behavioural issues need attention to make data sharing more accessible. To enable greater levels of innovation in the local economy, the SIA highlighted the need for “real” data to inform talent development and research, and for access to this data to be made more straightforward.

- 3.11 EFI will work with partners across the DDI programme (e.g. the Bayes Centre, Usher Institute, together with the WCDI) to help increase the City Region's ability to manage, access and utilise large pools of diverse data assets, and the associated value that it generates, by:

- Informing regulation and policy around the responsible sharing and linkage of data sets;
- Uncovering new, untapped data assets in partner organisations;
- Providing insight into the opportunities to create new value from data assets, driving higher levels of research, adoption and entrepreneurship activity; and,
- Increasing the data literacy of researchers, students and external stakeholders to support the unlocking of value from data sets.

3.12 The development of WCDI will provide EFI researchers and students with unmatched access to a range of datasets, significantly enhancing the power of EFI to deliver world class talent, research, adoption and entrepreneurship outputs.

#### **Intervention 4: Entrepreneurship**

3.13 Entrepreneurship at EFI will have a particular look and feel due to the (initial) industry sectors engaged. Through challenge-led teaching and research EFI will feed the pipeline of DDI Entrepreneurship activity with ideas and opportunities through bespoke programmes for supporting the development of such ideas in collaboration with the University's successful enterprise development teams at Edinburgh Innovations (which have supported the formation of more than 400 companies over the past decade) as well Informatics Ventures (via the Bayes Centre).

3.14 In addition, EFI will work with partner organisations such as CodeBase, the UK's largest technology incubator, ensuring that EFI's activities in this area add value to the City Region's existing entrepreneurial ecosystem. Much of EFI entrepreneurship activity will be closely linked to talent development programmes as these will include entrepreneurship education.

3.15 Entrepreneurship at EFI will contribute to enhanced economic growth through innovation around the development of new products and services linked to data. The ecosystem cultivated at EFI will support a range of approaches to entrepreneurship (e.g. company formation, public sector intrapreneurship, social enterprise). In line with EFI's sector focus activity will be organised around three interconnected hubs: PublicTech (including public services and infrastructure), FinTech (including DDI in Financial Services), and CreativeTech (including Festivals and Tourism).

3.16 EFI will foster innovation and entrepreneurship with public sector partners by bringing data driven innovation approaches to bear – including out-sourcing and intrapreneurship - to improve the efficiency of public service delivery. For example the Edinburgh Living Lab is piloting initiatives in this area already by bringing local authority partners together with data scientists and community groups to address issues in Mobility, Energy and Learning.

3.17 Social enterprise will be another key route for entrepreneurship at EFI. Already the University is supporting a growing number of students to develop social enterprises which have significant potential to create jobs and address social problems. For example, in 2018, a team of 83 Edinburgh students involved in eight social enterprises were crowned Enactus UK 2018 National Champions.

3.18 EFI will provide the space, networks and support necessary to foster such activity at scale - developed through TRADE activities - to leverage the power of DDI for positive social impact.

## **4. Financial impact**

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4.1 As part of the City Region Deal and recognition of the Data Science opportunity identified by the SIA, UoE is investing c.£131 million to construct and fit out in the development of EFI to provide physical space and facilities for the relevant UoE

schools and external partners to collaborate, innovate and deliver TRADE activities initially across the financial services, creative industries and the public sectors. Thereafter the UoE will fund the EFI ongoing operational cost.

- 4.2 Through this business case UoE seeks approval for Government funding of £57.9 million for the EFI build.
- 4.3 The commitment and continuation of funding to Projects will be subject to the approval of detailed Project Propositions by the DDI Delivery Board and will be subject to the projects demonstrating satisfactory progress against agreed objectives and targets.
- 4.4 Funded activity will be subject to regular review (e.g. monthly progress and annual review) by partners through the DDI Delivery Board and associated City Region Deal governance structures that have been established to manage the City Region Deal.
- 4.5 The actual spend profile will vary across the funding period and will be regularly updated in response to learning and changing circumstances to ensure maximum impact against DDI programme and wider inclusive growth goals.

## **5. Equalities impact**

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- 5.1 The EFI is actively seeking to improve the flow of disadvantaged individuals into good employment and careers. Its overarching objective is to:
  - Be central to maximising the value of City Region Deal investments by delivering the workforce element;
  - Future proof the regional economy through stimulating a positive step change in equality, capacity and productivity;
  - Encourage meaningful participation by stakeholders in designing and delivering services and interventions;
  - Provide opportunities to strengthen career progression routes for those who face significant labour market disadvantage; and,
  - Seek to address poverty and social exclusion by increasing the financial awareness, capacity and inclusion of the most disadvantaged households.

## **6. Background reading/external references**

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- 6.1 [Edinburgh and South-East Scotland City Region Deal Document](#), August 2018.
- 6.2 [Enabling a World-Leading Regional Digital Economy through Data Driven Innovation](#), Edinburgh & South East Scotland City Region Science and Innovation Audit, November 2016.

## **7. Appendices**

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- 7.1 The EFI Centre Project Summary.

# **Appendix 1: Programme for Delivery of a Data Driven Innovation Cluster in the Edinburgh City Region**

Investment in the Edinburgh Futures Institute

Project Summary

# Project Description

## Overview

The Edinburgh Futures Institute (EFI) will be a global centre for multi-disciplinary, challenge-based DDI research, teaching and impact: *“the world is experiencing major changes: climate volatility, political discontent, advances in artificial intelligence, economic upheavals. This presents big challenges. We need different ways of thinking about these issues and of devising new solutions. EFI will make that difference. It will blend theoretical and practical knowledge. It will work with organisations dealing directly with these challenges and curate meaningful interactions between seemingly disparate disciplines. We want our students to embody this approach and our partners to share the vision and help us to develop it”*<sup>1</sup>.

In fulfilling this vision EFI will provide thought-leadership in cultural, ethical, managerial, political, social and technological DDI issues by offering opportunities for a broad spectrum of academic researchers, talented students and external partners from industry and government (including regulators) to co-develop transformational improvements in the application, governance and exploitation of data.

EFI DDI activities will focus initially on three sector areas that have significant potential to deliver growth within the Edinburgh City and Region: financial services, creative industries and the public sector. In each of these sectors EFI will deliver a range of talent, research, data, adoption and entrepreneurial (TRADE) programmes that will not only address sectoral data and technology issues but also the social, political and cultural enablers and barriers that will shape the success of future DDI innovations across all the DDI hubs, WCDI and other programmes envisaged under the wider City Region Deal.

The requested contribution of £57.9 million Government funding in the EFI building refurbishment will enable the leverage of University of Edinburgh (UoE) and third party funding sources to enhance the programme of EFI activities and deliver a greater and wider range of TRADE outputs over the 15 year City Deal Programme period, including:

- **Talent:** training and in other ways engaging with around 300,000 people across a range of on and offline EFI courses, outreach programmes and events in DDI sector specific skills;
- **Research:** securing external research funding of around £108 million to address both public and private sector issues (such as helping regulators develop appropriate frameworks that facilitate innovation and protect consumers through co-design and implementation of new DDI government policies);
- **Adoption:** through interactions with an estimated level of 350 companies to address long, medium and short term DDI trends (such as disruptive innovation, automation, and disintermediation and how businesses can best adapt to these issues and generate value for

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<sup>1</sup> <https://www.ed.ac.uk/news/2017/ps10m-gift-boosts-institute-s-vision>

customers, shareholders and wider society) as well as a range of continuing professional development (CPD) and other modules to support individual employee adoption;

- **Data:** supporting initiatives, such as the Internet of Things (IoT) network and City Data Exchange, to encourage and enable the creation of new forms of data assets (conservatively estimated at a level of over 300 new EFI related data sets); and,
- **Entrepreneurship:** nurturing around 90 University DDI sponsored spinouts and around 1,700 EFI graduates in setting up or joining micro/SME businesses (through, for example, social entrepreneurship training and entrepreneurial pathway support and partnership arrangements with the Bayes and Usher Institutes).

In addition the EFI will also specifically support the Scottish Government’s inclusive growth strategy (through, for example, the City of Edinburgh Council and the Scottish Government ‘Civtech®’ initiative that aims to accelerate learning in areas such as: new models of mobility across the City Region; health and social care integration; and, the application of data science to support policy development and the delivery of major programmes).

As illustrated, in Table 1 below, the discounted EFI public sector cost of £67.6m (based on EFI and a proportion of WCDI costs) will generate an additional £827 million UK GVA and a consequent cost benefit ratio of 1 to 12.

*Table 1: EFI GVA by region*

Net DDI Programme Cost Benefit Ratio : 1:12				
	City Region	Rest of Scotland	Rest of UK	UK
<b>Net GVA</b>	£223m	£120m	£484m	£827m

Delivery will be overseen by a dedicated team and governed by an EFI Steering Group who will report to the overall DDI Programme Board. Overall the Project, its envisioned growth and associated risk profile, is affordable and capable of being self-sustaining over the longer term if the capital costs are substantively met by capital grant. Both the capital investment and Programme activities proposed can be accommodated within current University business procurement and estates management processes.

For the benefit of the reader, and to provide some background context, various points are useful to note:

- The preparation of this business case has been led by the University of Edinburgh (UoE) on behalf of City Deal consortium partners, and it has been prepared in accordance with the HM Treasury Five Cases model.
- In terms of University structure, the University of Edinburgh has three Colleges:

1. Arts, Humanities and Social Sciences;
2. Medicine and Veterinary Medicine; and,
3. Science and Engineering.

The next level down are Schools and there are twenty Schools within the three Colleges. This business case sits within both the College of Arts, Humanities and Social Sciences and the College of Science and Engineering.

- Detail has been provided in this business case where it is materially relevant and known, some of which is being worked through and consequently still to be determined.

### Aligned and material opportunity realised through UoE vision

#### Opportunity

We are on the verge of a new technological revolution that will fundamentally change the ways we live, work and interact. The speed of change has no historical precedent and creates significant challenges and opportunities for business, government and people. Comparative advantage will lie with those organisations that have invested in both their data assets - to deliver new services that engage citizens and consumers - and the associated transformational changes in individual, organisational and economy wide transactions required to ensure service benefits are fully realised.

As evidenced in various Scottish and UK Government policy documents, and in publications by the OECD and global consultancies, Data Driven Innovation (DDI) has become a key pillar of 21<sup>st</sup> century growth with the potential to significantly enhance productivity, resource efficiency, economic competitiveness and social well-being. As recognised in a recent assessment it has been estimated that AI alone could add an additional £630 billion to the UK economy by 2035 increasing annual UK growth rates to 3.9%<sup>2</sup>

In harnessing such opportunities the Edinburgh and South East Scotland Science and Innovation Audit (SIA) identified that:

- The City region is already a DDI **powerhouse**;
- Growth is at a **tipping point** and requires further investment to meet demand;
- There are a number of **industry sectors** that are key to the local economy and which align to national areas of focus; and,
- Realising DDI opportunities are most likely to generate sustainable socio-economic benefits and support **inclusive growth**.

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<sup>2</sup> "GROWING THE ARTIFICIAL INTELLIGENCE INDUSTRY IN THE UK", Professor Dame Wendy Hall and Jérôme Pesenti, October 2017.

## Vision

The University of Edinburgh's **vision** is to be a world leader in Data Science. It will do this by playing to its strengths in education and research and boosting its commercial activity. Within the Edinburgh Futures Institute (EFI) it will enable these activities to maximum effect by bringing together expertise in data science and digital technologies with the arts, humanities, social and physical sciences across three key areas: public policy; creative industries and education; and finance, markets and societies. By marrying world-class expertise in the humanities, arts and social sciences with research in new data technologies in these areas EFI will produce practical solutions and new approaches for the common good.

### Current Position – good, but further investment needed

The City Region has a long history of data excellence and leadership, including the UoE School of Informatics, the UK's principal super-computing facility - the Edinburgh Parallel Computing Centre (EPCC) - and the most powerful computing science school and largest concentration of internationally significant and world-leading informatics research in the UK.

Moreover, in the last four years, local DDI capability has grown significantly as multiple new initiatives within the data science, robotics and computer systems areas have been secured. The City Region hosts Scotland-wide initiatives like the Data Lab, UK-wide research centres such as the Alan Turing Institute, Farr Institute, Centre of Excellence for Cyber Security Research and Administrative Data Research Centre, as well as securing four new doctoral training programmes in Data, Robotics, Systems and Analysis. It also hosts the UK's most successful computing start-up community around a university and has joined an elite group of five key UK universities in data science.

Underpinning UoE's success and reputation are **well established strengths** across the TRADE areas, although these require further development and focus. Additionally many of the UoE schools are geographically dispersed across Edinburgh, inhibiting the opportunity to collaborate and innovate, and potentially resulting in sub-optimal outcomes. Colocation at EFI will not only counter this but will become a catalyst for innovation.

### How UoE will achieve its vision

This business case requests an overall government contribution of **£57.9m** in EFI to fulfil the vision of drawing together world-class expertise in the humanities, arts and social sciences with sector-defining research in new data technologies to produce practical solutions and new approaches for the common good.

Achieving this vision will involve three distinct components, all of which are intrinsically linked and, importantly, interdependent:

1. **Addressing capability gaps:** to enhance and develop activities in the five key areas identified in the SIA - talent, research, adoption, data and entrepreneurship;
2. **Organise activities effectively:** to create an effective operating model to successfully organise, optimise and execute these activities underpinned by the creation of good governance with clear accountabilities and delivery plans; and,



- Strategic asset development:** to construct and fit-out the EFI facility, providing physical space and facilities for the relevant UoE schools and external partners to collaborate, innovate and deliver TRADE activities initially across the financial services, creative industries and the public sectors.

### Investing in and addressing core capabilities and gaps: TRADE

Figure 1 below illustrates how the investment in EFI is broken down across each TRADE element and how the activities of the key UoE constituents of EFI are focused compared to collocated external partners and EFI DDI hubs. The two red circles highlight the current relative weaknesses or capability gaps of each of the constituents and the green box highlights the enhanced capacity that EFI will create by providing the physical space, ecosystem and infrastructure to allow these constituents to come together.

Figure 1 – Who does what?

TRADE		Talent	Research	Adoption	Data	Entrepreneurship
DDI Investment £m		£7.4m	-	UoE £10.3m + Ext £17m	UoE £9.9m + Ext £15.9m	UoE £8.6m + Ext £8.6m
EFI Constituents						
Internal existing	College of Arts, Humanities and Social Sciences	✓✓	✓✓	✓		✓
	College of Science & Engineering	✓✓	✓✓	✓	✓	✓
	Public Sector partner organisations			✓	✓	
Externals (collocated)	Private Sector partner organisations			✓✓	✓	✓✓
	3rd Sector partner organisations		✓	✓	✓	
EFI (combining internal/external capabilities)	Fintech Hub	✓✓	✓✓	✓✓	✓✓	✓✓
	Creativetech	✓✓	✓✓	✓✓	✓✓	✓✓
	PublicTech	✓✓	✓✓	✓✓	✓✓	✓✓

✓✓ = Core capability or resource  
 ✓ = Some capability or resource

**Talent:** There is a need to not only enhance the supply of data technologists and data scientists who can meet the demand for more technical skillsets in organisations but also for enhanced data literacy across a range of organisational functions. In order to fully unlock the value in data, the managers, leaders and change agents of the future (across all sectors in the economy) need to understand how to interact with data in a number of ways, including:

- Setting future strategy based on data-driven insights and future technology trends;
- Enhancing the capacity for evidence-based decision-making;
- Developing new data-driven products and services;

- Creating, designing and delivering new business models in the public, private and third sectors – to maximise data-driven opportunities;
- Understanding and addressing current/future DDI talent needs;
- Working effectively with data scientists and technologists to solve problems within their organisations; and,
- Enhancing existing DDI skillsets to redeploy roles displaced by technology.

EFI's educational programmes will address these needs by:

- Bringing data literacy into the UG and PG curriculum across the arts, humanities and social sciences;
- Enhancing the delivery of arts, humanities and social science courses in the data science and data technology curricula (through collaboration with all the other DDI Hubs); and,
- Developing CPD and Executive Education programmes designed to promote data literacy across management and leadership levels within public, private and third sectors organisations in the UK and internationally.

**Research:** The collocation of arts, humanities and social sciences experts with external partners in EFI's challenge-led ecosystem provides an unparalleled opportunity to create new DDI knowledge and insight. Technological and scientific advances are rapidly extending possible applications of data technology and data science and, critical to the success of data driven innovation, will be how the EFI matches these advances to economic and inclusive growth opportunities as well as addressing related complexities (e.g. disruption and change in many aspects of society) and challenges (e.g. ethics, morality, security).

UoE has considerable strengths in conducting research in the arts, humanities and social sciences and, while there are many examples of multidisciplinary projects with external partners, the existing physical and institutional structures do not enable this at scale. EFI will provide, therefore, an important physical and virtual infrastructure both for the collaborative identification of challenge themes and for multidisciplinary researchers to collocate with external partners and stakeholders around challenge-led projects.

**Adoption:** It is critical to the success of the DDI programme that the new knowledge and insight created by EFI can be accessed, adopted and used by external stakeholders for the benefit of society. UoE will invest substantially in the business development and external engagement teams necessary to:

- Develop relationships across key EFI DDI sectors;
- Put into practice the engagement models necessary for challenge-led education and research (building on existing best-practice models such as Edinburgh Innovations' *AIMDay* and *Fast Forward* and Design Informatics' *Collider* sessions);

- Bring key partners into EFI collocation spaces;
- Identify and drive forward adoption projects with partners; and,
- Leverage funding from partners and third party funding sources.

**Data:** Gaining convenient access to “real” data is a recurring problem with the Open Research Data Task Force recognising that a number of technical, cultural and behavioural issues need attention to make data sharing more accessible. To enable greater levels of innovation in the local economy, the SIA highlighted the need for “real” data to inform talent development and research, and for access to this data to be made more straightforward.

EFI will work with partners across the DDI programme (e.g. the Bayes Centre, Usher Institute, together with the WCDI) to help increase the City Region’s ability to manage, access and utilise large pools of diverse data assets, and the associated value that it generates, by:

- Informing regulation and policy around the responsible sharing and linkage of data sets;
- Uncovering new, untapped data assets in partner organisations;
- Providing insight into the opportunities to create new value from data assets, driving higher levels of research, adoption and entrepreneurship activity; and,
- Increasing the data literacy of researchers, students and external stakeholders to support the unlocking of value from data sets.

The development of WCDI will provide EFI researchers and students with unmatched access to a range of datasets, significantly enhancing the power of EFI to deliver world class talent, research, adoption and entrepreneurship outputs.

**Entrepreneurship:** Entrepreneurship at EFI will have a particular look and feel due to the (initial) industry sectors engaged. Through challenge-led teaching and research EFI will feed the pipeline of DDI Entrepreneurship activity with ideas and opportunities through bespoke programmes for supporting the development of such ideas in collaboration with the University’s successful enterprise development teams at Edinburgh Innovations (which have supported the formation of more than 400 companies over the past decade) as well Informatics Ventures (via the Bayes Centre).

In addition, EFI will work with partner organisations such as CodeBase, the UK’s largest technology incubator, ensuring that EFI’s activities in this area add value to the City Region’s existing entrepreneurial ecosystem. Much of EFI entrepreneurship activity will be closely linked to talent development programmes as these will include entrepreneurship education.

Entrepreneurship at EFI will contribute to enhanced economic growth through innovation around the development of new products and services linked to data. The ecosystem cultivated at EFI will support a range of approaches to entrepreneurship (e.g. company formation, public sector intrapreneurship,

social enterprise). In line with EFI's sector focus activity will be organised around three interconnected hubs: PublicTech (including public services and infrastructure), FinTech (including DDI in Financial Services), and CreativeTech (including Festivals and Tourism).

EFI will foster innovation and entrepreneurship with public sector partners by bringing data driven innovation approaches to bear – including out-sourcing and intrapreneurship - to improve the efficiency of public service delivery. For example the Edinburgh Living Lab is piloting initiatives in this area already by bringing local authority partners together with data scientists and community groups to address issues in Mobility, Energy and Learning.

Social enterprise will be another key route for entrepreneurship at EFI. Already the University is supporting a growing number of students to develop social enterprises that have significant potential to create jobs and address social problems. For example, in 2018, a team of 83 Edinburgh students involved in eight social enterprises were crowned Enactus UK 2018 National Champions. EFI will provide the space, networks and support necessary to foster such activity at scale - developed through TRADE activities - to leverage the power of DDI for positive social impact.

### **Organising activities effectively**

Understanding how EFI can effectively capitalise on data opportunities is best explained by setting out who the key players are, how they will work “without falling over each other”, through a new operating model and which market opportunities they will focus on.

### **Key Players and Collaborative Activity**

EFI will house experts from a range of disciplines within the University as well as from partner organisations with complementary capabilities. EFI is being defined with flexible collocation in mind and it is envisaged that internal and external constituents will locate in EFI across timescales ranging from the long term (e.g. via a joint Centre or Programme) to short term assignments (e.g. based on a single project).

### **Key Internal (UoE) Players**

Figure 2 shows the range of internal academic experts involved with EFI (at the time of writing) set against a number of key thematic areas. This highlights the breadth of expertise areas covered by EFI which, when brought together in a managed way, will provide a powerful combination to addressing challenges.

Figure 2 – Key Internal EFI relationships

	Themes	Economy/Finance	Democracy/Policy	Society/Education	Creativity/Design	Sustainability/Crisis	Health/Wellbeing
	<b>UoE Schools</b>						
College of Arts, Humanities & Social Sciences	Politics & Social Sciences	✓	✓	✓	✓	✓	✓
	Edinburgh College of Art	✓	✓	✓	✓	✓	✓
	Education		✓	✓	✓	✓	
	Business	✓	✓	✓	✓	✓	✓
	Health in Social Science			✓		✓	✓
	History, Classics & Archeology	✓	✓	✓	✓	✓	✓
	Philosophy, Psychology & Language Sciences		✓	✓			✓
	Law	✓	✓	✓	✓		✓
	Literature, Languages & Culture	✓	✓		✓	✓	✓
	Economics	✓	✓				
College of Science & Engineering	Divinity	✓	✓	✓	✓	✓	✓
	Geosciences		✓	✓		✓	✓
	Maths	✓	✓			✓	
	Informatics	✓	✓	✓	✓	✓	✓
Example Multi-disciplinary Centres within Edinburgh	Engineering		✓	✓	✓	✓	✓
	Centre for Future Infrastructure		✓	✓	✓	✓	✓
	Design Informatics	✓	✓	✓	✓	✓	✓
	Edinburgh Living Lab	✓	✓	✓	✓	✓	✓
	Academy of Government	✓	✓	✓			✓
	Digital Scholarship Centre	✓	✓	✓	✓	✓	✓
	Wellcome Trust Programme for Biomedicine, Self & Society		✓	✓			✓
	Programme for Rethinking Governance & the Social Contract	✓	✓	✓		✓	
	Institute for International Cultural Relations	✓	✓	✓	✓	✓	✓
	Edinburgh Centre for Data, Culture and Society	✓	✓	✓	✓	✓	✓

**The Edinburgh Centre for Data, Culture and Society (EdCDCS):** The Edinburgh Centre for Data, Culture and Society will build capacity for applied data-driven research across the College of Arts, Humanities, and Social Sciences. There are already pockets of digital innovation and research excellence across Edinburgh University in this area (the methods of which include, but are not limited to, text and data mining, data visualisation, linked open data, semantic analysis, natural language processing, and geographical information systems, applied to both historical and contemporary data sources in order to answer research questions regarding human culture and society). EdCDCS will:

- Identify and support existing data-driven research activity across the UoE’s College of Arts, Humanities and Social Sciences (CAHSS) providing a cross-college hub to promote researchers currently working in this area;
- Promote the usefulness, timeliness, and impact of data driven work across CAHSS;
- Identify and support researchers who wish to become data-fluent and to undertake applied digital research relevant to Arts, Humanities, and Social Science, in CAHSS but also across the wider University;
- Provide resources that will remove barriers to innovation for data-driven research across the Arts, Humanities and Social Sciences, including working with the wider data-science infrastructure at the UoE;
- Refocus and refine the current CAHSS Digital Scholarship activities, to provide a one-stop-shop for training and advice regarding digital research;
- Ensure that the voice and research excellence of CAHSS is promoted in data-science activities being undertaken across the University; and,

- Provide a central, easily identifiable point within the UoE for external bodies (such as libraries, museums, government, and policy makers) to engage with CAHSS' digitally enabled research and researchers.

**The Centre for Future Infrastructure (CFI):** is a world-class centre of excellence in infrastructure systems. The CFI combines knowledge and expertise within the University's expertise in engineering, informatics, architecture, social and political studies and business school. The CFI will host a city and regional infrastructure database at the WCDI that will help researchers and innovators working with city and regional administrators to inform and significantly improve decision-making. In this \$2.3 trillion annual infrastructure market worldwide the potential for spin-out companies and start-ups is significant.

**The Institute for International Cultural Relations (IICR):** was established in 2013 to explore how global cultural interactions in areas such as the arts, education, sports, and political economy can have an impact. Through programmes and research it promotes a better understanding of how to bridge the gap between diverse global cultures when engaging in political and cultural diplomacy. The IICR acts as a catalyst for interdisciplinary scholarship across the whole University and as a bridge to practice. It is committed to expand and deepen global connections to academic, decision-maker, policy and practitioner communities.

**The Wellcome Trust Programme for Biomedicine, Self and Society:** this Programme aims to understand and influence the dynamic relationship between biomedicine, individuals and society. It will deliver imaginative and innovative solutions on these issues by bringing together social science, law and bioethics to engage with biomedicine and shape new kinds of knowledge and more effective forms of action. This will allow EFI to forge novel partnerships with scientists, clinicians and policy-makers, building on unparalleled experience of collaboration between medically-related social sciences and humanities and Edinburgh's internationally leading biomedical and clinical research.

**Edinburgh Global:** leads the UoE's international strategy and global engagement. It supports and delivers collaborative, strategic projects and initiatives and provides professional services that underpin global partnership, go abroad and exchange, student recruitment, support and visa advice. As well as the Edinburgh office, Edinburgh Global has regional centres in Mumbai, Beijing, Singapore, Santiago and New York.

**Global Academies:** cross boundaries in research and teaching, adopting a multi-disciplinary, collaborative response to challenging global issues. The University has five Academies which EFI will draw upon: The Global Health Academy aims to improve global health through collaborative, interdisciplinary research, education and resource development; The Global Development Academy brings together teaching, research and partnerships, making practical and intellectual contributions to international development; The Global Justice Academy supports research, teaching and knowledge exchange on global justice issues; The Global Environment & Society Academy is a network of experts who collaborate on innovative solutions for global environmental challenges; and, The Global Academy of Agriculture and Food Security works to improve the effectiveness and sustainability of agri-food systems, which is central to many of the UN *Sustainable Development Goals*.

**The Academy of Government (AoG):** supports new forms of teaching and research in government, politics and public policy and aims at providing policy makers with an understanding of how

government happens, how policies are made in the everyday, whether in local, national or international contexts.

**Edinburgh Living Lab (ELL):** is a city-wide collaboration whose founding partners are the City of Edinburgh Council and the UoE. Its goal is to bring academia, the public sector, industry and the third sector together in order to work with citizens in co-designing, testing and implementing new services, processes and products that generate social, environmental and economic value. It is radically interdisciplinary and comprises a set of resources, knowledge, tools, and relationships that will develop over time.

The complex problems of modern cities require holistic approaches, and the Living Lab brings together knowledge, experience and partnerships to explore new approaches to innovation, sustainable development and informed policy-making in the City Region. ELL's approach combines data-driven analysis and participatory design techniques to support social innovation.

A key part of ELL's activities includes carrying out participatory research with 'end users' through small-scale experiments. This will contribute to ELL to develop a better understanding of the people and systems in which a proposed intervention or activity is situated and what kind of impact it may have. It is also part of an iterative process of experimenting / refining / redefining an intervention to make sure that it really works in the way that it is intended to.

**Digital Ambassador Project:** since 2016 the Digital Ambassador project has been helping to improve digital literacy amongst people in the community. The programme supports local people to gain digital skills so they can use the internet and other technologies with confidence. The Digital Ambassadors programme trains student volunteers to teach these skills through weekly classes at the Charteris Centre in the Pleasance. This helps people from all walks of life to benefit from digital literacy as an increasingly necessary life skill for everyday tasks like shopping, banking and paying bills through online platforms. Last year, the project used equipment donated through the University's WEEE recycling scheme (via WarpIT Equipment Exchange that provided iPads) and the project was run in parallel with the Scottish Council for Voluntary Organisations' Scotland-wide Digital Participation programme.

More recently, the programme has expanded with 19 volunteers and four different groups available, including an elderly persons group and one for local Muslim women hoping to return to work. The volunteers also provide Friday afternoon drop-in sessions during term-time at the city's Central Library on George IV Bridge and help at People Know How's digital outreach project in Leith, expanding their reach across the city.

The benefits to the community are clear. An evaluation of the project found that the people who attended the sessions felt their ability to use technology increased and their basic digital skills improved. Participants felt more confident using tools such as Google, email and online courses. Students also benefit from the project, gaining skills in teaching, communication and leadership. The project is also helping to fulfil one of the University's commitments to the Social Impact Pledge, a Scottish Government initiative aimed at increasing the social impact of public sector organisations across Scotland.

## **Key external players, sectoral focus and engagement activities**

EFI will provide the space, infrastructure, institutional connectivity and collaborative ecosystem necessary for the University to become a truly porous institution, with activities (e.g. teaching, research, events) driven by business and societal challenges, and shaped in collaboration with key stakeholders across public, private and third sectors, as well as civic society. To achieve this, EFI through its multidisciplinary centres, will work across three sectors. Each of these are described below, along with examples of existing and pipeline EFI activities.

**Public Services/PublicTech:** the PublicTech hub of EFI will deliver, inter alia, research, education, and engagement activities, aimed at transforming public services for inclusive societal benefit. A principal focus will be on the ways in which public policy is made and delivered, and - in particular - the role which data driven innovation can play in: supporting citizenship and participation; enabling more informed and ethical decision-making; promoting greater efficiencies in the deployment of resource and better evaluation of outcomes; and, developing effective services which have measurable and sustained benefits and enable individuals and communities to flourish including:

### ***Civic/Community Engagement***

- A major programme of public education and outreach, working with the Centre for Open Learning and the Department for Social Responsibility and Sustainability (Community Engagement team);
- A series of Utopia Labs on future-scoping, bringing together a wide spectrum of visionary thinkers, and key leaders in government, business and the community, linking to the Centre for Cultural Relations and the Institute for Academic Development;
- A series of Policy Delphi, with leaders in local/central government, linking to the Academy of Government;
- A programme of citizens' juries and experimentation with new approaches to participative and deliberative democracy, community building, place-making and identity, building on models and networks developed by Edinburgh Living Lab and the Edinburgh Partnership;
- The development of new integrative models of research and learning and teaching as being pioneered by the new Centre for Homeless and Inclusion Health and in development by the Centres for Palliative and Dementia Care (Usher Institute) and Access to Justice (School of Law);
- A programme of bold 'Whole University' place-making projects in partnership with communities, local government, third sector groups, and SMEs beginning with the 'Old Town Project', in which multi-disciplinary teams will work to devise an integrated strategy for the resolution of critical policy issues; and,



- Building capacity for public and community engagement, co-production and co-design via training and support for researchers, students and wider stakeholders, delivered under the auspices of the University's Strategy for Public Engagement with Research and in collaboration with the Institute for Academic Development and the Community of Practice for Experiential Learning.

### **Engagement with Public Service Providers**

Via EFI the University is building key partnerships across the City Region that will facilitate partnerships between the DDI programme and public service providers (*public, private and third sector*), fostering improvement in the making and delivery of public policy, both through private sector entrepreneurship and increased culture and capacity for data driven innovation within public sector organisations. Examples include:

- Early partnership and project pipeline with CivTech, the Scottish Government's challenge-led tech innovation/procurement unit;
- Development of a DDI project pipeline with stakeholders from the Edinburgh Partnership, as part of Edinburgh Living Lab; and,
- Enhancement of the teaching, research and adoption agendas between the Centre for Future Infrastructure, Costain Group and its supply chain partners, focusing on the potential for DDI to transform the management delivery of major public infrastructure projects.

**Financial Services/FinTech:** a major focus of EFI will be on the potential for DDI to transform financial markets, both disrupting and innovating in the delivery of financial services, creating both opportunities (new business models, better outcomes for customers) and challenges (workforce displacement, moral, ethical and regulatory issues). This will involve the development of an innovation ecosystem across a number of sectors and functions, including the incumbent financial services firms (banking, investment management, asset services, insurance, etc.) and FinTech SMEs. Early planned and pipeline activities include engagement with:

- **Professional bodies** (e.g. in banking, accountancy, insurance, legal services, investments) focused on re-thinking professional curricula (re-skilling of existing professionals, development of future professionals), co-creation and adoption of multi-disciplinary research;
- **Fintech Scotland and Scottish Financial Enterprise**, with a view to aligning EFI activities with national and regional objectives for talent, skills, entrepreneurship and innovation in financial services and FinTech. This includes:
  - Development of pilot executive education and CPD programmes, co-created with FS firms in a range of subsectors;
  - Challenge-led events and workshops (e.g. AIM Day) aimed at surfacing current and future-oriented challenges; and,

- Bringing the University's multi-disciplinary expertise (e.g. business, finance, maths, policy, law, data science) to help address both of the above.
- **Scottish Enterprise and SDI** to articulate the University's TRADE offer to prospective inward investors (e.g. non-UK FinTech firms).

In addition a Programme Advisory Panel will be formed in September 2019 for the MSc in Finance, Technology and Policy to co-develop the curriculum and help keep it fresh and employer oriented.

Consideration will also be given to the viability of setting up an Academy for Finance, Technology and Society aimed at engaging senior leaders in FS firms in understanding and shaping the future of Financial Services and Markets in light of disruptions caused by technology, regulation and changing societal norms.

**Creative Industries/CreativeTech, Culture and Tourism:** the CreativeTech hub will explore the potential for data-driven innovation to transform the creative industries. The current UoE EFI CreativeTech sector team have conducted extensive and intense engagement with the Creative Industries Cluster in the City Region over 2017/18 with the objective of identifying the sector's Data Driven Innovation challenges. Engagement included a mix of individual meetings, workshops attended by the Partner organisations and follow up work with individuals and smaller groups to identify potential routes for developing new products and services and ideas and approaches that will encourage entrepreneurship and the formation of new businesses. This team worked working closely with Creative Edinburgh, other trade bodies and business support organisations, to develop effective approaches for engaging with this complex sector. In particular several workshops focused on the needs of micro-businesses.

This engagement has resulted in development proposals for:

- Creative Bridge, Resident Entrepreneur and Connected Innovator programmes some of which will be led and managed by Core Partner organisations such as CodeBase and Creative Edinburgh; and,
- Creative Informatics Centre that will work with partners to grow the creative industries cluster in the City Region by meeting the need and demand for R&D and increasing data literacy to enable the sector to capitalise on new technology to develop new products and services and succeed in an increasingly competitive market.

Through EFI the University will partner with a range of organisations e.g. Edinburgh Napier University, Creative Edinburgh (with 3800+ members) and Codebase (the UK's largest and Europe's fastest growing tech incubator). It will bring together cultural partners, creative businesses and entrepreneurs, to address R&D challenges that are pertinent to the development of high quality user experiences as well as business growth.

In addition, EFI will engage extensively with cultural organisations and key players in the tourism sector to leverage the potential for DDI to both transform the way audiences interact with cultural experiences (e.g. via new audio-visual and sensory technologies) and significantly enhance the

economic potential of the tourism sector (e.g. by understanding and predicting future footfall, improving retention of visitors, increasing visitor spend and developing new products and services). Early pipeline projects include a scoping exercise with a major events listing company, data exploration with a major hotel chain and a series of workshops with Festivals Edinburgh.

Finally it is important to recognise for this (and other sectors) that EFI does not have: “a monopoly on good ideas” and that data driven innovation may not necessarily come from the places we expect. It will be a measure of success if creative businesses in the Region does develop in unexpected as well as the planned ways mapped out above. It will be important, therefore, to retain flexibility at EFI to future market needs and trends.

One specific approach will be to recruit Chancellors Fellows linked to EFI each year: for example all of the 2018 Fellows cohort are focused on data-enabled research and innovation.

### **Co-creation of UG and PG educational programmes**

In developing new, multidisciplinary educational programmes, EFI is already engaging with organisations in key sectors around the knowledge, skills and attributes required by their graduate employees in the future. For example, the curricula for the first two EFI Masters Programmes (MSc Finance, Technology & Policy and MSc Leading Major Programmes, both launching in September 2019) have all been developed in discussion with employers in the Financial Services and Infrastructure sectors respectively. Ongoing programme advisory panels will refresh and enhance programme content.

### **Challenge-based approaches**

A key role of EFI will be to bring a challenge-based approach to the way the University undertakes future education and research. The EFI will build on existing structures and models for external engagement (e.g. Edinburgh Living Lab’s approaches to citizen engagement and Edinburgh Innovation’s AIMDay model for addressing industry challenges) as well as working with partners to develop or adopt new models for challenge-based working and co-creation as exemplified by early partnerships with Nesta, CivTech and Interface.

### **Inclusive Growth Focus**

The concept (and indeed legitimacy) of data driven innovation is open to greater scrutiny than ever before (not least because of the high profile crisis linked to the activities of Cambridge Analytica/Facebook, signifying as it does the dystopic possibilities of tainted democratic processes, disempowered and manipulated citizens, and the pernicious power dynamics that can be involved in data ownership and deployment).

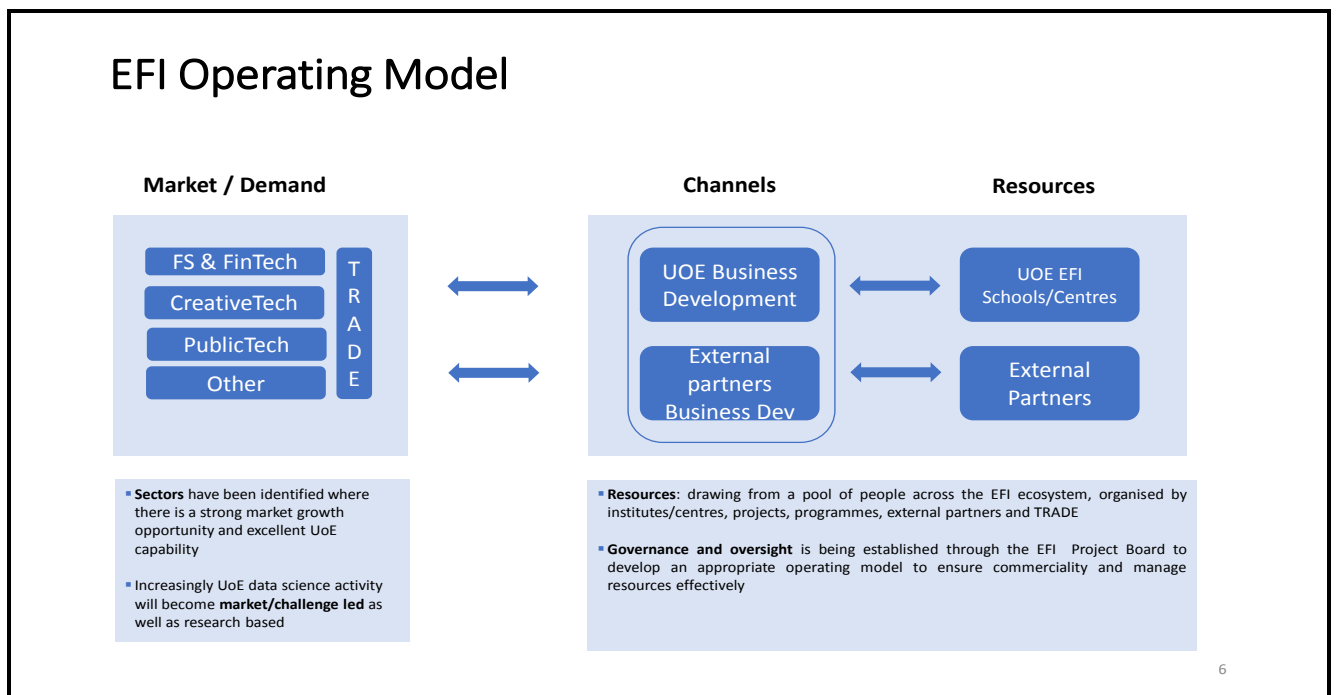
Potential displacement of key segments of the City and Region’s workforce is also a challenge to growth via data-driven innovation. The role of EFI is thus crucial in providing, not only the knowledge-base, critical thinking, and multi-disciplinary outlook that are all needed to engage with the transformative possibilities of data driven innovation, but also the philosophical, regulatory and legal expertise and inspiration needed to develop models for good governance, ethical practice and public education which are core to delivering inclusive benefit. An early example of a pipeline

project/partnership with an inclusive growth focus is the Open Jobs proposition with Nesta aimed at improving social mobility through creation of a more efficient, data-driven labour market.

## Operating Model

The above list of capabilities and resources is broad and of high quality with many recognised for excellence nationally and internationally. The challenge is being able to further leverage these assets to drive innovation so that the collective is significantly greater than the individual parts. The objective is to collocate these high quality initiatives, programmes and projects. Given the nature of EFI’s cross matrix organisational structure and its data driven innovation remit, Figure 3 depicts a high level view of the operating model (which will be designed to align and intersect with existing UoE operating models as well as those of the other DDI hubs (e.g. Bayes, Usher)).

Figure 3 – Draft EFI Operating Model



The above (operating) model will be overseen by a robust governance structure as set out in the Management Case section.

## Challenges & Business Needs

In its current form (i.e. in the absence of dedicated physical premises) EFI faces various challenges:

- It is virtual, with disparate groups of researchers, students and industry partners scattered across a variety of UoE campus locations;
- Across the various locations there is minimal space for interaction and co-location with external partners (corporates, SMEs, third sector organisations) few collaborative zones and little room to accommodate spin out companies;

- There is, therefore, no ability to establish critical mass, host regular as well as serendipitous opportunities for exchange or establish physical centres of excellence around well-understood EFI DDI opportunities;
- Existing space is consequently not fit for purpose and lacks the infrastructure to take full advantage of the improvements in the data access and handling capabilities that will be enabled via WCDI;
- Lack of shared infrastructure also prevents certain critical interdisciplinary research, entrepreneurship and adoption activities from taking place (particularly in relation to working collaboratively with external partners); and,
- The ability to attract large scale industry investment is constrained given the lack of suitable conditions for joint working (e.g. premises and access to researchers).

In short, the lack of high-quality, flexible teaching and learning spaces (suitable for executive education, blended learning and digital skills courses) currently limits the ability to maximise EFIs potential contribution to the DDI skills and talent pipeline and wider co-design and co-delivery relationships with external partners.

The activities through which these objectives will be achieved are summarised in Table 3 below. Government investment will allow EFI to build upon this demand and to take forward future opportunities that -in the absence of increased TRADE capacity - are unlikely to be realised.

Table 2: EFI proposed activities

SIA Theme	Activity Proposed
<b>Talent</b>	<p>Work has already begun on the design and delivery of suites of new Postgraduate, Undergraduate, Executive Education and CPD courses. These will be:</p> <ul style="list-style-type: none"> <li>• Co-designed and co-delivered with partners, ensuring that knowledge, skills and capabilities are aligned with the needs of employers;</li> <li>• Research-led, so that the curriculum is informed by cutting edge ideas and innovations;</li> <li>• Multidisciplinary, blending data science with arts, humanities and social sciences to foster talent that can not only handle data but also use this data to generate insight, create value and solve problems;</li> <li>• Challenge-based, encouraging students to apply their learning to apply to real world opportunities; and,</li> <li>• Scalable by making use of online distance learning wherever possible.</li> </ul> <p>In addition EFI will work with inclusive growth partners, across the City Region and Scotland, to extend the reach of relevant elements of this curriculum (e.g. via primary and secondary schools, skills academies and the Further Education sector).</p>
<b>Research</b>	<p>EFI will develop a multi-disciplinary programme of research, building on existing best-practice examples and custom-designed new spaces to hold a range of innovative meeting and event formats (e.g. AimDays®, Colliders and Sandpits) and leveraging sector-specific research funding from:</p> <ul style="list-style-type: none"> <li>• UK Research Councils;</li> <li>• The Scottish Funding Council;</li> <li>• UK Government (e.g. Innovate UK);</li> <li>• Industrial Partners; and,</li> </ul>

SIA Theme	Activity Proposed
	<ul style="list-style-type: none"> <li>Charities and foundations.</li> </ul> <p>EFI will also create new DDI researchers through:</p> <ul style="list-style-type: none"> <li>Industrial PhDs (students working on research in collaboration with partners);</li> <li>Professional doctorates (managers and leaders in private, public and third sector organisations conducting research to enhance their DDI knowledge and skills, and innovate in their organisation, sector or ecosystem); and,</li> <li>Visiting fellowships and secondments (similar to professional doctorates but on shorter term projects and initiatives).</li> </ul> <p>Finally, the UoE is exploring the possibility of housing EFI research journals aimed at publishing high-quality collaborative and interdisciplinary DDI research.</p>
<b>Adoption</b>	<p>All EFI teaching and research activities will be carried out in collaboration with partners by co-creating DDI knowledge, insight and solutions primed for adoption by partners and their networks, professions and supply chains. For example the Creative Industries and Tourism sectors are particularly characterised by microbusinesses. To develop activities in CreativeTech EFI will (therefore) work with membership organisations such as Creative Edinburgh and trade bodies such as IPA (Institute of Practitioners in Advertising) to build communities of micro-businesses and help them to engage with the potential of data driven innovation.</p> <p>This adoption will be enhanced by the increased space for short-term and long-term co-location with organisations (corporates, SMEs, public sector departments and R&amp;D teams).</p> <p>Multi-stakeholder networks, events and projects will bring service providers, end users and technology firms together with academic experts to identify challenges and co-design pathways to solutions (generating a pipeline of entrepreneurial ideas for the DDI Programme and fostering adoption across sectors, supply chains and communities).</p>
<b>Data</b>	<p>EFI will unlock value from datasets by working with partners - and leveraging WCDI and the regional IoT network - to:</p> <ul style="list-style-type: none"> <li>Generate new datasets (e.g. through sensors or digitisation of offline information);</li> <li>Gather and integrate existing datasets;</li> <li>Promote the sharing of data between partners to create new value;</li> <li>Form new novel approaches to creating value by interrogating or visualising data; and,</li> <li>Use a challenge-based approach to solving problems and identifying new data-driven business and service models.</li> </ul>
<b>Entrepreneurship</b>	<p>EFI's collaborative challenge based approach will generate a pipeline of data-driven ideas for solving problems and exploiting new market opportunities.</p> <p>New collaboration spaces will allow EFI to incubate and nurture start-up companies with data-driven business models (leveraging entrepreneurial support from the wider DDI Programme).</p> <p>In particular EFI and Edinburgh Innovations will support entrepreneurs with:</p> <ul style="list-style-type: none"> <li>Ideas development;</li> <li>Mentoring and networking;</li> <li>Professional services support; and,</li> <li>Scaling up and linking with potential private sector investors.</li> </ul>

## Scope of Investment Requirements



The investment required to undertake the activities above is £131.3 million with £57.9 million drawn from City Deal funding and up to the remaining £73.4 million underwritten by the UoE. As detailed in the commercial case re-imagining the iconic, centrally-located Old Royal Infirmary building

at Quartermile (22,000 sq.m.) will comprise specially designed spaces for collaborative innovation, novel modes of learning, professional networking, public engagement events and entrepreneurship and commercialisation.

## Overall Affordability

The EFI financial case is based upon the assumptions that:

1. The EFI total capital requirement is £131.3 million;
2. UoE underwrites up to £73.4 million of the total capital requirement;
3. £57.9 million of the total capital requirement is funded by City Deal;
4. UoE funds the ongoing operating costs; and,
5. UoE will fully fund the continued operation of the EFI facility beyond year 15.

Overall the initial due diligence undertaken by the University indicates that the preferred option and associated risk profile is affordable and capable of being self-sustaining over the longer term if the capital grant is approved at the currently requested level and phasing.

The profile of forecast capital expenditure over 15 years is shown below.

Emillions	To 2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
<b>Spend p.a.</b>	29	32	41	26	3	-	-	-	-	-	-	-	-	-	-
<b>Cumulative spend</b>	29	61	102	128	131	131	131	131	131	131	131	131	131	131	131
<b>Expected grant profile</b>	-	-	18	4	13	3	20	-	-	-	-	-	-	-	-
<b>Cumulative grant profile</b>	-	-	18	22	35	38	58	58	58	58	58	58	58	58	58

# Edinburgh and South East Scotland City Region Deal Joint Committee

1 March 2019

## Data Driven Innovation (DDI) Skills Gateway Project Proposition

Theme project within **Integrated Regional Employability and Skills (IRES)** Programme

Item number 5.6

### Executive Summary

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This report seeks approval to implement the Data Driven Innovation (DDI) Skills Gateway, (as set out in the overarching IRES Programme and accompanying DDI Skills Gateway Business Cases), which has been developed in collaboration with regional and national partners to drive progress toward a more inclusive labour market.

The DDI Skills Gateway was approved for submission to the Joint Committee by the IRES Board, at its meeting on 5 February 2019, and the Executive Board, at its 14 February 2019 meeting.

This report also seeks to recommend that, subject to University Court approval, the University of Edinburgh undertakes the lead partner role for the DDI Skills Gateway programme.

#### Angela Leitch

Chair, Integrated Employability and Skills Board, Edinburgh and South-East Scotland City Region Deal

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## City Region Deal Checklist

Criteria	Details/Link to Document
<p><b>Contribution to City Region Deal commitments and Inclusive Growth Framework</b></p>	<p>The DDI programme aligns to the IRES Programme supporting the Inclusive Growth ambitions of the partnership including by;</p> <ul style="list-style-type: none"> <li>• <b>Accelerating inclusive growth</b> through addressing skills shortages, unlocking new talent pools for business, promoting fair work, and equipping disadvantaged citizens with the skills they need to succeed in a changing world of work.</li> <li>• <b>Removing the barriers to growth</b> by putting in place targeted skills development for future regional jobs aligned to Data Driven Innovation, to tackle skills shortages and to help disadvantaged individuals access and progress in work.</li> <li>• <b>Community benefits through procurement</b> by integrating with the IRES employer engagement and city region partners' procurement activities to increase the value achieved from our collective investments.</li> <li>• <b>Targeted skills interventions</b> that develops data literacy across the region's population and builds workforce capacity and capability.</li> <li>• <b>Social benefit through Innovation</b> through close working between the HCI and DDI Skills Gateway programmes to fully utilise the technological and employment opportunities that will be generated. Furthermore, there is an opportunity to use the evolving DDI capabilities within the city region to develop more responsive Labour Market information to help profile and predict labour market demand.</li> </ul>
<p><b>Alignment, integration with, or dependence on, other City Region Deal activities</b></p>	<p>As significant City Region Deal investment in the DDI programme drives change in the regional economy, the DDI Skills Gateway is targeted at providing educational and skills opportunities to enable local people to be key contributors to the data sector, and to respond to the challenges presented by the rise in "Big Data". The programme is closely aligned with the DDI activities being undertaken by the University of Edinburgh and Heriot Watt University and has been developed around a number of core themes, namely:</p> <ul style="list-style-type: none"> <li>• <i>Inclusive learning opportunities, coaching, mentoring and support for disadvantaged and under-represented group.</i> The programme will ensure that there is equality of opportunity, particularly for women returners, people facing redundancy, the unemployed and people with special employment needs, including those with disabilities;</li> <li>• <i>Investment in teacher education</i> (for example through the development of <i>Knowledge Sharing Schools</i>) to help develop data skills in all of the region's school pupils;</li> <li>• <i>Curriculum Development.</i> The programme will help to develop a data science curriculum and high quality inclusive learning material across all stages of the learner journey;</li> <li>• <i>Continued Professional Learning and innovative Learning Networks.</i> The programme will touch teachers, FE and HE lecturers, executives, those in changing job roles, those whose</li> </ul>

	<p>current roles would benefit from additional skills in data analysis, (including frontline support workers) and data scientists who wish to deepen their expertise;</p> <ul style="list-style-type: none"> <li>• <i>Data Career Pathways</i>. The programme will offer clearly defined routes along the skills pipeline, focusing on widening access pathways and raising awareness of the sector opportunities, linked to the City Region Deal Integrated Employer Engagement activities that will provide opportunities to engage directly with key client groups. Ongoing engagement with SDS will also ensure that timely and inclusive information about data opportunities can be provided to careers advisers; and</li> <li>• <i>Engagement with data employers</i>. The programme will offer placements, assist in further developing inclusive working environments, provide intelligence on skills demands and training routes, and support the route from education to employment.</li> </ul> <p>Positioned within the IRES programme of activity, there are also links particularly across the DDI and HCI Skills Gateways into the Integrated Employer Engagement, (for example, raising awareness of gender challenges, and identifying opportunities related to data roles across sectors), and Disadvantaged Families, (potentially providing a pipeline of new learners).</p>
<b>Scale and regional distribution of expected outcomes, benefits, and leverage, from activity</b>	<p>The DDI Skills Gateway programme is a regional programme aimed at ensuring opportunities for all regardless of background, gender or location.</p> <p>Details of expected outcomes are included in the DDI Skills Gateway Business Case and will be subject to review throughout the programme lifecycle to ensure that an Inclusive Growth focus is maintained.</p> <p>The delivery partners have committed to working together to achieve a leverage target of around £107,000 per year over the eight year programme. This builds on £431,807 leverage already secured by the programme during its development phase, (details in the accompanying business case).</p>
<b>Compliance with financial requirements and agreed expenditure profile</b>	DDI Programme Business Case complies with financial requirements and profile.
<b>Equalities Impact</b>	See cover report.
<b>Anticipated significant risks and mitigation measures</b>	As detailed in DDI Skills Gateway Programme Business Case a risk and mitigation matrix has been prepared and will be updated as the programme develops.
<b>Alignment and fit with City Region Deal governance arrangement</b>	As detailed in the DDI Skills Gateway Programme Business Case the programme is fully integrated with current City Region Deal governance arrangements.
<b>PMO check</b>	All information provided
<b>Government approval</b>	Scottish Government signed off on the overarching IRES Programme Business Case on 30 November 2018 of which DDI Skills Gateway programme is a key component.

<b>Partner sign-off</b>	Approval for submission of the DDI Skills Gateway programme to the Executive Group was given IRES Board on 5 February 2019.
<b>Advisory Board sign off</b>	The proposition was approved by the IRES Board at its meeting on 5 February 2019.
<b>Executive Board sign off</b>	The proposition was approved by the Executive Board at its meeting on 14 February 2019.
<b>PMO Recommendation</b>	That the IRES Board approves implementation of the DDI Skills Gateway Programme as set out in the accompanying business case.

## Data Driven Innovation (DDI) Skills Gateway Project Proposition

### 1. Recommendations

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It is recommended that:

- 1.1 the DDI Skills Gateway programme, as detailed in the accompanying business case, be approved;
- 1.2 a £613,500 underspend in the HCI Skills Gateway proposition is reallocated to the DDI Skills Gateway programme, in recognition of the synergies across the two propositions, and which will provide a funding envelope of around £7.1m; and
- 1.3 The University of Edinburgh undertakes the lead partner role for the DDI Skills Gateway project, subject to approval by the University of Edinburgh Court.

### 2. Background

---

- 2.1 There has been an explosion in the amount of data being generated since the start of the digital age. Today, we create as much data every two days as we did from the beginning of time until 2000.<sup>1</sup> Advances in storage and machine learning algorithms means that many different types of data can be captured, stored and analysed. The ability to collect all of this data and use it to advantage across a wide range of areas, sits behind the concept of data driven innovation.
- 2.2 Furthermore, as Artificial Intelligence (AI) systems become better at sorting data, finding patterns, and making predictions, algorithms are undertaking an ever-increasing range of tasks, from processing medical scans, to computing efficient delivery routes, and to tackling more sophisticated problems such as providing legal advice. Increased attention is being paid to the impact of AI-powered automation on jobs and employment, with the 'Intelligence Revolution' predicted to have a significant effect on a range of tasks, meaning that more jobs can potentially be performed by robots and computers. A number of high-profile studies have predicted high levels of job displacement as a consequence of automation across developed economies.
- 2.3 Demand for digital talent is expected to grow strongly in the medium to long term. The Scottish Futures Trust forecasts that, as Scotland emerges as a world-leading

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<sup>1</sup> [www.bernardmarr.com](http://www.bernardmarr.com) What Is Big Data?

digital hotspot, 175,000 new digital jobs would be created by 2030.<sup>2</sup> We estimate that approximately 30%, or 50,000 of these additional jobs would be created in the city region as a whole, with 37,000 of these being in Edinburgh (3,600 additional jobs per year). This represents a level of growth that is 2-3 times higher than for the economy as a whole. Given the increasing importance of information to the digital sector discussed previously, these jobs will become increasingly DDI-oriented.

- 2.4 There is a risk that the growth of the City Region digital economy will be limited by skills shortages. In spite of rising salaries, 61% of digital organisations in the city region continue to cite a limited supply of talent as the single biggest challenge they face, with 21% citing problems with retention of workers<sup>3</sup>. As the global competition for digital talent intensifies and our own local demands increase, the lack of availability of **data professional** skills within the City Region will inevitably impact upon business competitiveness.
- 2.5 In addition, the importance of data skills is being recognised in a large number, and diverse range, of job roles. For example, care workers are likely to be required to provide more patient-centred care using telemedicine to connect with doctors and coordinate care activities, and drivers, threatened by the increasing prevalence of autonomous vehicles, may be required to develop new skills so that they can carry out tasks using data management to co-ordinate and supervise a convoy of autonomous vehicles.<sup>4</sup> The **data worker** is in demand. The DDI Skills Gateway aims to equip local people, working across all sectors, with these skills, training them for changing roles and preparing them for the jobs of the future.
- 2.6 As well as the economic benefits of investing in skills for data worker roles, there is a societal need to educate **data citizens** about how data impacts their everyday lives on topics such as how personal data is processed by companies, individuals' rights with respect to data and the wider societal implications of data and automation within a democracy.
- 2.7 Further work is required to establish the baseline position for those with minority characteristics undertaking data education and within tech roles, and to gain a better understanding of the challenges faced by these cohorts. What is known is that the number of women in tech roles is only around 23 % of the workforce and that there is limited representation of other minority groups. Early discussions with SDS have identified an opportunity to undertake some joint research on this, and to work in partnership on the development of a targeted action plan, building on work already underway to improve the gender imbalance within the sector. This research activity will be undertaken as part of developing an agreed approach to planning and evaluation across the DDI Skills Gateway programme.

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<sup>2</sup> Deloitte for Scottish Futures Trust "The economic and social impact of enhanced digitalisation in Scotland" July 2015

<sup>3</sup> Tech City UK <https://technation.techcityuk.com/cluster/edinburgh/>

<sup>4</sup> [https://www.accenture.com/t20171012T025413Z\\_w\\_/in-en/acnmedia/PDF-62/Accenture-New-Skills-Now-Report.pdf](https://www.accenture.com/t20171012T025413Z_w_/in-en/acnmedia/PDF-62/Accenture-New-Skills-Now-Report.pdf)

### 3. Main report

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- 3.1 As significant City Region Deal investment in the DDI programme drives change in the regional economy, the DDI Skills Gateway aims to develop a strategic approach to increasing the data skills of people living within the Edinburgh and South East Scotland city region, regardless of background or location. The activity brings together industry, universities, colleges, schools and other partners to provide an integrated pipeline of skills development and progression routes into data careers. Furthermore, there is a real ambition to look at how best to widen access to data roles through a range of interventions.
- 3.2 The Programme aims to reach up to 250,000 learners, (when including the impact of a comprehensive *Data in Schools* programme). To ensure that priority cohorts of learners are reached baseline data will be collected and stretch targets developed to reflect this position. These targets will be reviewed in the light of programme delivery experience at the various review points built into the timeline.
- 3.3 The programme has been developed around a number of core themes, namely:
- *Inclusive learning opportunities, coaching, mentoring and support for disadvantaged and under-represented group.* The programme will ensure that there is equality of opportunity, particularly for women returners, people facing redundancy, the unemployed and people with special employment needs, including those with disabilities;
  - Investing in teacher education, (for example through the development of *Knowledge Sharing Schools*) to help develop data skills in all of the region's school pupils;
  - *Curriculum Development.* The programme will help to develop a data science curriculum and high quality inclusive learning material across all stages of the learner journey;
  - *Continued Professional Learning and innovative Learning Networks.* The programme will touch teachers, FE and HE lecturers, executives, those in changing job roles, those whose current roles would benefit from additional skills in data analysis, (including frontline support workers), and data scientists who wish to deepen their expertise;
  - *Data Career Pathways.* The programme will offer clearly defined routes along the skills pipeline. The focus will be on widening access pathways and raising awareness of the sector opportunities to a wider cohort. This activity will be linked to the Integrated Employer Engagement programme which will provide opportunities to engage directly with key client groups. Ongoing engagement with SDS will also ensure that timely and inclusive information about data opportunities can be provided to careers advisers; and
  - *Engagement with data employers.* The programme will offer placements, assist in developing inclusive working environments and providing intelligence on skills demands and training routes, and support the route from education to employment.

- 3.4 The interventions proposed will be integrated with the opportunities provided by the City Region Deal investment in DDI, drawing on the academic expertise within the city region and aligning with sectoral developments and opportunities where appropriate. These will work towards ensuring that we reduce skills shortages and gaps, and deliver incremental system-wide improvements to boost the flow of individuals from disadvantaged groups into the good career opportunities.
- 3.5 Proposed investment has been prioritised across a number of inter-related strands of activity, details of which, including initial outreach targets, are provided in the business case. These include:
- Diversity and Inclusion (programme wide approach);
  - Data Training for Work (up to 6,650 learners);
  - Data Education for Schools (up to 200,000 impacted), FE (around 27,000 over programme lifecycle) and HE students (around 2,500 undergraduate students - extending activity proposed as part of the wider DDI programme at The University of Edinburgh and Heriot Watt University); and
  - Employer Engagement to create work opportunities for all data students in the City Region (up to 1000 placements).
- 3.6 Whilst the activities above constitute the initial core DDI Skills Gateway Programme, there is also a recognition of the importance of ongoing engagement with employers, regional DYW groups and employability providers, amongst others, to continue the exploration of opportunities to pilot approaches to skills development and explore further ways to widen access into data related roles and opportunities. The initial priorities will be reviewed as the programme rolls out and the impacts of early interventions are evaluated. Furthermore, opportunities to leverage in additional funds to augment this initial programme of activity, and assist with delivering the vision of the DDI Skills Gateway, will be explored with a wide range of stakeholders. Alignment with existing local and national related activity will be ensured by way of robust governance and ongoing engagement activity.
- 3.7 Evaluation points are built into the programme to allow for a redirecting of resources as appropriate, with quarterly and annual progress reviews to be undertaken throughout the programme implementation period. The City Region Deal funds and governance approach being proposed will help to ensure a joined up offering across the various stakeholders involved in this programme of activity, as well as a regional spread of activity.

### **Management arrangements**

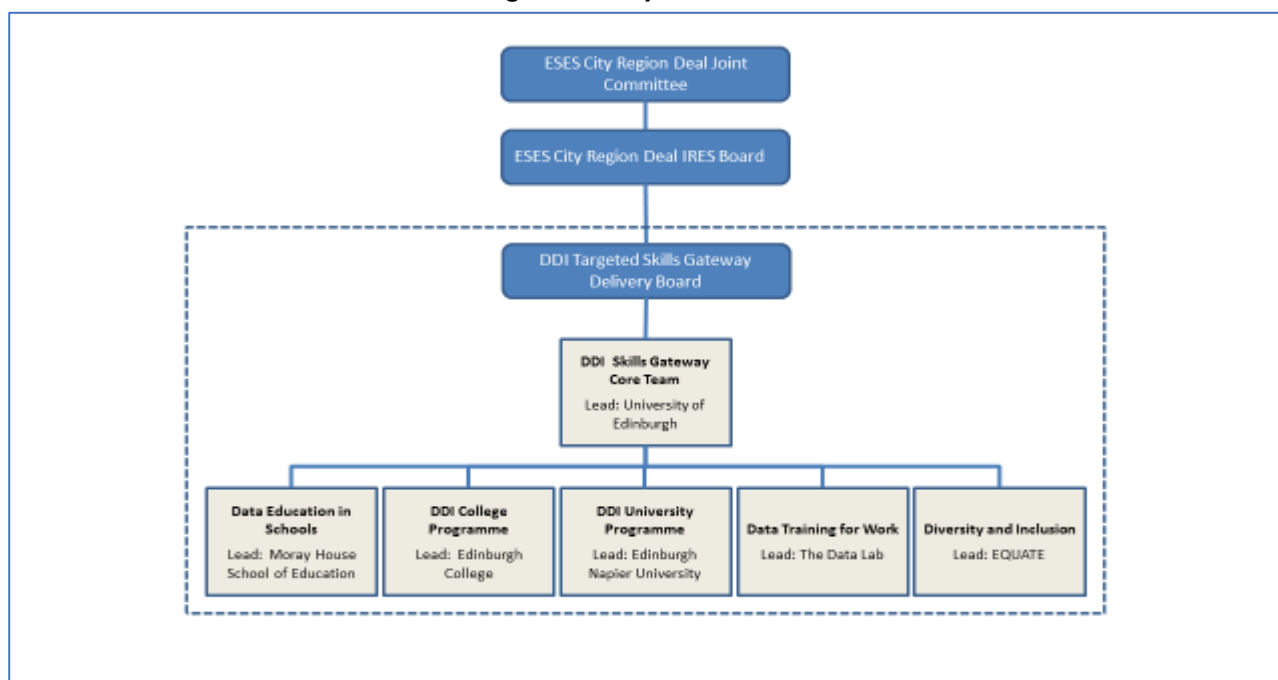
- 3.8 The activities of the DDI Skills programme will be overseen by a **DDI Skills Gateway Delivery Board**. This group will work with the IRES Board to support the delivery of wider programme goals. It will also look for opportunities to align with Talent activities being developed as part of the wider DDI Programme, and to help facilitate the sharing of expertise, content and experience across the delivery partners. Proposed membership of this Board will be as follows, with the Board chaired by an industry or communities focused representative, supported by a vice chair with a background in inclusion.

**Table 1: Proposed DDI Skills Board membership**

<b>Role</b>	<b>Organisation or Group</b>
<b>Chair/Vice-Chair</b>	Independent representatives – covering both industry and inclusion priorities
<b>Delivery Partners</b>	The University of Edinburgh (Programme Lead Partner), Borders College, Edinburgh College, Fife College, West Lothian College, Edinburgh Napier University, Queen Margaret University, The Data Lab, EQUATE
<b>Inclusion Representatives</b>	Local Authorities, Third Sector, STUC
<b>Industry Representatives</b>	Industry representatives to be advised by Scotland IS,
<b>Public Skills Bodies &amp; Innovation</b>	To be selected from range of partners including: Skills Development Scotland, SQA, SFC, Regional Education Collaborative (s), Computing at Schools Scotland, Royal Society of Edinburgh, The Scottish Council for Development and Industry (SCDI)

3.9 Subject to approval by The University of Edinburgh Court, the programme lead for delivery of the DDI Skills Gateway Programme will be The University of Edinburgh, through a delivery agreement with the ESES City Region Deal Lead Accountable Body (City of Edinburgh Council). Each of the DDI Skills Gateway subthemes will be managed by a lead partner - as shown in the diagram below – providing direction and with responsibility to monitor progress and track impact. The Project Management and Development team, in close liaison with the IRES PMO, will undertake the overview of gateway activities.

**Figure 1: Proposed Governance structure**



## 4. Financial impact

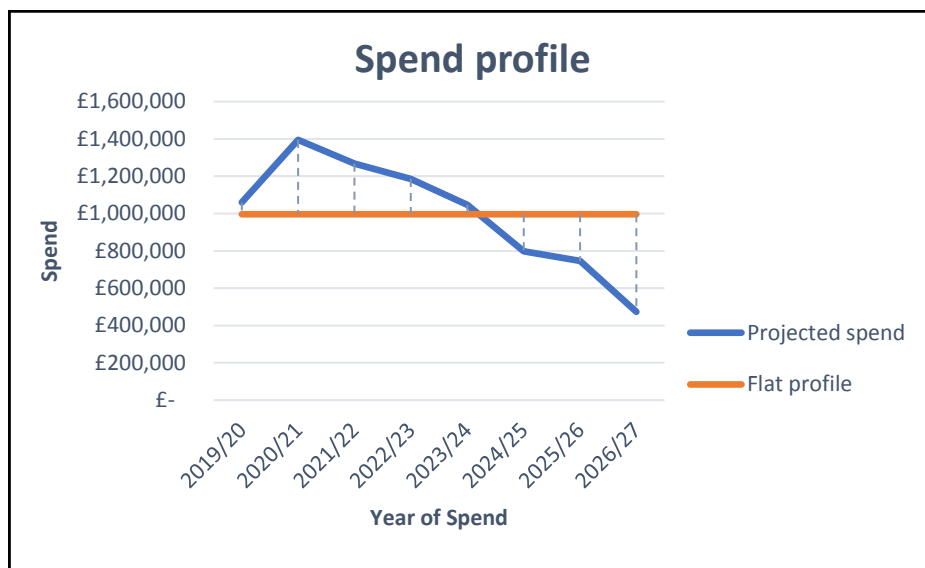
4.1 The DDI Skills Gateway proposes to invest around £8 million over eight years, as shown in the Table 2 and Figure 2:



Table 2: Proposed spend profile for DDI Skills Gateway 2019-2027

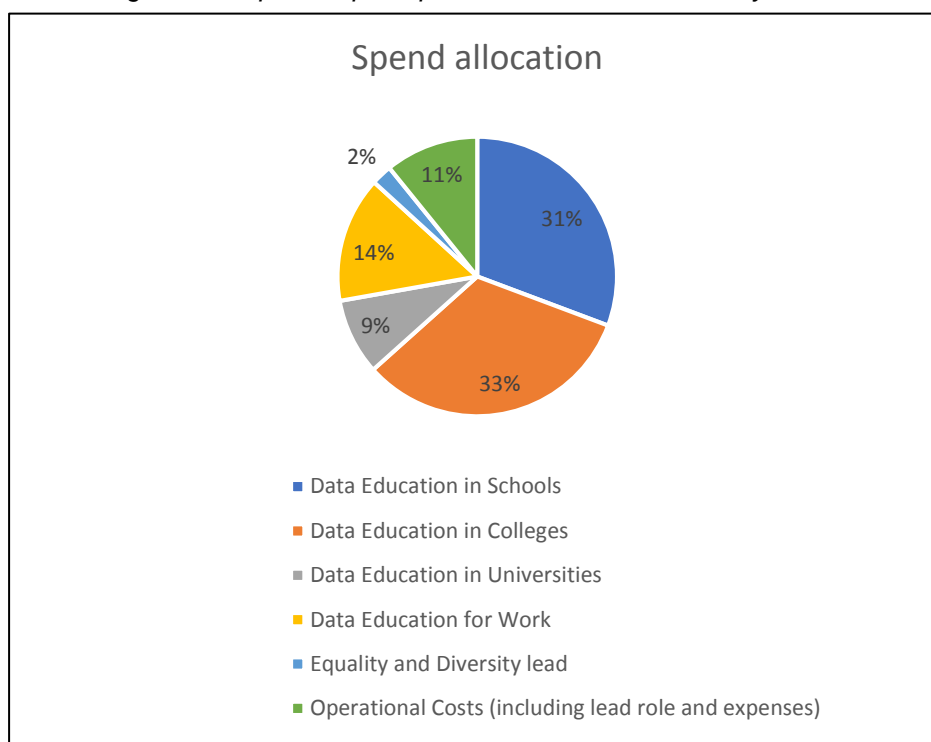
Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Data Education in Schools	£ 365,628	£ 363,157	£ 367,571	£ 340,761	£ 249,274	£ 249,010	£ 253,842	£ 258,770	£ 2,448,013
Data Education in Colleges	£ 218,686	£ 573,492	£ 441,565	£ 415,128	£ 363,381	£ 309,957	£ 281,193		£ 2,603,402
Data Education in Universities	£ 108,718	£ 68,274	£ 69,640	£ 100,465	£ 102,474	£ 104,524	£ 74,118	£ 75,601	£ 703,814
Data Education for Work	£ 241,736	£ 263,342	£ 259,609	£ 197,941	£ 199,360				£ 1,161,988
Equality and Diversity lead resource	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 190,504
Operational Costs (including lead role and expenses)	£ 100,878	£ 102,797	£ 104,751	£ 106,746	£ 108,781	£ 110,857	£ 112,974	£ 115,133	£ 862,917
<b>Total</b>	<b>£ 1,059,459</b>	<b>£ 1,394,875</b>	<b>£ 1,266,949</b>	<b>£ 1,184,854</b>	<b>£ 1,047,083</b>	<b>£ 798,161</b>	<b>£ 745,940</b>	<b>£ 473,317</b>	<b>£ 7,970,638</b>

Figure 2: Proposed spend profile for DDI Skills Gateway 2019-2027



4.2 Funding has been distributed across the various strands of activity as shown in Figure 3. It is however worth noting that, whilst there is funding dedicated specifically to a Diversity and Inclusion lead, the ambition to ensure equality and diversity of opportunity will span the entire programme.

Figure 3: Proposed spend profile for DDI Skills Gateway 2019-2027



- 4.3 An original allocation of £6.5m for the DDI Skills Gateway programme was outlined in the Integrated Regional Skills and Employability (IRES) programme level Business Case. Given the essential synergies with the HCI Skills Gateway proposition, members are now requested to agree a revised sum using the £613,500 underspend in the HCI Skills Gateway proposition, to provide an envelope of around £7.1m for the DDI Skills Gateway programme.
- 4.4 Partners see an opportunity to lever in additional funds to support delivery of this programme and to limit the ask of the City Region funds. The target for this leverage is £857,138 above the IRES allocation, which equates to around £107,000 for each year of the programme. If this target is exceeded this will enable the programme to be expanded and/or mainstreamed earlier, but any inability to source these additional funds will result in a re-profiling of the programme to ensure alignment with budget constraints.
- 4.5 Funding is expected to be released quarterly and in arrears on delivery of audited / trackable expenditure. Participating organisations will be required to front-fund activity.
- 4.6 Scottish Government officials have explicitly stated that IRES funding must benefit those living in the region. This will require an audit trail for address/postcode of those people benefitting from training / skills projects funded through this activity.

## 5. Equalities impact

- 5.1 The DDI Skills Gateway Programme is actively seeking to improve the flow of disadvantaged individuals into good employment and careers. The ambitions of the eight-year programme are that:
- i. Economic opportunities are addressed: there will be a closer match between supply and demand for data skills;

- ii. Aspirations are met: individuals will get more opportunity to participate in interesting and well-paid careers in the growing data sector;
- iii. Learners leave education with higher levels of data skills, ready to excel in later stages of their learning journey; and
- iv. There will be increased participation of women and other minority groups in data roles, with positive and inclusive working environments in the technology sector.

- 5.2 The programme aims to provide an accessible gateway and pathways to support entry to key training and jobs in the city region; develop and deliver new courses, training, partnerships and skills aligned to industry needs; attract new entrants to the sector and support equality across all levels; support and grow local talent, as well as encouraging talent to stay in the region.
- 5.3 The DDI Skills Gateway will have traceable equalities outcomes and key groups will be tracked and supported in line with programme aspirations.
- 5.4 HCI and DDI Skills Gateway are seeking funding for a shared Diversity and Inclusion Lead to increase outreach to inclusion groups, encourage uptake of opportunity, and to work with the target sector employers to widen access and encourage a more diverse workforce.
- 5.5 Funding will be focused on those living in the Edinburgh and South East Scotland city region to maximise the regional benefit of the ESESCRD. It is also proposed to utilise the EHRC Equalities Outcome toolkit to help partners across the region and the IRES board assess progress and milestones being achieved.

## **6. Background reading/external references**

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- 6.1 [Edinburgh and South-East Scotland City Region Deal Document, August 2018](#)
- 6.2 [An Integrated Regional Employability and Skills Pipeline for the Edinburgh City Region, Programme Business Case for Investment, December 2018.](#)

## **7. Appendices**

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- 7.1 DDI Skills Gateway Project Proposition.

ESES City Region Deal IRES Programme

Appendix One

# Data Driven Innovation (DDI) Skills Gateway

Project Proposition

Joint Committee Meeting: 1 March 2019

Lead: Alison Muckersie, University of Edinburgh

**ACCELERATING  
GROWTH**

EDINBURGH AND SOUTH EAST SCOTLAND  
CITY REGION DEAL

# Data Driven Innovation Skills Gateway Project Proposition

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# 1 Introduction

## 1.1 About this Document

This Business Case, following UK Treasury Green Book principles, sets out a detailed case for investment of around £8 million in a targeted Data Driven Innovation (DDI) Skills Gateway, as part of the Integrated Regional Employability and Skills (IRES) programme. It should be considered in conjunction with the IRES Programme Business Case, and alongside the DDI activities being undertaken as part of the Edinburgh and South East Scotland City Region Deal by the University of Edinburgh and Heriot Watt University. Reference is made throughout the document to the City Region – this encompasses the area covered by The City of Edinburgh Council, East Lothian Council, Fife Council, Midlothian Council, the Scottish Borders Council and West Lothian Council.

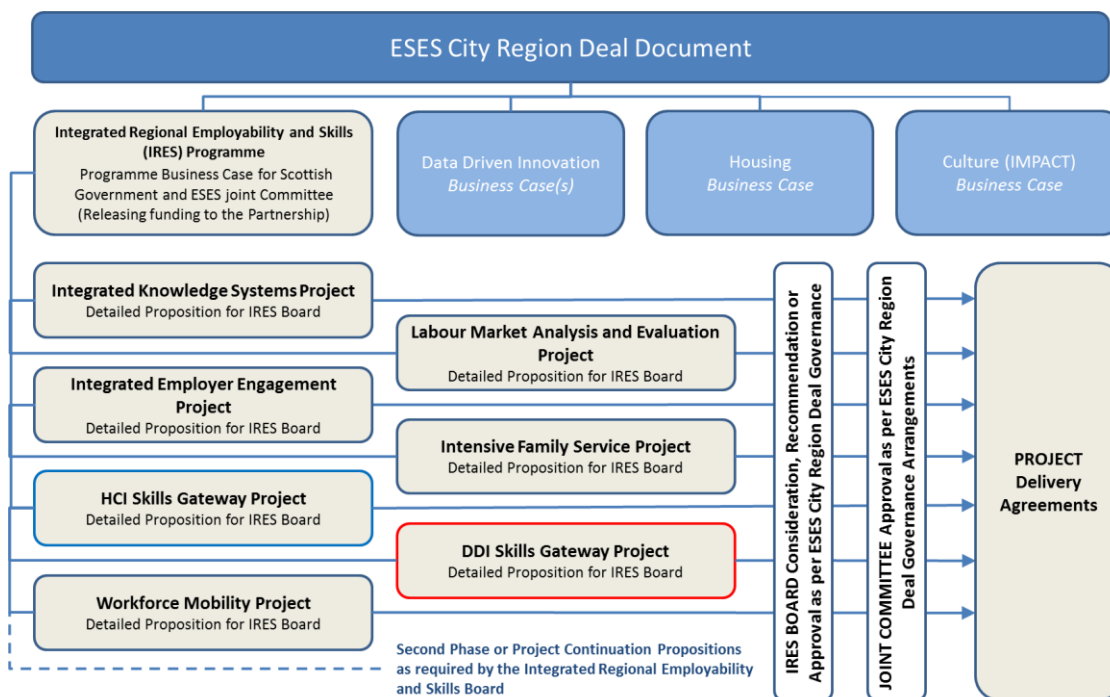


Figure 1: Suite of IRES programme documents

## 1.2 Project Vision

The DDI skills programme aims to develop a strategic approach to increasing the data skills of the population of the city region, regardless of gender, background or location. The skills activity brings together industry, universities, colleges, schools and other partners to help to develop an integrated pipeline of skills development and progression routes into data careers.

The programme aims to develop *data literacy*, or the ability to derive meaningful information from data. This skillset is not the same as digital literacy, although in practice working with data often requires digital skills such as using analysis software or programming, and improving data literacy is also likely to improve digital



literacy. Because data is so crucial for organisational success, data literacy, and associated meta-skills, are increasingly in demand for all employees.

The complexity of data analysis means that data literacy requires some knowledge of mathematics and statistics, but the skills required go beyond that. It includes the ability to:

- Know what data is appropriate to use for a particular purpose;
- Interpret data visualisations, such as graphs and charts;
- Think critically about information yielded by data analysis;
- Understand data analytics tools and methods and when and where to use them;
- Recognize when data is being misrepresented or used misleadingly; and
- Communicate information about data to people lacking data literacy, an ability sometimes referred to as data storytelling<sup>1</sup>.

Where possible references in this document relate to data skills activity, but where this information is not available information on digital skills has been used as a best fit.

### 1.3 Context: Data Driven Innovation (DDI)

There has been an explosion in the amount of data being generated since the start of the digital age. Today, we create as much data every two days as we did from the beginning of time until 2000.<sup>2</sup> Advances in storage and machine learning algorithms means that many different types of data can be captured, stored and analysed. The ability to collect all of this data, and use it to advantage across a wide range of areas, sits behind the concept of data driven innovation.

Furthermore, as Artificial Intelligence (AI) systems become better at sorting data, finding patterns, and making predictions, algorithms are undertaking an ever-increasing range of tasks, from processing medical scans, to computing efficient delivery routes, and to tackling more sophisticated problems such as providing legal advice. Increased attention is being paid to the impact of AI-powered automation on jobs and employment, with the 'Intelligence Revolution' predicted to have a significant effect on a range of tasks, meaning that more jobs can potentially be performed by robots and computers. A number of high-profile studies have predicted high levels of job displacement as a consequence of automation across developed economies.

The Centre for Cities Outlook 2018 predicts that 17.5% of the City of Edinburgh's workforce are currently in occupations that are likely to shrink due to automation<sup>3</sup> – comparable figures are not available at a regional level. However, the increasing use of data science, machine learning and artificial intelligence poses both a

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<sup>1</sup> <https://whatis.techtarget.com/definition/data-literacy>

<sup>2</sup> [www.bernardmarr.com](http://www.bernardmarr.com) What Is Big Data?

<sup>3</sup> <http://www.centreforcities.org/wp-content/uploads/2018/01/18-01-12-Final-Full-Cities-Outlook-2018.pdf>

threat but also an opportunity to the Scottish workforce<sup>4</sup>. Predictions of new technology and automation related redundancy range from 47% to 9% of the workforce<sup>5</sup>.

Whilst there is a lot of uncertainty about the shape of the future jobs market, we can be more certain that jobs that rely on more routine, simple tasks can more easily be automated, whereas creative and complex tasks will be more resistant to replacement. This risks exacerbating inequality and impacting on future inclusive growth in a number of ways:

**Socio-economic:** *“Many low- or middle-skilled occupations (e.g., manufacturing production) are expected to become less important in the workforce. The predicted decline in administrative, secretarial and some sales occupations is also consistent with these trends ... Employment growth is expected to derive disproportionately from smaller, generally high-skilled job families that will be unable to absorb job losses coming from other parts of the labour market<sup>6</sup>”* World Economic Forum

**Gender:** *“There is a strong gender dimension to expected employment changes whereby, notably, gender gaps appear to be more pronounced within both high growth and declining job families. For example, women make up low numbers in the fast-growing STEM job families, pointing, on current trends, to a deteriorating gender gap over time<sup>7</sup>”* World Economic Forum

**Generational:** *Much of the current workforce in employment now will still be in employment in 2030. With the rapid adoption of data-driven technologies and automation the current workforce needs to access re-training so they are not left behind.*

In addition, employer investment in skills and training of their workforce has declined significantly<sup>8</sup> across the UK in recent years and is a huge contributing factor to flagging productivity. Whilst this is beginning to be recognised as an issue, and associated programmes are beginning to increase investment in ‘new talent’, there are comparatively fewer skills enhancement programmes targeted at those already in work.

As set out in the Edinburgh and South East Scotland City Region: science and innovation audit<sup>9</sup>, across the UK there is a publicly identified Digital Skills Crisis<sup>10</sup> with an additional 740,000 digital-savvy workers being required over the period 2013-2017. “The big data dilemma” report from the House of Commons Science and Technology Committee<sup>11</sup> suggests that “the digital skills gap is approaching crisis levels and this not only has economic implications but also puts the quality and security of this data at risk. This risks UK business being

<sup>4</sup> <https://www.ippr.org/publications/scotland-skills-2030>

<sup>5</sup> <http://www.nesta.org.uk/publications/future-skills-employment-2030>

<sup>6</sup> [http://www3.weforum.org/docs/WEF\\_Future\\_of\\_Jobs.pdf](http://www3.weforum.org/docs/WEF_Future_of_Jobs.pdf)

<sup>7</sup> [http://www3.weforum.org/docs/WEF\\_Future\\_of\\_Jobs.pdf](http://www3.weforum.org/docs/WEF_Future_of_Jobs.pdf)

<sup>8</sup> [https://www.ippr.org/files/publications/pdf/skills-2030\\_Feb2017.pdf](https://www.ippr.org/files/publications/pdf/skills-2030_Feb2017.pdf) p.22

<sup>9</sup> [https://www.ed.ac.uk/files/atoms/files/edinburgh\\_science\\_and\\_innovation\\_audit\\_mainreportoct16.pdf](https://www.ed.ac.uk/files/atoms/files/edinburgh_science_and_innovation_audit_mainreportoct16.pdf)

<sup>10</sup> House of Commons Science and Technology Committee Second Report of Session “Digital Skills Crisis” 2016-2017

<sup>11</sup> “The big data dilemma”, House of Commons Science & Technology Committee 2015-16

unable to grow the big data sector at the rate it should. In the meantime, this skills gap is forecast to grow exponentially as big data reaches further into the economy”.

Demand for digital talent is expected to grow strongly in the medium to long term. The Scottish Futures Trust forecasts that, as Scotland emerges as a world-leading digital hotspot, 175,000 new digital jobs would be created by 2030.<sup>12</sup> We estimate that approximately 30%, or 50,000 of these additional jobs would be created in the City Region as a whole, with 37,000 of these being in Edinburgh (3,600 additional jobs per year). This represents a level of growth that is 2-3 times higher than for the economy as a whole. Given the increasing importance of information to the digital sector discussed previously, these jobs will become increasingly DDI-oriented. As the size of the sector increases, staff attrition<sup>13</sup> in the sector will also grow as a result of factors such as retirement, pursuit of alternative career paths and re-location. New talent will be needed to fill these roles, and this has a considerable effect on the volume of new talent that will be required to sustain the digital sector in the City Region. Combining the demand for new talent resulting from both sector growth (3,600 additional jobs per year) and attrition (1,550 in 2016, 4,050 by 2030), demand for new talent in the City Region will grow from 5,100 per annum in 2016 to 7,600 by 2030 – an increase of 46% over the period.

There is a risk that the growth of the City Region digital economy will be limited by skills shortages. In spite of rising salaries, 61% of digital organisations in the City Region continue to cite a limited supply of talent as the single biggest challenge they face, with 21% citing problems with retention of workers.<sup>14</sup> As the global competition for digital talent intensifies and our own local demands increase, the lack of availability of **data professional** skills within the City Region will inevitably impact upon business competitiveness.

In addition the importance of data skills is being recognised in a large number, and diverse range, of job roles. For example, care workers are likely to be required to provide more patient-centred care using telemedicine to connect with doctors and coordinate care activities, and drivers, threatened by the increasing prevalence of autonomous vehicles, may be required to develop new skills so that they can carry out tasks using data management to co-ordinate and supervise a convoy of autonomous vehicles.<sup>15</sup> The **data worker** is in demand. Such workers can apply basic knowledge of statistics, programming and / or analysis software to generate and interpret datasets from their organisation to answer questions, target markets and develop business models. The DDI Skills Gateway aims to equip local people, working across all sectors, with these skills, training them for changing roles and preparing them for the jobs of the future.

As well as the economic benefits of investing in skills for data worker roles, there is a societal need to educate **data citizens** about how data impacts their everyday lives on topics such as how personal data is processed by

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<sup>12</sup> Deloitte for Scottish Futures Trust “The economic and social impact of enhanced digitalisation in Scotland” July 2015

<sup>13</sup> The analysis assumes that individuals pursue a 20-year career in the sector on average, resulting in 5% attrition from the sector.

<sup>14</sup> Tech City UK <https://technation.techcityuk.com/cluster/edinburgh/>

<sup>15</sup> [https://www.accenture.com/t20171012T025413Z\\_w\\_/in-en/\\_acnmedia/PDF-62/Accenture-New-Skills-Now-Report.pdf](https://www.accenture.com/t20171012T025413Z_w_/in-en/_acnmedia/PDF-62/Accenture-New-Skills-Now-Report.pdf)

companies, individuals’ rights with respect to data and the wider societal implications of data and automation within a democracy.

### 1.4 Overview of the DDI Skills Gateway Project



Figure 2: Overview of DDI Skills Gateway

As significant City Region Deal investment in the DDI programme drives change in the regional economy, the DDI Skills Gateway is targeted at providing educational and skills opportunities to enable local people to be key contributors to the data sector, and to respond to the challenges presented by the rise in “Big Data”. The aim is to provide high quality data education, skills development and supported routes into data-related jobs for people across the City Region, including those from disadvantaged groups. Furthermore, citizens across the city region will have the opportunity to learn about **data citizenship**; how personal data is collected, stored and used, as well as their legal rights and privacy implications. The target learner groups include school pupils, a wide range of Further and Higher Education students, in-work learners and groups of people with untapped talent. This is illustrated in overview in Figure 1 and further elaborated in the diagrams in Section 2.4.

The DDI Skills Gateway proposal has been developed by a board of experts working across the current technical skills pipeline, (details of the Programme Development Board are shown in Annex 1), and through engagement with a range of relevant national and local organisations, including third sector representatives. What is envisaged is a wide-reaching programme, aimed at testing a range of approaches to developing data skills, stretching from school education to in-work learning. Furthermore, there is a real ambition to look at how best

to redress gender imbalance across data roles through a range of interventions, and ensure that intersectional equality is respected and supported across the sector.

Evaluation points are built into the programme to allow for a redirecting of resources as appropriate. The city deal funds and governance arrangements being proposed will help to ensure a joined up approach across the various stakeholders involved in this programme of activity and a regional spread of activity.

The ambitions of the eight-year programme are that:

1. Economic opportunities are addressed: there will be a closer match between supply and demand for data skills;
2. Aspirations are met: individuals will get more opportunity to participate in interesting and well-paid careers in the growing data sector;
3. Learners leave education with higher levels of data skills, ready to excel in later stages of their learning journey; and
4. There will be increased participation of women and other minority groups in data roles, with positive and inclusive working environments in the technology sector.

The programme aims to provide an accessible gateway and clear pathways to support entry to key training and jobs in the city region; develop and deliver new courses, training, partnerships and skills aligned to industry needs; attract new entrants to the sector and support equality across all levels; support and grow local talent, as well as encouraging talent to stay in the region.

The Programme has been developed around a number of core themes, namely;

- *Inclusive learning opportunities, coaching, mentoring and support for disadvantaged and under-represented group.* The programme will ensure that there is equality of opportunity, particularly for women returners, people facing redundancy, the unemployed and people with special employment needs, including those with disabilities;
- *Investment in teacher education* (for example through the development of *Knowledge Sharing Schools*) to help develop data skills in all of the region's school pupils;
- *Curriculum Development.* The programme will help to develop a data science curriculum and high quality inclusive learning material across all stages of the learner journey;
- *Continued Professional Learning and innovative Learning Networks.* The programme will touch teachers, FE and HE lecturers, executives, those in changing job roles, those whose current roles would benefit from additional skills in data analysis, (including frontline support workers), and data scientists who wish to deepen their expertise;
- *Data Career Pathways.* The programme will offer clearly defined routes along the skills pipeline. The focus will be on widening access pathways and raising awareness of the sector opportunities to a wider cohort. This activity will be linked to the Integrated Employer Engagement programme which will provide opportunities to engage directly with key client groups. Ongoing engagement with SDS will also ensure that timely and inclusive information about data opportunities can be provided to careers advisers; and

- *Engagement with data employers.* The programme will offer placements, assist in further developing inclusive working environments, provide intelligence on skills demands and training routes, and support the route from education to employment.

## 1.5 Targeting resources

This programme provides an opportunity to support inclusive growth ambitions by exploring ways to target key client groups for the DDI Skills Gateway. These will include:

- *School pupils* across the city region, *college learners*, from a variety of backgrounds, and *university students*, drawn from the local population;
- *Unemployed* people;
- People with *disabilities*;
- Those whose roles are *at risk of redundancy* through automation; and
- *Women* returners

The programme has the potential to help diversify the cohort of those working within the technology sector, and to prepare local people for the transformation in the workforce which is likely to result from automation.

The interventions proposed will be integrated with the opportunities provided by the City Region Deal investment in DDI, drawing on the academic expertise within the city region and aligning with sectoral developments and opportunities where appropriate. These will work towards ensuring that we help to reduce skills shortages and gaps, and deliver incremental system-wide improvements to boost the flow of individuals from disadvantaged groups into the good career opportunities generated through the city region deal investment.

Proposed investment has been prioritised across a number of inter-related strands of activity, details of which are provided later in the business case. These include:

- Diversity and Inclusion;
- Data Training for Work;
- Data Education for Schools, FE and HE students (augmenting activity proposed as part of the wider DDI programme at The University of Edinburgh and Heriot Watt University); and
- Employer Engagement to create inclusive work opportunities for all data students in the City Region

Whilst the activities above constitute the initial core DDI Skills Gateway Programme, there is also a recognition of the importance of ongoing engagement with employers, regional DYW groups and employability providers, amongst others, to continue the exploration of opportunities to pilot innovative approaches to skills development and explore further ways to widen access into data related roles and opportunities. The initial

priorities will be reviewed as the programme rolls out and the impacts of early interventions are evaluated. Furthermore, opportunities to leverage in additional funds to augment this initial programme of activity, and assist with delivering the vision of the DDI Skills Gateway, will be explored with a wide range of stakeholders.

Alignment with existing local and national related activity will be ensured by way of robust governance and ongoing engagement activity.

## 1.6 Summary of outputs

A summary of projected outcomes is shown in Annex 2.

## 2 Strategic Case

The DDI project strategic case is set out in two parts:

**Part A: The Strategic Context** – indicating the alignment of the DDI project proposals with government policy and existing assets and strengths; and,

**Part B: The Case for Change** – which summarises the objectives to be addressed by the programme and identified investment needs and operational risks, constraints and dependencies.

### 2.1 PART A: The Strategic Context

#### 2.1.1 National Context and Strategy Alignment

*Scotland's Economic Strategy*<sup>16</sup> sets out the Scottish Government's purpose "to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth" and has two key goals- increasing competitiveness and tackling inequality. In its Economic Action Plan 2018-20<sup>17</sup> the Government outlines its plans to help develop a highly skilled workforce through education, training and reskilling,

*The ICT and Digital Technologies Sector Skills Investment Plan*<sup>18</sup> published in March 2014, and informed by an industry-led steering group which included representatives from Amazon, JP Morgan, ScotlandIS and e-Skills UK (at the time the sector skills body for the tech sector), provided a framework to develop skills provision to meet industry needs. The plan has been structured around two strategic objectives, namely "Attracting more talent today" and "Closing the gap". There is recognition in the plan of the need to help address immediate skills shortages, but also to begin to broaden the talent pool for the technology sector. This includes making the education system more responsive to the needs of employers, raising the profile of careers within the sector, promoting new entry routes into technology jobs and highlighting the benefits of these routes to schools and employers. Reference is also made of the need to increase the number of women in technology roles.

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<sup>16</sup> Scotland's Economic Strategy, Scottish Government, 2015, <https://beta.gov.scot/publications/scotlands-economic-strategy/>

<sup>17</sup> Economic Action Plan 2018-20 <https://economicactionplan.mygov.scot/>

<sup>18</sup> Skills Investment Plan for Scotland's ICT and Digital Technologies sector  
[https://www.skillsdevelopmentscotland.co.uk/media/35682/ict\\_digital\\_technologies\\_sector\\_skills\\_investment\\_plan.pdf](https://www.skillsdevelopmentscotland.co.uk/media/35682/ict_digital_technologies_sector_skills_investment_plan.pdf)



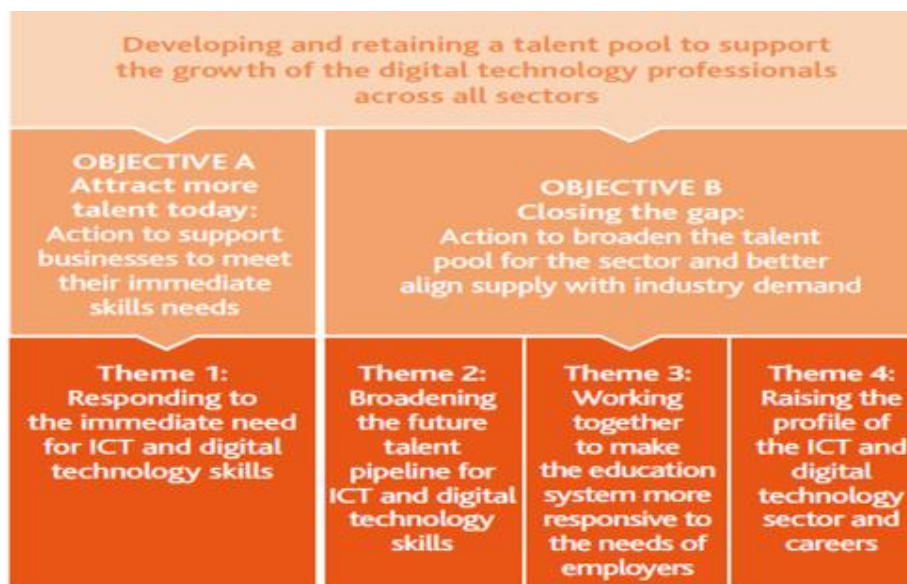


Figure 3: The ICT and Digital Technologies Sector Skills Investment Plan

*Realising Scotland’s full potential in a Digital World: A Digital Strategy for Scotland*<sup>19</sup>, published by The Scottish Government in March 2017, includes a vision which focuses education and training systems on expanding the pool of digital skills and capabilities and tackling the current gender gap in digital skills and careers. It also points to the use of City and Region deals to maximise the role that digital innovations and infrastructure can play in delivering both economic and inclusive growth. Furthermore, the Skills Investment Plan for Edinburgh and South East Scotland<sup>20</sup> identifies the priority to develop an employer-led programme to upskill the region’s residents in data and digital skills.

The Scottish Government’s Programme for Scotland 2018-19, *Delivering for Today, Investing for Tomorrow*<sup>21</sup> references the importance of data-driven innovation and calls for action to address the data skills gap. The initial findings of the Scottish Government’s Enterprise and Skills Strategic Board also point to the need to ensure a demand led skills system that is flexible and responsive to industry and learner needs – underpinned by robust evidence of employer demand, predictive analysis of future skills needs and access to lifelong careers advice.<sup>22</sup> Furthermore, it references the need to encourage a greater uptake of digital skills and technologies.

<sup>19</sup> Realising Scotland’s full potential in a Digital World: A Digital Strategy for Scotland

[www.gov.scot/publications/realising-scotlands-full-potential-digital-world-digital-strategy-scotland/](https://www.gov.scot/publications/realising-scotlands-full-potential-digital-world-digital-strategy-scotland/)

<sup>20</sup>Skills Investment Plan for Edinburgh and South East Scotland <https://www.skillsdevelopmentscotland.co.uk/media/43648/edinburgh-sip-2017-digital-version.pdf>

<sup>21</sup> Delivering for Today, Investing for Tomorrow, The Government’s Programme for Scotland 2018-19

<https://www.gov.scot/binaries/content/documents/govscot/publications/publication/2018/09/delivering-today-investing-tomorrow-governments-programme-scotland-2018-19/documents/00539972-pdf/00539972-pdf/govscot%3Adocument>

<sup>22</sup> Working Collaboratively for a Better Scotland <https://www.gov.scot/publications/working-collaboratively-better-scotland/>

Allied to this the Creating a Fairer Scotland (Employability)<sup>23</sup> policy and Equalities Act 2010 seeks to promote greater fairness and equality in employment, while also driving continuous service improvement through strong productive partnerships.

*No One Left Behind, Next Steps for the Integration and Alignment of Employability Support in Scotland*<sup>24</sup> urges the need to incrementally develop an integrated regional employability and skills system that is more:

- flexible, tailored, and takes a 'whole person' approach;
- straightforward for people to navigate;
- better integrated and aligned or interwoven with other supporting services;
- provides pathways into sustainable and fair work;
- is driven by evidence to supports people into the right job at the right time;
- designed, delivered, and improved in partnership;
- responsive to those with high needs (e.g. young care leavers, workless, and those in low paid or insecure jobs) who are at major risk of missing out on the benefits of economic growth; and
- minimises skills shortages and gaps or gender imbalances in our key growth sectors, while promoting greater workforce diversity

The DDI project tightly aligns with all of these policy aims. The ambition of the programme is to equip local people with the skills needed for them to benefit from the data revolution and to help mitigate any adverse effects of this. By focusing attention on strengthening and streamlining the progression pathways into roles requiring data skills for young people, disadvantaged individuals, and those whose current roles are at risk of automation it also establishes collaboration across regional partners to deliver better impact from existing (public, private and third sector) investments that will support accelerated progress towards a more inclusive economy.

### *2.1.2 Alignment across the IRES Programme*

The current strength of demand for technology-based roles previously mentioned, and detailed later in the Economic Case, has resulted in significant and increasing skills gaps and workforce shortages.

The DDI Skills Gateway, along with other IRES projects, will help open up new sources of labour market supply and achieve more inclusive growth outcomes. It will also ensure that talent is grown locally, and is more likely to be retained in the city region. Whilst the DDI Skills Gateway can be considered a sector based skills and support pipeline, its impact has the potential to be far-reaching as increasing numbers of job roles will require data skills.

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<sup>23</sup> Creating a Fairer Scotland: A New Future for Employability Support in Scotland, Scottish Government, <https://beta.gov.scot/publications/creating-fairer-scotland-new-future-employability-support-scotland/>

<sup>24</sup> No One Left Behind - Next Steps for the Integration and Alignment of Employability Support in Scotland, Scottish Government, <https://www.gov.scot/Publications/2018/03/5358/downloads>

Positioned within the IRES programme of activity, there are links particularly across the DDI and HCI Skills Gateways into the Integrated Employer Engagement, (for example, raising awareness of gender and disability challenges, and identifying opportunities within data roles across sectors), and Disadvantaged Families, (potentially providing a pipeline of new learners), IRES project activities. Furthermore there is an opportunity to use the evolving DDI capabilities within the city region to develop more responsive Labour Market information to help profile and predict labour market demand. The overall plan is for a much improved and focussed Skills Gateway Pipeline specific to industry needs with heightened focus on increasing throughput of numbers into employment in the sector. The Skills Gateway Delivery Group and IRES Board will ensure robust monitoring and reporting of progress towards targets as outlined in the Management Case.

## 2.2 Part B: The Case for Change

### 2.2.1 Existing Arrangements, Challenges & Business Needs

The Digital and IT sector is forecast to be the fastest growing sector in Scotland by 2024. Digital tech jobs in Edinburgh increased at over three times the national average between 2014 and 2017, according to a recent report by Tech UK<sup>25</sup>. However, companies within the sector reported ongoing challenges around access to talent, and demand for digital and data talent is expected to grow strongly in the medium to long term.

Current data education and skills provision is limited and fragmented. The skills system is complex, with no clear pathways for learners wanting to acquire data skills and identify route ways into data jobs. Typical paths into data-related roles rely on the traditional Higher Education route, which is not delivering either the number or diversity of workers required to fill the growing regional and national demand for workers with the relevant skill sets to undertake both data worker and data professional roles.

#### 2.2.1.1 Schools

The most relevant school-based subjects are Computing Science and Mathematics. Take-up and attainment levels at a national level for both are shown below (this information is not readily available at a regional level):

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<sup>25</sup> Tech Nation 2018

SUBJECT	2018				2017			
	A - C		Entries		A - C		Entries	
	No.	%	No.	%	No.	%	No.	%
<b>National Courses - National 5 (Qualification of 24 SCQF credit points)</b>								
Computing Science	4,814	75%	6,442		6,108	82%	7,442	
Computing Science	3,787	73%	5,178	80	4,857	81%	5,990	80
Computing Science	1,027	81%	1,264	20	1,251	86%	1,452	20
Mathematics	26,894	65%	41,590		26,927	64%	42,191	
Mathematics	12,699	64%	19,759	48	12,856	64%	20,176	48
Mathematics	14,195	65%	21,831	52	14,071	64%	22,015	52
<b>National Courses - Higher (Qualification of 24 SCQF credit points)</b>								
Computing Science	2,816	69%	4,099		2,887	64%	4,476	
Computing Science	2,301	67%	3,430	84	2,436	64%	3,818	85
Computing Science	515	77%	669	16	451	69%	658	15
Mathematics	13,973	75%	18,753		13,953	74%	18,861	
Mathematics	7,039	73%	9,701	52	7,215	73%	9,929	53
Mathematics	6,934	77%	9,052	48	6,738	75%	8,932	47
<b>National Courses - Advanced Higher (Qualification of 32 SCQF credit points)</b>								
Computing Science	454	71%	636		454	71%	641	
Computing Science	379	69%	548	86	395	70%	565	88
Computing Science	75	85%	88	14	59	78%	76	12
Mathematics	2,751	75%	3,683		2,672	75%	3,586	
Mathematics	1,637	72%	2,265	61	1,628	72%	2,252	63
Mathematics	1,114	79%	1,418	39	1,044	78%	1,334	37

	Boys		Girls
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Figure 4: SQA Computing Qualifications.

It is worth reflecting that:

- The numbers taking Computing Science across qualification levels have decreased between 2017 and 2018;
- Boys are opting to take Computing Science in significant more numbers than girls; and
- Girls who did take Computing Science out performed boys<sup>26</sup>

Limited numbers of Computer Science teachers, and inflexibility in some option choices, might also act as a barrier. However, Computing Science is just one of the learning pathways into tech courses and careers; Maths is also a relevant qualification.

Since a positive meeting with the DDI Skills Gateway team in autumn 2017, SQA have pulled together a qualification development group working on National Progress Awards (NPA) in Data Science at Levels 4, 5 and

<sup>26</sup> SQA Attainment Statistics <https://www.sqa.org.uk/sqa/64717.html>

6 and the team are actively involved with this. These non-exam based qualifications should be available to schools and colleges from summer 2019.

The University of Edinburgh is also working with SDS, and other national stakeholders, to help address a national shortage in Computer Science teachers. An options appraisal is currently under development to offer more flexible routes into the teaching profession, and draw together existing valuable, but unevenly distributed, Corporate Social Responsibility (CSR) initiatives by employers targeted at schools into a more coherent framework which gives equal coverage across the regions' schools.

### 2.2.1.2 Colleges

There are clear concentrations of Computing Science courses in particular parts of the country. For example, Glasgow has 20% of the enrolments whereas Edinburgh only has 10%. Furthermore, the computing science cohort at college is predominantly male (85%) and increasingly under 24 years (62%). At a national level, in 2014/15, 86% of computing science college leavers entered further full time study, compared with 69% across all college disciplines.<sup>27</sup>

Level	Passes	Trend
SCQF 1-5	1,692	-12%
SCQF 6	533	4.5%
SCQF 7 - 12	3,708	1.5%

Table 1. College computing science courses.

According to information provided to partners by the Scottish Funding Council, there are around one thousand students studying Computer Science related courses across the Edinburgh and South East city region, of which only 10% are female. Over half of the students are studying at Edinburgh College and a further third at Fife College. Only around a dozen students are studying computer science related courses in the Borders College. Around 125 students articulate from Edinburgh College computing courses to undergraduate degrees in Computing Science and related programmes, with over 85% going on to Edinburgh Napier University.

### 2.2.1.3 Universities

The City Region contains approximately 1740 students graduating in subjects related to Computer Science and Data related courses (3710 total student numbers)<sup>28</sup>. This represents a significant shortfall in the current

<sup>27</sup> Digital Scotland Scotland's Digital Technologies: Summary Report 2016 – based on "Scotland's Digital Technologies Sector Analysis" conducted by Ekosgen

<sup>28</sup> Figures supplied by Scottish Funding Council (SFC)

projected demand of 5,100 per year as set out in the Science and Innovation Audit<sup>29</sup>. The computing science cohort at university is also predominantly male (81%) and increasingly under 24 years (71%).<sup>See 27</sup>

The DDI Talent ambitions of the University of Edinburgh and Heriot Watt University have been described in the DDI Programme Business Plan<sup>30</sup>, and approved by the city region deal Joint Committee. These include proposals for the Universities to engage with around 716,000 people across the UK and globally over the fifteen year programme lifecycle, (of whom around 62,000 will receive formal certification and an additional 30,400 CPDs).

Edinburgh Napier and Queen Margaret Universities are well placed to augment this ambition, and also help develop local learners, with 45% and 41%, respectively, of all of their UK domiciled students coming from the Edinburgh and South East Scotland city region area.

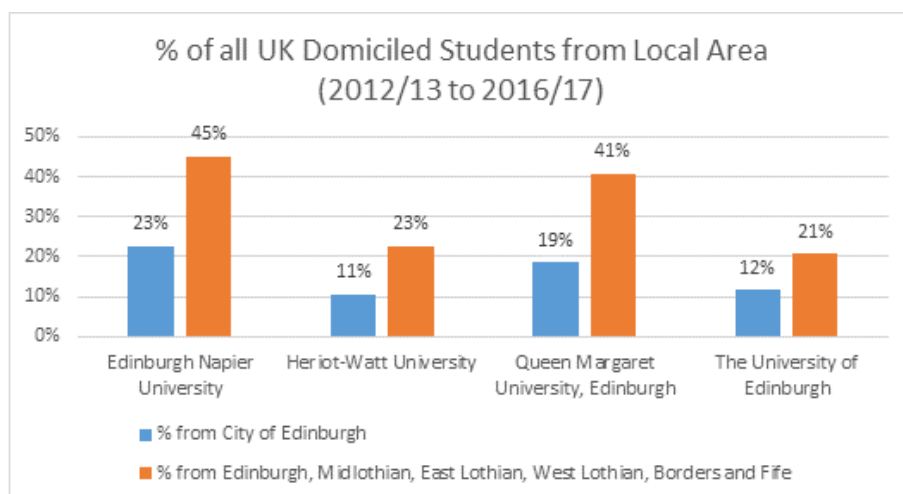


Figure 5: Proportion of UK-domiciled undergraduate students from Local Area (2012/13 to 2016/17)

Like the other university partner organisations, Edinburgh Napier University has a demonstrable track record in enrolling students from deprived postcodes (Figure 6). Courses highlighted for further data skills development have been identified to maximise the opportunity to reach MD20/ MD40 students and those most likely to be drawn from, and remain in, the City Region population.

<sup>29</sup> [https://www.ed.ac.uk/files/atoms/files/edinburgh\\_science\\_and\\_innovation\\_audit\\_mainreportoct16.pdf](https://www.ed.ac.uk/files/atoms/files/edinburgh_science_and_innovation_audit_mainreportoct16.pdf)

<sup>30</sup> Programme for Delivery of a Data Driven Innovation Cluster in the Edinburgh City Region

	2018/19		2017/18	2016/17
	Number	%	%	%
<b>Deprivation by SFC Quintile</b>				
<b>1 - 20% Most Deprived (MD20)</b>	341	12.6%	10.2%	10.5%
<b>2</b>	443	16.3%		
<b>3</b>	550	20.3%		
<b>4</b>	635	23.4%		
<b>5 - 20% Least Deprived</b>	742	27.4%		
<b>SDUE with matching postcode</b>	2711	100.0%		

Figure 6.: Proportion of Scottish-domiciled undergraduate entrants from the 20% and 40% most deprived postcodes studying at ENU

#### 2.2.1.4 Apprenticeships

There are over 120 apprenticeship types available in Scotland, with apprentices getting flexible training and a qualification designed for particular industries. Apprenticeships can be used to attract new talent, or upskill existing staff. Skills Development Scotland (SDS) will contribute towards the training costs, with the amount being dependent on the age of the apprentice, the type and level of training. However, contributions are generally for employees who are aged 16 – 24, although there is an enhanced contribution available for disabled and care-experienced young people between the ages of 20-29. Despite the age restrictions, apprenticeships are a key part of the employability pipeline, providing flexible routes into upskilling and drawing in wider cohorts of learners.

In 2017/18 a rural support policy was applied for trainees who live in more remote Local Authority areas, including the Scottish Borders. This supports the payment of additional supplements, above the standard contribution rate.

##### 2.2.1.4.1 Foundation Apprenticeships (FAs)

There are currently no Foundation Apprenticeships in Data specifically. The FA most closely aligned to opportunities within the technology sector is the FA in Software Development. The National Progression Award (NPA) in Data Science, currently under development, provides an opportunity to develop a data specific framework at this level which could be embedded in the Foundation Apprenticeship model, and there is the potential for this to be made available from 2021.

##### 2.2.1.4.2 Modern Apprenticeships (MAs)

The Modern Apprenticeship framework aligned to this skill set is the Data Analytics Technical Apprenticeship (SCQF Level 8). However, although, the apprenticeship was available from 2016/17, there were no starts on the framework until 2018/19. As at the end of quarter 2, 2018/19, there were only 11 starts spread across the country, and none of the starts have completed the framework.

Part of the focus of the proposed investment in the FE pipeline is to work in partnership with SDS to develop the MA course further, along with the capacity to deliver this, working with regional employers to offer a bespoke solution.

Furthermore, the DDI Skills Gateway team has been working with SDS to shape a pilot that would look at options to embed data skills in existing non-data specific MA frameworks, piloting initially in the Financial Services and Health and Social Care areas. The learning from this pilot will help inform ongoing apprenticeship-related activities across the programme and at a national level.

#### **2.2.1.4.3 Graduate Apprenticeships (GAs)**

A new GA framework for BSc (Hons) Data Science has been published, with an initial pilot cohort in 18/19 with University of Edinburgh and St Andrews University and a single employer in the first instance. Graduate Apprentices are full-time employees of the company throughout the duration of the programme. Ongoing employer engagement would suggest that there is an opportunity to significantly increase provision of this type and this would follow the ongoing annual SDS procurement process for funded apprenticeship places.

Further Graduate Apprenticeships with some relevance to the DDI activity include: Software development, ITMB, and Cyber Security.

The universities in the region offering these apprenticeships will conduct a skills audit to review data science/ data engineering content in order to maximise the opportunities to embed DDI activity. Through the Masters provision identified in the DDI skills pipeline, graduated apprentices from these frameworks could then continue to specialise in data science or data engineering at Masters level, providing a route for highly skilled data professionals working in the region and/or further development up to DDI-related PhD study.

#### **2.2.1.5 Diversity challenges**

The 2018 Regional Skills Assessment Summary Report for Edinburgh and South-East Scotland City Region<sup>31</sup> concludes that although the outlook for the local economy is positive there are some key inclusive growth challenges that still remain.

Despite the current arrangements and ways of working, around only 40% of working age disabled adults are in employment, compared with more than 80% of adults with no disability<sup>32</sup>. The diversity and gender profile of the technology industry does not compare well against the region's population profile, indicating that the industry is not attractive to many sections of society, impacting on its ability to reduce skills gaps and shortages, or effectively innovate. For example, whilst analysis of the most recent ONS Annual Population Survey shows the number of women in tech has risen from 18 per cent to 23.4 per cent in the last two years,

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<sup>31</sup> Regional Skills Assessment Edinburgh & South East Scotland City Region: Summary Report, Skills Development Scotland, <https://www.skillsdevelopmentscotland.co.uk/media/44990/rsa-edinburgh-and-south-east-scotland-city-deal-region.pdf>

<sup>32</sup> Job support for disabled people (Policy), Scottish Government 2018, <https://beta.gov.scot/policies/disabled-people/job-support-disabled-people/>



and has more than doubled in the last eight - rising from 10,300 in 2010 to 24,000 in 2018, under-representation and the gender pay gap remains a challenge in the sector<sup>33</sup>.

Scottish Government has committed to tackling the gender gap, maximising economic opportunities for women to participate fully in the regional economy and recognising the wider social role they provide<sup>34</sup>. Regional partners are focused on promoting the fair work agenda and encouraging employers to mitigate the gender barriers, such as under representation of women within the technology sector, which prevents the development of a strong, innovative, and inclusive economy. Further work is required to establish the baseline position for those with minority characteristics undertaking data education and within tech roles, and to better understand the challenges faced by these cohorts. Early discussions with SDS have identified an opportunity to undertake some joint research on this, and to subsequently work in partnership on the development of a targeted action plan, building on work already underway to improve the gender imbalance within the sector. This research activity will be undertaken as part of developing an agreed approach to evaluation across the DDI Skills Gateway programme.

## 2.3 Objectives and Benefits

The focus of the DDI Skills Gateway programme is on growing local talent, opening up the data opportunity to all and ensuring that those with key data skills are retained within the city region. The aim is to develop pathways which will enhance opportunities for under-represented groups to develop these skills, and to work with employers and other relevant agencies to ensure wider representation within data roles. Activities within the programme, whilst recognising the need to help meet the demand for data skills, have been prioritised using the following criteria:

1. **Inclusion** – Does the activity help support an Inclusive Growth (gender, socio-economic, geographic, disability) agenda?
2. **Pilot** – Could the programme be piloted on a smaller scale first without affecting inclusion (or significantly impeding impact)?
3. **Delivery Model** – Could the delivery of the activity be embedded within pre-existing or planned services without sacrificing momentum and delivery of the activity? and
4. **Potential for Leveraged Funds** – Could the activity be funded in full or in-part by private sector funding (sponsorship or purchased) or additional public sector funding streams? Is the activity required in order to leverage additional funds?

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<sup>33</sup> <https://www.skillsdevelopmentscotland.co.uk/news-events/2018/october/record-number-of-females-join-the-tech-sector/>

<sup>34</sup> Scotland's Economic Strategy, Scottish Government 2015, <https://beta.gov.scot/publications/scotlands-economic-strategy/pages/5/>

### 2.3.1. Early Wins

Some early wins have already been achieved by the partners which have helped to kick-start the programme.

These have included:

- Work with Newbattle Community School to support the development of data education within the school, establishing it as the first Knowledge Sharing School within the DDI Data Education in Schools Project;
- Participation in discussions with the SQA on the development of a National Progression Award (NPA) in Data Science across SCQF levels 4,5 and 6, with potential to provide the basis for a new Foundation Apprenticeship in Data Science;
- Participation in discussions with the SQA on a new HNC/D in Data Science. This will be College based and may become a contributing knowledge based qualification to the MA HNC/D Data Science;
- Partnership with SDS to pilot an approach to embedding data skills in existing Modern Apprenticeship frameworks, starting with the Financial Services and Health and Social Care sectors – worth £24,000;
- Working with SDS a new level 10 framework for Graduate Apprenticeships in Data Science has been developed and made available for universities in the tendering process for places in 2019/20. A pilot is underway with the University of Edinburgh and St Andrews University for a 2018/19 cohort;
- Partnership with SDS to pilot an approach to in-work data up skilling – worth £24,000;
- Partnership with Scottish Government to pilot an introductory Data Security course for autistic participants, with support from IntoWork and Autism Initiatives Scotland (No 6) – worth £18,000;
- With funding for development from DataLab, Edinburgh Napier University has plans to start a MSc Data Engineering in September 2019. The course will be fully online and is designed to appeal to career changers. It will be promoted both in the region and globally; and
- Investment from the University of Edinburgh in a pilot year of Data Education in Schools – worth around £220,000 – which has enabled widespread engagement with schools across the city region and establishment of a pilot project with Braidburn Special School.

The pilots identified are being developed within the Edinburgh and South East Scotland region, with potential for national roll-out. Furthermore, a Memorandum of Understanding (MoU) with SDS is under development to identify additional opportunities for joint working to help deliver the ambitions set out in this proposal.

The Economic Case also outlines specific key impacts and benefits of implementing the DDI Skills Gateway programme.

## 2.4 Scope of investment requirements

### 2.4.1 Data Education in Schools – early skills programme

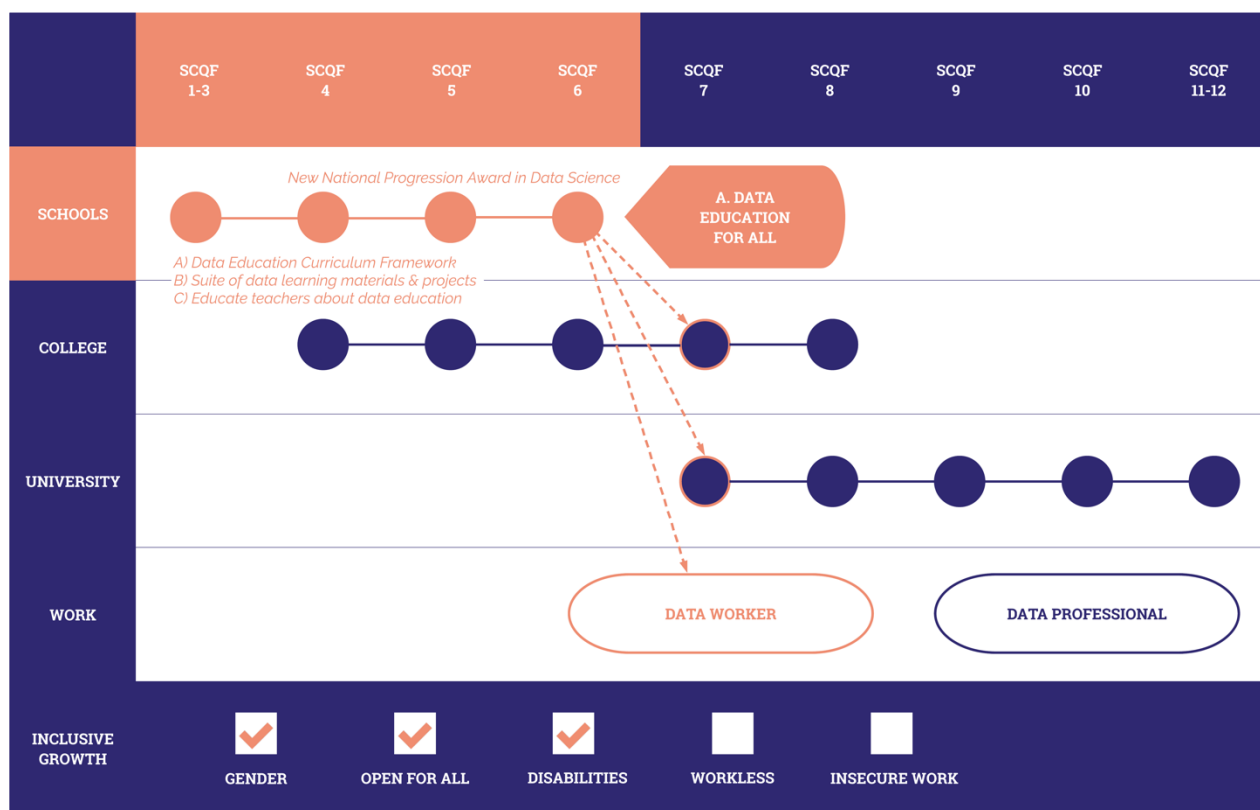


Figure 7: How Data Education in Schools fits within the DDI Skills Framework

The ambition for the Data Education in Schools programme is for children and young people across the City Region to learn about data to benefit their personal lives and open up new possibilities for interesting and well-paid careers. What is proposed is an ambitious and inclusive programme of *Data Education in Schools*, through which all children will have the opportunity to excel in data education, regardless of their gender, location or financial circumstances. The programme will invest in teacher education as a sustainable route to improving children and young people’s digital skills, as identified in the Scottish Government’s strategy for Enhancing learning and teaching through digital technology<sup>35</sup>, and in the STEM education and training strategy which aims to increase capacity within the education system to deliver excellent education in science, technology, engineering and mathematics in Scotland.<sup>36</sup>

This is an eight year programme, with review points at the end of years 3 and year 6. The purpose of the review points is to evaluate the extent to which the approaches to materials development and teacher education have been effective, and to re-plan the project accordingly. This programme will a) *synthesise a curriculum*

<sup>35</sup> <https://www.gov.scot/publications/enhancing-learning-teaching-through-use-digital-technology/>

<sup>36</sup> <https://www.gov.scot/publications/science-technology-engineering-mathematics-education-training-strategy-scotland/>

*framework for data education in schools*, based on existing Technologies, Numeracy and Mathematics Experiences and Outcomes, b) *collect and develop innovative learning materials and projects relating to data* and c) *educate teachers about data literacy*. Initial teacher education about data will be implemented by University of Edinburgh on its PGDE and MSc Transformative Learning and Teaching degrees.

The curriculum review, mapping and synthesis will be carried out in the first year of the project, led by a Senior Project Officer. It is important not to overburden teachers with an entirely new curriculum, but rather to support teachers in using cross curricular data science projects to deliver curriculum outcomes across a range of related areas (such as programming and databases in computer science, and information handling and probability in maths). This is in the spirit of Curriculum for Excellence and will support collaboration between primary and secondary teachers across sector and subject boundaries.

The curation and development of new learning materials will take place over the eight years, with the priority in the first three years to support the SQA's new National Progress Award in Data Science. Materials will be curated and repurposed from high quality sources world-wide (such as Bootstrap and Concord<sup>37</sup>) in some cases, and new materials will be developed where necessary for learners, show-casing different sectors within the DDI project at University of Edinburgh and Heriot-Watt University. The project officers will take responsibility for developing the new materials, deliberately seeking input from academic and industry experts across the City Region about data as well as specific pedagogical expertise where necessary. This will be key to developing high quality, innovative, relevant and exciting materials.

Teacher education is fundamental to ensuring the long-term sustainability of the programme after the initial eight year funding period. The project will catalyse innovative approaches to professional learning by: 1) supporting education officers and digital leaders in the local authorities as they deliver professional development to their teachers, in conjunction with Regional Improvement Collaboratives; 2) establishing six knowledge sharing schools across the City Region (see below) 3) offering regular free Continuing Professional Development (CPD) events such as an annual conference, webinars, livestreams and seminars at University of Edinburgh; and 4) working directly with volunteer teachers who are looking for help in developing innovative ideas and agree to share the results with their peers.

#### 2.4.1.1 Knowledge Sharing Schools (KSS)

*The purpose of a knowledge sharing school is to become excellent in data education, and to share the journey towards this goal with other educators.* One has already started work – Newbattle Digital Centre of Excellence in Midlothian. This school was chosen because of their commitment to improving ambition and attainment in their community through digital and data innovation. It has been funded to date through a partnership with University of Edinburgh. Schools across the City Region will be invited to apply for the remaining KSS

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<sup>37</sup> <https://www.bootstrapworld.org/index.shtml>  
<https://concord.org/our-work/focus-areas/data-science-education/>

opportunities. In the application, they must show their commitment and plans to improving data education for school learners and the wider community (the emphasis is on the plans for improvement not their current stage). Stakeholders from local authorities and national agencies will serve on the selection panel.

Knowledge Sharing Schools will be responsible not only for innovation in data education in their own schools, but also for being transparent about their progress and generous to other educators who wish to learn from their experiences. In return, they will receive support from the DDI Skills team, including the time of a project officer to try out innovative teaching ideas, projects and materials with learners, teachers and community. The model for establishing knowledge sharing schools in 2 waves is shown in Figure 8.

The role of knowledge sharing schools will include:

- Innovating in pedagogy for data education;
- Offering workshops for teachers across the region;
- Hosting knowledge sharing events; and
- Engaging with local authority advisors

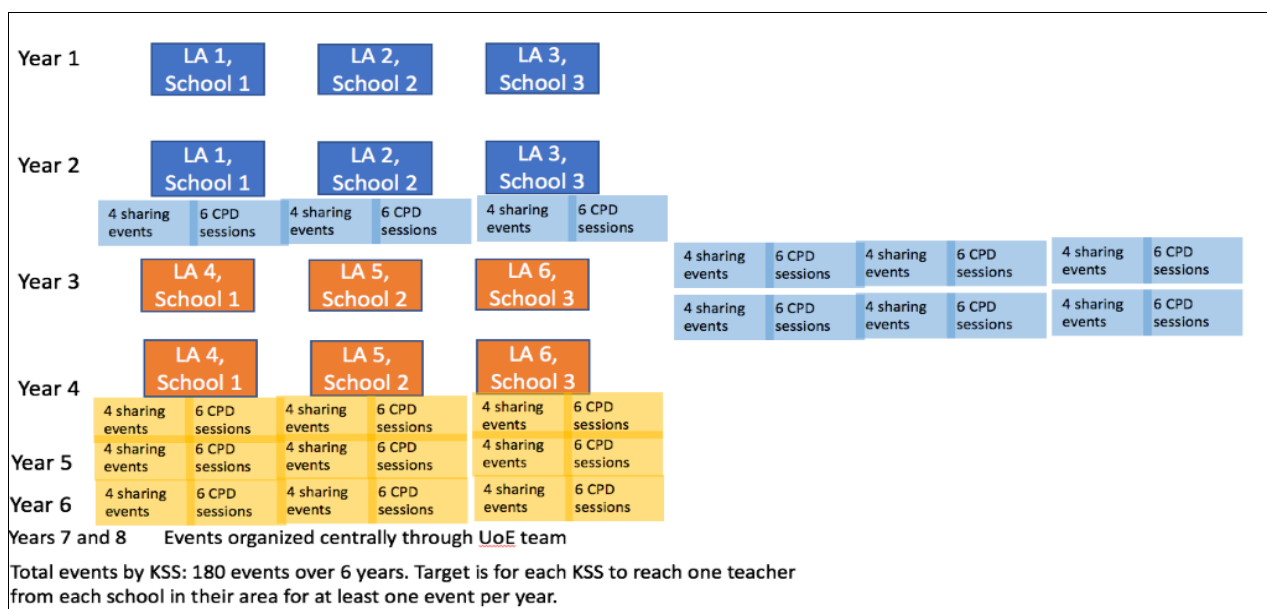


Figure 8: Knowledge Sharing Schools model

### 2.4.2 Data Education for FE students - introductory and intermediate skills programmes

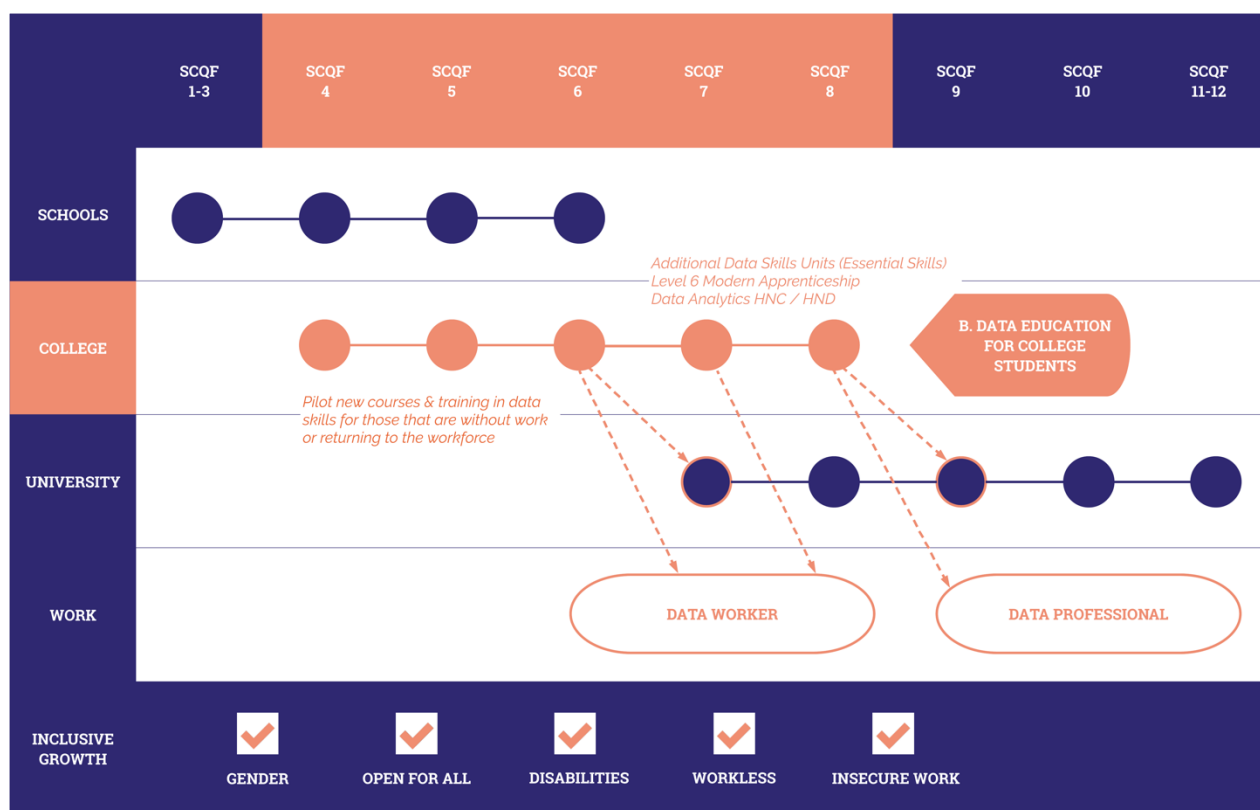


Figure 9: How Data Education for FE students fits within the DDI Skills Framework

The FE skills proposition is a further catalyst to transforming digital and data skills and will be rolled out across the region. It builds on the Colleges’ track record in attracting a wide cohort of learners from diverse backgrounds, including Care Experienced Learners (c.1% of College learners across the region), people with disabilities (15% of learners), BME (5% of learners) and learners from SIMD10 areas (c.8%). Irrespective of an individual’s starting point of career path, data literacy and data science skills will be embedded up to SCQF8. The Colleges will play a key role in the students’ learning journey into employment, university or in work upskilling at the level required.

The proposition aims to:

- 1. Ensure Inclusive Growth: Create pilot courses and new training opportunities to different groups of learners across the whole city region:**

Working in partnership with SDS as appropriate, to provide free training opportunities at levels SCQF 4 -6 for the hardest to reach who are not in training or employment, or are in work poverty, or who have specific learning disabilities. It is anticipated that the introduction of wider pre-apprenticeship options will help ensure that greater numbers will be supported to achieve the minimum entry requirements for Modern Apprenticeships.

These courses will be aimed at those who require to be data citizens and data workers. There will be rolling programmes across all city region local authority areas.

The aim is to use a Challenge Fund approach to co-produce bespoke specifications for skills development activity, working with the region's Local Authorities and other employability providers, Skills Development Scotland, Department for Work and Pensions, 3<sup>rd</sup> sector organisations such as Cre8te, Leonard Cheshire Disability, Access to Industry, and Cyrenians. This approach is aimed at ensuring that the needs of harder to reach learners are met, targeting recruitment and testing models to provide tailored support for these learners. Colleges will provide accredited learning using Associate Trainers when and where required.

In parallel, the proposal is to run similar courses but aimed specifically at women, who may be adult returners, to address gender balance in technology industries. EQUATE will work in partnership to identify and support women on this programme.

This inclusive growth pipeline will complement the in work training proposition by offering SCQF levels 4-6 to some of those requiring the upskilling or 'into work' training, including frontline support workers. Other in work upskilling will provide SCQF 7-9. A flexible model is proposed so that the fund can be pooled to prioritise need flexibly as and when required both by level and by provider.

**2. Create a pipeline of skills for DDI at levels SCQF 4 – 8 (FE activity up to level 6 and HE beyond):**

The aim is to increase the number of students studying data literacy as part of their FE course at Levels 5 and 6, to understand data analytics, databases and data visualisation in preparation to become data workers or progress to University to professional roles. All students will have the option of additional units delivered as part of their FE course, and form part of their essential skills learning. For example, a new project based curriculum such as the creation of website, using data analysis provided by Digimap could be a vehicle for this strand. This approach is in line with skills needed for Industry 4.0.

An additional aim is to pilot, develop and roll out new Level 6 Modern Apprenticeships in Data Science. Initial set up costs will be for course development and employer engagement. This will also provide progression for Foundation and Graduate Apprenticeships in this area.

### 2.4.3 Data Education for HE students, both College and University learners - introductory and advanced skills programme

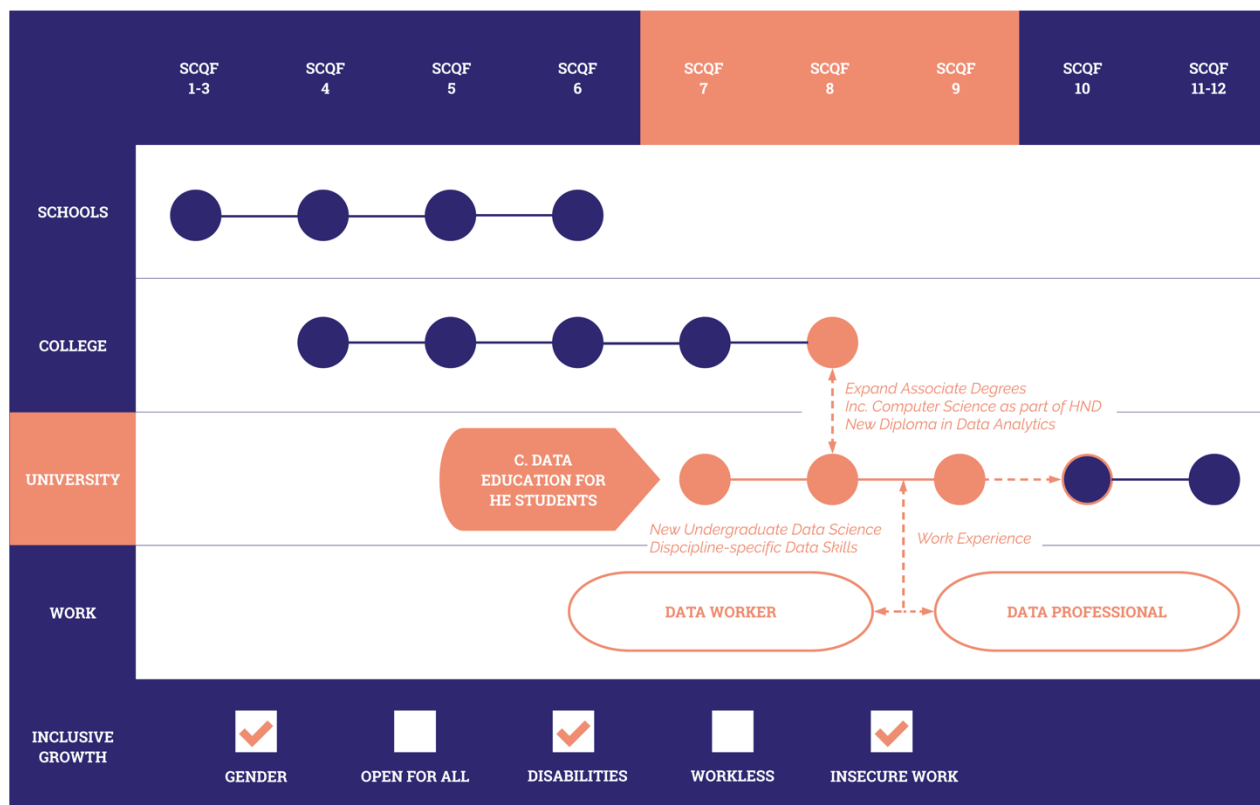


Figure 10: How Data Education for HE students fits within the DDI Skills Framework

The ambition of the HE proposition is threefold: i) to create inclusive and extensive routes into careers as data professionals; ii) to increase data capability of HE students studying in areas that are becoming increasingly reliant on data to provide evidence for decision-making (skills for data workers); and iii) to create inclusive employment opportunities through relevant work experience for students. This aspect of the Gateway proposition aligns closely with the wider DDI Programme, most particularly in relation to the Talent ambitions set out within it (see DDI Programme Business Plan). The scope of the University of Edinburgh and Heriot Watt University DDI Talent programme includes:

- New DDI-centred full undergraduate and postgraduate courses (both campus-based and distance learning);
- DDI-centred undergraduate modules counting towards partial degree accreditation;
- Increased numbers of doctoral students focusing on data analytics to gain new insights (and solve unmet needs across the private, public and third sectors);
- New Continuing Professional Development (CPD) specialised courses; and
- Open Online courses



To ensure a broad and inclusive pipeline towards data professionals and data workers, the HE proposal brings capacity and capability to introduce new courses and modules at Edinburgh Napier University and Queen Margaret University. Combined, the HE Programmes will develop a significant and sustainable pool of talent in the city region, and build a workforce more resilient to data driven change.

The College HE dimension of the DDI Skills Gateway is focused at complementing this DDI talent programme, and most specifically in widening participation. The proposition aims:

- To expand the successful *Associate Degree model*, increase and widen access to College students entering degree level (year 3) with advanced standing. This model will not receive any more additional SFC funding but can be expanded to Computer Science HND / BSC students. Opportunities to award scholarships will be considered as part of the project delivery.
- Aligned with related activity for university students, to increase the number of students studying *Computer Science as part of their HND*, to understand data analytics, databases and data visualisation in preparation as data workers or progressing to University to professional roles. STEM students may receive this as part of their course therefore Social Science, Finance, Business, Health and Social Care students will receive additional training before mainstreaming in line with HND next generation reform.
- To pilot, develop, promote and roll out new courses at *SCQF Level 8 Diploma in Data Analytics*. This will be provided initially with free funded training until it can be mainstreamed into core funding and numbers have been established.

The university dimension of the Gateway also expands and extends the DDI talent programme, with a particular focus on inclusion (of both students and universities) and retaining data skills in the region. The proposition has three aspects:

- Create **new undergraduate provision** for Data Science in the region in order to enhance Data Science capacity and capability. This new provision would be used to encourage school (and college) leavers into degree level study, leveraging SFC funded student places to increase the numbers of data-skilled graduates in the region. The design and roll-out of the new Data Science degree would draw on project partners to orientate the curriculum, the marketing and course team to recruit students with inclusion characteristics, (working with relevant third sector partner agencies such as Into Work), targeting local schools and colleges for recruitment. This expansion would be hosted by Edinburgh Napier University who have worked in partnership with DataLab to develop new Masters provision in data science and data engineering.

- Aligned with the College proposal, to develop **discipline-specific embedded data provision** in the form of new courses/modules available for all students to embed data literacy in nursing, business studies, social science, and other relevant subjects. This will provide subject-specific skills in understanding, interpreting, visualising, and analysing data relevant to their future careers as data workers for large cohorts of students (see ANNEX 2 Projected outcomes). This approach will ensure that graduates on courses that recruit high levels of local students will have new data skills that will be retained in the region. The programme will be rolled out through a series of pilots starting with nursing and business courses at Edinburgh Napier University, initially selecting those courses that will maximise MD20/MD40 reach. The pilot modules and approach will be reviewed and further planning undertaken to maximise impact. New curriculum innovations, learning material and data sets will be shared with project partners, in particular with Queen Margaret University joining in the second phase.
- Extensive employer engagement to create meaningful routes into data careers through relevant **work experience** which has shown to be consistently valued by employers. Recent research has found that support to find a meaningful student placement is essential for students who do not have social and professional networks that can provide work experience<sup>38</sup>. The ambition is that *all* diploma-level, undergraduate and postgraduate data-focused students should be offered the opportunity to undertake a summer placement or sandwich year with a local company. The emphasis will be on working closely with companies and relevant third sector organisations to support under-represented groups i) students from MD20/MD40 postcodes; ii) students with a disability, including neuro-atypical students; and iii) women. The value of student placements is recognised in the Scottish Government's STEM strategy: including as a means to foster close links between industry and universities and colleges; increasing employment and employability to ensure high and levels of employment amongst under-represented groups in the region. The cost-effective proposal is to invest additional resources in e-Placement Scotland, a partnership between Edinburgh Napier University and ScotlandIS (the trade body for IT in Scotland). The aim is to build on an existing network of IT employers to engage with new local companies to identify additional data positions and to encourage more organisations to offer paid work placements. Resources to support applications and preparation for placement will increase inclusion and ultimately lead to better outcomes for graduates from our target groups. The opportunity will be open to all students in the Edinburgh and South East Region and will be delivered through expanded capability in e-Placement Scotland to work with HE/FE tutors and employers across

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<sup>38</sup> Smith, S., Taylor-Smith, E., Bacon, L., & MacKinnon, L. (2019). Equality of opportunity for work experience? Computing students at two UK universities "play the game". *British Journal of Sociology of Education*.

the region, targeting data professional roles. This will provide capacity to data driven organisations in the region while challenging the unconscious bias of many current recruitment approaches.

### 2.4.4 A Data Training for Work project – reskilling and upskilling programme



Figure 11: How Data Training for Work fits within the DDI Skills Framework

The Edinburgh and South East Scotland City Region has the opportunity to drive economic growth by rapidly increasing the adoption of data-driven innovation. However, without the local skills based enabled by better labour force planning, investment in lifelong learning and flexible training opportunities, many people within the region will be ill-prepared to benefit from economic growth.

We can help to forge an optimistic future for the future world of work in this region. The Data-driven Innovation Skills Gateway proposes developing a suite of programmes to help to empower at-risk employees and low-paid workforce across the region to prepare and equip themselves with the skills to take advantage of the world of work shaped by data-driven innovation.

A data-literate workforce is needed to meet both the current and future demand for employment. This model will allow companies and public institutions to respond quickly to changes in the economy, while exploring ways to ensure that workers who may lose their jobs are given alternative opportunities.

We need a thriving market of upskilling options that reflect different learner needs, constraints and tastes. This programme incentivises a range of alternative training routes in data so that the learner can choose the path that best suits them. The aim is to test innovative approaches to helping adults up-skill, re-skill and progress in their careers. The pilots will help us learn more about how to support and incentivise adults to learn the data skills that will help them, their local economies and national productivity.

City Region Deal investment will be dedicated to supporting projects that fund, design and test flexible, accessible ways of delivering learning to working adults with low or intermediate skills and pilots to overcome barriers to adults' learning.

**The Data Lab** will act as a hub for data training for work in the City Region. The Lab has a broad and deep network with regional organisations employing data workers and data professionals and is best placed to convene and understand the needs of a broad range of employer needs for data skills. It will act as a gateway for businesses and individuals seeking training in data analytics, data science, and other data-related activities, signposting to relevant courses provided by local FE, HE, online and other training and education providers. The Data Lab will work with national agencies to enable the approach tested in the City Region deal to work across the rest of Scotland.

This approach has been inspired by Singapore's SkillsFuture programme<sup>39</sup>, recommendations from the IPPR's Scotland skills 2030 report<sup>40</sup> and the narrative outlined by the proposed National Retraining Scheme for England.<sup>41</sup>

#### 2.4.4.1 Data Skills Credit Scheme

The Data Skills Credit scheme being piloted is a regional programme to use small training grants to provide low-paid or relatively lower-skill workers, and those returning to work, with the opportunities to develop the necessary data skills to gain meaningful employment and progression as part of the data-driven economy.

The scheme will provide grants in the form of 'data skills credits' to encourage employers and learners to share responsibility for developing data skills. A pilot scheme is underway, funded by SDS, and involving Fife College and CodeClan to look at designing course content and delivery models suitable for those in or returning to work. The learning from this will help shape the DDI Skills Gateway proposition. Training could include Higher Education courses, Further Education College, online training courses, Apprenticeships, and other local ad-hoc training providers.

Where the worker is in employment, the funding body, the employer and the learner would enter agree the learning pathway and explore the future progression opportunities for the learners on completion of their

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<sup>39</sup> <http://www.skillsfuture.sg/>

<sup>40</sup> <https://www.ippr.org/publications/scotland-skills-2030>

<sup>41</sup> <https://www.tes.com/news/government-announce-new-national-retraining-scheme>

training. We will pilot the use of ‘progression agreements’, a tripartite agreement between government/provider, employer and learner. In return for Credit, the learner would agree to meet certain learning outcomes, and if met, the employer would agree to additional training funds for the learner and a form of progression (this could include increased pay, a promotion, or other career progression).<sup>42</sup>

Additional funding will be leveraged from employers seeking to retrain their own employees, or future employees, and through other funding and loans from relevant national agency training schemes. For example, the Digital Development Loans and the Workforce Development Fund.

Recipients of Data Skills Credits will be invited to semi-regular face-to-face meetings with their peers to **track** learning progress and to support each other on their learning journey. Volunteer mentoring opportunities will be fostered from the private sector.

The pilot phase will set numeracy and digital skills thresholds for access to Data Skills Credits. However, it will not abandon those who do not meet these thresholds, but rather signpost individuals to available local online courses in numeracy and essential data skills. Details of this provision will also be included in the data skills journey.

The pilot phase will also identify and work with a network of routes to access and inspire local workless, returning workers, low paid, disabled workers and at-risk of redundancy individuals. This will include engagement with the local authority employability services and third sector provision across the city region.

#### 2.4.4.2 Data Skills Journey

The Data Skills Journey is a framework that will be developed for the region’s workforce with employers, unions, and professional bodies. It will transparently provide up-to-date information on data employment, data career pathways, data occupations, existing and emerging data skills, as well as relevant education and training programmes for data. Employers can use the Data Skills Journey to design progressive human resource practices to recognise skills and make informed decisions on skills investment<sup>43</sup>.

The Data Skills Journey will include a list of quality-assured, flexible, local or online industry-relevant training programmes that focus on emerging data skills. Informal online learning courses are widely-recognised routes for learning data skills<sup>44</sup> but they are still not widely recognised by employers or formal education providers. These courses will be included in recognised learning pathways as they often provide a high-quality yet cost effective means of learning data skills.

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<sup>42</sup> <https://www.ippr.org/publications/scotland-skills-2030>

<sup>43</sup> Singapore Skills Framework & SFIA (Skills Framework for IT) as models of good practice.

<sup>44</sup> [http://www.data-mania.com/blog/self-taught-data-scientist-curriculum/?utm\\_source=ReviveOldPost&utm\\_medium=social&utm\\_campaign=ReviveOldPos](http://www.data-mania.com/blog/self-taught-data-scientist-curriculum/?utm_source=ReviveOldPost&utm_medium=social&utm_campaign=ReviveOldPos)

A short list of curated pathway across providers will be developed to make it easy for learners to choose the right Data Skills Journey for them. Learners receiving Data Skills Credits should undertake a curated pathways but can make a request to undertake training outside of the curated journey when suitable for their learning needs.

It is envisaged that the Data Skills Journey will be piloted in the region and promoted as part of the Employer Engagement activities and other employability work being developed elsewhere. The Data Lab will work with national agencies to enable the approach tested here to be applied across the rest of Scotland. The Data Skills Journey has four key components:

- **Data Career Pathways.** Develop a 'data career pathway' that outline the skills competencies required of current data jobs and matches those with local and online training providers. This will provide clear information for learners and employers outlining how they can achieve career progression in data jobs and a clear framework to anchor career 'progression agreements' between learners and their employers. A limited number of curated pathways will be developed to make choice of training providers simpler.
- **Quality Assurance.** Existing formal courses at colleges and universities will not require additional QA, but their learning outcomes will be assessed so that they can be mapped onto the career pathway. New data training and education providers or online courses will be checked to make sure they provide the skills required by industry.
- **Open Accreditation.** Working in partnership with SQA and aligning with national approaches where relevant, the pilot would scope the development of a set of open badges (or similar alternative) that will be developed against data skills categories – such as machine learning, visualisation, statistics and their sub categories. Open badges could work flexibly across all data training and education providers and online courses. Learners could use these open badges to show to employers that they have achieved the varied skills required of specific data jobs.
- **Data Skills Portal.** An online portal will be created to outline the abovementioned career-pathways and training options which will be accessible across the region. It will include a self-assessment against job profiles and links to the relevant courses and training options including new courses developed as part of the DDI programme.

#### 2.4.4.3 Training for the adoption of Data-Driven Innovation and planning for a data-literate workforce

Uptake of data technologies is still low and is dominated by specific sectors and large technology companies. Yet, the benefits could be realised – and need to be so that Scottish companies remain internationally competitive. Managerial understanding of data science, machine learning and AI would help increase the uptake of new technologies leading to increased productivity and high-skilled employment in data careers.

The adoption of data-driven technologies and processes are likely to see an increase in many jobs and the creation of completely new occupations. Some industries that have the potential for growth through the adoption of data-driven innovation do not understand (1) how they can start on their data journey, (2) how they can support their current workforce to develop the skills to initiate and sustain data-driven innovation or (3) recruit new talent to innovate using data. All courses would cover gender equality and inclusive HR practices.

We propose to support a range of organisations in the City Region, including relevant public sector organisations, by funding the delivery of Data Science Adoption and data-workforce planning training for managers, HR managers and staff with strategic and operational responsibility within that organisation. This training will work with the organisations to understand the potential for the use of data within their organisation, and support them to understand the first steps they need to take to get started. It will help organisations consider the ways they can train or re-skill their current workforce to meet their future data skills requirements.

The DDI programme includes provision for the development of an ‘Executive Education / Data Adoption’ training course. This would be adapted and delivered in strategically important sectors, including the public sector.

#### *2.4.5 Diversity and Inclusion Lead*

Through a joint approach, shared with the HCI Gateway, there will be a dedicated resource to focus on diversity and inclusion throughout the skills development teams and to assist with engaging the technology sector on diversity issues. Relevant third sector organisations will also be approached to ensure expert input and representation at Board level. On the ground activities will include developing and delivering diversity and inclusion training, with a focus on women, BME and disabled people’s under-representation in the technology (data) field. Work will also be undertaken on considering diversity and inclusion within curriculum design, and on promoting training and employment opportunities related to data skills.

### **2.5 Operational Risks, Constraints and Dependencies**

The success of the DDI Skills Gateway Programme will depend on close partnership working at a local, regional and national level, and with alignment with wider DDI and Inclusive Growth activities. This approach will require an ongoing review and the active support of local, regional and national stakeholders.

The DDI Skills Gateway Delivery Board, and ultimately the IRES board, will regularly review project progress with decisions made on continuation, adjustment or withdrawal of funding.

The full DDI risk register is included in ANNEX 3 Risk Matrix and is regularly updated as potential risks become apparent, with mitigating actions closely monitored by the DDI Skills Gateway Delivery Board and IRES Board.

### 3 Economic Case

The impact of the digital revolution is no longer confined to technology companies, but reaches across business areas. The technology (tech) sector is growing and contributed £3.9bn to the Scottish economy in 2015. 25% of businesses within the sector are located in Edinburgh and 6% in Fife. Some key facts about the sector include:

- GVA per head for the tech sector is 60% higher than for the economy as a whole, with the sector forecast to be the fastest growing sector in Scotland to 2024;
- Over 90,000 people are employed in tech roles across all sectors in Scotland – this represents 4% of the national workforce and there has been a 10% increase in employment from 2015-2016;
- 40% of these people are employed in tech businesses with the remaining 60% employed in other sectors such as Finance, Creative Industries and Healthcare;
- Women are under-represented in the tech sector (23%) and in tech roles;
- The average national salary for tech jobs is around £37,500 – over 30% higher than the Scottish average of £28,000; and
- It is estimated that Scotland has up to 12,800 tech job opportunities annually. This represents a significant opportunity for young people and new entrants across a wide range of roles<sup>45</sup>.

To deliver the impacts and address key needs for the workforce it is critically important that investment starts early for key skills gaps, new training courses and pilot projects. Investing in a regional inclusive skills approach, via the DDI Skills Gateway, provides an opportunity to catalyse early for this economic development pipeline.

The inclusive skills push provides data education for the region's school pupils, enhanced data skills for College and University students, training and employment opportunities across the region for disadvantaged groups, 'into work' training and upskilling of the region's workforce, both private and public sector.

#### 3.1 Labour Market Context and Gap Analysis

Digital tech turnover in Edinburgh was worth £1.14bn in 2017 and contributed £1.3bn gross value added.<sup>46</sup> The Edinburgh and South East Scotland City Region already has the UK's leading research strengths in informatics and new data technologies. This, combined with the skills and volume of the Region's graduates, has helped establish the Region as one of the main centres of the UK digital economy, enabling the:

- Multi-national growth of local digital companies, including the 'Unicorns' FanDuel and Skyscanner;

<sup>45</sup> Scotland's Digital Technologies: Summary Report [www.skillsdevelopmentscotland.co.uk/media/43306/scotlands-digital-technologies-summary-report.pdf](http://www.skillsdevelopmentscotland.co.uk/media/43306/scotlands-digital-technologies-summary-report.pdf)

<sup>46</sup> <https://technation.io/insights/report-2018/>



- Development of Europe's leading ecosystem to support digital company growth (for example Codebase, Codeclan, Informatics Ventures and the Data Lab); and,
- The attraction of global companies such as Amazon, Avaloq and Computershare, Disney and Intel.

However, companies within the sector reported ongoing challenges around access to talent, and demand for digital and data talent is expected to grow strongly in the medium to long term<sup>47</sup>.

### 3.2 Reducing inequalities

Currently, access for DDI Skills related activity is fragmented and there is little prioritisation from the sector to target disadvantaged groups and especially those living in SIMD 20 areas. Also, as already referenced, the diversity and gender profile of the technology industry does not compare well against the region's population profile.

Youth unemployment across parts of the region continues to be a concern. More needs to be done to target and develop data skills within our schools, and specifically those in SIMD 20 areas. Additional activity is required to support unemployed people too, through better joint working across Local Authority employability services and Colleges to increase labour supply and linkages with industry demand. There is an opportunity for the targeting of veterans, carers and supporting women into higher paid jobs and helping those planning to return to work.

### 3.3 Evidence Base of Demand

The Scottish Futures Trust has forecast that, as Scotland emerges as a world-leading digital hotspot, 175,000 new digital jobs would be created by 2030. It has also been estimated that approximately 30%, or 50,000 of these additional jobs would be created in the City Region as a whole.

Over half of employers recruited technology skills in the last 12 months. The most sought after roles have been software development and implementation and client interface, sales and marketing and it is anticipated that this trend will continue.

38% of employers currently have vacancies in tech roles and are increasingly using a variety of solutions to meet their recruitment needs, including interns and graduates. 82% of employers reported difficulties in recruiting the right skills and experience. International recruitment is also being used to help fill gaps – 37% of employers have recruited tech skills internationally.<sup>48</sup> This suggests an appetite from employers to consider a wider recruitment pool. At the time of writing the average Data Scientist salary in Edinburgh is £52,875. This

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<sup>47</sup> <https://www.dataiq.co.uk/news/70-firms-braced-data-skills-shortages-year>

<sup>48</sup> See footnote 41

is substantially more than the average salary across Edinburgh, currently at around £37,000. Average salaries for Data Scientist jobs in Edinburgh have gone up 11.0% year-on-year, compared to a change of 0.4% for all jobs in Edinburgh.<sup>49</sup> .

Employers also anticipate the most significant issue in the future will be keeping pace with the growth of their business and the new technological opportunities. Over half of employers want to provide more tech skills training to their staff.

The focus of the DDI Skills Gateway programme is on growing local talent, opening up the data opportunity to all, ensuring progression along the data skills pipeline and ensuring that those with key data skills are retained within the city region. The integration of education and training providers and employers working together through the ESESCRD provides a platform to enable a regional inclusive growth approach and to develop a strong highly skilled regional workforce.

### 3.4 Effecting Change

In line with the wider IRES programme aims, future employability and skills programmes should enhance and help to future proof the regional economy by aligning and augmenting existing resources. The aim is to provide opportunities for local people, increase the employment rate, address sector skills shortages and close the opportunity gap between different sections of society. The aim is also to increase productivity and earnings, and help reduce the gap between the lowest and highest earners.

### 3.5 Identification of Options

Given alignment to the wider City Region Deal proposals and opportunities available for ensuring inclusive growth, reducing poverty and widening equality, partners agreed to focus limited resource investment initially on HCI and DDI Skills Gateway proposals. The most effective, efficient means of delivering the Skills Gateways was then considered and after deliberation the following best options were selected for appraisal:

- **Status Quo (Business as Usual)** - Continuous improvement actions within individual organisations, but no integration or alignment between organisations.
- **Public Sector Unitary Skills Supply Provider** - Increase resources for existing local training activity, but no integration or alignment between organisations
- **Private Sector Industry Skills Supply Provider** - Increase resources for existing local training activity, but no integration or alignment between organisations
- **Third Sector Regional Skills Supply Provider** - Introducing new regional employability and skills services to augment current activity

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<sup>49</sup> <https://www.adzuna.co.uk/jobs/salaries/edinburgh/data-scientist>

- **Integrated Regional Skills Supply Provider** - Integrated and aligned activity from community level to authority and regional scale as part of an inclusive, multi-agency, whole system, and whole person progression approach to services.

### 3.5.1 Appraisals Approach

Pros and cons of each option were assessed against impact criteria linked to the identified goals for an improved future Employability & Skills programme.

#### 3.5.1.1 Status Quo (Business as Usual)

Continuous improvement actions within individual organisations, but no integration of alignment between organisations

Pros	Cons
Minimal disruption to service	Duplication and progression bottlenecks
Ease of transition for participants	Limited option to shared capacity across partners
Promotes Diversity	Limited opportunity to achieve economy of scale
	Service capacity will reduce over time due to financial constraints
	Current system for improving employability and delivering skills training has led to disparities and inequalities within the region.
	Continuing the status quo this trend is likely to continue, resulting in a widening of the skills and productivity gap
	Limited opportunity to test innovative approaches to education and skills development across the skills pipeline
	Limited ability to respond to reskilling requirements resulting from current and emerging advances in technology

#### 3.5.1.2 Public Sector Unitary DDI Skills Supply Provider

Increase resources for existing local training activity, but no integration or alignment between organisations.

Pros	Cons
Alignment with key growth sectors	Public Sector expenditure unlikely to increase
Aligned with wider city region deal activity	Capacity issues within the sector
Promotes Diversity	Conflict with combined service offer
	Lack Regional coherence and alignment with wider city region deal
	Difficult to sustain due to affordability
	Not Industry recognised
	Lack of capacity for the sector to respond
	Unlikely to fully reflect future skills requirements

Pros	Cons
	Limited opportunity for innovation

### 3.5.1.3 Private Sector Industry Unitary DDI Skills Supply Provider

Increase resources for existing local training activity, but no integration or alignment between organisations

Pros	Cons
Alignment with key growth sectors	Significant disruption to services and beneficiaries
Aligned with wider city region deal activity	Loss of best practice and expertise during transition
Promotes Diversity	Risk of disconnect from local priorities
	Capacity and capability issues within the sector
	Limited focus on Inclusive Growth priorities

### 3.5.1.4 Third Sector Regional DDI Skills Gateway Provider

Introducing new regional employability and skills services to augment current activity.

Pros	Cons
Alignment with key growth sectors	Add to complexity and fragmentation
Aligned with wider city region deal activity	Significant disruption to services and beneficiaries
Promotes Diversity	Lack of capacity and capability for the sector to respond

### 3.5.1.5 Integrated Regional DDI Skills Gateway Provider

Integrated and aligned activity from community level to authority and regional scale as part of an inclusive, multi-agency, whole system, and whole person progression approach to services.

Pros	Cons
Adds <b>additional</b> capacity and expertise, with potential to share learning resources and expertise	Requires cultural change and strong buy in from all partners
Minimal disruption	Coordination and sequencing is challenging
Aligned with wider city region deal activity – most especially the DDI Innovation programme	Requires investment in collaboration infrastructure (e.g. management systems)
Reduced fragmentation over time	
Opportunity to test approaches with potential for subsequent national impact	

Pros	Cons
Provides a pipeline of opportunity for a wider cohort of learners	
Ensures dual focus on Inclusive Growth and Productivity	
Opportunity for potential leverage of resources	
A regional approach to developing opportunity	

### 3.5.2 Programme Option Analysis

A summary assessment of each of the options in terms of set impact criteria and value for money is shown below, and aligns with the scoring in the HCI Skills Gateway Business Case.

Impact Criteria (0-None, 1-Low, 2-Medium, 3-High)	Status Quo	Public Sector DDI	Private Sector Industry	Third Sector Regional	Integrated DDI
Positive impact for service beneficiaries	2	2	2	2	3
Ease of Transition	3	1	1	1	2
Builds on established good practice	2	1	1	1	3
Targeting progression of disadvantaged groups	2	2	2	2	3
Increases value for money achieved	1	1	1	1	2
Aligned with key growth sectors	2	2	2	2	3
Promotes Regional collaboration	2	2	2	2	3
Contributes to City Region Deal commitments	2	2	2	2	3
Drives service streamlining and agility	2	2	2	2	3
Promoting Diversity	3	3	3	3	3
Affordable and sustainable	2	1	1	1	2
<b>COMBINED (# out of 30):</b>	<b>23</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>30</b>

### 3.5.3 Preferred Option

The Integrated Regional DDI Skills Gateway - integrated and aligned activity from community level to authority and regional scale as part of an inclusive, multi-agency, whole system, and whole person progression approach to services, compared to the as-is position and other alternatives considered, is the preferred option for best delivery approach moving forwards.

Analysis highlighted that although the model is more difficult to introduce than to maintain the status quo, both options outweighed the others considered. Impacts for service beneficiaries, building on established practice, better targeting of disadvantaged groups, value for money, affordability and sustainability were all key determinants.

The Integrated DDI project will be underpinned by a “regional skills partnership” consisting of the key public, private and third sector stakeholders that will pro-actively shape the regional skills offer to meet the current and future needs of the Edinburgh and South-East Scotland’s labour market.

The DDI project is an evidence based, citizen and employer-centric, and outcome-focused approach that will make an impact by:

- Developing a pipeline approach to DDI skills development;
- Help to de-clutter the data skills landscape and provide clear signposting to skills and employment opportunities, ensuring a “no wrong door” approach;
- Promoting multi-agency working, along with associated benefits including innovation, knowledge and resource sharing, a focus on inclusive growth;
- Maximising the local impact of wider Edinburgh and South-East Scotland City Region Deal capital investments;
- Focusing on fair work and increasing the flow of talent from disadvantaged groups and communities into sustainable career opportunities; and
- Reducing current and forecasted skills shortage and gaps in our key sectors Impact of implementing the DDI Skills Gateway project

The IRES programme has been allocated £25 million over an eight-year period to help facilitate a step change in inclusive growth by stimulating a change in culture and regional approach. This combined with the development of new skills content, enablers, and pilot activity will ensure our economy continues to generate good opportunities and that these are open and accessible by all sections of society. The DDI Skills Gateway is a crucial delivery component.

The DDI Skills Gateway will bring about a much needed innovative focus on upskilling the population of the city region to help it respond to changes in technology and the employment market. It is anticipated that more local people will be engaged in the opportunities available. An improved approach will open up and provide direct linkage to new job gateways with industry, including where there are current skills gaps, future skills gaps and where new skills are demanded.

### 3.6 Summary of Outcomes Benefits, and KPIs

The DDI Skills Gateway is an integral part of the IRES Programme and it is anticipated that significant inclusive benefits will be generated including;

- Increasing the visibility and unlocking access to good opportunities for those facing disadvantages in the labour market, or are under-represented within the industry;
- Opening up new talent pools to business and stimulating increased recruitment from under-represented groups into the good jobs and careers to help address skills shortages;
- Evolving, streamlining and integrating DDI Skills career pathways to support progression;
- Upskilling and improving workforce diversity across the region, while also increasing capacity to equip citizens with the skills they need to succeed throughout their working life; and
- Preparing local people for technological changes, and the resultant impact on job roles and inclusive growth, across organisations

Target numbers for learners across the DDI Skills Gateway have been identified. It is intended that this focus on outputs will be complemented by additional evaluation approaches (including career outcomes), in line with those agreed for the wider IRES Skills Programme. Roles within the tech sector are changing rapidly and there is limited baseline data to work with- the intention is to develop this data in the early stages of the programme. Stretch targets will be developed in line with the baseline information, and refined in the light of experience at the various review points built in to the timeline.

Logic models have been developed for activity across the DDI programme which describe the expected short, medium and long term outcomes. These will be discussed with the IRES PMO and reviewed to reflect agreed programme-level evaluation approaches. They include the following:

<b>Short term outcomes – 2 years</b>
Increased knowledge, confidence and skills in data educators
Increased learner interest in next stage in pathway towards data skills: increased uptake in courses and reduction in gender gap
Students gain experience and develop employability skills
Employers benefit from students' knowledge and skills
Increase in employed people retraining in data
Increase in women returners starting data learning journey
Selected employers committed to positive, equal supportive working
<b>Mid-term outcomes – 5 years</b>
Increase in learners gaining skills and qualifications in data
Increase in positive destinations for learners relating to data

Participation in data opportunities by more diverse groups of people
Strong partnerships between schools, college and universities with local employers
Students form relationships with employers and stay in region after graduation
Increase in women and other groups participation in data
<b>Long term outcomes – 8 years</b>
Reduced mismatch between supply and demand for data skills
Wider range of individuals have interesting and well paid careers in growing data sector
Learners leave education with higher level data skills
Increased participation of women in data sector

Table 2. Intended outcomes of DDI Skills Gateway

Evaluation of activity will also be covered by existing mainstream evaluation activity where appropriate. This measures the effectiveness of individual institutional activity, through established institutional approaches such as “How good is our college?”

The characteristics of DDI participants will be closely tracked and monitored, most particularly, sustained outcomes, and the proposed interventions reviewed in the light of experience. Robust client monitoring and tracking systems are already in place across education institutions and each of the local authority areas, and work is also ongoing to further refine and develop these systems through the IRES Integrated Knowledge Systems Project, involving each of the local authorities, Education Departments, Department for Work and Pensions, Skills Development Scotland and Developing the Young Workforce.

## 4 Commercial Case

This is a time of real opportunity and change in the economy. However, to support continued economic growth and diversification it is critical to ensure that skills supply can keep pace with demand. Furthermore, with a data revolution underway, it is important to ensure that the city region’s citizens can have the opportunity to learn about how, and contribute to discussions about what, data is being collected about them, how it is used, their legal rights and privacy implications.

The DDI Skills Gateway programme proposes a mix of public, private and 3<sup>rd</sup> sector interventions. The DDI Skills Gateway Board will oversee and ensure an evolving and flexible strategy in order to provide the highest level of value for money outcome performance over the programme lifecycle. Opportunities to lever in additional resources to augment the core IRES funding will also be explored throughout the programme lifecycle.



Individual projects, or indeed particular aspects of individual projects, may be managed, delivered or procured in different ways dependant on context. All procurement will uphold the overarching principle to achieve best value and maximum impact, and align with approved practice in participating organisations.

The programme aims to test a number of approaches to meet current and future demand for data skills in the region. A range of education and skills packages are included in the programme to help ensure that a wide cohort of learners can follow upskilling pathways.

## 4.1 Delivery Options

### 4.1.1 Sourcing Approach

This is a time of real opportunity and change nationally, and for the region, however, to support continued economic growth and diversification it is vitally important to ensure that skills supply can keep pace with demand.

Strategic collaboration therefore, across public, private and third sector agencies is recognised as the most cost-effective means to achieve this. The programme offers the opportunity to share expertise and resources, ensure support across the pipeline for learners, and promote joint learning and development where appropriate. It has been developed by using the extensive expertise and knowledge of the partner organisations to create a programme, and set of mutually supporting projects, that not only add value to current services and interventions, but also creates the conditions to incrementally improve the inclusive growth impact of our collective investment in the regional labour market.

This programme will be reviewed at particular check-points to reflect on impact and consider the realignment of resources where appropriate. The funding is being directed at testing innovative approaches to education, training and reskilling, and proof of concept testing is at the heart of what is being proposed.

### 4.1.2 Overview of Responsibilities

Employability and Skills partners are committed to working together to align provision with agreed priorities. Recognising there is a need to widen access, to address skills shortages and gaps, and to deliver improvements to boost the flow of individuals from disadvantaged groups into career opportunities, the DDI programme has developed an integrated approach to upskilling. There is an understanding that impacts should be felt in the short, medium and long term and that delivery organisations should be committed to working in partnership to ensure maximum effect.

The IRES and DDI Skills Gateway Boards will provide robust governance arrangements and will ensure that future services are consistent with Best Value for Money principles. There may be requirements for further reporting where funding has been leveraged from additional partners.

## 4.2 Risk Mitigation

Risk management and mitigation is an integral feature of the DDI Programme and the initial programme risk register ANNEX 3 Risk Matrix covers all aspects of the business case- Strategic, Economic, Commercial, Financial and Management.

The IRES and DDI Skills Gateway Boards are ultimately responsible for managing the programme and project risk - plans will be reviewed on an ongoing basis by a sub group of the IRES Board to ensure that they satisfactorily capture the up to date risk profile and ensure there are appropriate mitigation procedures in place.

New risks will be highlighted in the first instance to the DDI Skills Gateway Board, and where escalation is required mitigating actions will be agreed and implemented along with approved timescales for review. Risk mitigation will be reported through the quarterly progress and annual review processes that will be set up to steer and manage the IRES programme.

## 4.3 Contract Length

The IRES Programme (revenue change funding) is subject to various constraints, and particularly that each element of the IRES Programme requires to become self-financing and sustainable in the longer term, and certainly within the eight-year profile period. As detailed above, individual projects within the DDI Skills Gateway programme may be managed or procured in different ways dependant on context. The DDI Skills Gateway Board will oversee and ensure an evolving and flexible procurement strategy in order to provide the highest level of value for money outcome performance over the programme lifecycle

Considering the significant changes in the external political and economic environment (e.g. Brexit, further devolution of employability services, and changes emerging from the recent review of the Enterprise and Skills Agencies) flexibility and agility are critical to the successful implementation of the plan. The programme also provides opportunity to enable, encourage and attract further leverage and to consolidate this in mainstream funding.

The City Deal governance arrangements require quarterly progress report and annual reviews to track progress, and the IRES Programme will mirror these arrangements. However, it is also proposed to undertake a review at the end of 2021, in line with Scottish Government requirements, to ensure the direction of travel is right and funding priorities are still as originally envisaged.

## 4.4 Personnel Issues

These will be addressed by relevant delivery partner organisations

## 4.5 Implementation Timescales

The main investment period for the IRES programme is from 2019 to 2026 (8-years) and comprising four key stages as set out in the Programme Plan, but is anticipated to create a significant legacy beyond this period as the collaboration matures and develops.

- Phase 1: Establish
- Phase 2: Programme Delivery
- Phase 3: Review and Deliver Next Step Change Projects
- Phase 4: Reinforce, Embed, and Further Develop

The IRES Board and individual Project Development and Implementation groups will jointly agree a Monitoring and Evaluation Framework to measure and assess progress against key milestones.

Quarterly progress reports and annual progress reviews will be undertaken throughout the programme implementation period. The partnership will conduct an evaluation in 2021 to check the direction of travel is still right. Key tasks, stages and reporting structure required to deliver a project in accordance with the necessary governance and sign off is tabulated and each Project Implementation Group is required to report regularly against design, budget, risk and programme.

If a realignment to agreed parameters is required the IRES Board will sign off progress to the next stage. This will ensure the implementation of any necessary changes, resolve any major problems or respond to any major opportunities that could affect the delivery of the plan.

## 5 Financial Case

### 5.1 Introduction

It is recognised that the collaborative structures that have been developed under the City Region Deal partnership provide an opportunity to better align and integrate the activity of partners to deliver a more targeted and inclusive data skills pipeline. Through this co-production and co-delivery approach the partners will be able to share best practice and more fully exploit the opportunities provided by the wider DDI programme.

### 5.2 Expenditure profile

The DDI Skills Gateway proposes investment of around £8 million over the eight year programme lifecycle.

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Data Education in Schools	£ 365,628	£ 363,157	£ 367,571	£ 340,761	£ 249,274	£ 249,010	£ 253,842	£ 258,770	£ 2,448,013
Data Education in Colleges	£ 218,686	£ 573,492	£ 441,565	£ 415,128	£ 363,381	£ 309,957	£ 281,193		£ 2,603,402
Data Education in Universities	£ 108,718	£ 68,274	£ 69,640	£ 100,465	£ 102,474	£ 104,524	£ 74,118	£ 75,601	£ 703,814
Data Education for Work	£ 241,736	£ 263,342	£ 259,609	£ 197,941	£ 199,360				£ 1,161,988
Equality and Diversity lead resource	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 190,504
Operational Costs (including lead role and expenses)	£ 100,878	£ 102,797	£ 104,751	£ 106,746	£ 108,781	£ 110,857	£ 112,974	£ 115,133	£ 862,917
<b>Total</b>	<b>£ 1,059,459</b>	<b>£ 1,394,875</b>	<b>£ 1,266,949</b>	<b>£ 1,184,854</b>	<b>£ 1,047,083</b>	<b>£ 798,161</b>	<b>£ 745,940</b>	<b>£ 473,317</b>	<b>£ 7,970,638</b>

Table 3 and Figure 12 outline the anticipated expenditure profile for the planned activities, for the period

2019-26, with Figure 13 showing the allocation across the programme. Further detail can be provided on request.

Project	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Data Education in Schools	£ 365,628	£ 363,157	£ 367,571	£ 340,761	£ 249,274	£ 249,010	£ 253,842	£ 258,770	£ 2,448,013
Data Education in Colleges	£ 218,686	£ 573,492	£ 441,565	£ 415,128	£ 363,381	£ 309,957	£ 281,193		£ 2,603,402
Data Education in Universities	£ 108,718	£ 68,274	£ 69,640	£ 100,465	£ 102,474	£ 104,524	£ 74,118	£ 75,601	£ 703,814
Data Education for Work	£ 241,736	£ 263,342	£ 259,609	£ 197,941	£ 199,360				£ 1,161,988
Equality and Diversity lead resource	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 23,813	£ 190,504
Operational Costs (including lead role and expenses)	£ 100,878	£ 102,797	£ 104,751	£ 106,746	£ 108,781	£ 110,857	£ 112,974	£ 115,133	£ 862,917
<b>Total</b>	<b>£ 1,059,459</b>	<b>£ 1,394,875</b>	<b>£ 1,266,949</b>	<b>£ 1,184,854</b>	<b>£ 1,047,083</b>	<b>£ 798,161</b>	<b>£ 745,940</b>	<b>£ 473,317</b>	<b>£ 7,970,638</b>

Table 3. Spend profile for DDI Skills Gateway

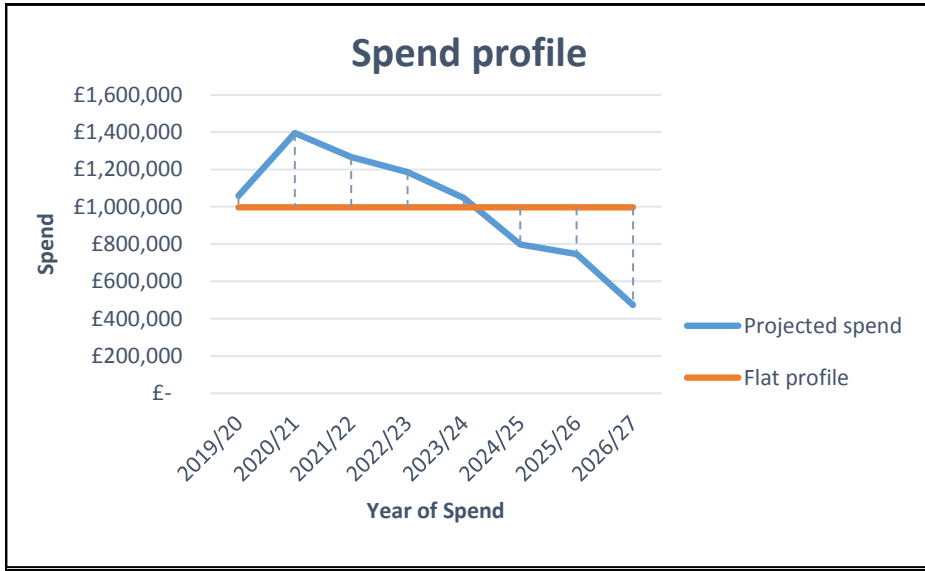


Figure 12: DDI Skills Gateway projected spend profile 2019 - 2027

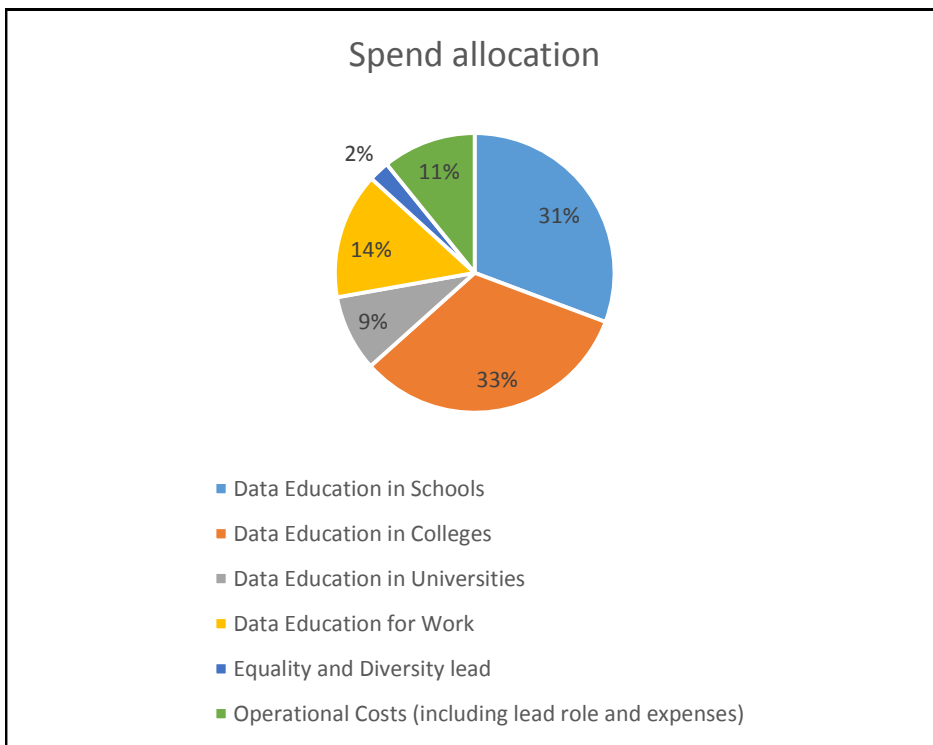


Figure 13: DDI Skills Gateway projected spend allocation.

This profile will be subject to regular review, (quarterly progress and annual review), by the partners through the DDI Skills Gateway Board, as described in the Management Case. Therefore the actual spend profile may vary across the timeline and project areas in response to learning and changing circumstances, to ensure that the funding achieves maximum impact against its objectives.

The following assumptions have been made in developing this cost profile:

- Staff costs will align with relevant employing organisations;
- These staff costs will rise with inflation; and
- Oncosts have been included, to cover pension and NI contributions

It is recognised that the city region deal funding will be supplemented by leverage of other resources including from:

- Participating partner organisations;
- Relevant national agencies, including Skills Development Scotland (SDS); Education Scotland; Scottish Qualifications Authority (SQA);
- Relevant skills budgets e.g. Workforce Development Fund
- Third sector partners;
- Private sector providers; and
- Philanthropic supporters

Leverage and partnership opportunities are identified in Table 4:

<b>Organisation</b>	<b>Activity</b>	<b>Contribution</b>
DDI Programme - University of Edinburgh	Funding to undertake a feasibility study to help with preparations for the Data Education in Schools project	<b>£220,386 – already secured</b>
Moray House School of Education – University of Edinburgh	Funding secured to cover 0.1 FTE for the Programme Director Data Education in Schools time over an 8 year period	<b>£163,421</b>
FE College network	Upskilling and accelerating talent for industry and delivery staff in institutions	<b>£865,000</b>

SDS	Upskilling and reskilling in Data Science to drive business productivity - pilot	<b>£24,000 – already secured</b>
SDS	Embedding blended Data Science learning and skills into Modern Apprenticeships for Financial Services and Healthcare - pilot	<b>£24,000 – already secured</b>
EQUATE	<ul style="list-style-type: none"> <li>• Copyright free access to relevant EQUATE training materials</li> <li>• Promotion of events, courses etc. through EQUATE networks</li> </ul>	
Draft MoU with SDS	Areas of joint working as identified in draft MoU	In-kind contributions under discussion
Partner contributions	Gap funding	<b>£857,000</b> over eight year programme (c. £107,00 per annum)

Table 4. Leverage and partnerships

### 5.3 Impact on Income and Expenditure (I and E) Accounts

The City Region Deal IRES Change fund will be held by City of Edinburgh Council on behalf of the partnership. This will be advanced to lead partners for the delivery of agreed activities upon approval of detailed business cases and the conclusion of any legal agreements or due diligence deemed necessary to ensure accountability and proper use of funds.

### 5.4 Financial risks

The City of Edinburgh Council will be the lead accountable body and will ensure that all management accounting is in accordance with the relevant statutory procedures. The City Region Deal Programme Management Office will provide secretariat support to the IRES Board with strict monitoring of programme income, expenditure and performance outcomes against project delivery profiles. The Programme Management Office, together with project leads, will be responsible for reporting performance outcomes to the IRES Programme Board and the wider ESES City Deal governance structures, and supporting the annual audit process.

The Accountable Body will put in place individual agreements with partners, as required, to ensure that project grant allocations are fully compliant, including any overarching terms and conditions where appropriate. Any variations to the programme will be notified by the accountable body and reviewed by Government in accordance with the following proposed agreement chain.

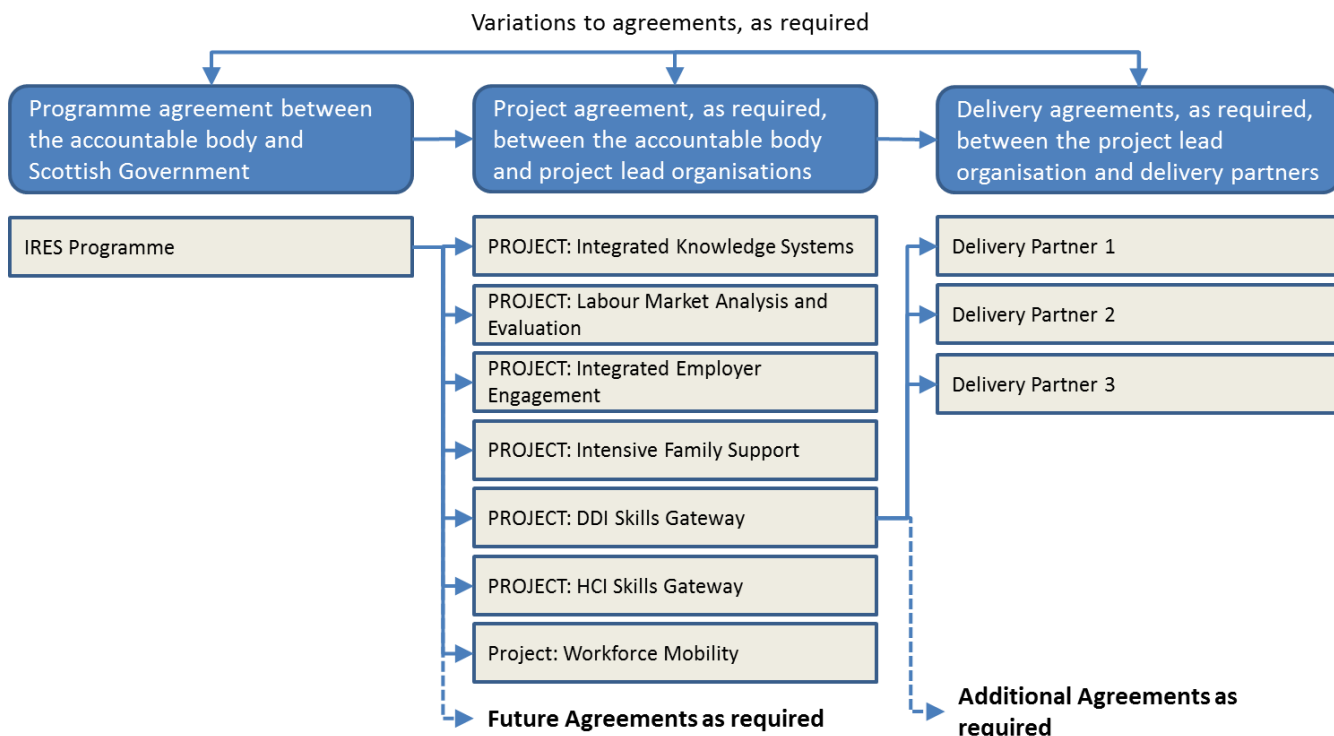


Figure 14: Agreement chain

The IRES Board and DDI Skills Gateway Delivery Board will regularly review progress with decisions made on continuation, adjustment or withdrawal of funding. The IRES Programme fund is a gap fund, (funder of last resort), that is matched against existing resources and any leverage secured by partners. Risk is therefore proportionate across partners and collaboratively managed to ease mainstreaming of all successful approaches developed.

IRES programme underspends or de-commitments will be reserved to the IRES Board, while project overspends will remain the responsibility of the relevant project lead organisation and delivery partners. In exceptional and extenuating circumstances request for additional support can be made to the IRES Board for consideration.

The IRES Programme creates the structures to support collaboration and best use of existing resources as well as the optimum use of City Region Deal IRES change funds. The anticipated financial profile for the DDI Skills Gateway programme has been constructed using the estimated cost of proposed project activity and anticipated funding gaps, but appropriately proportioned across the programme to ensure cohesion and balanced delivery against overall programme goals. This will be kept under review over the programme lifecycle.

The IRES programme board business case and proposition development processes encourage ongoing dialogue and mutual support to mitigate many of the risks associated with the IRES Programme. The initial risk register is included in the ANNEX 3 Risk Matrix.

## 6 Management Case

The activities of the DDI Skills programme will be overseen by the **DDI Skills Gateway Delivery Board**. This group will work with the IRES Board to support the delivery of wider programme goals. It will also look for opportunities to align with Talent activities being developed as part of the wider DDI Programme and to help facilitate the sharing of expertise, content and experience across the delivery partners

Robust lines of reporting for all IRES projects groups are summarised in the IRES Programme Business Case. It is proposed that, subject to The University of Edinburgh Court agreement, the accountable body for delivery of the DDI Skills Gateway Programme will be The University of Edinburgh through a delivery agreement with the ESES City Region Deal Lead Accountable Body (City of Edinburgh Council), with strict monitoring of the DDI Skills Gateway progress within an approved agreement framework.

Any variations to the programme will be in accordance with the agreement chain outlined in Figure 15:

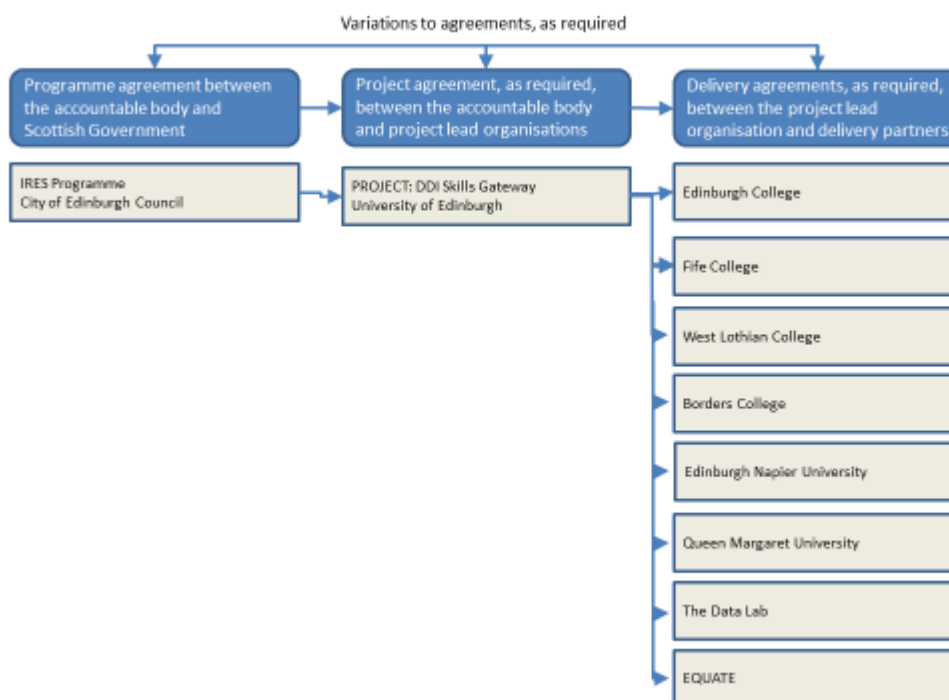


Figure 15: Agreement Chain

### 6.1 Project Management and Theme Support

The delivery of gateway activities will be undertaken by the Project Management and Development team, as illustrated below. Each of the DDI Skills Gateway subthemes will be led by a lead partner – providing direction, and with responsibility to monitor progress and track impact. As each subtheme comes forward for funding support there will be a programme plan with proposed impacts and outputs associated with the activity identified, prior to commencement.



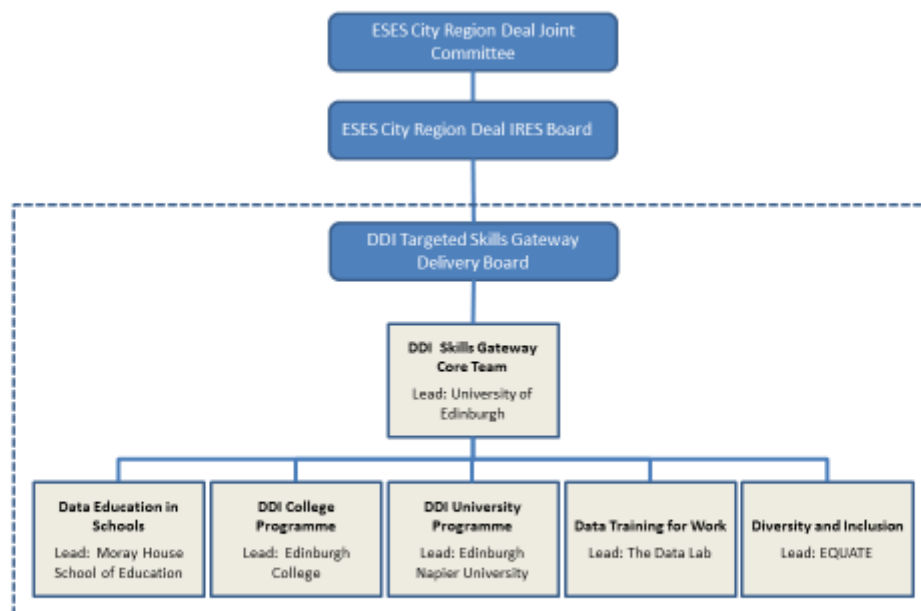


Figure 16: Proposed governance structure

The **DDI Skills Gateway Delivery Board** will be responsible for planning, implementing, reviewing, and refining the DDI Skills Gateway activity to ensure it delivers the change and inclusive growth ambitions for the City Region Deal. Proposed membership of this Board will be as follows, with the Board chaired by an industry or communities focused representative, supported by a vice chair with a background in inclusion.

Role	Organisation or Group
<b>Chair/Vice-Chair</b>	Independent representatives – covering both industry and inclusion priorities
<b>Delivery Partners</b>	<b>The University of Edinburgh (Lead and Project Accountable Body)</b> , Borders College, Edinburgh College, Fife College, West Lothian College, Edinburgh Napier University, Queen Margaret University, The Data Lab , EQUATE
<b>Inclusion Representatives</b>	Local Authorities, Third Sector, STUC
<b>Industry Representatives</b>	Industry representatives to be advised by ScotlandIS,
<b>Public Skills Bodies &amp; Innovation</b>	To be selected from range of partners including: Skills Development Scotland, SQA, SFC, Regional Education Collaborative (s), Computing at Schools Scotland, Royal Society of Edinburgh, The Scottish Council for Development and Industry (SCDI)

Table 5. Proposed DDI Skills Board membership

This multi-stakeholder project management arrangement is supported by DDI Skills Gateway staff and will report to the IRES Board as indicated.

Core Staff roles and functions are as follows:

#### *6.1.1 Central co-ordination:*

A **director** role is required to co-ordinate the initial set up of the project and be responsible for its successful delivery across partners. Duties to include:

- Ensure DDI Skills Gateway activity is integrated with other IRES propositions to ensure maximum impact;
- Establishing monitoring and tracking arrangements; financial management systems and the use of IRES funding; reporting progress and future development recommendations to the IRES Board;
- Identifying opportunities for the leverage of additional resources to support programme development and delivery;
- Working with delivery partners on streamlining delivery and integrating into business as usual (mainstreaming) over the duration of the programme;
- Undertaking stakeholder and industry liaison, to support industry linkages and wider talent engagement ;
- Developing relationships, mechanisms and supports to unlock jobs/opportunities for individuals progressing through pipeline. Working with Employers, Employer engagement teams and DYW to promote opportunities and flexible routes into DDI Skills careers. This role will also feed in to the Integrated Employer Engagement activity as part of the wider IRES;
- Overseeing activities to help ensure workforce development/diversity and the benefits of fair work;
- Maintaining an oversight of philanthropic and community benefit activities; and
- Monitoring risk management

In addition, there is a requirements for centralised part-time administrative support- to assist with programme delivery and development

#### *6.1.2 Data Education in Schools Project*

- **Senior Project Officer:** Responsible for managing the work of other project staff and expert advisors for the duration of the eight year project.
- **Senior Education Advisor:** For the first three years of the project, to get things off to a stable start, additional support (at 40% FTE) is required from a Senior Education Advisor who would have considerable expertise in supporting schools develop their technology and digital capacity.

- **Project Officers:** 2 project officers to work with the Senior Project Officer and the Senior Advisor in the first four years until the first review point, and one thereafter.
- **Expert advisors:** In addition to the time of project officers, funding is required for payment to individuals with specific expertise in either a data driven innovation sector (e.g. space and satellite), or a pedagogical area (such as senior phase of secondary school or additional support needs). These experts may be drawn from industry, academia or the teaching profession.
- The services of a multimedia specialist are also required to produce some high quality learning resources to present key ideas. These costs are front loaded in the first four years of the project when materials development is a high priority.

#### 6.1.3 *Data Education for FE students*

- **Project Lead and industry engagement co-ordinator**
  - Two years full time role and five years part-time
- **Course developer**
  - Two years full time role and five years part-time

#### 6.1.4 *Data Education for HE students Project*

- **Development of undergraduate course in data science**
  - One year post for course development
- **Development of Data Literacy programme – ENU and QMU**
  - Funding for five years to develop and implement data literacy programme across both universities
- **Data placement provision**

#### 6.1.5 *In work data training*

- **Senior Project Officer**
  - Five year post to lead the data training for work project and manage other project staff
- **Project Officer**
  - Three year post to co-ordinate and develop the administration of the programme
- **Researcher**
  - One year post or commissioned research to lead the design of the pilot

#### 6.1.6 *Diversity and Inclusion*

A **Diversity and Inclusion Lead**, in a joint role, shared with the HCI Gateway. This important lead role is required to promote the focus on equality throughout the skills development teams and to engage with the technology sector to ensure a widening of opportunity for disadvantaged groups.

As the project becomes embedded, resource requirement for most of the above roles will be mainstreamed Governance and management arrangements as set out are aimed to empower the key delivery partners to:

- operate strategically to fully realise the inclusive growth potential of the sector and the economic assets that are created;
- respond to issues critical for the sector and its positive impact on wellbeing in the region; and
- align project and programme resources to maximise the impact of public and partner skills investments.

The DDI Skills Gateway, working to ensure alignment with the wider Integrated Employer Engagement activity, will provide a route to focus companies with an interest in the DDI Skills arena. Community benefits is a prominent theme within the IRES Integrated Employer Engagement programme, and across the wider city region deal, and the strong linkages between the local authority and other partners within the city region deal, and the key objectives of the skills programme, will help to align future community benefits and outcomes.

## 6.2 Programme Plan

It is proposed that the Programme be developed on a phased basis, subject to funding arrangements being agreed and impact evaluated. A piloted approach will also enable a systematic review of interventions, and provide the opportunity to refine activities as required. Indicative timeframes are laid out below, but these will clearly be subject to business case approval / learning from pilot activity.

Quarterly progress reports and annual progress reviews will also be undertaken throughout the programme implementation period. The partnership will conduct a programme evaluation in 2021, in line with Scottish Government requirements, to check that the direction of travel is still right.

Phase	Timeframe
Phase 1 – Project set up, research activities and commencement of delivery	2019-2021
<b>Programme Evaluation in 2021 – in line with IRES Programme Business Case</b>	
Phase 2 – Programme Delivery	2021-2024
Phase 3 – Review and Deliver Next Step Change Projects	2024–2026
Phase 4 – Reinforce, Embed, and Further Develop	2026-2027

Table 6. Project phases

# DATA DRIVEN INNOVATION SKILLS GATEWAY

DDI Skills Gateway	PHASE 1 - 2019 to 2021								PHASE 2 - 2021 to 2024						PHASE 3 - 2024 to 2026				PHASE 4 - 2026 to 2027			
	2019/20				2020/21				2021/22		2022/23		2023/24		2024/25		2025/26		2026/2027			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1	Q2	Q3	Q4		
<b>PROJECT MANAGEMENT AND DEVELOPMENT</b>	PROJECT MANAGEMENT AND DEVELOPMENT																					
Project Manager appointed																						
Steering Group formed																						
<b>Data Education for Schools</b>	Data Education for Schools																					
Project review																						
Curriculum mapping																						
<b>Materials development and curation</b>	Materials development and curation																					
Materials to support SQA National Progression Award																						
Secondary school, CFE																						
Primary school, CFE																						
<b>Supporting teacher professional learning</b>	Supporting teacher professional learning																					
Annual conference for teachers																						
Seminar/webinar series (monthly)																						
Development work with local authority/RIC advisors																						
<b>College Provision</b>	College Provision																					
<b>CORE - operations</b>	CORE - operations																					
Project PI and Industry engagement co-ordinator																						
Course developer																						
CPD upskilling of lecturing College staff - 'Data' skills for education																						
<b>INCLUSIVE GROWTH -DDI Regional Support</b>	INCLUSIVE GROWTH -DDI Regional Support																					
Into Work Short Courses L4/L5/L6 PIPELINE for pre apprenticeships et al.																						
Upskilling women returners in Digital and Data Literacy L5/L6																						
<b>COLLEGE FE provision- NEW COURSES, Upskilling, Addressing Gaps</b>	COLLEGE FE provision- NEW COURSES, Upskilling, Addressing Gaps																					
Additional +1 Delivery of Digital/ Data Literacy ( Health and Social Care, Social Sciences, Business, Finance, STEM )																						
Modern and Foundation Apprenticeships in Data Science- Development																						
<b>COLLEGE HE provision- NEW COURSES, Upskilling, Addressing Gaps</b>	COLLEGE HE provision- NEW COURSES, Upskilling, Addressing Gaps																					
New BSc Associate Student Routes in Computer Science																						
Data Analytics for HND Health and Care, Social Sciences, Business and Finance (+1 Q-step Unit)																						
Diploma in Data Analytics (level 8) - new delivery																						
<b>University Provision</b>	University Provision																					
New undergraduate data science provision: rapid expansion then SFC places																						
Increasing data literacy: eg nursing, business studies (ENU)																						
Increasing data literacy: eg allied health, business studies (QMU)																						
Data work placements in data science for up and pg students.																						
<b>Learning for work</b>	Learning for Work																					
Research																						
SDS Pilot																						
Recruit Programme Manager																						
Data Skills Credits: RCT / Pilot																						
Data Skills Credits: Roll-out / embed																						
Events, Marketing & Expenses																						
Data Journey: Mapping, Accreditation, QA																						
Data Journey: MVP																						
Data Journey: Review / Final																						
Data Adoption Training Subsidy																						

Figure 17: DDI Skills Gateway timeline

## 6.3 Risk Mitigation Plan

An initial risk matrix, together with mitigation measures, is included in ANNEX 3 Risk Matrix. The risk matrix will be reviewed on an ongoing basis by the DDI Skills Gateway Delivery Board, and aligned with the Programme risk matrix to ensure it satisfactorily provides an up to date risk profile and set of mitigation measures.

New risks will be highlighted to the Board by the staff team and, where escalation is required, mitigating actions will be agreed and implemented along with agreed timescales for review.

## ANNEX 1 DDI Skills Gateway Programme Development Board

University of Edinburgh (Programme Lead) – Alison Muckersie

University of Edinburgh (Digital Education Research Centre) – Professor Judy Robertson – Leading on Schools

University of Edinburgh (The Data Lab) - Joshua Ryan-Saha – Leading on In-work training

Edinburgh Napier University (Head of School of Computing) – Professor Sally Smith – Leading on HE

Edinburgh College (Assistant Principal) - Jon Buglass – Leading on FE

University of Edinburgh – (EDINA) Janet Roberts

Heriot-Watt University (Director of Planning) – Richard McGookin

City of Edinburgh Council (Edinburgh and South East Scotland City Region Deal PMO Skills lead) – Ken Shaw

## ANNEX 2 Projected outcomes

Target groups	Target Numbers									
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28 <sup>50</sup>	Totals
<b>Schools programme</b>										
Event places for teachers	980	980	1730	1730	980	980	230	230		7840
Learners impacted by teacher education events <sup>51</sup>	29400	29400	51900	51900	29400	29400	6900	6900		235200
<b>College programme:</b>										
Regional Key Skills Gap programme – Inclusive Growth	40	220	220	1500						
Pilot Projects HE upskilling new additional courses - pipeline +1 data	0	1000	1500	4590						
Pilot Projects HE upskilling new additional courses - pipeline Diploma	15	30		150						
Pilot Projects HE upskilling new additional courses - pipeline degree	0	10	20	80						

<sup>50</sup> Funding not secured for this year of activity

<sup>51</sup> Notes: the assumption is that each teacher who attends an event then impacts 30 learners with that new knowledge. This is a conservative estimate because typically teachers would teach the same topic in multiple years. Also note that the same learner will encounter multiple topics about data - there are 121, 000 school leavers in the City Region in this period.

DATA DRIVEN INNOVATION SKILLS GATEWAY

<i>Pilot Projects FE/HE upskilling new additional courses - pipeline MA/ FA data science</i>	0	20	40	150						
<i>Pilot Projects FE/HE upskilling new additional courses - pipeline +1 core skill data</i>	0	2000	3000	1200						
<b>HE Programme</b>										
<i>New BSc Data Science including (as intake to third year from 22/23 onwards) articulating students from colleges</i>										
<i>Intake</i>		20	25	38	40	42	44	45	45	<b>299</b>
<i>Graduating</i>					18	23	35	38	40	<b>269</b>
<i>New provision of data science element in existing large undergraduate courses (business, nursing)</i>										
<i>Intake ENU</i>			100	200	250	280	280	280	280	<b>1670</b>
<i>Graduating</i>						92	180	230	250	<b>...1503</b>
<i>Intake QMU</i>					100	150	180	200	200	<b>830</b>
<i>Graduating</i>									92	<b>...747</b>
<i>Placements profile</i>										
<i>Placements created</i>	85	95	110	120	135	140	145	145		<b>975</b>
<b>Data training for work</b>										



DATA DRIVEN INNOVATION SKILLS GATEWAY

<i>Estimated learners per year (Recipients of Data Skills Credits)</i>	100	200	200	200	200	-	-	-		<b>900</b>
<i>Estimated learners per year (Leveraged in Inclusive Target Group)</i>	25	100	200	500	500	500	500	500		<b>2,825</b>
<i>Estimated learners per year (Leveraged - Not in Inclusive Target Group)</i>	25	100	200	500	500	500	500	500		<b>2,825</b>
<b>Total</b>	<b>150</b>	<b>400</b>	<b>600</b>	<b>1200</b>	<b>1200</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>		<b>6550</b>

## ANNEX 3 Risk Matrix

Risk	Mitigation measure
<p>Project fit and impact</p> <p>Developments in the economy, operational environment, performance factors, or good practice developments mean projects within the programme (or existing services) are no longer required in their current format, or there is evidence of under/over provision</p>	<ul style="list-style-type: none"> <li>• The IRES and DDI Board structures will oversee the programme, constituent projects and wider change ambitions.</li> <li>• Progress will be regularly reviewed and the project portfolio and implementation plan amended as appropriate to ensure alignment with changes in the labour market and operational context.</li> <li>• Programme and Project activity will draw extensively upon collective partner knowledge to ensure activities are fit for purpose.</li> </ul>
<p>Programme and project management capacity</p> <p>Inadequate programme or project management results in failure to deliver agreed outcomes</p>	<ul style="list-style-type: none"> <li>• As above with options considered to review, increase or decrease any aspect of service delivery at any time</li> </ul>
<p>Under-represented client groups</p> <p>There is a risk that under-represented client groups do not see tangible long-term benefits from the DDI Skills Gateway project</p>	<ul style="list-style-type: none"> <li>• Links with the third sector and local authority employability teams will enhance provision.</li> <li>• Quarterly progress reports and annual progress reviews will be undertaken throughout the programme implementation period</li> <li>• Programme will be revised to ensure desired outcomes are met</li> </ul>
<p>Private sector investment and support for inclusion</p> <p>There is a risk that the private sector buy-in and investment cannot be achieved reducing future impact and sustainability of interventions</p>	<ul style="list-style-type: none"> <li>• ScotlandIS and other key industry representatives will be represented on the DDI Skills Gateway Board and there will be ongoing engagement with other industry representatives</li> <li>• DDI Skills Gateway aims to nurture employer relationships to demonstrate the business benefits of inclusive practices and the value of the services that have been put in place to encourage future direct and indirect investment.</li> </ul>

<p><b>Mainstreaming of Activity</b></p> <p>There is a danger that the successful activities or practice changes initiated by the DDI Skills Gateway are not mainstreamed reducing the impact of ESES City Region Deal funding</p>	<ul style="list-style-type: none"> <li>• A key intention of the project is to bring about cultural change for the sector. Phasing of project deliverables is weighted across years 1-3, with resource input reducing years 4-8 to accommodate mainstream shift. Progress regularly reviewed by DDI Skills Gateway Delivery Group and IRES Board.</li> </ul>
<p><b>Performance and good practice learning</b></p> <p>The DDI Skills Gateway is expected to deliver a significant impact across the whole City Region Deal in terms of Inclusive Growth, however, the detail of the monitoring framework, impact and outcomes are still being developed.</p>	<ul style="list-style-type: none"> <li>• The partnership structures, along with the engagement and communication activity that is being developed, will capture, disseminate, and mainstream learning.</li> <li>• Robust monitoring and tracking systems are already in place across partner organisations.</li> <li>• Quarterly progress reports and annual progress reviews will be undertaken throughout the programme implementation period. The partnership will conduct an evaluation in 2021, in line with Scottish Government requirements, to check that the direction of travel is still right</li> </ul>
<p><b>Other reskilling/upskilling provision is available</b></p> <p>There is a need to avoid duplication/competition for clients/employers</p>	<ul style="list-style-type: none"> <li>• This would be mitigated through effective partner engagement, cooperation and coordination at Programme Director / Board level</li> </ul>
<p><b>Financial risk</b></p> <p>The partners have agreed to a target for leverage of additional resources. Failure to secure this will impact on programme scope and impact.</p>	<ul style="list-style-type: none"> <li>• Ongoing discussions with a range of potential partner organisations are under way. Any inability to achieve leverage will result in a review of programme ambitions and a refocusing of priorities to ensure ongoing financial propriety.</li> <li>• The Partners/DDI Board will regularly review resources available and ensure the programme of investment that can be delivered (inc. IRES change fund, partner resources, and external leverage).</li> <li>• Release of ESESCRD IRES funds for Projects will be subject to the recommendations of the IRES board and approved by Joint Committee who will be satisfied that no other funding (as funder of last resort) or effective delivery mechanism exists.</li> </ul>

# Edinburgh and South East Scotland City Region Deal Joint Committee

1 March 2019

## Housing Construction & Infrastructure (HCI) Skills Gateway Project Proposition

Theme project within **Integrated Regional Employability and Skills (IRES)** Programme

<b>Item number</b>	<b>5.7</b>
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### Executive Summary

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This report seeks approval to implement the Housing, Construction & Infrastructure (HCI) Skills Gateway (as set out in the overarching IRES Programme Business Case) which has been developed in collaboration with regional and national partners to drive progress toward a more inclusive labour market.

The HCI Skills Gateway was approved for submission to the IRES Board by the FE/HE Working group on 25 January 2019.

This report also seeks to recommend that Edinburgh Napier University undertakes the lead partner role for the HCI Skills Gateway programme.

#### Angela Leitch

Chair, Integrated Employability and Skills Board, Edinburgh and South-East Scotland City Region Deal

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HCI Lead Contact: Professor Sean Smith,  
Edinburgh Napier University

E-mail: [se.smith@napier.ac.uk](mailto:se.smith@napier.ac.uk) | Tel: 0131 455 5101



## City Region Deal Checklist

Criteria	Details/Link to Document
<p><b>Contribution to City Region Deal commitments and Inclusive Growth Framework</b></p>	<p>The HCI programme aligns to the IRES Programme supporting the Inclusive Growth ambitions of the partnership including;</p> <ul style="list-style-type: none"> <li>• <b>Accelerating inclusive growth</b> through unlocking new talent pools for business, promoting fair work, and equipping disadvantaged citizens with the skills they need to succeed.</li> <li>• <b>Removing the barriers to growth</b> by putting in place targeted skills development for future regional jobs aligned to Housing Construction &amp; Infrastructure to help disadvantaged individual access and progress in work.</li> <li>• <b>Community benefits through procurement</b> by integrating with the IRES employer engagement and procurement that increases the value achieved from our collective investments.</li> <li>• <b>Targeted skills interventions</b> that builds workforce capacity and capability in the specifically for “Housing, Construction and Infrastructure” sectors.</li> <li>• <b>Social benefit through Innovation</b> through close working between the HCI and DDI Skills Gateway programmes to fully utilise the technological and employment opportunities that will be generated by the sector.</li> </ul>
<p><b>Alignment, integration with, or dependence on, other City Region Deal activities</b></p>	<p>The HCI Programme is built around a series five key sub-themes and targeted supports, involving:</p> <ul style="list-style-type: none"> <li>• Inclusive Reach and Early Skills</li> <li>• Employability Pathways</li> <li>• Accelerated Into Work and Upskilling</li> <li>• Advanced Skills and Gender Diversity</li> <li>• Talent Development</li> </ul> <p>Interventions proposed within the HCI programme will provide support and integration to maximise the value realised from other City Region Deal investments and ambitions in <b>Innovation, Transport and Housing</b> by supporting the creation of a diverse and well skilled population that can benefit from and help drive the future growth of the regional economy.</p>
<p><b>Scale and regional distribution of expected outcomes, benefits, and leverage, from activity</b></p>	<p>The HCI Programme Business Case details the following anticipated benefits. A key focus is to deliver and support across the region job outcomes and career entry pathways and routes which support inclusive growth. The HCI will work with industry to partner and support in delivery of the skills and jobs needed for the sector in the region and forecast a leverage of £1.8 million over 8 years.</p>
<p><b>Compliance with financial requirements and agreed expenditure profile</b></p>	<p>HCI Programme Business Case complies with financial requirements and profile.</p>
<p><b>Equalities Impact</b></p>	<p>See cover report</p>
<p><b>Anticipated significant risks and mitigation measures</b></p>	<p>As detailed in Programme Business Case a risk and mitigation matrix has been prepared and will be updated as the programme develops</p>

<b>Alignment and fit with City Region Deal governance arrangement</b>	As detailed in the HCI Skills Gateway Programme Business Case the programme is fully integrated with current City Region Deal governance arrangements.
<b>PMO check</b>	All information provided
<b>Government approval</b>	Scottish Government signed off on the overarching IRES Programme Business Case on 30 November 2018 of which HCI Skills Gateway programme is a key component.
<b>Partner sign-off</b>	Approval for submission of the HCI Skills Gateway programme to the IRES Board was given by the FE/HE Working Group on 25 January 2019.
<b>Advisory Board sign off</b>	The proposition was approved by the IRES Board at its meeting on 5 February 2019.
<b>Executive Board sign off</b>	The proposition was approved by the Executive Board at its meeting on 14 February 2019.
<b>PMO Recommendation</b>	That the IRES Board approves implementation of the HCI Skills Gateway Programme as set out in the business case.

## Housing, Construction & Infrastructure (HCI) Skills Gateway Project Proposition

### 1. Recommendations

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It is recommended that:

- 1.1 the HCI Skills Gateway project, as detailed in the accompanying business case, be approved; and
- 1.2 Edinburgh Napier University undertakes the lead partner role for the HCI Skills Gateway project.

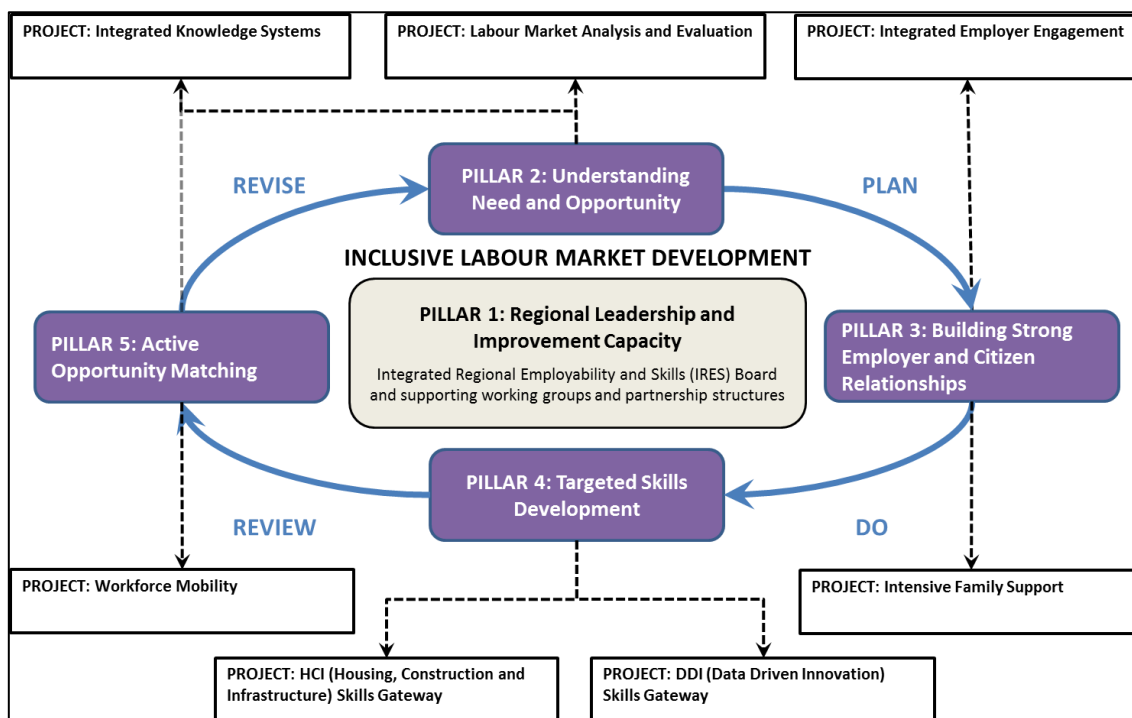
### 2. Background

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- 2.1 This project proposal relates to the Housing, Construction & Infrastructure (HCI) Skills Gateway, one of the seven IRES Programme key projects. The overarching IRES Programme was endorsed by Scottish Government and the Joint Committee, meeting the condition set in the City Region Deal document governing release of skills funding to the partnership, and this subtheme HCI Skills Gateway is now presented to IRES Board for approval. Figure 1 shows the seven IRES projects and the function of the HCI Skills Gateway as part of Pillar 4 involving targeted skills development.
- 2.2 The HCI Skills Gateway will form a delivery group combining key regional partners from:
  - Higher Education - Universities
  - Further Education - Colleges
  - Local authorities
  - Industry representation
  - Equate Scotland

The delivery group would engage with SDS, DYW, DWP and other public sector bodies to maximise the regional support available towards inclusive growth.

**Figure 1: IRES Programme Model, Change Projects and HCI Skills Gateway programme within Pillar 4: Targeted Skills Development**



### 3. Main report

- 3.1 There is a forecasted gap of 3,000 job roles in the next seven years across the South East Scotland regional construction sector, which the current supply system will be unable to achieve. To support the opportunities into such jobs and roles the HCI Skills Gateway will work with schools, colleges, universities and employers to enable disadvantaged groups to enter into the sector. This would include new short courses, upskilling and new programmes to meet the new skills and jobs needs.
- 3.2 This HCI Skills gateway programme would assist accelerated learning, talent development, mentoring and support and work with employers in the region, through the employer engagement IRES theme to engage with regional communities.
- 3.3 Both the “Data Driven Innovation”, and “Housing, Construction and Infrastructure” Skills Gateways have a focus on closing the opportunity and employment gap for our most disadvantaged sections of society (e.g. People with a disability, workless, low-income families) and tackle gender imbalances within these two regional growth sectors.
- 3.4 The IRES programme is built around five improvement pillars, with seven change projects, that seek to strengthen our collective capacity and capability to drive inclusive growth. The HCI Skills Gateway is a change project within Pillar 4 “Targeted Skills Development”



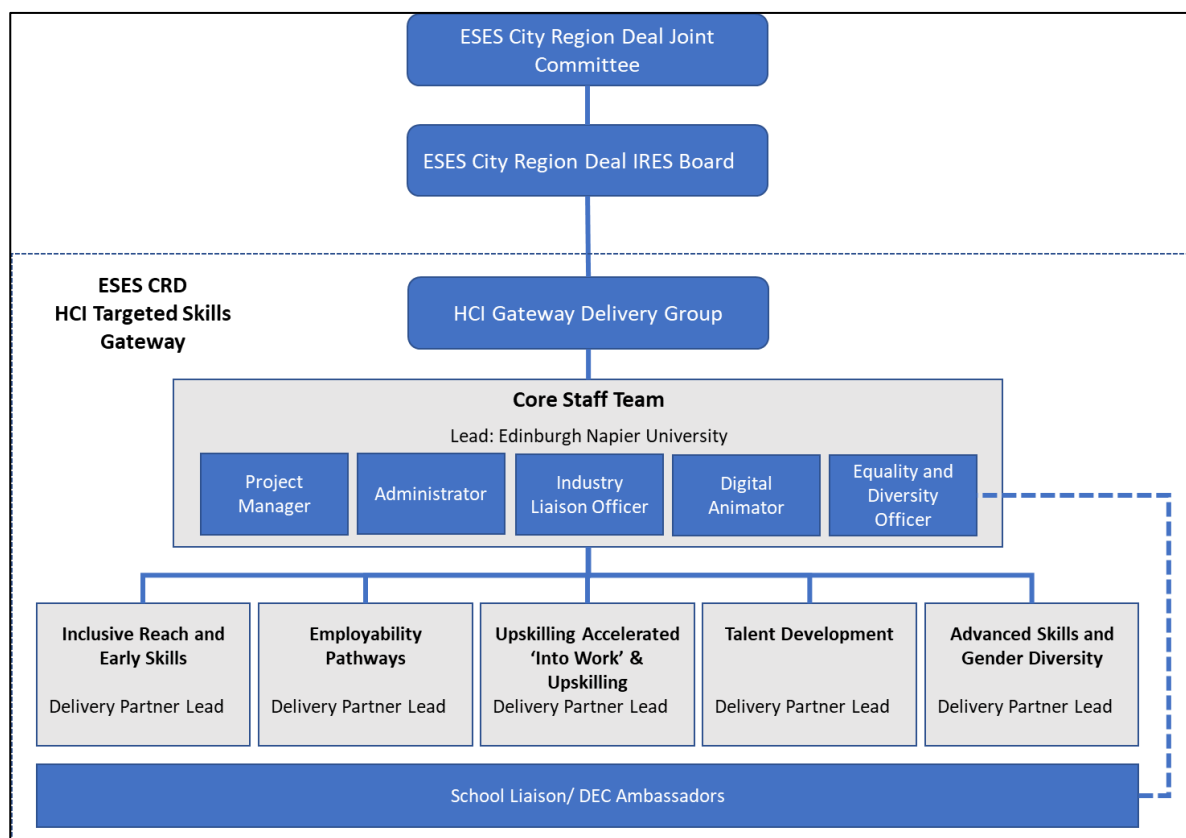
#### **Pillar 4: Targeted Skills Development**

- 3.5 Supporting all sections of society to acquire the knowledge and skills and secure the supports they need to develop and progress in work will be critical to maximising the talents of our citizens and unlocking the full potential of our economy.
- 3.6 Consequently, creating integrated, flexible, and universally well-understood career pathways (interlocked with tailored supports) into our key industries will be important to allowing the talents of all our citizens to blossom and help minimise skills shortages and gaps that could impact on future growth.
- 3.7 The partnership is therefore developing two projects to streamline and inclusion proof the routeways into the “Data Driven Innovation” and “Housing, Construction and Infrastructure” sectors. This is to exploit the significant opportunities that are anticipated to be generated in these sectors, and act as a testbed for other key sectors in future.
- 3.8 The HCI (Housing, Construction and Infrastructure) Skills Gateway led by Edinburgh Napier University aims to capitalise on the current strength of the construction sector along with additional proposals for increased housing building and retrofitting through City Deal investment to create a skills pipeline into sector opportunities. Areas being explored include;
- Linking education and employability providers with sectoral opportunities to unlock opportunities for all our citizens and help reduce skills shortages.
  - Piloting new approaches to enhance productivity and support inclusive economic growth
  - Develop inclusive employment pathways that enhance outreach to disadvantaged and under-represented populations and accelerate progression into good careers.
  - Engagement with Housing, Construction and Infrastructure employers to promote an inclusive (Fair work) practice and culture.
- 3.9 The HCI Skills Gateway (IRES Pillar 4 activity) will work with and interlink with other change projects within the five IRES pillars including:
- Pillar 1: Regional Leadership and Improvement Capacity
  - Pillar 2: Understanding of Labour Market Need and Opportunity
  - Pillar 3: Building Strong Employer and Citizen Relationships
  - Pillar 5: Active Opportunity Matching
- 3.10 The HCI Programme is built around a series **five key sub-themes** and targeted supports, involving:
- Inclusive Reach and Early Skills
  - Employability Pathways
  - Accelerated Into Work and Upskilling

- Advanced Skills and Gender Diversity
- Talent Development

The HCI governance and reporting mechanisms are outlined below in Figure 2.

**Figure 2: Proposed Governance Structure**



- 3.11 Interventions proposed within the HCI programme will provide support and integration to maximise the value realised from other City Region Deal investments and ambitions in **Innovation, Transport and Housing** by supporting the creation of a diverse and well skilled population that can benefit from and help drive the future growth of the regional economy.
- 3.12 The HCI delivery partners will work with regional Developing the Young Workforce, Skills Development Scotland and Department for Work and Pensions staff to maximise the regional support and pathways for disadvantaged groups into work. This would include schools outreach, family support opportunities, women returning to work and engaging with regional STEM activities.
- 3.13 This focused system approach will generate significant, synergies, cost efficiencies, improved inclusion outcomes, and enhance responsiveness to changing need and opportunity in our regional labour market that will have a lasting benefit for the region and the Scottish Economy.

## 4. Financial impact

- 4.1 The Scottish Government have allocated £25 million of grant funding which that will be made available over the next eight years to develop and deliver the aspirations set out in the IRES Programme Business Case, with a focus on not just delivering

project activity, but informing how existing investments can be better targeted and aligned to help deliver enhance inclusive growth for the region.

- 4.2 The HCI Skills Gateway proposes to invest £5.8 million from IRES funding over 8 years to support an integrated regional approach and inclusive growth for this important regional industry sector through the five sub themes as outlined in 3.10.
- 4.3 It is proposed that this would leverage industry support, knowledge transfer contributions, facilities, equipment and materials of approx. £1.8 million.
- 4.4 In addition, the HCI would tap into existing resources and support for career developments, employer engagements within FE/HE and access to training facilities to support individuals and disadvantaged groups. Furthermore as new job paths or increasing employment demand grows for specific skills within the region this could provide alignment to investment by SDS into further MAs, GAs and upskilling funds. It is estimated that over 8 years given the forecasted skills demand in the region amount to £2.8 million.
- 4.5 HCI Skills Gateway projects will involve multiple partnerships across the region including FE, HE, public sector and industry. The funding of projects is not for ‘business as usual’ such as modern apprenticeships or undergraduate programmes. The financial focus is on new areas, short skills training to accelerate into work, advanced skills to improve career and job opportunities with strong gender focus, engagement with schools (both pupils and teachers, particularly in SIMD 20 areas) with new technologies and opportunities within the region and the HCI sector.
- 4.6 It is proposed to use this funding within the HCI across the subthemes as indicated below in Table 1:

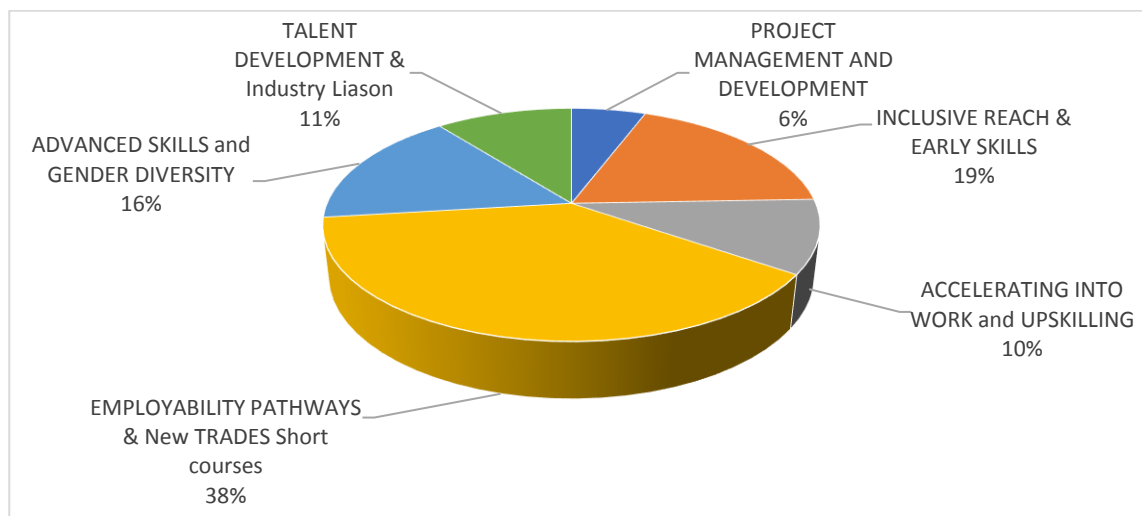
**Table 1: Indicative Project Funding Breakdown**

Indicative Funding Subtheme	Indicative ESESCRD (£,000)	Spend outline and functions
Inclusive Reach & Early Skills	1,500	DEC Ambassadors to schools (SIMD 20), FE and HE linkages with industry, ‘Into work short courses’, Equality & Diversity, Events, Exhibitions, LA training workshops into work.
Employability Pathways	1,000	Pilot projects, Multi-skills, PDA, CATS, Upskilling with industry and career pathways
Accelerated into Work and Upskilling	970	Short courses (regional skills gaps), BIM, Offsite, LEV, linkages with visits to innovation
Advanced Skills & Gender Diversity	955	Advanced skills, new MSc, gender and diversity support and regional upskilling of workforce, working closely with industry bodies in region.
Talent Development	789	Regional BeX and FE talent development programme accelerating career pathways.
HCI management, co-ordination, outreach and 3D animation training developments	592	Project manager, support, co-ordination, digital 3D animation support, meetings, travel, administration
<b>City Region Deal Total</b>	<b>5,800</b>	<b>City Region Deal contribution</b>

Industry Leverage	1,835	Industry contributions to advanced courses, BeX, investment in training, exhibitions, materials, facilities and time, knowledge transfer projects
New courses, GAs, training facilities funding within the region aligned to HCI objectives	2,901	SDS, FE, HE, industry bodies, training facilities, career support
<b>Total</b>	<b>10,536</b>	<b>HCI Skills Gateway over 8 years</b>

- 4.7 The HCI Skills Gateway will engage with local industry, employers both public and private sector to utilise the regional support mechanisms across the FE/HE partners to leverage funding and tap into support mechanisms to enter the jobs market.
- 4.8 Funded activity will be subject to regular review (e.g. quarterly progress, annual review, and mid-programme evaluation) by the partners through the Project Delivery, IRES Programme, and City Region Deal governance structures that have been established to manage the programme.
- 4.9 The actual spend profile will vary across the funding period and will be regularly updated in response to learning and changing circumstances to ensure maximum impact against its programme and wider inclusive growth goals. The percentage breakdown of spend is shown in Figure 3:

**Figure 3: HCI Gateway Public Expenditure Profile by Activity**



## 5. Equalities impact

- 5.1 The IRES Programme is actively seeking to improve the flow of disadvantaged individuals into good employment and careers. Its overarching objective is to:
- be central to maximising the value of City Region Deal investments by delivering the workforce element
  - future proof the regional economy through stimulating a positive step change in equality, capacity and productivity
  - encourage meaningful participation by stakeholders in designing and delivering services and interventions

- provide opportunities to strengthen career progression routes for those who face significant labour market disadvantage
  - seek to address poverty and social exclusion by increasing the financial awareness, capacity and inclusion of the most disadvantaged households
- 5.2 Procurement strategy and business case of each subtheme will align with the Equality Act 2010 and the Fairer Scotland Duty.
- 5.3 The HCI Skills Gateway will have traceable Equalities Outcomes and through FE/ HE and LA training workshops projects key groups will be tracked and supported.
- 5.4 Both HCI and DDI skills gateways would jointly fund an equality and diversity officer to maximise the regional and key skills needs for IRES.
- 5.5 Funding will be focused on those living in the region to maximise the regional benefit of the ESESCRD. It is proposed to also utilise the EHRC Equalities Outcome toolkit to help partners across the region and the IRES board assess progress and milestones being achieved.
- 5.6 Table 2 in the full business case (pages 23-25) provides details of the five HCI subthemes and outcomes supporting inclusion, career progression, accessibility to training online and with a strong focus on diversity and gender for the advanced skills.

## **6. Background reading/external references**

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- 6.1 [Edinburgh and South-East Scotland City Region Deal Document, August 2018](#)
- 6.2 [An Integrated Regional Employability and Skills Pipeline for the Edinburgh City Region, Programme Business Case for Investment, 17 December 2018.](#)

## **7. Appendices**

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- 7.1 HCI Skills Gateway Project Proposition.



# Appendix 1: Housing Construction & Infrastructure (HCI) Skills Gateway

Project Proposition

ESESCR Deal Joint Committee Meeting: 1 March 2019

Lead: Professor Sean Smith, Edinburgh Napier University

**ACCELERATING  
GROWTH**

EDINBURGH AND SOUTH EAST SCOTLAND  
CITY REGION DEAL

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# 1 Introduction

## 1.1 About this Document

This Project proposition sets out a detailed case for investment in a targeted Housing Construction & Infrastructure (HCI) Skills Gateway as part of the Integrated Regional Employability and Skills (IRES) programme and should be considered in conjunction with the IRES Programme Business Case.

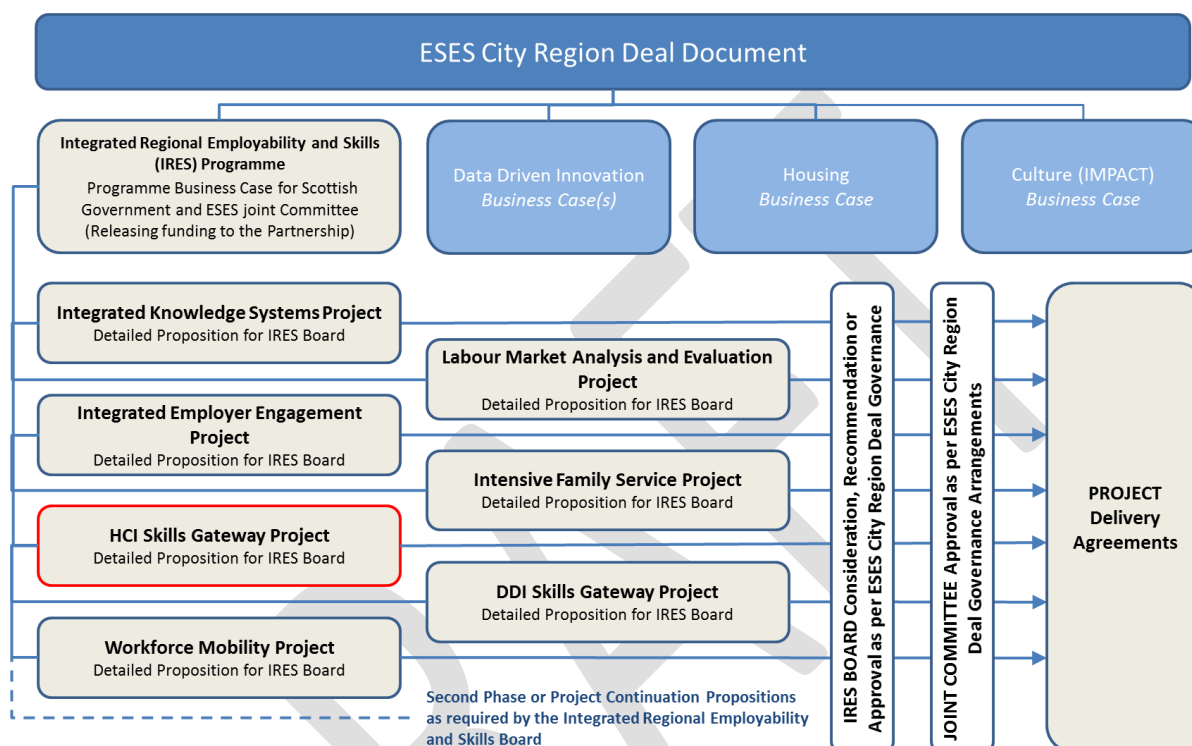


Figure 1: Suite of IRES programme documents

## 1.2 Project Vision

The HCI Skills Gateway will bring together stakeholders to provide clear, integrated and inclusive progression routes into **construction careers for new housing, infrastructure and refurbishment** encompassing basic/key skills in schools through to advanced postgraduate training and enterprise roles for business that help drive high value and inclusive growth.

The Skills Gateway programme will ensure the SES region have the necessary workforce skill base to power growth, and more particularly that individuals facing disadvantages in the labour market are targeted and equipped with the necessary skills that they need **to enable inclusive growth**.

This collaborative approach between industry sector, local authorities, universities, colleges and government will make a significant impact to address the challenges faced by the sector and leave a positive legacy for the future.

### 1.3 Overview of the HCI Skills Gateway Project

The HCI Skills Gateway will bring about much needed alignment of supply and demand in the housing construction sector. Change funds will be used to corral all relevant stakeholders with a common purpose to achieve inclusive growth through an improved employability pipeline specifically tailored to better support local individuals. Greater numbers of local people will be more able and better equipped to access the wealth of opportunities the sector provides.

The focus will be on reducing worklessness and poverty through providing dedicated training interventions, accessible for those living in the SES City Region's most deprived areas. Supporting them to progress into a key growth industry where current and future skills gaps have been identified, which can lead to greater opportunities in higher skilled and higher paid roles.

Key client groups for the HCI Skills Gateway include:

- **Schools in most deprived SIMD 20% areas** – working closely with the schools and teachers to target and support young people and those in their senior phase. Awareness will be raised of the job opportunities, available training, industry demands and future career profiles through the career pathway programme. The proposal is to utilise and link to the existing Design, Engineer Construct (DEC) education programme. This involves HE/FE partnerships with schools and industry. Several schools in the region have trialled this recently with regional HE providers. Evidence shows this can have positive results and the key objective is to increase the number of young people progressing into jobs in the sector. The HCI DEC 400 project will have a specific focus on young people in the most deprived 20% SIMD areas.
- **Unemployed and those experiencing in-work poverty** - Working with LA employability teams and Fair Start Scotland providers to utilise training workshops and increase the number of training opportunities to meet with industry demand
- **Veterans / ex-offenders** – engaging with LA departments and creating links between LA training workshops and local prisons. The HCI Skills platform will create a streamlined pathway reducing the number of stop-go points, or delays for veterans / ex-offenders to receive the relevant training and support.
- **Carers and care experienced** – approximately 1 – 2% of young carers carry on to FE or HE sectors. Recent projects by Napier University have shown how using a targeted joined up approach can make a significant difference to their progression. Through the ESESCRD HCI Skills Gateway we will widen this approach across the region and delivery group partners.
- **Supporting women** into higher paid jobs and planning to return to work – is a key focus for the industry and government wishes to see significant improvement. Women will be targeted for advanced skills/training with greater engagement with employers in the region to raise awareness and develop support for this target group.

The HCI Skills Gateway will be transformational in terms of delivering better job outcomes for local people across the region. The current approach is disjointed, either for National programmes, or through single companies approaching Colleges or LA's for provision. The HCI Skills Gateway will drive

a more proactive regional and sectoral specific approach to early skills, new skills development and increased job outcomes. The Skills Gateway will provide the platform for companies to come together and engage with their key industry sector partners to provide training and support for local people to progress in and onto employment with the key skills that industry needs. More people will be able to access and gain employment in the sector as a result.

### 1.3.1 Targeting resources

The current strength of the construction sector along with additional proposals for increased housing building and retrofitting through City Deal investment is creating significant and increasing skills gaps and workforce shortages, for new housing, infrastructure and repair and maintenance sectors. This provides a unique opportunity support the inclusive growth agenda and fill these with local people from our most disadvantaged areas.

The HCI Skills Gateway's inclusive growth approach has four key aims for the SES city region:

- Offering specific targeted support for; those living in the most deprived SIMD areas, schools and school leavers to access new job opportunities within the construction, infrastructure and housing sectors.
- To pilot new skills projects (identified by industry demand) and enhance productivity within the existing workforce to support economic growth through 'shorter or accelerated' training to job opportunities.
- To provide inclusive employment pathways which will include upskilling and career progression, promoting equality in higher quality jobs with an emphasis on closing the gender gap in earnings throughout the industry.
- To address significant skills shortages by linking education and training providers to key growth areas and future innovations for the sector.

Change is urgently required to deliver greater efforts to tackle deprivation, to increase female participation and to provide greater flexibility in the workplace and to provide more opportunities for young people to both enter the industry and to progress into higher skilled and higher paid roles. To accomplish this, there will be greater involvement in schools, ensuring greater engagement and participation with DYW activity to raise awareness and profile the opportunities presented by the sector, upskilling our current workforce and retaining our talent across the region.

The five key sub-themes and targeted supports of the HCI Skills Gateway are:

- **Inclusive Reach and Early Skills**
- **Employability Pathways**
- **Accelerated Into Work and Upskilling (Trades – Early On-site and Offsite Skills)**
- **Advanced Skills and Gender Diversity**
- **Talent Development**

These sub-themes are integrated through the reach, skills demands, community outreach and opportunities that ESESCRD provides and serves. All aspects from curriculum and course design through to individual project delivery will be holistically managed to deliver a fully integrated programme approach.

Figure 2 over illustrates how the five key sub-themes and targeted support will accelerate progression through the strategic skills pipeline and the Economic Case outlines the anticipated project outcomes in further detail.

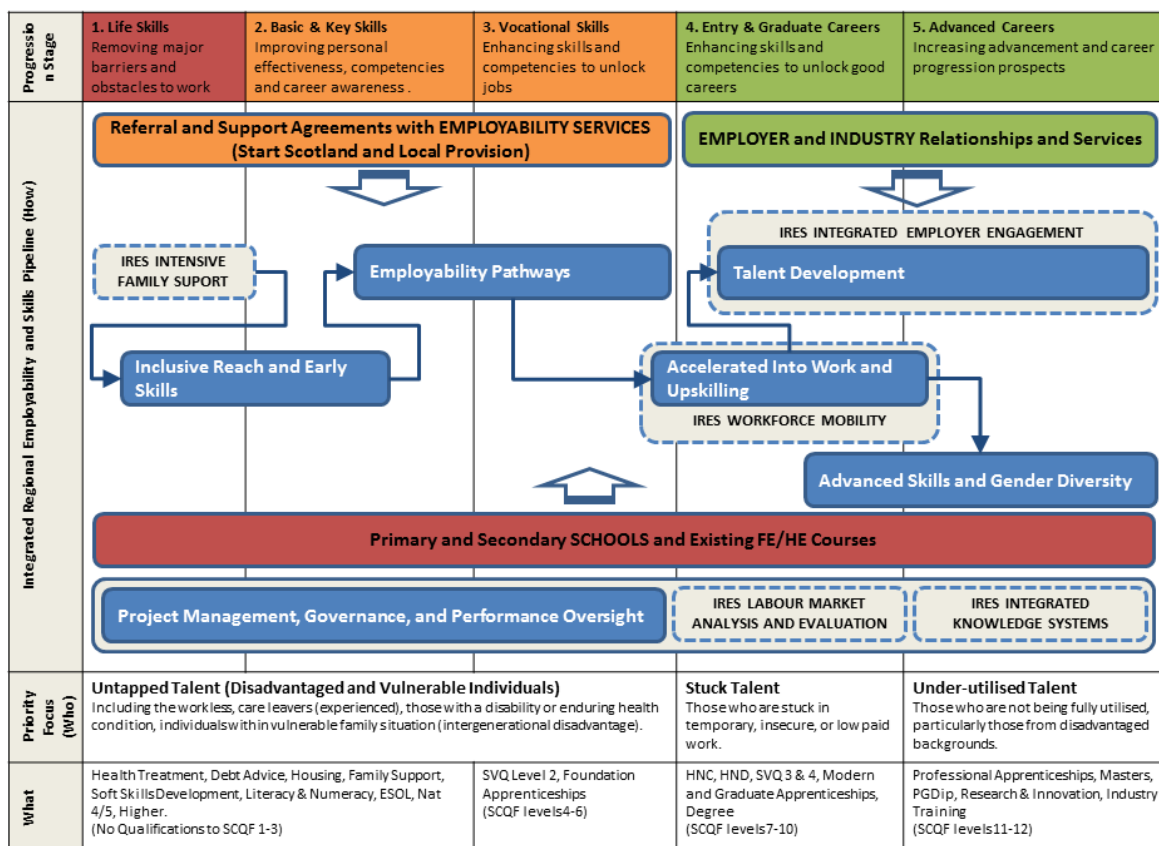


Figure 2 HCI Skills Gateway integrated and aligned with Strategic Skills Pipeline

## 1.4 Project Summary

The five key HCI sub-themes and targeted supports are summarised below with full detailed arrangements included later in the management case. It is worth noting that Developing the Young Workforce (DYW) is an inherent function already established in the formal HCI Delivery and IRES Programme Board. Also that the Stage & Gate and quality assurance and performance management functions as detailed later in the management case will ensure any risks to project success are identified and mitigated at an early stage.

### 1.4.1 Inclusive Reach & Early Skills

The HCI Skills Gateway will facilitate increased capacity for the sector to engage those under-represented in the industry through the establishment of a network of DEC Ambassadors across the SES City Region. DEC Ambassadors will work across schools, colleges and universities and build the necessary capacity to bring about the necessary cultural change that will increase employment in the sector.

A key focus of the DEC Ambassadors will be to support 400 school children, from regional SIMD areas to engage in construction. Identifying real career paths, into good quality, sustainable employment through focused mentoring and support.

Enhanced engagement with employers has already brought about improved gender balance in the sector. The industry sector is 11% female in higher job professions and given proactive action by Edinburgh Napier University including a series of outreach events and significantly altered marketing material, this has resulted in a shift from 14% enrolled on courses in 2015 to 18% female applicants in 2017-18. Also for Graduate Apprenticeship programmes, the 2018-19 percentages have increased to 23% and 28% female for both engineering and construction related courses.

The intention through the HCI project is to widen this proactive approach across the region, working more with employers to target other key disadvantaged groups with focused support and ensure greater numbers into the sector.

#### *1.4.2 Employability Pathways*

The HCI Skills Gateway will put industry aligned jobs at the start to improve transition from skills gaps to into work ratios. Greater prioritisation from the industry to target disadvantaged groups and especially those living in SIMD 20 areas. A range of new training processes and projects to improve employability via acceleration into work and upskilling would be developed including multi-skills, Pre-Apprenticeship Support, Front end PDA and CATS are also planned. The introduction of greater pre apprenticeship support will ensure that greater numbers of clients will be supported to achieve the minimum entry criteria for MA's and CITB tests etc.

#### *1.4.3 Accelerating Into Work and Upskilling (Trades - Early On-site and Offsite Skills)*

Given the regional key skills gaps for Joiners, Bricklayers, Plumbers, Electricians and Building Information Modellers (BIM)<sup>1</sup>, it is important there is movement and progression in the HCI Skills Pipeline to accelerate specific onsite skills for housing, BIM skills and new offsite skills within the region and businesses. HCI skills would assist in piloting a future 'bricklaying for housebuilding' course, which would be a contributing part of a future progression to the full SQA craft skill for bricklaying. From recent discussions with industry such shorter length courses have industry backing and would provide an accelerator route to local training and employment and support new housing delivery. Post completion of the initial course future progression to higher SQA Levels would link to current or future SDS MA additional funded places.

Also to bolster the approach to Fair Work, employers who partner in the ESESCRD would be informed at the start that jobs and skills development aligned with ESESCRD must not involve exploitative contracts such as zero hours contracts. All projects involved with ESESCRD must have 'real living wage' salaries or higher. Marketing straplines being developed include - 'ESESCRD - Working with Fair Work Employers' and to be included in all contractual obligations. Refer to management case for further detail on Accelerating Into Work and Upskilling delivery.

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<sup>1</sup> Future construction skills requirements for south east Scotland. Presentation by Professor Sean Smith, Edinburgh Napier University to IRES Board, 2017.

#### 1.4.4 Advanced Skills & Gender Diversity

Current advanced and more senior roles in the HCI industry sector are 89% male<sup>2</sup>. A review of progression of females to higher qualifications (advanced levels) within south east Scotland identified this to be key barrier to progression of women in more senior industry roles<sup>3</sup>. Increasing female role models at senior levels has been cited as a key factor that could improve gender imbalance and attract more women into construction<sup>4</sup>. In order to deliver the forthcoming infrastructure and housing requirements further specialisations and upskilling for the existing workforce is needed. To address this imbalance an advanced skills programme would be developed to provide support and education/training for MSc/CPD specialisations and with a stronger focus on women (60%) into advanced levels. Such courses will comply with this level of gender specific participation as a minimum with places strictly ring-fenced for women/people with disabilities as appropriate.

#### 1.4.5 Talent Development

There are many highly talented individuals, students and employees across the SES City Region who could be sector leaders of tomorrow and it is important that such skilled people are supported and given the opportunity to develop their skills and education further, so these skills are retained within the region. Edinburgh Napier University's award-winning Built Environment Exchange (BeX) has supported high performing graduate students through their specialised Masters courses. Talent Accelerator will support adult learners and school leavers into work and delivering investment targeted into the FE sector.

Further detail on all five HCI Skills Gateway sub themes is included in the Management Case.

## 2 Strategic Case

The HCI project strategic case is set out in two parts:

**Part A: The Strategic Context** – indicating the alignment of the HCI project proposals with government policy and the partnerships existing assets and strengths; and,

**Part B: The Case for Change** – which summarises the objectives to be addressed by the project, existing arrangements and identified investment needs and operational risks, constraints and dependencies.

### 2.1 PART A: The Strategic Context

#### 2.1.1 National Context and Strategy Alignment

Scotland's Economic Strategy (Scottish Government, 2015)<sup>5</sup> sets out the Scottish Government's purpose "to create a more successful country, with opportunities for all of Scotland to flourish,

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<sup>2</sup> Addressing the skills shortage through diversity and inclusion. Construction Matters, UK Construction Week. April, 2017.

<sup>3</sup> SEBE, Edinburgh Napier University. External feedback review. Athena Swan, 2016.

<sup>4</sup> Women in Construction: The Race to Gender Equality. Ranstad, 2018

<sup>5</sup> Scotland's Economic Strategy, Scottish Government, 2015, <https://beta.gov.scot/publications/scotlands-economic-strategy/>



through increasing sustainable economic growth” and has two key goals- increasing competitiveness and tackling inequality.

Allied to this the Creating a Fairer Scotland (Employability)<sup>6</sup> policy seeks to promote greater fairness and equality in employment while also driving continuous service improvement through strong productive partnerships.

No One Left Behind, Next Steps for the Integration and Alignment of Employability Support in Scotland<sup>7</sup> urges the need to incrementally develop an integrated regional employability and skills system that is more

- flexible, tailored, and takes a 'whole person' approach
- straightforward for people to navigate;
- better integrated and aligned or interwoven with other supporting services;
- provides pathways into sustainable and fair work;
- is driven by evidence to supports people into the right job at the right time
- designed, delivered, and improved in partnership
- responsive to those with high needs (e.g. young care leavers, workless, and those in low paid or insecure jobs) who are at major risk of missing out on the benefits of economic growth; and
- minimises skills shortages and gaps or gender imbalances in our key growth sectors, while promoting greater workforce diversity

The HCI project seeks to align with these policy aims by focusing attention on strengthening and streamlining the progression pathways into work for disadvantaged individuals, while it also establishes the much-needed collaboration across all regional partners to deliver better impact from existing (public, private and third sector) investments that will support accelerated progress towards a more inclusive economy

### *2.1.2 Alignment across the IRES Programme*

The current strength of the construction sector later detailed in the Economic Case, along with additional proposals for increased housing building and retrofitting through City Deal investment will bring significant and increasing skills gaps and workforce shortages in both new building and repair and maintenance sectors.

The HCI Skills Gateway along with other IRES projects will help open up new sources of labour market supply and achieve more inclusive growth outcomes. The HCI Skills Gateway is a sector based skills and support pipeline providing opportunities for all sections of society within the region to progress into higher skilled and higher paid employment. An inclusive person-centred approach will ensure that even those, who for whatever reason feel excluded, are helped to sustain and still succeed in employment. There are imperative links particularly across the HCI Skills Gateway and the Integrated Employer Engagement and Disadvantaged Families IRES project themes.

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<sup>6</sup> Creating a Fairer Scotland: A New Future for Employability Support in Scotland, Scottish Government, <https://beta.gov.scot/publications/creating-fairer-scotland-new-future-employability-support-scotland/>

<sup>7</sup> No One Left Behind - Next Steps for the Integration and Alignment of Employability Support in Scotland, Scottish Government, <https://www.gov.scot/Publications/2018/03/5358/downloads>

The overall plan is for a much improved and focussed Skills Gateway Pipeline specific to industry needs with heightened focus on increasing throughput of numbers into employment in the sector. The Skills Gateway Delivery Group and IRES Board will ensure robust monitoring and reporting of progress towards targets as outlined in the Management Case.

## 2.2 Part B: The Case for Change

### 2.2.1 Existing Arrangements, Challenges & Business Needs

The 2018 Regional Skills Assessment Summary Report for Edinburgh and South-East Scotland City Region<sup>8</sup> concludes that although the outlook for the local economy is positive there are some key inclusive growth challenges that still remain.

Despite the current arrangements and ways of working, around only 40% of working age disabled adults are in employment, compared with more than 80% of adults with no disability<sup>9</sup>. Regional partners are committed to supporting disabled people of all ages to progress towards and into work.

Maximising economic opportunities for women to participate fully in the regional economy and recognising the wider social role they provide also remains a priority<sup>10</sup>. Regional partners are focused on promoting the Fair Work agenda and encouraging employers to mitigate the gendered barriers, such as occupational segregation, which prevents the development of a strong, innovative, and inclusive economy.

Almost one in four of Scotland's children are officially recognised as living in poverty<sup>11</sup>. Regional Partners have a clear duty to help and support all our children and young people to give them the best start we can.

There are also related opportunities beyond the jobs created by the construction phase to associated opportunities in the low carbon field, where innovation in housing products and construction techniques can open up additional high-quality employment opportunities in the regional supply chain. The City Region Deal and the supporting HCI project provides an opportunity to accelerate and invest in key skills, develop new training opportunities resulting in a transformational step change and 'regional inclusive approach'.

According to CITB regional figures, South East Scotland has a current on site skills trade supply deficit of 3,500<sup>12</sup> and a shortfall of 300 bricklayers. It is forecast by CITB that Scotland will need 10,400 new entrants to the sector over the next 4 years (2018-2022)<sup>13</sup>. South East Scotland would require 3,000 additional entrants<sup>14</sup> with key skills sets for on-site trades and new skills for offsite. Given the existing

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<sup>8</sup> Regional Skills Assessment Edinburgh & South East Scotland City Region: Summary Report, Skills Development Scotland, <https://www.skillsdevelopmentscotland.co.uk/media/44990/ras-edinburgh-and-south-east-scotland-city-deal-region.pdf>

<sup>9</sup> Job support for disabled people (Policy), Scottish Government 2018, <https://beta.gov.scot/policies/disabled-people/job-support-disabled-people/>

<sup>10</sup> Scotland's Economic Strategy, Scottish Government 2015, <https://beta.gov.scot/publications/scotlands-economic-strategy/pages/5/>

<sup>11</sup> Poverty and Income Inequality in Scotland: 2014-17, Scottish Government, <https://www.gov.scot/Publications/2018/03/3017/downloads>

<sup>12</sup> CITB Report. Local Construction Skills Needs for Scotland. CITB Analysis, CITB. 2018

<sup>13</sup> CITB Forecasts: Housing boost growth for Scottish construction. February 2018.

<sup>14</sup> Future construction skills requirements for south east Scotland. Presentation by Professor Sean Smith, Edinburgh Napier University to IRES Board, 2017.



gap in skills supply in SE Scotland and the forthcoming skills demands the region has an opportunity to have high job demands aligned and informing its inclusive growth approach.

Figure 3 below illustrates how the HCI Skills Gateway focus builds on existing structures to enable increased levels of upskilling across the Scottish Credit and Qualifications Framework (SCQF). A larger focus on pre-entry activity, LA/ FE taster sessions, short courses and accelerated learning all leading ultimately to more jobs and a greater upskilled workforce at all levels.

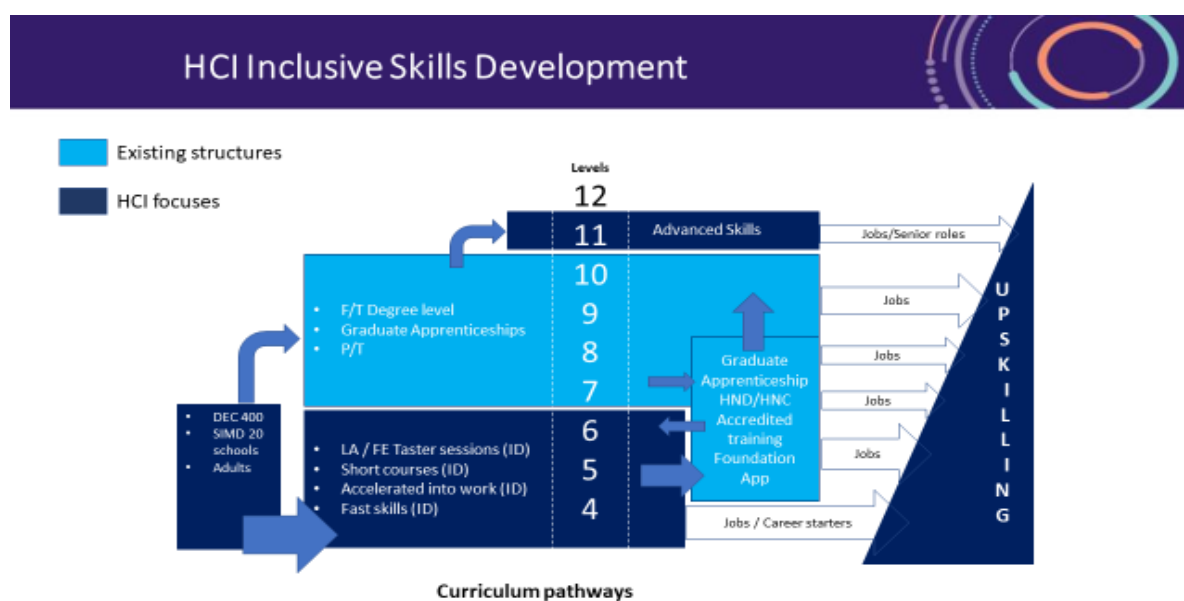


Figure 3: HCI Inclusive Skills Development

### 2.2.2 Objectives and Benefits

Supporting all sections of society to acquire the knowledge and skills and secure the complementary supports they need (throughout their working lives) to develop and progress will be critical to maximising the talents of our citizens and unlocking the full potential of our economy.

The partnership propose to introduce and develop improved routeways (using a blend of existing and new resources) into the Housing, Construction and Infrastructure sector to exploit the significant opportunities that are anticipated to be generated. They will also test methodologies for developing collaborative, cohesive and impactful service pipelines that spread the benefits of growth into disadvantaged and under-represented populations which can be rolled out to other key sectors.

Areas being developed by the HCI Skills Gateway include;

- Linking education (in association with DDI knowledge sharing schools and existing DEC ambassador network) and employability providers with sectoral opportunities to unlock opportunities for all our citizens and help **reduce sectoral skills shortages and gaps**.
- Piloting **new approaches to enhance productivity** and support inclusive economic growth
- Develop inclusive HCI employment pathways which will include enhanced outreach to disadvantaged and under-represented populations with upskilling and career progression opportunities and **targeted actions to reduce inequalities**.

- Engagement with Housing, Construction and Infrastructure employers to **promote an inclusive (Fair work) practice and culture** including the creation of placements opportunities, developing inclusive recruitment and working environments, and embedded talent development programmes.

Key to success is Fair Work and the enablement of key entry points for developing skills and career pathways across the HCI spectrum. Close collaboration already exists across and with the four existing Developing Young Workforce Regional Boards. Also with schools, both primary and secondary to promote the HCI Skills industry as a career pathway. The HCI Skills Gateway will provide a unique pipeline significantly aligned to inclusive growth, that will attract and upskill new entrants and provide progression routes for those currently employed within the sector.

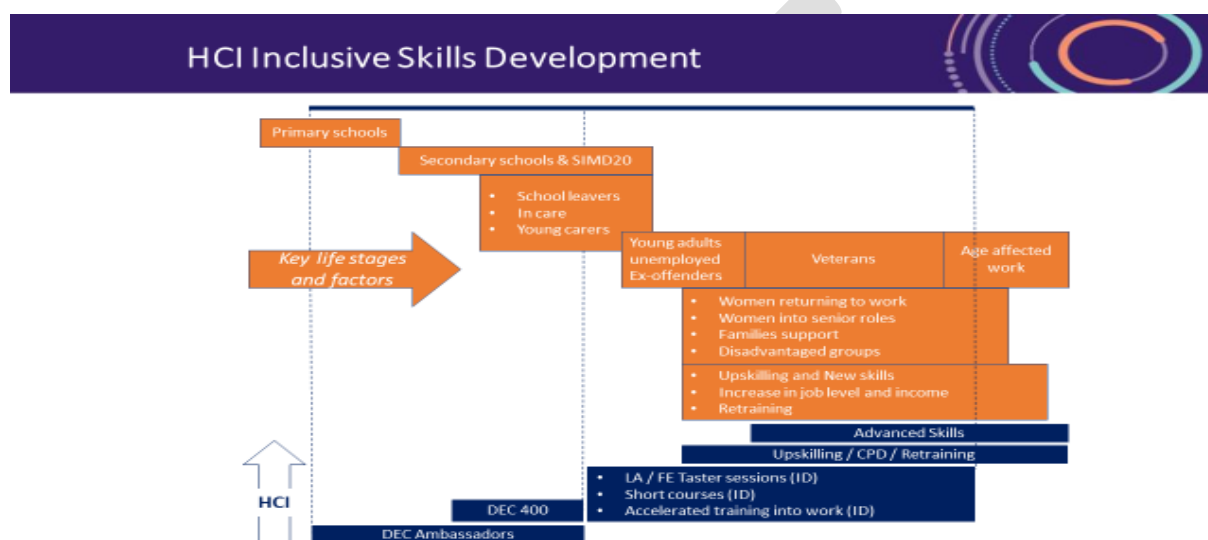


Figure 4. HCI Inclusive Skills Development

The HCI Skills Gateway approach to inclusive growth will deliver a legacy portfolio of key construction skills and will bring benefit to the Edinburgh & South-East City Region and for Scotland.

Early projects identified during the last 12 months to provide a 'kick start' to the IRES HCI Skills Gateway in year 1 include:

- Industry Partnerships with local colleges to establish the first pilot in 'bricklaying for housebuilding' delivering shorter training times, industry demand jobs, industry partnerships and accelerated employability.
- Granton Offsite delivery proposal involving Offsite Solutions Scotland (consortia of Scotland's leading offsite providers) to partner in training and inclusive growth with potential two phase approach to developing a regional skills-housing partnership.
- Commitment from SME companies and partnerships to develop joint college-company training to increase jobs and skills in the region for innovative housing design and build.

Key impacts and benefits of implementing the HCI project are also detailed in the Economic Case.

### *2.2.3 Operational Risks, Constraints and Dependencies*

Current construction and engineering related apprenticeship completion rates are 80-84% dependent on the training and the job<sup>15</sup>. In the case of the HCI, with specific focus on Inclusive Growth and disadvantaged groups there is likely to be more challenges for the people being supported. The aim is to achieve similar ranges of completion and job outcomes across the range of HCI sub-themes and by working much more closely with companies and education providers the partnership is confident in its ability to increase ratios of positive job outcomes. If a specific job/training route is difficult for the individual we would try through the HCI career pathways to find alternative job opportunities. In essence 'no-one is left behind' and routes and alternatives can be provided and signposted.

### *2.2.4 Monitoring and tracking*

It is absolutely essential that all employability characteristics for HCI participants are closely tracked and monitored, most particularly, job outcomes and sustained outcomes and robust client monitoring and tracking systems are already in place across each of the local authority areas. Work is also ongoing to further refine and develop these systems through the IRES Integrated Knowledge Systems Project involving each of the local authorities, Education Departments, Department for Work and Pensions, Skills Development Scotland and Developing the Young Workforce.

Those enrolling on training, short courses and taster session courses will be tracked in FE sector with courses having a specific code to identify the ESESCRD enrolments and support. This will then be able to cross check with admissions and applicant details thus being able to identify backgrounds, disadvantaged groups and post codes (SIMD 20).

For HE sector key details will be taken at the application stage to gather the required data. This will also identify existing skills levels and change in new skills and jobs which the person is aiming for. A follow up will be taken with all persons who have attended set courses and skills training to ascertain career developments and impacts of the support. HCI will work closely with Employer Engagement team and employers to support the focus on diversity and inclusion.

Outcome measures to be topic of ongoing assessment and review to satisfy and adhere to the regular performance evaluation and scrutiny processes undertaken by the HCI delivery group. Scrutiny of overall performance management outcomes will also be a strict requirement included in the quarterly dashboard and annual reporting cycle of the HCI Delivery Group to the IRES Board

Every applicant will require to enrol within the relative sub theme area of support to enable capture of the baseline data. During the skills development phase towards the aligned jobs the applicant will be supported and mentored via the training provider and the outcomes of completions regularly tracked with employers.

Each sub-theme will be led by an HE, FE or LA partner and the sub theme lead will be responsible for that area. Outcomes which are ultimately jobs which are real living wage or higher, or upskilling leading

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<sup>15</sup> Skills Development Scotland: Achievement rates by occupational group. SDS Statistics. 2017

to higher income levels through higher level jobs will be tracked through employer engagement teams to identify, monitor and evidence progression.

### 2.2.5 Risk Management

Risk management is an integral feature of the HCI Skills Gateway and the Stage and Gate approach as outlined in the Management Case will ensure robust management and mitigation of any potential or identified risks. The HCI Skills Gateway Delivery Group and ultimately the IRES board will regularly review project progress with decisions made on continuation, adjustment or withdrawal of funding.

All risks at project level will be identified and mitigation measures put in place and monitored as part of the quarterly progress monitoring and annual review processes required by the IRES Programme Board. The HCI project risk register outlined in the management case will be regularly updated accordingly.

## 3 Economic Case

To deliver the impacts and address key needs for the sector it is critically important that investment starts early for key skills gaps, new training courses and pilot projects. Investing in regional inclusive skills approach via the HCI Skills Gateway provides an opportunity to catalyse early for this economic development pipeline.

The HCI project will provide enriched training and employment opportunities across the region for disadvantaged groups, accelerated new 'into work' training and upskilling of the regions workforce both private and public sector.

### 3.1 Labour Market Context and Gap Analysis

According to recent CITB statistics and analysis the SES region has key shortages in many construction skill areas<sup>16</sup>. To deliver the regional and Scottish government's housing delivery plans requires a step change in delivery and supply of skills at all levels. The City Region Deal provides a unique opportunity to accelerate and support the housing developments for SES and parallel innovation infrastructure needs. The integration of all education and training providers working together through the ESESCRD provides a platform to enable a regional inclusive growth approach and a strong highly skilled regional workforce.

According to the Office for National Statistics and Scottish Government reports the south east of Scotland is the fastest growing region of Scotland for population and 5th fastest in the UK<sup>17</sup>. Indeed the National Records for Scotland<sup>18</sup> highlight the top three local authorities with the greatest percentage increase (2016-2026) in population are in SES such as Midlothian (13.3%), East Lothian (8.6%) and City of Edinburgh (7.7%). The Scottish average increase is 3.2% and the top four of Scotland's LAs to have the greatest increase in working age population are in the SES. Also comparing

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<sup>16</sup> CITB Report. Local Construction Skills Needs for Scotland. CITB Analysis, CITB. 2018

<sup>17</sup> Foresight Report: People in Cities – The Numbers. Population projections for 63 cities (2011-2036). UK Government Office for Science. 2014.

<sup>18</sup> <https://www.nrscotland.gov.uk/files/statistics/population-projections/sub-national-pp-16/pop-proj-principal-2016-tab-publication.pdf>

major cities for working age population Edinburgh's increase is forecast to be 8% versus Glasgow at 4%.

This will require housing output to increase by 40% above previous supply levels. Almost one third of all Scottish housing output will be in this region 2019-2039, focused within 6 of Scotland's 32 local authorities. The pipeline of private housing, public housing, infrastructure and demand will require over £34 Billion of new housing and infrastructure assets to be delivered over the next 20 years<sup>19</sup>.

This investment enables skills and employment growth for the region and for people within the region. The economic loss to the region if such inclusive skills investments are not undertaken would result in imported infrastructure, imported construction housing systems and a 'transient' non-regional workforce.

The ESES City Region is forecast to experience significant and sustained growth in demand for Housing and Construction related skills due to significant increases in population, households and commercial and infrastructure developments.

The current supply of labour and skills in the region, whilst increased over recent years, is still not sufficient to meet future needs in term of volume or key current and future skills. Over the next 20 years it is estimated the region will have to construct approximately 145,000 new homes which is 40% more than in the 20-year period prior to the 2008 recession. This represents circa 35% of all new housebuilding activity in Scotland over the coming decades. Analysis<sup>18</sup> predicts a gap of 3,000 in skill supply chain over the coming years, highest of any region in Scotland, and this excludes the additional demand stimulated by City Region Deal Investments and "Brexit" effects.

Such estimates are based on ONS and National Register of Scotland forecasts for the SES region 2017 to 2037, recently revised with minimum number of households increase to be 122,000<sup>20</sup>. 43,000 applicants are also on housing waiting lists across the SES<sup>21</sup>. In addition, four of the six SES LAs have housing stock which is above average for critical disrepair. This also places pressure on replacement by new homes supply and regeneration requirements when not financially viable or sustainable to retrofit. In 2015 the Housing Need Demand Assessment 2015-2025 for City of Edinburgh<sup>22</sup> alone stated a requirement of between 38,000 to 46,000. Taking all of the aforementioned into account, the forecasted new housing need to 2038 for SES was between 133,000 and 157,000 new homes or an average of 145,000 as estimated.

The skills shortages have been described by businesses and industry bodies as "unprecedented" in terms of key site skills for bricklaying, joinery and some other key trades.

Additionally, the nature of skills demand is changing with new construction techniques, offsite construction, and digital technologies driving a change in the skills demand for new entrants and the

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<sup>19</sup> Future Housing Needs for SE Scotland. Presentation to City Region Deal Housing Group. Professor Sean Smith. Edinburgh Napier University. 2016.

<sup>20</sup> <https://www.nrscotland.gov.uk/files/statistics/household-projections/16/household-proj-16-pub.pdf>

<sup>21</sup> <http://www2.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/HousingLists?wb48617274=477B6596>

<sup>22</sup> <http://www.edinburgh.gov.uk/downloads/file/8631/strategic-housing-investment-plan-ship-201718-202122>

existing workforce. This means we must innovate our learning offer to better meet the needs of tomorrow's world and provide a gateway to support inclusive growth to enable pathways into employment.

### *3.1.1 Reducing inequalities*

Currently, access for HCI Skills related activity is fragmented, sporadic and often late reactive to industry needs. The HCI Skills Gateway as proposed however puts industry aligned jobs at the start – better sighting of industry need, more proactive and better equipped to improve transition from skills gaps to 'into work' ratios. Currently there is little prioritisation from the industry to target disadvantaged groups and especially those living in SIMD 20 areas.

The diversity and gender profile of the industry does not compare well against the region's population profile indicating that the industry is not attractive to many sections of society impacting on its ability to reduce skills gaps and shortages or effectively innovate. 12% of construction sector are women of which 90% are in non-site based roles. Currently less than 2% of 'Construction and related Modern Apprenticeships' are female.<sup>23</sup>

89% of higher level roles are undertaken by men and recent analysis in the south east region identified a lack of progression by females into higher qualifications (advanced skills). This reduces the ability for female career progression and limits the 'role model' capabilities to encourage future female generations entering the sector.

Youth unemployment across the region continues to be a concern. More needs to be done by the sector to target and support our schools and specifically those in SIMD 20 areas. More needs to be done to support unemployed, better joint working across Local Authority employment and training workshops to increase training supply and linkages with industry demand. Increased targeting of veterans, ex-offenders, carers and supporting women into higher paid jobs and helping those planning to return to work.

### *3.1.2 Evidence Base of Demand*

As each project comes forward as a proposal whether for short training for new jobs, advanced careers, upskilling to higher pay and roles an evidence base would be required. In the case of the current initial pilot for bricklaying for house building Borders College have received interest from Hart Builders to train 16 in the first two cohorts. Hart Builders had heard via the Scottish Government Skills Group which they serve on that such a pilot might take place.

At the Homes for Scotland (HfS) board meeting in September 2018 all house builders present stated they would take on trainees through this new pilot programme if started. HfS have surveyed their member companies operating in SE Scotland and have received notes of interest for 30 trainees from these companies. Training on such pilot programmes would be based both in the company and colleges. This helps with job security and ensuring mentoring and support is provided throughout their training for these jobs.

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<sup>23</sup> Skills Development Scotland, Modern Apprenticeship Statistics Q2, 2018-19. (page 21)

<https://www.skillsdevelopmentscotland.co.uk/media/45100/modern-apprenticeship-statistics-quarter-2-2018-19.pdf>



The SES region hosts some of the leading UK construction systems for offsite and product manufacturers including Donaldson Timber Engineering (Fife), BSW Timber (East Lothian), Oregon Timber Frame (Borders), SIPSEco (Fife), ITW-Cullen (Fife), Walker Timber (West Lothian) and Grant Westfield (Edinburgh). In addition, adjacent local authorities host key growth companies such as Superglass, Norboard, Glenalmond Timber and many others. Supporting housing and construction skills growth in SES would also positively impact these companies and others across Scotland. Importantly, a region with an indigenous skilled workforce for construction is also attractive to future inward investment.

Further evidence of demand is included in [ANNEX - Inclusion and Demand Challenges for Regional Housing & Construction Sector](#)

### 3.1.3 Forward Planning for Skills

In 2017 a study was undertaken by Napier University on the current delivery of construction skills in the region involving the four colleges and the three universities. This was then mapped against the current industry supply of skills in the region using the CITB figures and also the expected reductions in workforce for retirement etc as predicted by CITB and industry partners.

Given the planned infrastructure and housing build programs for the region over the coming decade and the step change in requirements due to this increase some of the key skills that would be required are summarised in Table 1 over. In addition, those skills and jobs which could migrate into offsite construction routes for future jobs and planning were also identified.

**PROJECTED SKILLS GAP for South East Scotland (Site skills) for new build housing only**

Trades / Skills	SE Scotland South East Scotland Colleges - Current most recent year co-hort in training - entering industry in a single year (ALL - including FT/PT/Block release etc..)	SE Scotland Potential FE trained supply ANNUALLY entering New House Building estimated at 60%	SE Scotland 4 years supply from FE located in SE Scotland for New Build Housing	Scotland Skills Loss to sector by 2020/21 (retirement, able, moving away from region/oversea s)	SE Scotland. Skill Loss to SES by 2020/21 (retirement, able, moving away from region/oversea s)	SE Scotland Current Net FE Supply for New Build Housing till 2020/21 (FE Supply minus skills losses to sector)	SE Scotland (2021 - Scottish Government and SE Scotland NEW Housing targets - skills required) going forward	SDS figures of in training in SES (taking 60% entering New Build housing	SE Scotland GAP Supply required over NEXT 4 Years for annual NEW housebuilding	Potential for Offsite Manufacture (OSM) to reduce requirement in this area (diff skills)	COMMENTS
Construction project managers	44	26	106	200	67	39	133		94		
Trades supervisors	0	0	0	310	103	-103	207		310	OSM	Also Key Area for retrofit and RPP3
Joinery Carpentry Interior Fit Out	261	157	626	1860	620	6	1022		1016	OSM	Also Key Area for retrofit and RPP3
Bricklayers	111	67	266	480	160	106	267		160		
Painters & decorators	223	134	535	1030	343	192	556		364		Also Key Area for retrofit and RPP3
Plasterers	48	29	115	350	117	-1	178		179		Also Key Area for retrofit and RPP3
Roofers	105	63	252	350	117	135	178		42	OSM	
Glaziers	21	13	50	190	63	-13	104		117	OSM	Also Key Area for retrofit and RPP3
Plant mechanics / fitters	38	23	91	20	7	85	80		-5		
Construction NPA Programmes / Construction Operatives/Labourers/Se mi Skilled	232	139	557	640	213	343	222		222	OSM	Also a key area of need for retrofit and RPP3
Electrical trades	89	53	214	1570	523	-310	933	340	903		Essential for Utility Companies, Site set up, 2nd Fix, Renewables and Low carbon RPP3 future technologies and LC Heat
Plumbing / HVAC	75	45	180	490	163	17	271	208	46		
Civil Eng operatives	16	10	38	70	23	15	140	228	-103	SEE NOTE	BUT WILL be required for infrastructure of sites for future housing and UTILITY companies. SO there is NOT an oversupply
SDS "Construction" tech/ Specialist / apprentice / other								1344	-1344		
<b>Total</b>	<b>1247</b>	<b>758</b>	<b>3031</b>	<b>-7560</b>	<b>-2520</b>	<b>511</b>	<b>4291</b>	<b>2120</b>	<b>2003</b>		
			<b>3789</b>	<b>-9450</b>	<b>-3150</b>	<b>639</b>	<b>5364</b>	<b>2650</b>	<b>2504</b>		

OSM = capabilities of future growth in Off-site Manufacture which alleviates part of the pressure on new build housing

Potential future gaps also for LOGISTICS training, OFFSITE assembly (CSIC could supply this) and gaps for new NEW/LC TECHNOLOGIES

Table 1 Projected HCI Skills Gaps

Analysis of industry data, discussions with regional employers and news releases by industry trade bodies identify that there are key skill shortages. The South East of Scotland has a significant skills supply gap unlike any other Scottish region. There is a 2500 shortfall in the supply of key skills to meet the oncoming jobs demand. The introduction of specific site skills, shorter courses, quick entry to work

and upskilling are likely to be the fastest way to meet the oncoming demand. These jobs and shorter training periods are likely to be more helpful to disadvantaged groups. In addition those in the sector at lower level trades, site operatives and lower incomes would benefit from a structured supportive career pathways which HCI and companies could provide in order to access higher paid jobs.

## 3.2 The change we want to effect

Any future employability and skills programme must enhance and help to future proof the regional economy by combining and augmenting existing resources. It must increase the employment rate and close the opportunity gap between different sections of society. It also must increase productivity and earnings and help reduce the gap between the lowest and highest earners.

### 3.2.1 Identification of Options

Given alignment to the wider ESES City Region Deal proposals and opportunities available for ensuring inclusive growth, reducing poverty and widening equality, partners agreed to focus limited resource investment initially on HCI and Data Driven Innovation (DDI) Skills Gateway proposals. In the case of HCI, the most effective, efficient means of delivering the Skills Gateway was then considered and the following best options were selected for appraisal:

- **Status Quo (Business as Usual)** - Continuous improvement actions within individual organisations, but no integration or alignment between organisations
- **Public Sector Unitary Skills Supply Provider** - Increase resources for existing local training activity, but no integration or alignment between organisations
- **Private Sector Industry Skills Supply Provider** - Increase resources for existing local training activity, but no integration or alignment between organisations
- **Third Sector Regional Skills Supply Provider** - Introducing new regional employability and skills services to augment current activity
- **Integrated Regional Skills Supply Provider** - Integrated and aligned activity from community level to authority and regional scale as part of an inclusive, multi-agency, whole system, and whole person progression approach to services.

### 3.2.2 Appraisals Approach

Pros and cons of each option were assessed against impact criteria linked to the identified goals for an improved future Employability & Skills programme.

#### Status Quo (Business as Usual)

Continuous improvement actions within individual organisations, but no integration of alignment between organisations

Pros	Cons
Minimal disruption to service Ease of transition for participants Promotes Diversity	Duplication and progression bottlenecks Limited option to shared capacity across partners Limited opportunity to achieve economy of scale Service capacity will reduce over time due to financial constraints Current system for improving employability and delivering skills training has led to disparities and inequalities within the region. Continuing the status quo this trend is likely to continue, resulting in a widening of the skills and productivity gap



**Public Sector Unitary HCI Skills Supply Provider** - Increase resources for existing local training activity, but no integration or alignment between organisations

Pros	Cons
Alignment with key growth sectors Aligned with wider city region deal activity Promotes Diversity	Public Sector expenditure unlikely to increase Conflict with combined service offer Lack Regional coherence and alignment with wider city region deal Difficult to sustain due to affordability Not Industry recognised Lack of capacity for the sector to respond

**Private Sector Industry Unitary HCI Skills Supply Provider** - Increase resources for existing local training activity, but no integration or alignment between organisations

Pros	Cons
Alignment with key growth sectors Aligned with wider city region deal activity Promotes Diversity	Significant disruption to services and beneficiaries Loss of best practice and expertise during transition Risk of disconnect from local priorities Lack of capacity for the sector to respond

**Third Sector Regional HCI Skills Gateway Provider** - Introducing new regional employability and skills services to augment current activity

Pros	Cons
Alignment with key growth sectors Aligned with wider city region deal activity Promotes Diversity	Add to complexity and fragmentation Significant disruption to services and beneficiaries Lack of capacity for the sector to respond

**Integrated Regional HCI Skills Gateway Provider** - Integrated and aligned activity from community level to authority and regional scale as part of an inclusive, multi-agency, whole system, and whole person progression approach to services.

Pros	Cons
Adds additional capacity Minimal disruption Aligned with wider city region deal activity Reduced fragmentation over time Promotes Diversity	Requires cultural change and strong buy in from all partners Coordination and sequencing is challenging Requires investment in collaboration infrastructure (e.g. management systems)

### 3.2.3 Programme Option Analysis

Figure 5 below summarises assessment of each of the options in terms of set impact criteria.

Impact Criteria (0-None, 1-Low, 2-Medium, 3-High)	Status Quo	Public Sector HCI	Private Sector Industry	Third Sector Regional	Integrated HCI
Positive impact for service beneficiaries	2	2	2	2	3
Ease of Transition	3	1	1	1	2
Builds on established good practice	2	1	1	1	3
Targeting progression of disadvantaged groups	2	2	2	2	3
Increases value for money achieved	1	1	1	1	2
Aligned with key growth sectors	2	2	2	2	3
Promotes Regional collaboration	2	2	2	2	3
Contributes to City Region Deal commitments	2	2	2	2	3
Drives service streamlining and agility	2	2	2	2	3
Promoting Diversity	3	3	3	3	3
Affordable and sustainable	2	1	1	1	2
<b>COMBINED (# out of 30):</b>	<b>23</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>30</b>

Figure 5: Programme Options Appraisal

### 3.2.4 Preferred Option

The Integrated Regional HCI Skills Gateway - integrated and aligned activity from community level to authority and regional scale as part of an inclusive, multi-agency, whole system, and whole person progression approach to services compared to the as-is position and other alternatives considered is the preferred option for best delivery approach moving forwards.

Analysis highlighted that although the model is more difficult to introduce than to maintain the status quo both options outweighed the others considered. Impacts for service beneficiaries, building on established practice, better targeting of disadvantaged groups, value for money, affordability and sustainability were all key determinants.

The HCI project will help increase the employment rate and close the opportunity gap between different sections of society, while also helping to increase productivity and earnings and help reduce the gap between the lowest and highest earners.

### 3.2.5 Why the Integrated Regional HCI Skills Supply Provider model is preferred

The Integrated HCI project will be underpinned by a “regional skills partnership” consisting of the key public, private and third sector stakeholders that will pro-actively shape the regional skills offer to meet the current and future needs of the Edinburgh and South-East Scotland’s labour market.

The HCI project is an evidence based, citizen and employer-centric, and outcome-focused approach that will make an impact by:

- Maximising the social impact of wider Edinburgh and South-East Scotland City Region Deal capital investments
- Focusing on Fair Work and increasing the flow of talent from disadvantaged groups and communities into the healthy, sustainable career opportunities
- Reducing skills shortage and gaps in our key sectors

### 3.3 Impact of implementing the HCI project

The IRES programme has been allocated £25 million over an eight-year period to help facilitate a step change in inclusive growth by stimulating a change in culture and regional approach. This combined with the development of new skills content, enablers, and pilot activity will ensure our economy continues to generate good opportunities and that these are open and accessible by all sections of society.

We know the upcoming current and projected future construction program for the ESES City region and have assessed the number of people that would require to be trained and supported and to meet this demand. The HCI Skills Gateway will bring about the much needed focus on reducing worklessness and poverty through better alignment and the introduction of additional short flexible courses specific to industry needs and more appealing to disadvantaged individuals and families. It is anticipated that more local people will be engaged in the opportunities available. An improved business as usual approach will open up and provide direct linkage to new job gateways with industry where there are current skills gaps, future skills gaps and where new skills are demanded.

#### 3.3.1 Summary of Outcomes Benefits, and KPI's

The HCI Skills Gateway is an integral part of the IRES Programme and it is anticipated that significant inclusive benefits will be generated including;

- Increasing the visibility and unlocking access to good opportunities for those facing disadvantages in the labour market or are under-represented within the industry
- Opening up new talent pools to business and stimulating increased recruitment from under-represented groups into the good jobs and careers to help address skills shortages
- Evolving, streamlining and integrating HCI Skills career pathways to support progression
- Upskilling and improving workforce diversity across the region while also increasing capacity to equipped citizens with the skills they need to succeed throughout their working life

Table 2 below summarises the range of outcomes and benefit measures with timelines based on the funding available, experience of throughput from previous type employability programmes and the relative size of the industry in the region.

Note outcome measures to be topic of ongoing assessment and review to satisfy and adhere to the regular performance evaluation and scrutiny processes undertaken by the HCI delivery group. Scrutiny of overall performance management outcomes will also be a strict requirement included in the quarterly dashboard and annual reporting cycle of the HCI Delivery Group to the IRES Board.

Outputs	Measure (s) Outcomes & Benefits - Jobs / Upskill	Years 1- 3	Years 4- 8	Total
<b>INCLUSIVE REACH &amp; EARLY SKILLS</b>				
<b>'Into work' short courses for those facing disadvantages in the labour market or are under-represented within the industry.</b> <ul style="list-style-type: none"> <li>Residents of region's bottom 20% SIMD areas</li> <li>Care experienced individuals</li> <li>Individuals with a disability</li> <li>Women (Gender balance across roles)</li> <li>Veterans and ex-offenders</li> </ul>	Increased participation in sector or sector related training leading to min 60-80% going into jobs	300	500	<b>800</b>
<b>Mentor and support school children from ESES City Region's bottom 20% SIMD areas to enable sustained positive destinations and encourage entry into Housing and Construction sector careers</b>	Number supported into work min 70% target of total	100	300	<b>400</b>
<b>To support "access to learning" such as training from home - online training animations developed for key skills and future new skills</b>	Animations developed	45	95	<b>140</b>
<b>ACCELERATING INTO WORK AND UPSKILLING</b>				
<b>Additional Industry-led training and skills improvements undertaken through short training courses designed to unlock opportunities for above target groups (60% minimum) – including on-site civils short courses, pop up factory training</b>	Numbers attending and accredited with training.	1800	3200	<b>5,000</b>
Additional Modern Apprenticeships in areas of shortage and gap, <b>(SDS funded)</b>		300	600	<b>900</b>
<b>EMPLOYABILITY (New Trades &amp; short courses)</b>				
Support for entry to new short skill courses addressing regional key skill gaps (Note: 80% of Years 4-8 will be embedded in future mainstreamed programmes)	Numbers Supported going into work min 70% of target	135	225	<b>360</b>
<b>ADVANCED SKILLS &amp; GENDER DIVERSITY</b>				
Additional training and skills improvements in higher specialist qualifications, with a focus the <b>above target groups (60% minimum)</b>	Numbers completing min 80% of target	60	140	<b>200</b>
Revised programmes and specialist online courses to increase upskilling across the region	Numbers completing and moving into new skill/job	100	200	<b>300</b>

Outputs	Measure (s) Outcomes & Benefits - Jobs / Upskill	Years 1- 3	Years 4- 8	Total
	roles 60% of target (limited by HCI programme length as some may benefit later)			
Use of new online digital training	Numbers Accessing / using online min 70% of target	700	1400	<b>2100</b>
<b>TALENT DEVELOPMENT &amp; Industry Liaison</b>				
FE Talent Accelerator	Number receiving support leading to new jobs min 70% of target	60	100	<b>160</b>
BeX Talent Accelerator	Number receiving support going into work 80% of target	30	50	<b>80</b>
Employers (private and public sector) making additional investment in the HCI Gateway	Direct (indirect) financial support to HCI gateway			£1.7 million plus in kind leverage

*Table 2 – Outcomes, benefits, measures and timelines.*

Numbers shown are the numbers to be trained and receive support. It is anticipated that the range of success to jobs, upskilling into other roles is aimed at between 60% to 80% of the total supported.

This variation is dependent on industry timing on job starts, completion rates, change in plan by individuals, personal circumstances and industry changes.

## 4 Commercial Case

We know that public sector investment in employability and skills provision spanning schools, colleges, universities, National Training Programmes etc. is substantial. It is therefore vital moving forwards that outcomes are maximised and delivered by the most effective and efficient means.

Critical to making progress towards an inclusive labour market will be the creation of the right leadership and collaboration environment to stimulate whole system thinking and a shared commitment to improving the quality and quantity of collective outcomes.

The HCI Skills Gateway Delivery Group will have operational management responsibility for the HCI Skills Gateway project. All procurement will uphold the overarching principle to achieve best value and the management Case to follow details further the role of the HCI Skills Gateway Delivery Group.

## 5 Financial Case

Table 3 over shows the planned activities, spend plans and time lines for the period 2018-2026. Spend profiles relate specifically to the range of activities required to successfully deliver the five key sub-themes of the HCI Skills Gateway.

Note the HCI project will not be utilising funds towards Modern Apprenticeships (MAs). Given the current and future skills demand in the region, HCI would work with SDS and others (e.g. CITB) to encourage employers to engage with future MA increases as the region grows. It is however estimated that the region would require an increase in MA provision to support the future workforce needs.

## Housing, Construction and Infrastructure Skills Gateway (V3.5)

HCI SKILLS GATEWAY Activity vs CRD Spend Timeline	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL	External (£,000) e.g. from Industry / FE / HE / Other
	(£,000)	(£,000)	(£,000)	(£,000)	(£,000)	(£,000)	(£,000)	(£,000)	(£,000)	
<b>PROJECT MANAGEMENT AND DEVELOPMENT</b>										
HCI Project Manager (staff)	25.0	40.0	40.0	40.0	30.0	22.0	22.0	22.0	241.0	
HCI Digital Animator - Regional support (staff)	12.0	23.0	24.0	25.0	20.0	20.0	15.0	15.0	154.0	
HCI Administrator	3.0	30.0	30.0	30.0	26.0	24.0	24.0	30.0	197.0	
<b>Sub-TOTAL:</b>	<b>40.0</b>	<b>93.0</b>	<b>94.0</b>	<b>95.0</b>	<b>76.0</b>	<b>66.0</b>	<b>61.0</b>	<b>67.0</b>	<b>592.0</b>	
<b>ESES City Region Deal Contribution:</b>	<b>40.0</b>	<b>93.0</b>	<b>94.0</b>	<b>95.0</b>	<b>76.0</b>	<b>66.0</b>	<b>61.0</b>	<b>67.0</b>	<b>592.0</b>	
<b>INCLUSIVE REACH &amp; EARLY SKILLS</b>										
DEC Ambassadors (FE) - mentoring DEC 400		60.0	60.0	80.0	60.0	60.0	50.0	40.0	410.0	In-kind contribution
DEC Ambassadors (HE) - mentoring DEC 400		18.0	18.0	20.0	20.0	20.0	15.0	9.0	120.0	In-kind contribution
HCI "Into Work" Short Courses (Adult learning, pre-apprenticeship support) - LA training workshops		80.0	80.0	80.0	85.0	80.0	90.0	90.0	585.0	
Equality & Diversity Officer (Staff - Combined 50% DDI)	10.0	23.0	24.0	24.5	26.0	27.0	28.0	28.0	190.5	
Events and Exhibitions		10.0	20.0	30.0	30.0	30.0	20.0	10.0	150.0	90
DEC funding into Schools (Ambassador workshops)		20.0	40.0	45.0	45.0	40.0	40.0	30.0	260.0	135
HCI Online Training Animations support from industry		40.0	50.0	40.0	30.0	20.0	10.0	10.0	200.0	230
<b>Sub-TOTAL:</b>	<b>10.0</b>	<b>251.0</b>	<b>292.0</b>	<b>319.5</b>	<b>296.0</b>	<b>277.0</b>	<b>253.0</b>	<b>217.0</b>	<b>1,915.5</b>	<b>455</b>
<b>ESES City Region Deal Contribution:</b>	<b>10.0</b>	<b>196.0</b>	<b>212.0</b>	<b>242.0</b>	<b>228.5</b>	<b>222.0</b>	<b>213.0</b>	<b>187.0</b>	<b>1,510.5</b>	
<b>ACCELERATING INTO WORK and UPSKILLING</b>										
HCI Pilot Projects (Multiskills, Pre-Apprenticeship Support, FrontEnd PDA, CATS)	5.0	90.0	120.0	120.0	120.0	120.0	110.0	100.0	785.0	In-kind Contribution
Joint CPD and Upskilling with Industry	0.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	490.0	270
Regional Inclusive Career Pathway Developments	4.0	12.0	8.0	8.0	8.0				40.0	In-kind contribution
<b>Sub-TOTAL:</b>	<b>9.0</b>	<b>172.0</b>	<b>198.0</b>	<b>198.0</b>	<b>198.0</b>	<b>190.0</b>	<b>180.0</b>	<b>170.0</b>	<b>1,315.0</b>	<b>270.00</b>
<b>ESES City Region Deal Contribution:</b>	<b>9.0</b>	<b>137.0</b>	<b>163.0</b>	<b>163.0</b>	<b>163.0</b>	<b>155.0</b>	<b>145.0</b>	<b>135.0</b>	<b>1,070.0</b>	
<b>EMPLOYABILITY PATHWAYS &amp; New TRADES Short courses</b>										
New HCI short courses addressing "entry to" regional key skills gaps (bricklaying for housebuilding, BIM, Sensors/Fibre/Offsite/LEV) 30, 45, 60, 45 places in first 4 years - including training at CSIC		100.0	120.0	130.0	130.0	130.0	130.0	130.0	870.0	In-kind Industry contribution
Additional MA places (integrated into future SDS funding plans)		220.0	450.0	590.0	450.0	400.0	400.0	300.0	2,810.0	SDS
FE Staff Upskilling		20.0	20.0	20.0	20.0	20.0			100.0	
Industry investment in training facilities		30.0	40.0	30.0	20.0	20.0	20.0	10.0	170.0	170
<b>Sub-TOTAL:</b>	<b>0.0</b>	<b>370.0</b>	<b>630.0</b>	<b>770.0</b>	<b>620.0</b>	<b>570.0</b>	<b>550.0</b>	<b>440.0</b>	<b>3,950.0</b>	<b>170</b>
<b>ESES City Region Deal Contribution:</b>	<b>0.0</b>	<b>120.0</b>	<b>140.0</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>	<b>130.0</b>	<b>130.0</b>	<b>970.0</b>	
<b>ADVANCED SKILLS and GENDER DIVERSITY</b>										
New MSc / CPD courses for industry needs, return to work & Upskilling		70.0	80.0	80.0	100.0	85.0	80.0	80.0	575.0	
Industry investment in MSc/CPD courses and upskilling		40.0	40.0	40.0	45.0	40.0	40.0	40.0	285.0	205
Revised programmes / short courses to increase skills supply for key industry needs		35.0	45.0	60.0	60.0	60.0	60.0	60.0	380.0	
Others investment in short courses, staff, materials, events		45.0	90.0	90.0	80.0	70.0	60.0		435.0	435
<b>Sub-TOTAL:</b>	<b>0.0</b>	<b>190.0</b>	<b>255.0</b>	<b>270.0</b>	<b>285.0</b>	<b>255.0</b>	<b>240.0</b>	<b>180.0</b>	<b>1,675.0</b>	<b>640</b>
<b>ESES City Region Deal Contribution:</b>	<b>0.0</b>	<b>105.0</b>	<b>125.0</b>	<b>140.0</b>	<b>160.0</b>	<b>145.0</b>	<b>140.0</b>	<b>140.0</b>	<b>955.0</b>	
<b>TALENT DEVELOPMENT &amp; Industry Liason</b>										
Talent accelerator and industry liaison (staff)		28.0	28.0	22.0	20.0	20.0	22.0	24.0	164.0	
ESESCRD Talent Accelerator (FE) program		15.0	40.0	40.0	50.0	50.0	50.0	50.0	295.0	
ESESCRD BeX Accelerator (HE) program		40.0	45.0	45.0	45.0	50.0	50.0	55.0	330.0	
Industry investment in accelerator programs		40.0	50.0	50.0	50.0	45.0	35.0	30.0	300.0	300
<b>Sub-TOTAL:</b>	<b>123.0</b>	<b>163.0</b>	<b>157.0</b>	<b>165.0</b>	<b>165.0</b>	<b>157.0</b>	<b>159.0</b>	<b>1,089.0</b>	<b>300</b>	<b>300</b>
<b>ESES City Region Deal Contribution:</b>	<b>83.0</b>	<b>113.0</b>	<b>107.0</b>	<b>115.0</b>	<b>120.0</b>	<b>122.0</b>	<b>129.0</b>	<b>789.0</b>	<b>789.0</b>	
<b>TOTAL:</b>	<b>59.0</b>	<b>1,199.0</b>	<b>1,632.0</b>	<b>1,809.5</b>	<b>1,640.0</b>	<b>1,523.0</b>	<b>1,441.0</b>	<b>1,233.0</b>	<b>10,536.5</b>	<b>1,835.0</b>
<b>ESES City Region Deal Contribution TOTAL:</b>	<b>59.0</b>	<b>734.0</b>	<b>847.0</b>	<b>897.0</b>	<b>892.5</b>	<b>858.0</b>	<b>811.0</b>	<b>788.0</b>	<b>5,886.5</b>	
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26		

Table 3. HCI planned activities, spend plans and time lines for the period 2018-2026.

Table 3 should be read in conjunction with Tables 4 and 5 in the Management Case detailing Phase 1 and Phase 2 of the HCI Skills Gateway project plan activity. Note an inflation rate of 1.5% has been included in the calculations.

## 6 Management Case

At the core of the project will be the **HCI Skills Gateway Delivery Group** that will oversee progress towards project objectives and work with the IRES Board and other project leads to support the delivery of the wider IRES programme goals.

### 6.1 Project Management and Theme Support

The delivery of gateway activities will be undertaken by the Project Management and Development team, as illustrated

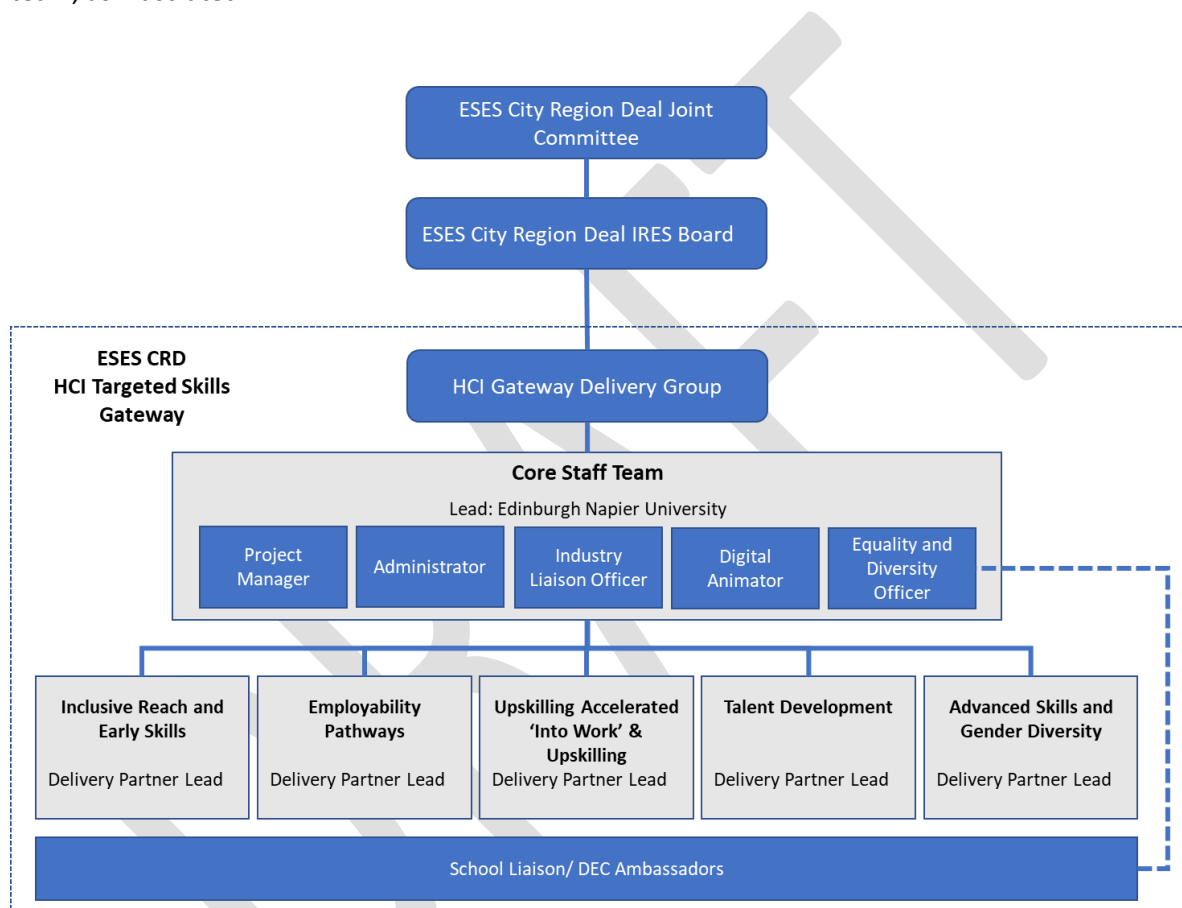


Figure 6: Proposed governance structure.

Each of the HCI Skills Gateway subthemes would be led by a Local Authority, Further Education or Higher Education partner – providing direction and responsibility to progress and track the training and partnership. Each subtheme would involve a series of partners to set up, deliver and report on progress. As each subtheme comes forward for funding support – there would be a specific business plan, timelines, impacts and outcomes measure associated with the subtheme prior to commencement.

Core Staff roles and functions are as follows:

- **Project Manager (PM)** who will be responsible for the co-ordination and initial set up of the project. As the gateway progresses and activity is delivered more as business as usual by



regional delivery partners it is planned that the role of the PM will reduce proportionately. This is reflected in the project budget. PM is responsible for setting up monitoring and tracking arrangements, all financial management systems and use of IRES funding and reporting progress and future development recommendations to the IRES Board. Working with delivery partners on streamlining delivery, integrating and mainstreaming activities into business as usual.

- **Equality & Diversity Officer**, in a joint role, shared with the DDI Gateway, to promote the focus on equality throughout the skills development teams and to engage with the construction sector (private and public). Developing relationships mechanisms and supports to ensure target disadvantaged clients sustain and progress into good work. Working with employability e.g. Intensive Family Support and community engagement teams to promote opportunities and flexible routes into HCI careers. Facilitating focus groups with disadvantaged client groups to inform development.
- **Industry Liaison Officer**, to support industry linkages, talent engagement and administration of the gateway. This role will also feed in to the Integrated Employer Engagement activity as part of the wider IRES. Developing relationships, mechanisms and supports to unlock jobs/opportunities for all individuals progressing through pipeline, promoting workforce development/diversity and the benefits of fair work. Working with Employers, Employer engagement teams (e.g. IEE) and DYW to promote opportunities and flexible routes into HCI Skills careers. Facilitating focus groups with employers to inform development.
- **Regional Skills Online Training Animator**, to develop digital regional training animations, for use of all FE/HE and LA Training Workshop providers, which can support accelerated training. As new products, systems, innovations and processes are developed by the region's construction businesses it will be important to embed new training to support their deployment. The development of CPD materials and digital online training content will enhance the ability for people who are often unable to regularly attend education and training campuses to learn at home eg. young carers, women returners, disabled and veterans adjusting to new employment opportunities.

Responsible for pulling together the content and keeping up to date, compelling, cutting edge curricular material, all accessible to disadvantaged groups. Managing relationships with delivery organisations in education, public and third sectors to ensure consistency of use. Facilitate sessions with training providers on promotion and use of materials.

The animations would be a supplementary learning resource for those who may have difficulty getting to college or LA training facilities. They would also be utilised by all four colleges to help mainstream some key new skills leading to greater accessibility for anyone in the region .

- **HCI Skills project administrator**, to support the above staff, themes, events and meetings.

Delivering the twin ambitions of inclusive growth and innovation through the Housing and Construction Sector requires strong alignment between local, regional and national ambitions, policies and resources. As the project becomes embedded, resource requirement for most of the above roles will be mainstreamed business as usual after year 3 with the exception of the Equality & Diversity Officer.

The **HCI Skills Gateway Delivery Group** will be responsible for planning, implementing, reviewing, and refining the HCI Skills Gateway activity to ensure it delivers the change and inclusive growth ambitions for the ESES City Region Deal. Membership of this group will be as follows and it is proposed that the group would be chaired by an industry or communities representative supported by a vice chair with a background in inclusion.

Role	Organisation or Group	No.
<b>Chair/Vice-Chair</b>	Independent representative	1
<b>Delivery Partners</b>	<b>Edinburgh Napier University (Lead and Project Accountable Body)</b> , Borders College, Edinburgh College, Fife College, Heriot-Watt University, West Lothian College, University of Edinburgh	7
<b>Inclusion Representatives</b>	EQUATE, Local Authorities, Third Sector,	3
<b>Industry Representatives (1)</b>	Homes for Scotland, Scottish Builders Federation, Federation of Master Builders, Offsite Construction Representative	4
<b>Public Skills Bodies &amp; Innovation</b>	Skills Development Scotland, Construction Scotland Innovation Centre, Energy Skills Partnership	4

*Note: lead members from other IRES themes would attend the delivery group as and when necessary to ensure compatibility across IRES objectives and engage with specific aspects and sub-themes*

This multi-stakeholder project management arrangement is supported by IRES PMO staff and will report to the IRES Board as previously indicated in Figure 6. Any variations to the programme will be in accordance with the agreement chain outlined below in Figure 7.

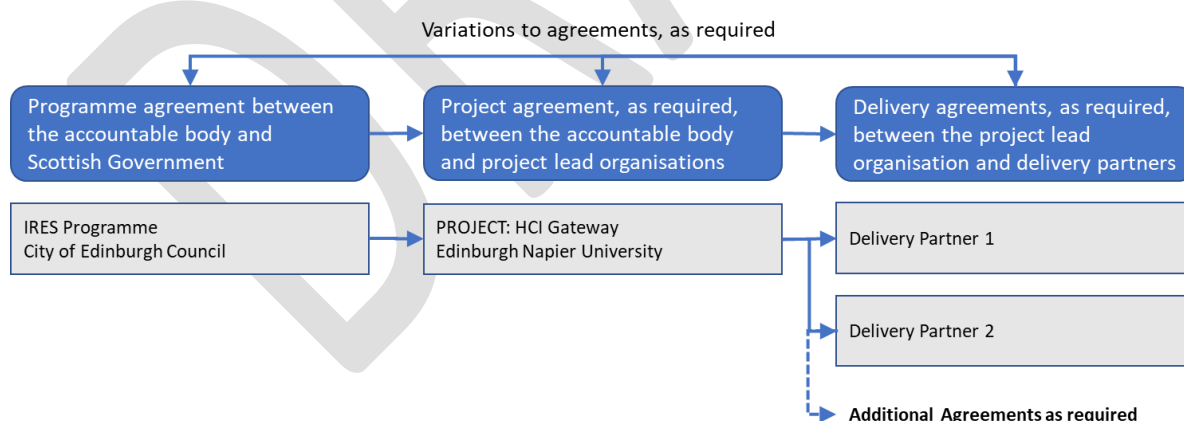


Figure 7: Agreement Chain

The Construction Scotland Innovation Centre has several potential roles in relation to supporting upskilling, industry outreach and networks. Championing new innovations and future required job training by companies or FE partners, inspiring the future workforce, promoting the sector’s attraction and technological changes. Also an outreach role for attracting women back or into the sector and awareness of key shifts in the sector which helps inform future employment and career pathways.

Outreach engagement with the region's industry will be undertaken for each sub theme area to ensure it has local industry support. This will be done by the HE/FE and LA partners and ensure ongoing monitoring of volumes, timelines and key skills uptake.

Governance and management arrangements as set out are aim to empower the key delivery partners to:

- operate strategically and operationally with their partners to fully realise the inclusive growth potential of the sector and the economic assets that are created
- respond to issues critical for the sector and its positive impact on wellbeing in the region
- align project and programme resources to maximise the impact of public and partner skills investments in the Housing, Construction and Infrastructure Sectors.

The accountable body for delivery of the HCI Skills Project will be Edinburgh Napier University through a delivery agreement with the ESES City Region Deal Lead Accountable Body (City of Edinburgh Council) with strict monitoring of HCI Skills Project progress within an approved agreement framework.

## 6.2 Stage and Gate Approach

A Stage & Gate Approach will be used to ensure HCI Skills Gateway funding is meeting its target objectives. Early enquiries have already been received from companies who are looking at the future growth of Edinburgh for housing, construction and infrastructure. The HCI resource will target companies where there are industry needs in their skills portfolio and where there are jobs. As proposals are developed by FE/HE or LA employment teams, each will require to evidence the planned industry uptake and interest. All pilot programmes will require to demonstrate industry take up and jobs prior to being funded.

## 6.3 Project Plan

The HCI Skills Gateway is a change programme with the intention that any new activity introduced, will, throughout the project lifecycle become the norm. Following this principle, as the new mainstream activity takes over and translates into these skills sets, pathways and support structures, management costs at the 'core' can ultimately be reduced as a consequence. The embedded HCI Skills Gateway Delivery Group will still however continue its role to lead, monitor and ensure satisfactory progress as intended. The HCI Skills Gateway will be delivered in two phases as outlined in Tables 4 and 5 over.

# Housing, Construction and Infrastructure Skills Gateway (V3.5)

HCI Skills Gateway	PHASE 1 - 2018 to 2021													
	<i>(Setting up, start of pilots, into work programmes, new short courses, gender &amp; diversity)</i>													
	2018/19		2019/20				2020/21				2021/22			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		
<b>PROJECT MANAGEMENT AND DEVELOPMENT</b>	PROJECT MANAGEMENT AND DEVELOPMENT													
HCI Project Manager (staff)	PM							Review						
HCI Digital Animator - Regional support (staff)		DA						Review						
HCI administrator	Admin							Review						
<b>INCLUSIVE REACH &amp; EARLY SKILLS</b>	INCLUSIVE REACH & EARLY SKILLS													
DEC Ambassadors (FE) - mentoring DEC 400	FE	roll out	Pilot											
DEC Ambassadors (HE) - mentoring DEC 400	HE	roll out	Pilot											
HCI "Into Work" Short Courses (Adult learning, pre-apprenticeship support) - LA training workshops	LA	roll out	Pilot											
Equality & Diversity Officer (Staff - Combined 50% DDI)	EDO						Review							
Events and Exhibitions	Industry		Schools		Industry		Schools		Industry		Schools			
DEC funding into Schools (Ambassador workshops, Teacher Training / Career Officers CPD)	Set up		roll out				Review					Review		
Online Training Animations support from industry	Set up		roll out				Review					Review		
<b>ACCELERATING INTO WORK and UPSKILLING</b>	ACCELERATING INTO WORK and UPSKILLING													
HCI Pilot Projects (Multiskills, Pre-Apprenticeship Support, FrontEnd PDA, CATS)		Set up					Pilot							
Joint CPD and Upskilling with Industry	Set up	roll out	Pilots and Partnership CPD Programmes											
Regional Inclusive Career Pathway Developments		Set up			roll out	Pilot outreach and track			End	Mainstream				
<b>EMPLOYABILITY PATHWAYS &amp; New TRADES Short courses</b>	EMPLOYABILITY PATHWAYS & New TRADES Short courses													
New HCI short courses addressing "entry to" regional key skills gaps (bricklaying for housebuilding, BIM, Sensors/Fibre/Offsite/LEV) 30, 45, 60, 45 places in first 4 years - including training at CSIC	Set up - Series of projects and start 1st Pilot Project Q3 2018/19					Multi-Pilot Projects								
FE Staff Upskilling	Set up and track (with annual review)							End	Embedded					
Industry investment in training facilities	Continuous engagement with industry													
<b>ADVANCED SKILLS and GENDER DIVERSITY</b>	ADVANCED SKILLS and GENDER DIVERSITY													
New MSc / CPD courses for Industry needs; Return to work; & Upskilling	Set up	Multiple pilots												
Industry investment in MSc/CPD courses and upskilling	Ongoing													
Revised programmes / short courses to increase skills supply for key industry needs	Ongoing					Review	Ongoing			Review				
Others investment in short courses, staff, materials, events	Ongoing					Review	Ongoing			Review				
<b>TALENT DEVELOPMENT &amp; Industry Liason</b>	TALENT DEVELOPMENT & Industry Liason													
Talent Accelerator and industry liaison (staff)		TA												
ESESCRD Talent Accelerator (FE) program			Set up			Roll out	Pilots							
ESESCRD BeX Accelerator (HE) program		Set up			Roll out									
Industry investment in accelerator programs	Continuous engagement with industry													
<b>SUB THEME REVIEWS</b>						Review						Review		
<b>HCI SKILLS GATEWAY</b>	2018/19		2019/20				2020/21				2021/22			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2		

Table 4: Phase 1 HCI Skills Activities (Years 1 to 3)

HCI Skills Gateway	PHASE 2 - 2021 to 2026									
	(Mainstreaming and Conversion to Mainstream)									
	2021/22	2022/23		2023/24		2024/25		2025/26		2026/27
Activity vs CRD Spend Timeline	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2
<b>PROJECT MANAGEMENT AND DEVELOPMENT</b>	PROJECT MANAGEMENT AND DEVELOPMENT									
HCI Project Manager (staff)		Review				Review				End
HCI Digital Animator - Regional support (staff)		Review				Review				End
HCI administrator		Review				Review				End
<b>INCLUSIVE REACH &amp; EARLY SKILLS</b>	INCLUSIVE REACH & EARLY SKILLS									
DEC Ambassadors (FE) - mentoring DEC 400	Shift to Mainstream									End
DEC Ambassadors (HE) - mentoring DEC 400	Shift to Mainstream									End
HCI "Into Work" Short Courses (Adult learning, pre-apprenticeship support) - LA training workshops	Shift to Mainstream									End
Equality & Diversity Officer (Staff - Combined 50% DDI)		Review				Review				End
Events and Exhibitions	Industry	Schools	Industry	Schools	Industry	Schools	Industry	Schools	Industry	End
DEC funding into Schools (Ambassador workshops, Teacher Training / Career Officers CPD)				Review			Review			End
Online Training Animations support from industry				Review			Review			End
<b>ACCELERATING INTO WORK and UPSKILLING</b>	ACCELERATING INTO WORK and UPSKILLING									
HCI Pilot Projects (Multiskills, Pre-Apprenticeship Support, FrontEnd PDA, CATS)	Review	End	Mainstream							
Joint CPD and Upskilling with Industry	Partnership programmes				Shift to Mainstream					
Regional Inclusive Career Pathway Developments	Mainstream									
<b>EMPLOYABILITY PATHWAYS &amp; New TRADES Short courses</b>	EMPLOYABILITY PATHWAYS & New TRADES Short courses									
New HCI short courses addressing "entry to" regional key skills gaps (bricklaying for housebuilding, BIM, Sensors/Fibre/Offsite/LEV) 30, 45, 60, 45 places in first 4 years - including training at CSIC	Review	End	Mainstream							
FE Staff Upskilling	Embedded in mainstream activity									
Industry investment in training facilities										
<b>ADVANCED SKILLS and GENDER DIVERSITY</b>	ADVANCED SKILLS and GENDER DIVERSITY									
New MSc / CPD courses for Industry needs; Return to work; & Upskilling	Review	End	Mainstream into GA routes							
Industry investment in MSc/CPD courses and upskilling	Review	End	Mainstream into GA routes							
Revised programmes / short courses to increase skills supply for key industry needs	Ongoing			End	Mainstream into key programmes					
Others investment in short courses, staff, materials, events	Ongoing			End	Mainstream					
<b>TALENT DEVELOPMENT &amp; Industry Liason</b>	TALENT DEVELOPMENT & Industry Liason									
Talent Accelerator and industry liaison (staff)	Mainstream into normal support									
ESESCRD Talent Accelerator (FE) program	Review				Mainstream into new MA route					
ESESCRD BeX Accelerator (HE) program	Mainstream into potential GA Innovation & Entrepreneurship route									
Industry investment in accelerator programs	Mainstream into new GA/MA routes									
<b>SUB THEME REVIEWS</b>	Major 3 Year Review			Review			Review			End report
<b>HCI SKILLS GATEWAY</b>	2021/22	2022/23		2023/24		2024/25		2025/26		2026/27
	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2

Table 5: Phase 2 HCI Skills Activities (Years 4 to 8)

### 6.3.1 Phase 1 (Years 1 to 3)

Table 4 outlines current plans for years 1-3. During the first phase there will be focus on:

- Setting up project delivery group
- Establishment of key leads for sub-themes (from LA, FE and HE)
- Stage 1 and 2 pilot programs set up and rolled out in Years 1-3
- Partnership programmes established with industry trade bodies
- Establishment of DEC Ambassadors
- Establish and track the pathways of the first cohort of the DEC 400 pupils
- Career pathways mapping
- Outreach events
- Training of teachers, DEC ambassadors and career officers in schools
- First cohorts of Advanced Skills launched
- Equality and diversity programs with industry and public sector employers for DEC
- Offsite awareness skills development with CSIC
- Establishment of talent development frameworks
- Regional BeX program
- Key reviews of progress, monitoring, outputs and lessons learnt

### 6.3.2 Phase 2 (Years 4 to 8)

Phase 2 would continue with many of the above but also take on learning from initial phase and will be highly dependent on outcomes and progress achieved. A strong focus within Phase 2 will be to take previous Phase 1 pilot projects and the associated support to convert these into mainstream approach a key legacy outcome of the ESESCRD IRES objectives. Tables 4 and 5 outline the proposed HCI Skills activities, planning and timelines.

### 6.3.3 Inclusive Reach and Early Skills

The HCI Skills Gateway will facilitate increased capacity for the sector to engage those under-represented in the industry through the establishment of a network of DEC Ambassadors across the SES City Region. DEC Ambassadors will work across schools, colleges and universities and build the necessary capacity to bring about the necessary cultural change that will increase employment in the sector.

DEC Ambassadors will:

- Target activity for young people in the most deprived SIMD areas to engage in the HCI industry
- Engage with local training providers and key target schools with the highest concentrations of pupils in deprivation
- Provide mentoring and support to DEC 400 pupils
- Engage with Construction Scotland Innovation Centre and Scottish Enterprise to support offsite awareness, introductions to the sector, industry innovations, future career routes, opportunities and innovative training such including virtual training systems
- Link directly with the four Regional Developing Young Workforce (DYW) Boards to ensure that employers have a consistent joined up message and engage more young people

- Increase activity of inspiring speakers, industry workshops and work placement opportunities for schools to access
- Support 'into work' adult-learning construction courses, pre-apprenticeship support and deliver upskilling for those with existing experience via the East Lothian and Midlothian training workshops
- Promote a strong 'into work' ethos

Focused CPD training sessions will be given to school teachers, DEC Ambassadors in schools and school careers officers by the FE/HE DEC Ambassadors and industry partners within the region to enable:

- Better understanding of the range of skills and opportunities for young people entering the sector
- The future program of new job opportunities
- The career pathways which ESECRD across the region can develop and support
- Key contacts in LA training workshops, FE and HE
- Alignment to additional support available through widening access programs

There is already some good practice evident across the current schools system to support vulnerable young people into construction however this is not consistent across the region. The HCI Skills Gateway project will ensure those facing disadvantage in the labour market will be identified and specifically targeted. Industry and FE both recognise that more pre-apprenticeship support is needed. Closer liaison with schools in the most deprived 20% SIMD areas, with teachers and career guidance staff will help integrate the career pathways with the new jobs and skills the industry requires.

DEC Ambassadors will link closely with local authority employability teams to ensure additional support and encouragement is extended and made available for young people and particularly those entering vocational learning, Foundation Apprenticeships and those on Activity Agreements.

Likewise, for adults, support is not consistently targeted, or sector defined across the region. The HCI Skills Gateway will change this with DEC Ambassadors more closely aligned and integrated with local employability teams and training providers. Closer working relationships with Fair Start Scotland providers on a sectoral basis will guarantee hands on work experience and confidence building for unemployed people wanting to gain employment in the sector.

The focus is to support and train all those living and working in the region. It is recognised however there may be some companies who work in the region that employ people living outside the region. Upskilling opportunities would be available to companies working in the region and the people they employ, regardless of where they live. Arrangements would be administered in close conjunction with the relevant industry trade bodies who have 'local chapters' and 'regional CPD meetings'. New training, "into work" courses and short courses for job entry would however only be available to those living in the SES region. This policy will be kept under constant review by the HCI Gateway Delivery Group to ensure maximum impact for the region and its residents, particularly those with significant disadvantages in securing good careers.

In the first two years, new short courses for site skills such as housing bricklaying and joinery will be prioritised to accelerate and support the SES City Region housebuilding programme. All training will

be relevant to current and future construction industry needs and will ensure that new entrants are work ready and fully prepared for the challenges they will face in the workplace

An estimated £1.7 million in kind contribution is forecast through joint working and access to key training experts from industry with new courses and accelerated learning opportunities provided. Industry-Led CPD will support the work of DEC Ambassadors in promoting the industry and attracting new talent, but also to ensure that those at work in the HCI Skills industry, gain access to ongoing training, upskilling and progression into higher paid and higher skilled roles.

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### *Partnership Example (Hart Builders)*

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Hart Builders Launches Employability Programme

<https://www.buildscotland.co.uk/construction-news/231440/hart-builders-launches-employability-programme-helps-demonstrate-this>.

#### 6.3.3.1 Building Partnership Capacity

The Equality and Diversity (ED) Officer will work in conjunction with DEC Ambassadors and industry to ensure strong focus on addressing gender inequalities, encouraging more women to enter the sector and enabling increased opportunity for career progression. The ED Officer will also engage with employers to improve diversity and equality knowledge across the region and link closely to EQUATE to ensure alignment with the latest training to grow a more robust regional approach for HCI skills roles for women.

The ED officer will link with the IRES Integrated Employer Engagement team to increase the number of people with disabilities employed in the sector. Engagement with SES construction industry and public sector employers will help identify available and appropriate job entry points and with new technology, design software and building information modelling, there is a widening skills reach and increased opportunities available

In addition to the work of the DEC Ambassadors the HCI Skills Gateway will introduce a series of outreach events and exhibitions to further engage communities, schools and businesses throughout the SES City Region.

This outreach activity is designed to be accessible to a wide range of vulnerable group, many who may have limited access to computers. It is for this reason that many of the industry designed learning materials (e.g. Digital Animations) that will be developed will be usable by the more accessible mobile phone technology, which does not require any additional software or user training.

Not all training will be done via this technology but it will assist where care needs, travel issues (e.g. costs), or low incomes could hinder sustained participation and progression. Where specific learning needs are identified and defined then additional supports and reasonable adjustments will be put in place to help provide consistency in approach, and quality of learning.



### 6.3.4 Employability Pathways

The HCI Skills Gateway will establish a range of new training processes and projects to improve employability via acceleration into work. Further Upskilling will be developed including multi-skills, Pre- Apprenticeship Support, Front end PDA and CATS are also planned.

The new courses are accelerated learning or demand specific skills that industry has identified as a gap or where current MAs or other provision does not align. The upskilling HCI components provide an opportunity to improve the opportunity for higher wages and higher-level roles and jobs. This is particularly significant to aid the progression of those from disadvantaged areas or those on flexible/temporary contracts to access higher skilled, more stable employment:

- They provide a gateway into work more quickly which is attractive for disadvantaged groups rather than long spells of training.
  - New short courses and provision would only be put forward where industry can demonstrate demand, uptake and jobs.
  - These courses include, for example “multi-skills” (outlined below) where companies in the region have identified a demand for this type of provision. This also provides a great opportunity for those who complete the training and enter employment to then decide which element they wish to focus on for a future MA (funded by others) or other skills development.
- **Multi-skills** – Supporting more local people and enabling more vulnerable people to become industry desirable. House builders and contractors have identified a growing need to have employees with multi-skills. A multi-skills training platform for housing will therefore be developed by FE partners with industry to support those with existing skills in a single trade discipline to learn essential aspects of others; such as bricklaying, joinery and plumbing. Partners have engaged with companies in the region who wish to employ multi-skilled operatives, and these are likely to fall into two specific categories:
    1. Additional skills and upskilling, that industry requires, for current operatives to develop for other job roles on existing sites. For example, this may include training in specific site equipment, insulation installation, render coat applications, installers for floors, bathrooms, alarms or kitchens.
    2. For offsite construction. Several companies within the Offsite Solutions Scotland co-operative and other regional companies have stated their interest in such skills needs and future jobs. When setting up the pilot project, the skills content of the program that the companies are seeking would be compiled in a multi-skill route and a proposal would be put forward to the IRES Board for approval.

HCI would engage with industry future job pipelines to adapt and introduce such training for early and quick upskilling leading to greater job security, potentially higher wages and career pathways.

- **Pre-Apprenticeship Support/ PDA’s and Work** – Partners have identified through their STEM strategies that pre-apprenticeship support for pupils studying technologies and maths would help to enhance completion rates for those undertaking a future apprenticeship. It is therefore planned to pilot such support in areas of deprivation, particularly where drop-out rates are high and to roll out across the region.

We would propose that the PDA approach is linked to companies and specific employment opportunities – particularly on fast / quick training skills / specific to companies taking on new employees. The Pre-Apprenticeship support would specifically help those from disadvantaged backgrounds who more often struggle in the first early stages of apprenticeships.

- **Front End PDA** – many SME and particular micro companies express concern with apprentices being away from work for extended time periods to undertake PDA development and impacting on productivity. Learning outcomes from previous attempts in England suggest a front-end PDA route would allow apprentices to engage with employers for longer sustained time periods. This approach is supported by industry in Scotland where the industry partner is established from the outset. HCI Skills Gateway would support such an approach by linking with the IRES Integrated Employer Engagement team.
- **CATS design and plans** – current FE training facilities are quite old or their use is restricted due to construction assembly elements (such as bricklaying drying times). This proposal will examine whether some of the learning from international skills facilities, could be applied into future CATS (Construction Adaptable Training Spaces), using multi-function training spaces to be utilised and adopted in the SES region. Such resource may provide a higher productivity training environment and better throughput of skilled training in key disciplines.
- **Pop-Up construction assembly factories** – future offsite developments may incorporate a pop-up factory process in or adjacent to construction sites in order to support local manufacturing and employment of local workforce. This would deliver new housing and construction programmes linked to the wider SES City Region Deal’s building programme. The HCI Skills Gateway will partner with key stakeholders and businesses to identify and map out future skills for such facilities through a pilot project with industry partners, Offsite Solution Scotland, CSIC and public sector.
- **Machinery, Plant Operation, Refurbishment and Fitters (quick entry route to jobs)**  
As part of the *training to jobs* support an area which would provide quick entry, is the future jobs in machinery, plant operation, refurbishment and fitting. This is also part of the accelerated platform of quick entries to work.

Once HCI commences delivery the project team will meet with the regional contractors and sub-contractors to obtain information on specific skills gaps and future growth areas. This will provide a ‘cohort’ approach to delivery and also partnership with specific plant and machinery companies for such specialised training. At present three key skills sets have been identified for quick entry into work in the above areas with direct interest from companies. These proposed areas would be submitted to the HCI Skills Gateway for funding requests and to the IRES Board for approval utilising the stage and gate approach and care would be required to ensure there is not overlap with existing provision. Where there is existing provision the companies enquiring after these skill sets would be directed to that provider in the first instance.

Some of the above are specific “product/process led” training only to that machine or system. The pre-apprenticeship support would help individuals enter into such roles or run in parallel raising employability factors.

To facilitate upskilling of existing workforce, joint CPD events will be delivered with industry bodies and public-sector organisations. The HCI Skills Gateway will develop new CPD materials, which will be embedded into the regular CPD sessions carried out by professional organisations. The HCI Skills Gateway will shape and influence the delivery of key skills and new knowledge across the region. This new partnership approach will improve the timetabling of events and significantly reduce duplication and associated costs.

### *6.3.5 Accelerating Into Work and Upskilling (Trades – Early On-site and Offsite Skills)*

Given the regional key skills gaps for Joiners, Bricklayers, Plumbers, Electricians and Building Information Modellers (BIM), it is important there is movement and progression in the HCI Skills Gateway to accelerate specific onsite skills for housing, BIM skills and new offsite skills within the region and businesses. HCI skills would assist in piloting a future 'bricklaying for housebuilding' course, which would be a contributing part of a future progression to the full SQA craft skill for bricklaying.

It is already clear from initial discussions that there is industry demand for the 1<sup>st</sup> pilot course:

- Despite not having started the HCI programme nor the development of the training proposal with industry we have already received enquiries from companies (who have heard by word of mouth this may be coming).
- Borders builder wishes to have 8 trainees. National builder operating in SES has stated interest in 14 trainees.
- At a recent meeting of the major building companies all companies stated they would wish to see this program started and would employ.
- During the set up phase – FE partners and the pilot project manager would engage with companies to identify, who, numbers, timing and plans before each program would commence
- It is expected that the above course will have high take up by industry and jobs, but an assessment of jobs and industry uptake will be undertaken on each sub theme project request before committing a proposal to the IRES board.

Further short training courses would also be developed in other areas to support accelerated employment or advancing existing lower income employees to progress to higher levels, these could include:

- Basic and higher level BIM training which aligns strongly with Scottish Government priorities for BIM skills embedded across HCI careers,
- New fibre/sensor installation training programmes which aligns with future growth of smart buildings, communities and cities integration,
- LEV charging installations given the future increase in charging point installations both for new homes and buildings and existing buildings / infrastructure,
- Specific training on new and future offsite housing construction systems with regional businesses with training provision across the region,
- Pop-Up civils and groundworks training facilities – recent projects in Scotland and England have shown the benefits for 'localised' civils and groundworks skills training and employment opportunities through pop-up training facilities adjacent to major construction sites. HCI Skills Gateway would partner with training providers for such

facilities linking FE and local authority training providers and this could be instrumental to support localised inclusive growth and skills across the region.

Greater opportunities are required for existing trades workforce to be upskilled and to also have additional new skill sets. Maintaining employment is more resilient when employees have more than one skill set. The above courses and other new courses developed would also support advancement into higher paid roles with greater responsibilities in the sector, such as site managers and will also encourage and make way for new entrants to progress in the sector.

### *6.3.6 Advanced Skills and Gender Diversity*

Current advanced and more senior roles in the HCI industry are 89% male. A recent study on the progression of females to higher qualifications (advanced levels) within south east Scotland identified this to be key barrier to the progression of women in more senior industry roles. To address this imbalance an advanced skills program would be developed to provide support and education/training for MSc/CPD specialisations and with a stronger focus on women (60%) into advanced levels.

Career Advancement Programmes will:

- **Offer wider opportunities within the sector**, to attract a more diverse field of talent for those wanting to progress in the sector to address the gender imbalance at senior levels
- **Reduce barriers to higher level upskilling**, by providing new pathways for those in the HCI Skills industry and ensuring better recognition of existing skills and attainments
- **Provide opportunities to upskill those currently not in work**, who have previously worked in the HCI Skills sector who wish to return and specialise and improve future employment opportunities
- **Be open to regional industry and public-sector employees** in the HCI Skills fields to widen their skill sets and education those creating a regional transformational upskill approach.

Investment in Career Advancement from the SES City Region allocation will consolidate the change programme. It will support the initial development and the first cohorts to access career advancement programmes. It will also support more of the existing female workforce to progress into senior roles and enable a greater range of female mentors and role models that would work with DEC Ambassadors to encourage more women to enter the HCI Skills sector at all occupation levels.

Work is already ongoing with SDS to promote these programmes and opportunity exists for some career advancement programmes to be matched 50:50 with allocation leveraged in from employers and individuals within the HCI Skills industry sector. Investment in career pathways will ensure that everyone is able to maximise their full potential a key factor of inclusive growth policy.

### *6.3.7 Talent Development*

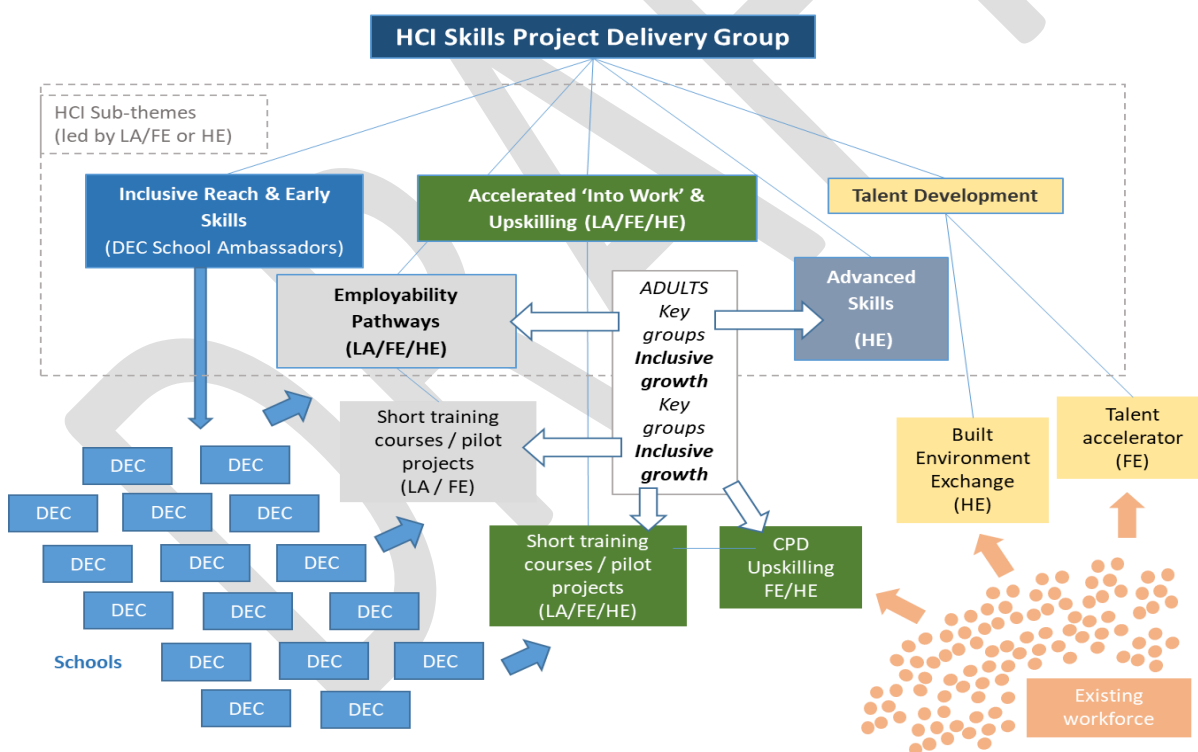
There are many highly talented individuals, students and employees across the SES City Region who could be sector leaders of tomorrow. Talent Development programmes such as Built Environment Exchange (BeX) and Talent Accelerator will drive progression within the industry. Edinburgh Napier University's award winning BeX programme has supported high performing graduate students through their specialised Masters courses. The first phase of BeX had a strong timber industry focus across Scotland where students were embedded in Scottish companies. These arrangements are

jointly funded with industry and provide an intense period for students to work in industry combined with high level education and supported by entrepreneurial and innovation skilled mentors.

BeX is aligned with Saltire fellowships and scholarships and given the very positive evaluation feedback from companies and graduates involved, it is proposed that these are developed to provide a regional BeX programme across the SES City region’s HE providers, companies and local authorities for all HCI Skills career pathways. The HCI Skills Gateway project would contribute to supporting this initiative and leveraging industry funding to inject a regional BeX talent approach.

**Talent Accelerator** will support adult learners and school leavers into work and delivering investment targeted into the FE sector and local authority skills training workshops is critical. Talent Accelerator will link closely with the IRES’ programme for disadvantaged families and provide CSCS qualifications for those entering sites and 4-10 week short training courses for construction skills to offer better opportunity for those most disadvantaged to gain the relevant skills and qualifications to access employment in a growing sector. Both BeX and Talent Development will also support gender and diversity through a higher focus of support for women entering or already in the sector

### 6.4 Linkages from HCI Skills Delivery Group to Client Sectors



The above diagram summarises the links between the HCI Skills sub-themes, (key leads) and inclusive growth beneficiaries involving schools, adult disadvantaged groups and existing workforce. The previous sections, 6.1 to 6.3, detail the key functions and activities of the HCI proposal in operational management terms.

### 6.5 Community Benefits

The IRES and City Region Deal infrastructure partners are currently developing a regional approach for the ESECRD programme to link-in community benefits on projects. This mechanism linked via

procurement routes would also link with the Integrated Employer Support to align training, jobs and apprenticeship routes with both DDI and HCI Skills Gateways.

This signposting and linkages across the region with two large skills gateways (HCI and DDI) is a first. By working as a regional group this will create a consistent approach towards interlinking with community benefits and also align to specific aspects across the region which are increasingly required. The HCI Skills Gateway will provide a much needed reportable and tangible direction to focus companies in the HCI Skills arena.

Community benefits is a prominent theme within the IRES Integrated Employer Engagement Project and HSC Gateway Delivery Group will be a key element informing future strategy for construction sites and community benefits.

The newly developed governance and management arrangement for the HCI Skills Gateway empowers the key delivery partners to operate better strategically and operationally with their partners to fully realise the inclusive growth potential of the sector and the economic assets that are created. Also to respond to issues critical for the sector and its positive impact on wellbeing in the region, aligning project and programme resources to maximise the impact of public and partner skills investments in the Housing, Construction and Infrastructure Sectors.

The strong linkages between the local authority partners within ESESCRD and the key objectives of IRES will help to align with future community benefits and outcomes and making more effective connections with employers and supply chain sub-contractors etc. The HCI Skills Gateway will provide an additional forum for Local Authorities and partners to negotiate and align community benefits to ensure such benefits and ensure resource is targeted to achieve inclusive growth outcomes.

## 6.6 Risk Mitigation Plan

Risk management is an integral feature of the HCI Skills Gateway and the project risk register [ANNEX](#) is regularly updated. All risks at project level will be identified and mitigation measures put in place and monitored as part of the quarterly progress monitoring and annual review processes required by the IRES Programme Board. The HCI Skills Gateway Delivery Group and ultimately the IRES board will regularly review project progress with decisions made on continuation, adjustment or withdrawal of funding.

## ANNEX A: Inclusion and Demand Challenges for Regional Housing & Construction Sector

The SES region is the **fastest growing region** of Scotland for population and the **5<sup>th</sup> fastest** growing region in the UK<sup>(1)</sup>. Required to increase housing **output by 40%** <sup>(2)</sup> above previous supply levels almost **one third of all Scottish housing** <sup>(2)</sup> output will be in this region 2019-2039, focused within 6 of Scotland's 32 local authorities. The pipeline of private housing, public housing, infrastructure and demand will require over **£34 Billion** of new housing and infrastructure assets to be delivered.

Delivering sustained growth of the region is highly dependent on the supply of a skilled workforce to deliver the infrastructure and housing. **The economic growth of the region to be fully effective has to be inclusive**, providing fair work, career opportunities and regionally accessible skills training, education and knowledge platforms for all.

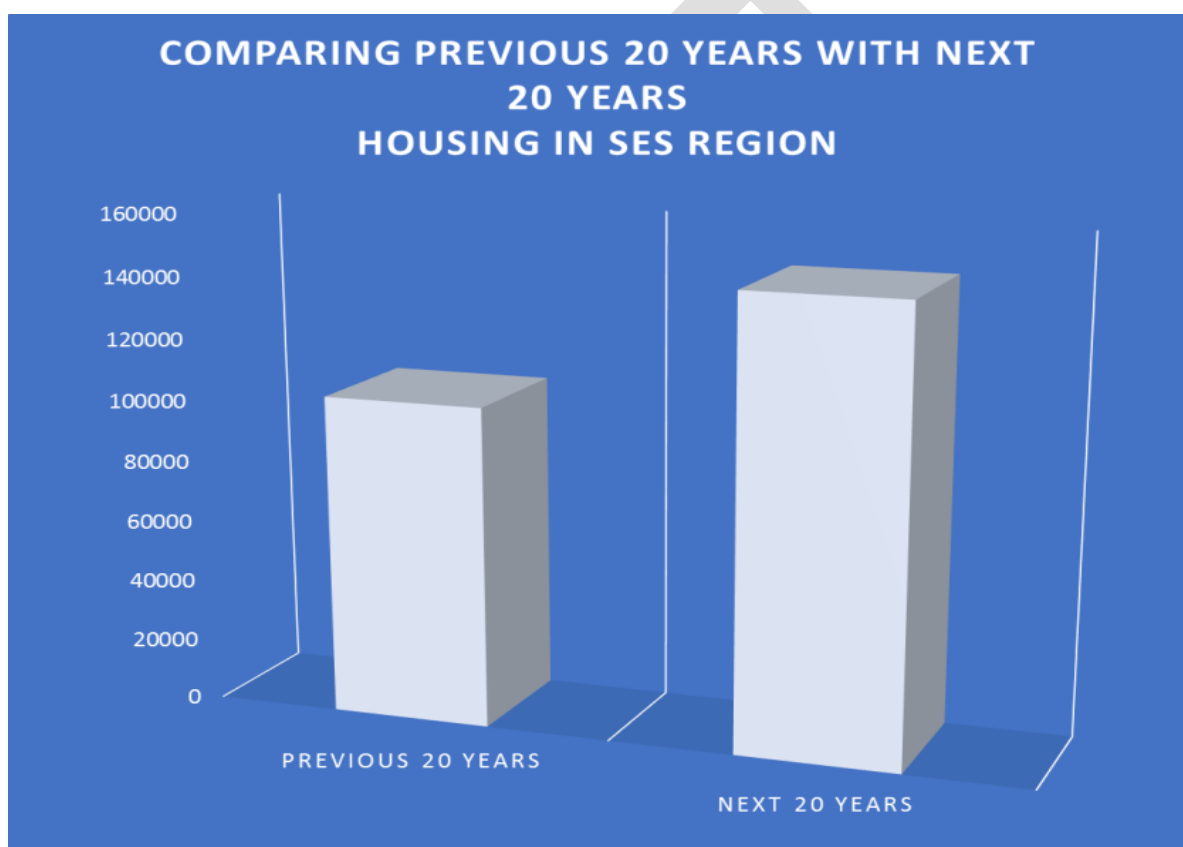


Figure 8. Forecasted growth of SES housing demand 2018- 2038 versus previous two decades.



## ANNEX B: Risk Matrix (Nov 2018)

Risk	Mitigation Measures
<p><b>Project fit and impact</b></p> <p>Developments in the economy, operational environment, performance factors, or good practice developments mean projects within the programme (or existing services) are no longer required in their current format or there is evidence of under/over provision</p>	<p>Impact measures will be regularly reviewed by project team and reported to the IRES Board to ensure target objectives are being met.</p> <p>The partnership will conduct a mid-programme evaluation in 2021 to check the direction of travel is still right.</p>
<p><b>Programme and project management capacity</b></p> <p>Inadequate programme or project management results in failure to deliver agreed outcomes</p>	<p>As above with options considered to review, increase or decrease any aspect of service delivery at any time</p>
<p><b>Disadvantaged citizens and low-income families benefit from the change</b></p> <p>There is a risk that disadvantaged citizens and families (or under-represented client groups) do not see tangible long-term benefits from the HCI Skills Gateway project</p>	<p>Building capacity of DEC Ambassador networks from early stage of project inception will result in wider community engagement. Links with local authority employability teams and Fair Start providers locally will enhance provision.</p> <p>A Stage &amp; Gate Approach as outlined in the management case will be used to ensure HCI Skills Gateway funding is meeting the target objectives.</p>
<p><b>Private sector investment and support for inclusion</b></p> <p>There is a risk that the private sector buy-in and investment cannot be achieved reducing future impact and sustainability of interventions</p>	<p>Homes for Scotland, Scottish Builders Federation, Federation of Master Builders and Offsite Construction all represented on HCI Skills Gateway Delivery Group</p>
<p><b>Mainstreaming of Activity</b></p> <p>There is a danger that the successful activities or practice changes initiated by the HCI Skills Gateway are not mainstreamed reducing the impact of ESES City Region Deal funding</p>	<p>Key intention of the project is to bring about cultural change for the sector. Phasing of project deliverables weighted across years 1-3 with resource input reducing years 4-8 to accommodate mainstream shift. Progress regularly reviewed by HCI Skills Gateway Delivery Group and IRES Board to ensure the close alignment and linkages between National and Local policy provision initiatives.</p>
<p><b>Bursaries / Financial Support</b></p> <p>Ensuring people and communities most disadvantaged are able to and best supported to access opportunities.</p>	<p>Employability Partners, Local Authorities, Colleges, Universities and DWP are actively considering and exploring new and innovative approaches as to how best to support HCI participants financially and particularly those in receipt of Universal Credit benefits. Local Partnership pilot activity has already</p>



Risk	Mitigation Measures
	<p>provided good insight and opportunity exists to build on this to align and augment individual partner supports and contributions more effectively. Workforce mobility, concessionary travel and the use of digital animations for home based learning are also being considered as means of additional support.</p>

## ANNEX C: Advanced Skills (Courses)

The following advanced skills areas have been identified by industry and universities to assist in upskilling and supporting the future regional infrastructure and housing and **where there will be future regional employment opportunities**. There would be a strong focus on gender and diversity (60% for key groups) with a key focus via such qualifications to support women to reach more senior industry career levels in SES through specialised advanced courses. These future HCI Skills route pathways for private and public sector employers would also have significance at regional, national and UK level. The ESESCRD universities have some of the leading UK and international experts in these fields and with many courses including low carbon knowledge platforms:

### **Timber Architectural Design & Technologies (ENU Routes: PGCert, PGDip or MSc)**

Aligned to the **SES region’s future growth in housing** will have a significant proportion of timber construction systems using CLT, SIPS, Hybrid, DLT, offsite closed panels and modular construction and future timber technologies.

### **Architectural Technology (ENU Routes: CPD, PGCert, PG DIP, MSc)**

ENU hosts the UK CIAT Centre for Excellence in Architectural Technology (AT). Recent discussions with employment agencies indicate that more jobs are being demanded in this area by industry. This AT course includes modules in offsite construction, technical specifications, sustainable design and alignment with building regulations.

### **Building Acoustics and Environmental Noise (ENU Routes: CPD, PGCert and embedding in existing course programs)**

The course materials developed would cover recent regulations changes, forthcoming ISO standards and support upskilling for the future 145 south east Scotland construction sites identified. Both new skills and upskilling of industry and public sector will be required for new ISO impacts.

### **Fire Engineering for Buildings (UoE Routes: CPD, MSc)**

Following the Grenfell tragedy there are likely to be changes in building regulations for housing, product certification, testing and design. With SES delivering over 30% of all future housing in Scotland, with many major sites and flatted developments, it will be imperative to upskill the sector.

### **Digital Infrastructure & Sensors (Combined HE delivery)**

To support the future growth in digital technologies, smart buildings and infrastructure for south east Scotland.

**Advanced Structural Engineers (Route: HWU/ENU)**

Scotland and SES have a shortage of advanced structural engineers – this could negatively impact on the delivery of future infrastructure and major sites if not addressed.

**Building Services Engineering & Renewable Energy Systems for Buildings & Communities (Route: HWU / ENU / UoE)**

With the future CHP (community and district heating systems) and increasing use of **renewables and energy generation within future buildings in south east Scotland** there is a need to augment the number of building services and renewable energy for buildings expertise.

DRAFT

# Edinburgh and East of Scotland City Region Deal Joint Committee

1 March 2019

## Intensive Family Support (IFS) Service Project Proposition

Theme project within **Integrated Regional Employability and Skills (IRES)** Programme

<b>Item number</b>	<b>5.8</b>
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### Executive Summary

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This report seeks approval to implement the Intensive Family Support Service (as set out in the overarching IRES Programme Business Case), which has been developed in collaboration with regional and national partners to drive progress toward a more inclusive labour market.

This report also seeks to recommend that the Fife Council undertakes the lead partner role for the Intensive Family Support Service.

It is proposed that operational activity will be undertaken by a network of local delivery partners following a procurement/selection process, administered by the Capital City Partnership, on behalf of the IRES Board.

#### Angela Leitch

Chair, Integrated Employability and Skills Board, Edinburgh and South-East Scotland City Region Deal

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## City Region Deal Checklist

Criteria	Details/Link to Document
<b>Contribution to City Region Deal commitments and Inclusive Growth Framework</b>	<p>The IRES Programme's IFS Service is a cross cutting programme that is supporting the Inclusive growth ambitions of the partnership including;</p> <ul style="list-style-type: none"> <li>• <b>Accelerating inclusive growth</b> through unlocking new talent pools for business, promoting fair work, and equipping disadvantaged citizens with the skills they need to succeed.</li> <li>• <b>Removing the barriers to growth</b> by putting in place intensive family supports and targeted skills development to help disadvantaged individual access and progress in work.</li> <li>• <b>Community benefits through procurement</b> by integrating our approach to employer engagement and procurement that increases the value achieved from our collective investments.</li> <li>• <b>Targeted skills interventions</b> that builds workforce capacity and capability in the "Data Driven Innovation" and "Housing, Construction and Infrastructure" sectors.</li> <li>• <b>Social benefit through Innovation</b> through close working between the IRES and DDI programmes to fully utilise the technological (data visualisation insights) and employment opportunities that will be generated by the sector.</li> </ul>
<b>Alignment, integration with, or dependence on, other City Region Deal activities</b>	<p>The IFS Service is part of the IRES programme and fits within its series of thematic pillars;</p> <ul style="list-style-type: none"> <li>• strengthening regional leadership and improvement capacity</li> <li>• better understanding need and opportunity,</li> <li>• building stronger relationships with employers, investors and citizens,</li> <li>• targeted skills development, and</li> <li>• improved matching to opportunities for disadvantaged individuals,</li> </ul> <p>Interventions proposed within the programme will maximise the value realised from other City Region Deal investments and ambitions in the innovation space (e.g. Data Driven Innovation) and enabling infrastructure (e.g. Housing, Construction and Infrastructure) by supporting the creation of a diverse and well skilled population that can benefit from and help drive the future growth of the regional economy.</p>
<b>Scale and regional distribution of expected outcomes, benefits, and leverage, from activity</b>	<p>The IFS Service aims to support up to 280 workless, lone parent and low income families from some of the most deprived parts of the ESES city region. The project will enable leverage of a further £1.5 million of ESIF Poverty and Social Inclusion funding from Scottish Government that can be used in five of the six local authority areas (not including West Lothian, who are not eligible for further PSI funding, due to their ongoing existing PSI commitments).</p>
<b>Compliance with financial requirements and agreed expenditure profile</b>	<p>The IFS Service Business Case complies with financial requirements and profile.</p>
<b>Equalities Impact</b>	<p>See cover report.</p>

<b>Anticipated significant risks and mitigation measures</b>	As detailed in Project Business Case a risk and mitigation matrix has been prepared and will be updated as the programme develops.
<b>Alignment and fit with City Region Deal governance arrangement</b>	The IFS Service as detailed in the project business case is fully integrated with current City Region Deal governance arrangements.
<b>PMO check</b>	All information provided.
<b>Government approval</b>	Scottish Government signed off on IRES Programme Business Case on 30 November 2018 of which the IFS Service project is a key component.
<b>Partner sign-off</b>	All partners involved in developing the shared business case proposal.
<b>Advisory Board sign off</b>	IRES Board meeting 5 February 2019.
<b>Executive Board sign off</b>	Executive Board meeting 14 February 2019.
<b>PMO Recommendation</b>	That Committee approves implementation of the IRES Programme's Intensive Family Support Service as set out in the business case.

## Intensive Family Support Service Project Proposition

### 1. Recommendations

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It is recommended that:

- 1.1 the Intensive Family Support Service project, as detailed in the accompanying business case, be approved;
- 1.2 Fife Council undertakes the lead partner role for the Intensive Family Support Service project; and
- 1.3 Operational management activity will be undertaken by a network of local delivery partners following a procurement/selection process, administered by the Capital City Partnership, on behalf of the IRES Board.

### 2. Background

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- 2.1 Edinburgh and South-East Scotland's regional labour market is a low unemployment, high inequality environment, with significant issues of entrenched and persistent poverty and disadvantage, while the mechanisms available at regional level to tackle these inequalities and fully exploit the potential of the economy are weak.
- 2.2 The ESES City Region Deal provides an opportunity to develop a collaborative approach that enhances our capacity and capability to tackle these inequalities and support the partner's ambition of inclusive growth.
- 2.3 The Intensive Family Support Service is one of seven change projects outlined in the IRES Programme Business Case. The Service will implement a holistic, "whole family" approach to supporting workless, lone parent and low income families, particularly from the ESES city region's most disadvantaged areas. It will concentrate on raising attainment and positive destinations for the young people within these families, and promote family stability and opportunities to access to healthy sustainable employment for the adults.
- 2.4 The Intensive Family Support Service will create effective links with other IRES projects, particularly the DDI and HCI (Data Driven Innovation and Housing, Construction and Infrastructure) Targeted Skills Gateways, to build career pipelines into higher skilled, higher paid industry sectors.

### 3. Main report

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- 3.1 The vision of the Intensive Family Support Service is to target significant pockets of persistent, entrenched worklessness and poverty that are evident throughout the ESES city region. The service will focus primarily on workless, lone parent, low income households, and will support the adults to provide a better environment for their young people and promote progression opportunities for every member of the family. The Service will focus on raising attainment levels, reducing the number of those leaving school to a negative destination and increasing employment levels in those families where work has not previously been seen as an achievable goal.
- 3.2 The Intensive Family Support Service will work in collaboration with existing support services such as social work, community justice, housing and education, to wrap-around specialist family provision and help co-ordinate the existing support structures. This will create a more joined up and cohesive package that will be more effective for all members of the family and more productive for each of the service providers.
- 3.3 The project will therefore offer additional targeted support for the most vulnerable families, with particular focus on those living in the most deprived areas of the ESES city region. Support will comprise of a combination of intensive general and specialist interventions tailored to help support individuals within families to progress towards their own goals, as well as developing “whole family” activities that build a support network and improve the family dynamic and their ability to provide effective support for each other.
- 3.4 The Intensive Family Support Service will make an impact by:
- Identifying and engaging with workless, lone parent or low income families, from the SES city region’s most deprived areas, who require additional holistic support to enhance the current range of separate provisions
  - Maximising family income, helping to stabilise vulnerable housing situations and creating a supportive environment for each member of the family to progress into education, vocational training, and sustainable, healthy employment.
  - Helping to reduce poverty by promoting access to higher skilled, higher paid employment and supporting labour mobility by increasing access to opportunities across the ESES city region.
- 3.5 The IFS service is one of the IRES programme’s seven change projects that have been designed to strengthen our collective capacity and capability to drive inclusive growth.

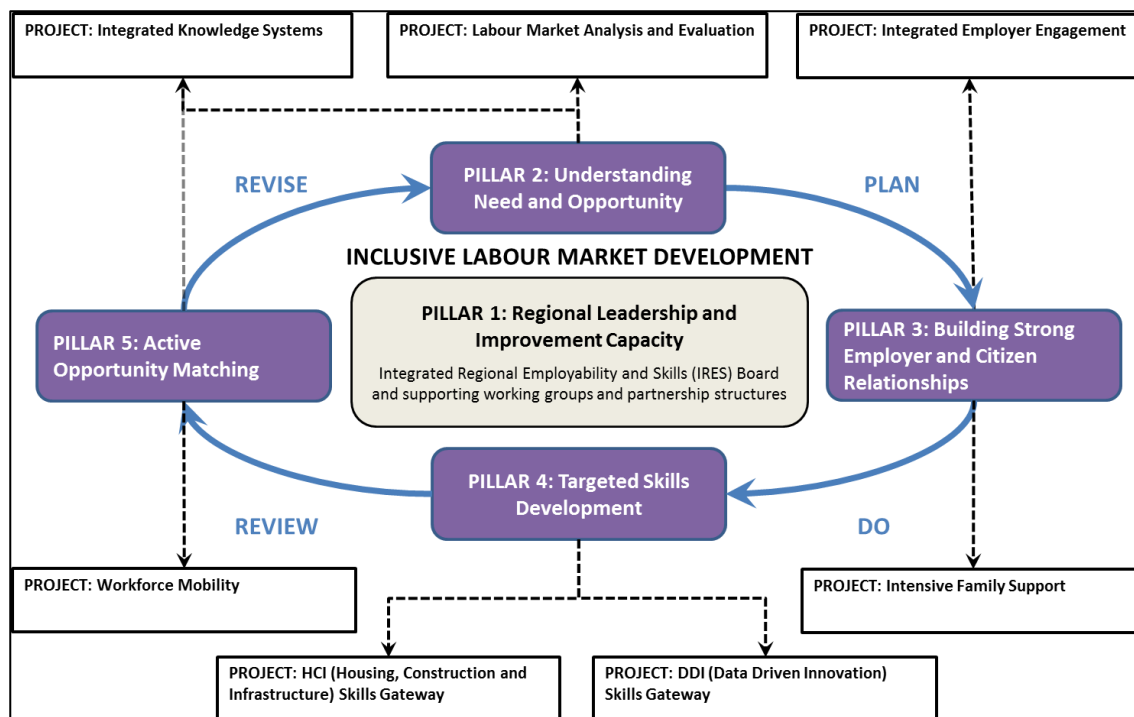


Figure 1: IRES Programme Model and Change Projects

3.6 This intervention will create a robust partnership of delivery partners and statutory support agencies supporting up to 280 workless, lone parent and low income families from some of the most deprived parts of the ESES city region. The IFS service will help to develop economies of scale and create learning networks for delivery partners to share innovative and best practice solutions to helping workless, lone parent and low income families.

## 4. Financial impact

4.1 The Scottish Government have allocated £25 million of grant funding which that will be made available over the next eight years to develop and deliver the aspirations set out in the IRES Programme Business Case, with a focus on not just delivering project activity, but informing how existing investments can be better targeted and aligned to help deliver enhance inclusive growth for the region.

It is proposed the Intensive Family Support Service be allocated £4.7 million over the period that will be split across two distinct phases:

- **Phase 1: 2019–2022:** £1.7 million of this allocation will be used to target support for up to 77 families.

This £1.7 million, will enable leverage of a further £1.5 million of ESIF Poverty and Social Inclusion funding from Scottish Government that can be used in five of the six local authority areas (not including West Lothian, who are not eligible for further PSI funding, due to their ongoing existing PSI commitments).

This allocation will support a further 62 families, targeting a total of 139 families across the SES city region in phase 1.



- **Phase 2: 2022–2026:** The remaining £3 million of IRES allocation will be used to maintain the service delivery across the SES city region, continuing to work with those Phase 1 families who still require support, and engage a further 141 families.

- 4.2 Day to day operational activity will be undertaken by a network of local delivery partners following an open procurement/selection process and much work has been undertaken across the respective council areas to build the capacity of the third sector in this regard. It is intended that the procurement/ selection process will be administered by the Capital City Partnership, on behalf of the IRES Board.
- 4.3 Ongoing performance reviews and evaluation will be undertaken to qualify and quantify the impact made by the service. Evidence from evaluation will be used as potential to leverage further local and national funds to help mainstream this provision by the end of phase 2

## 5. Equalities impact

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- 5.1 The IFS service is an integral part of this wider IRES Programme and it is anticipated that it will generate significant inclusive growth benefits, including:
- Increased number of disadvantaged participants engaged in job searching, education/training, gain a qualification, or are in employment (including self-employment) upon leaving
  - Increased number of disadvantaged participants in workless, lone parent or low-income households with improved money management skills
  - Increased number of participants no longer affected by debt as a barrier to social inclusion
- 5.2 Initial indicators specifically linked to the allocation of ESIF Poverty and Social Inclusion funding leveraged in during phase 1 include reporting on the following:
- Development of individual/household action plans
  - Progression onto mainstream Employability Pipeline Activities
  - Number of young people engaged through the intervention actively participating in education, employment or training.
  - Number of households with income below median levels
  - Value of increased income available to households after money advice
  - Number of young people re-engaging with school

## 6. Background reading/external references

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- 6.1 [Edinburgh and South-East Scotland City Region Deal Document, August 2018](#)
- 6.2 [Edinburgh and South East Scotland City Region Deal Integrated Regional Employability and Skills \(IRES\) Programme Business Case, 17 December 2018](#)

## 7. Appendices

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- 7.1 Intensive Family Support Service Project Proposition.

ESES City Region Deal IRES Programme



# Appendix 1: Intensive Family Support Service

Project Proposition

Joint Committee Meeting

1 March 2019

Lead: Adam Dunkerley, Fife Council

**ACCELERATING  
GROWTH**

EDINBURGH AND SOUTH EAST SCOTLAND  
CITY REGION DEAL

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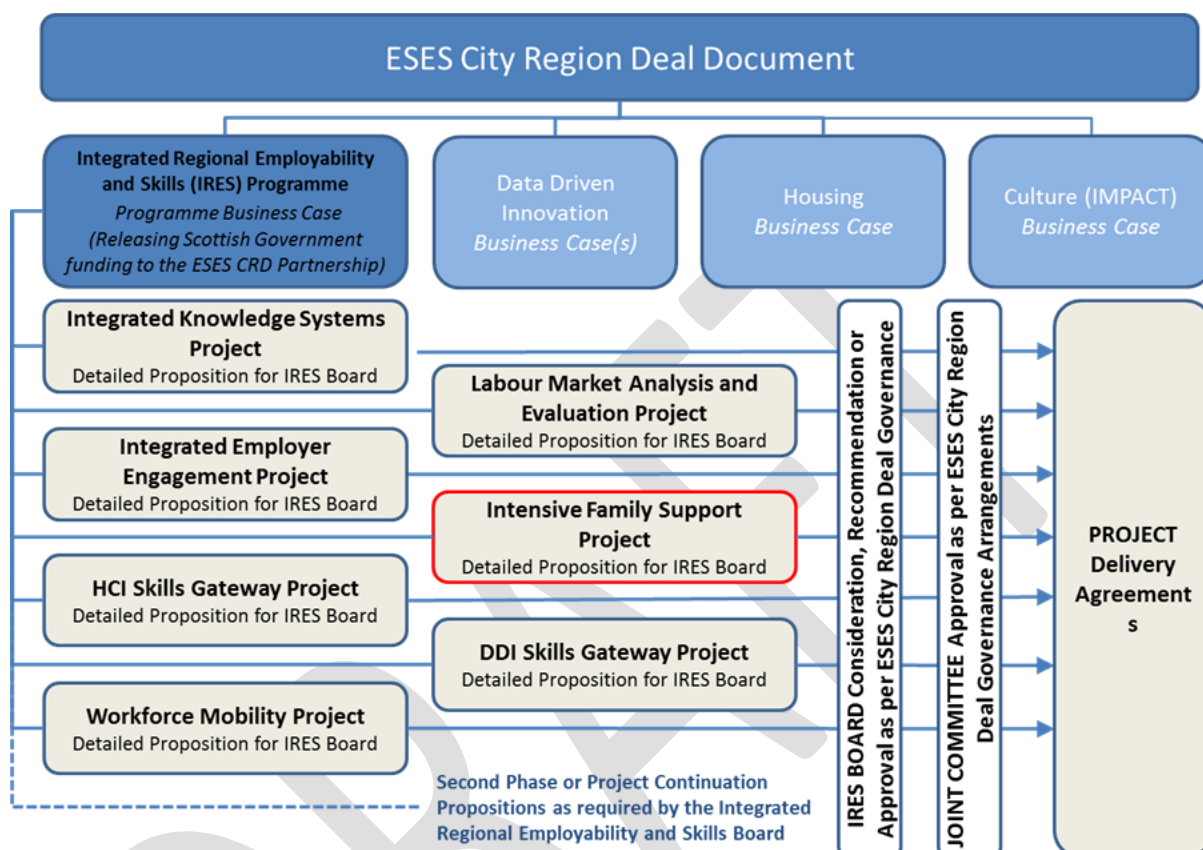
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# 1 Introduction

## 1.1 About this Document

This Project proposition sets out a detailed case for investment in the Intensive Family Support Service



as part of the Integrated Regional Employability and Skills (IRES) programme and should be read in conjunction with the IRES Programme Business Case.

Figure 1: Suite of IRES programme documents

## 1.2 Project Vision

The vision of the **Intensive Family Support Service** is to target significant pockets of persistent, entrenched worklessness and poverty that are evident throughout the ESES city region and implement a holistic, “whole family” approach that will tackle intergenerational disadvantage. The service will focus primarily on workless, lone parent, low income households, and will support the adults to provide a better environment for their young people and promote progression opportunities for every member of the family. Raising attainment levels, reducing the number of those leaving school to a negative destination and increasing employment levels in those families where work has not previously been seen as an achievable goal.

## 1.3 Overview of the Intensive Family Support Service.

Across the ESES city region there are a significant number of workless, lone parent and low income households. These families can often be characterised through the parents and/or guardians having

additional support needs and often complex, multiple barriers to employment. As a result, it becomes increasingly likely that the young people in these families do not receive the necessary support and encouragement to access, achieve and sustain employment or a positive destination when leaving full time education. Consequently, this can compound poverty and disadvantage within these families across generations and this often concentrated in particular geographic areas.

Current provision from existing service providers is often based around the needs of the individual. For example, Social work is focused on the health aspect of the individual's circumstance. Education concentrates on the progress of the young person and their attainment, but perhaps does not fully account for the young person's circumstances and the parent/guardian's situation. Economic development supports employability activity and looks to address individual barrier, but does not necessarily put these in context of a wider family situation and why those barriers exist.

Current provision, therefore does not suitably address the complex and varied needs of our disadvantaged (workless, lone parent and low income) families. Investment from the IRES Programme provides an opportunity to take a different approach to breaking generational cycles of poverty and disadvantage. The Intensive Family Support Service will work in collaboration with each of the existing support services, but through a holistic, "whole-family" approach, will look to wrap-around specialist provision and help co-ordinate the existing support structures and create a more joined up and cohesive package that will be more effective for all members of the family and more productive for each of the service providers.

The project will therefore offer additional targeted support for these vulnerable families, with particular focus on those living in the most deprived areas of ESES city region. This support will comprise of a combination of intensive general and specialist interventions tailored to help support individuals within families to progress towards their own goals, as well as developing "whole family" activities that build a support network and improve the family dynamic and ability to provide effective support for each other.

### *1.3.1 Delivery Activity*

The delivery providers will undertake a range of interventions that are relevant to the particular make-up and needs of each specific family. They will seek to address poverty and social exclusion by increasing the financial awareness, stabilising vulnerable housing and living situations and building capacity within the family to nurture and support each other.

This support for workless, lone parent and low-income families will include:

- Ongoing engagement with a support worker to assess the family's needs, understand the existing supports in place and agree an action plan that is additional to the general support work required
- Ongoing engagement with a youth worker for tailored motivational support and connections
- Further enhancement to the family package through money advice, income maximisation and financial inclusion training, enabling both adults and young people to develop the skills to reach a position of financial stability and make better informed financial choices
- Advocacy and support to ensure the family understands their relationship with other support services, such as social work, community justice, housing and their benefit entitlements

- Childcare support, where appropriate will be sourced and financed to ensure this is not a barrier for the adult or young people to engage with recognised progression routes through education, training or even employment.

This unique approach will consist of one-to-one support, home visiting and group work and will follow a pathway of engagement, up-skilling and progression. This approach will change mainstream methods of engagement to ensure maximum impact on each member of the family as well as the family unit as a whole. Activities will go beyond traditional employability activities and will look at further barriers to employment such as unhealthy relationships, lack of family routine/structure, low aspirations, risk taking behaviours, disengagement with formal education and financial difficulties.

The model will be employability with a holistic and preventative approach, with the depth of engagement to identify a range of issues including: school engagement and transition, health barriers support, prevention of homelessness, offender reduction (including domestic violence), support for care experienced people, support to tackle trauma, bereavement and substance misuse. Staff will be highly trained in referral protocols.

### *1.3.2 Why this approach*

This type of approach is currently being piloted in Fife as part of the ESIF Poverty and Social Inclusion programme. The following case studies highlight the type of multiple barriers that each family face and the variety of interventions and support that is required, to help their progression. Fife Gingerbread, the third sector delivery partner are working in partnership with a range of statutory providers, forming links and providing advocacy for the families where required. These examples illustrate why there is a need for this type of whole family approach for certain workless, lone parent and low income families in the SES City Region.

**Family A:** were referred to the project by the local High School. Mum is a lone parent with 3 children of her own and was kinship carer for a friend's child. The main reason for the referral was due to the behaviour of the eldest sibling who was 14 years old at the time of referral. She was putting herself at risk of CSE and was sexually active with an older boy. Child Protection concerns were raised, and Social Work felt that engagement with the "Making it Work for Families" Service would offer the family the type of intensive support they required and would be an early intervention for the younger siblings aged 12 and 3.

The barriers that the family were facing included lone parenting, low confidence, inadequate housing, material deprivation, low income, mental health issues, lack of confidence and long-term unemployment. An intensive family support service with an operational team from local partnership agencies was ideally placed to meet the complex needs of this family.

What have the family engaged in?

- Financial inclusion activity – income maximisation and budgeting support
- Advocacy support to resolve housing after 11-years on the waiting list
- An allocated worker for the young person for personal development support
- Participation in holiday activities, tea time clubs and groups
- Parenting support around boundaries / behaviours at home

What have the family achieved so far?



- Young person re-engaged in School, and now taking part in Hospitality as part of the School College Partnership. Also joined the local Cadets
- Family consistently participate in groups with other families, reducing their social isolation and increasing their community connections
- Mum has joined our Adult Forum supporting us to innovate the provision, completed a Work Placement at a Primary School and has trained as a volunteer

Two further case study examples are outlined in ANNEX 1.

### 1.3.3 A Two Phased Approach

The project will have two distinct phases: Phase 1 from 2019 – 2022 and Phase 2 up to 2026.

- Phase 1: 2019 – 2022: Will initiate and develop the project, commissioning delivery partners across the SES city region and creating the network between these partners to share learning and to promote a consistency of approach. Phase 1 will concentrate heavily on community engagement, building capacity in the third sector and building relationships with the identified families that would benefit from this type of support. This phase also provides us with the opportunity to match city region allocation with European Structural and Investment Funds through the Poverty and Social Inclusion funding stream. This activity can be matched at 50% and provides the opportunity to front load the early stages of the project, without overspending and jeopardising delivery of the project in later years. This will be outlined further in section 5, the Financial Case.
- Phase 2: 2022 – 2026: Will build on the work established in the first phase, looking at developing positive results, reviewing and evaluating the best practice and continuing to support existing families to progress, while continuing to expand the engagement. It is possible we will look at introducing the service to new key target areas, where concentrating support would make significant impact, particularly in a school catchment area, or community. ESIF allocation will no longer be available in this phase, therefore delivery will be based on city region allocation to continue the service. It is our intention that the information collected in phase 1, demonstrating the progress of these workless, lone parent and low income families, will provide an evidence base for further local or national investment to mainstream the service by the end of phase 2.

## 2 Strategic Case

The strategic case for the Intensive Family Support Service is set out in two parts:

**Part A: The Strategic Context** – indicating the alignment of the Intensive Family Support Service proposals with government policy and the partnerships existing assets and strengths; and,

**Part B: The Case for Change** – which summarises the objectives to be addressed by the project, existing arrangements and identified investment needs and operational risks, constraints and dependencies.



## 2.1 PART A: The Strategic Context

### 2.1.1 National Context and Strategy Alignment

Scotland's Economic Strategy (Scottish Government, 2015)<sup>1</sup> sets out the Scottish Government's purpose "to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth" and has two key goals- increasing competitiveness and tackling inequality.

Allied to this the Creating a Fairer Scotland (Employability)<sup>2</sup> policy seeks to promote greater fairness and equality in employment while also driving continuous service improvement through strong productive partnerships.

No One Left Behind, Next Steps for the Integration and Alignment of Employability Support in Scotland<sup>3</sup> urges the need to incrementally develop an integrated regional employability and skills system that is more

- flexible, tailored, and takes a 'whole person' approach
- straightforward for people to navigate;
- better integrated and aligned or interwoven with other supporting services;
- provides pathways into sustainable and fair work;
- is driven by evidence to supports people into the right job at the right time
- designed, delivered, and improved in partnership
- responsive to those with high needs (e.g. young care leavers, workless, and those in low paid or insecure jobs) who are at major risk of missing out on the benefits of economic growth; and
- minimises skills shortages and gaps or gender imbalances in our key growth sectors, while promoting greater workforce diversity

The Intensive Family Support Service project tightly aligns with these policy aims by focusing attention on strengthening and streamlining the progression pathways into healthy, sustainable employment for those who face disadvantage, due to their family circumstances. It also establishes the much-needed collaboration across regional partners to deliver greater impact from existing (public, private and third sector) investments that will support accelerated progress towards a more inclusive economy.

The project also has strong alignment with the Scottish Human Rights Commission's PANEL (Participation, Accountability, Non-discrimination, Empowerment and Legality) Principles. It is essential that the project works with families to enhance their situation and empower them to support themselves over the duration of the programme. The service will be designed, implemented, reviewed and revised in collaboration with those families who have lived experience of the issues they face. In December 2018 Scottish Human Rights Commission published a self-assessment tool<sup>4</sup>, to

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<sup>1</sup> Scotland's Economic Strategy, Scottish Government, 2015, <https://beta.gov.scot/publications/scotlands-economic-strategy/>

<sup>2</sup> Creating a Fairer Scotland: A New Future for Employability Support in Scotland, Scottish Government, <https://beta.gov.scot/publications/creating-fairer-scotland-new-future-employability-support-scotland/>

<sup>3</sup> No One Left Behind - Next Steps for the Integration and Alignment of Employability Support in Scotland, Scottish Government, <https://www.gov.scot/Publications/2018/03/5358/downloads>

<sup>4</sup> Scottish Human Rights Commission Self-Assessment - [http://www.scottishhumanrights.com/media/1814/shrc\\_panel\\_self-assessment\\_tool\\_vfinal.pdf](http://www.scottishhumanrights.com/media/1814/shrc_panel_self-assessment_tool_vfinal.pdf)

support organisations to embed a human rights based approach to their delivery activity and prioritise areas for improvement. Although the nature of the work the service will carry out is intrinsically linked to promoting human rights, each delivery partner will be asked to complete this self-assessment and implement an action plan for embedding a human rights based approach to their activity.

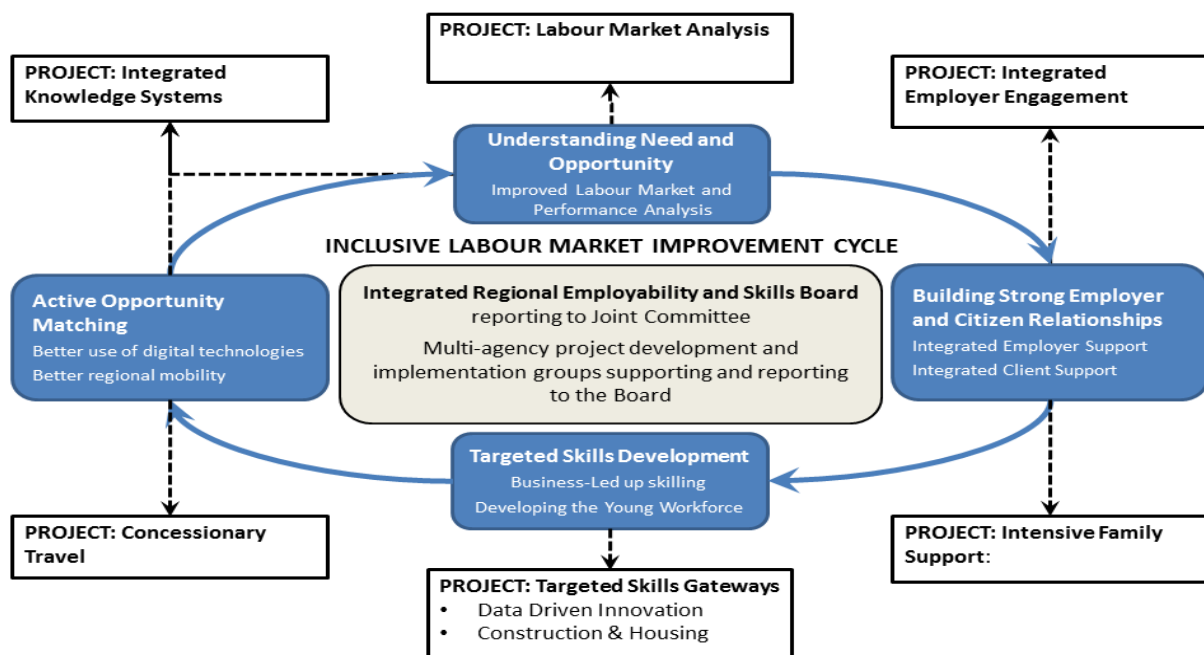
### 2.1.2 Local Strategy Alignment

Local economic strategies across each of the partner authority areas are currently being reviewed to address the key inclusive growth challenges and support the delivery of National Policy and city region Deal ambitions for the region and all regional employability partners have collaborated to agree a comprehensive Regional Skills Investment Plan (RSIP)<sup>5</sup> with a clear Mission, Strategic Outcomes and Areas of Action.

The IRES programme labour market analysis and evaluation proposition has already produced a very detailed Regional Skills Investment Plan (RSIP) to help inform such direction and alignment.

### 2.1.3 Alignment across the IRES Programme

The Intensive Family Support Service project links into and compliments the wider IRES Programme, through the engagement and support for those in workless, lone parent and low income families. These families are often living in the city region’s more deprived areas and are furthest from the labour market. To promote inclusive growth through city region deal investment, it is essential that these families are identified, engaged and supported so they have the best opportunity they have ever had to progress. For the adults, into training and employment and for the young people, to increase their attainment levels and their potential to access higher skilled and essentially better paid employment; particularly in those industries that IRES programme is developing Targeted Skills Gateways (Housing, Construction & Infrastructure and Digital Driven Innovation).



<sup>5</sup> Skills Investment Plan for Edinburgh and South East Scotland 2017, Skills Development Scotland, [https://www.skillsdevelopmentscotland.co.uk/media/43648/edinburgh-sip-2017\\_digital-version.pdf](https://www.skillsdevelopmentscotland.co.uk/media/43648/edinburgh-sip-2017_digital-version.pdf)

Figure 2: IRES Programme and component project cases.

As partners working together in the ESES city region we have come together to tackle poverty through a strategy of inclusive growth. The time is right to ensure that all members of our communities benefit from increased prosperity and to help eliminate a 'postcode lottery' of interventions that sees support demarcated by local authority borders rather than by need. The city region deal has given us the opportunity to work collaboratively and to ensure that inclusive growth is at the heart of the long-term strategy for the area. Our intervention will offer a cohesive approach to working with disadvantaged families, whilst being person-centred in delivery. It is key to this project that people who have not had access to the opportunities of increasing prosperity will benefit from a consistent approach. In addition, a single, streamlined management structure will be more cost effective than individual local approaches.

#### 2.1.4 Alignment to other IRES projects

The intensive Family Support Service is an integral part of the IRES Programme. It will benefit from some of the regional enablers that will be developed through IRES, such as the Integrated Knowledge Management and online talent pool, and the Integrated Employer Engagement activity and from support to access different parts of the city region through concessionary travel. Where it will benefit most is from specific links into the Targeted Skills Gateways (both Digital Driven Innovation and Housing, Construction & Infrastructure). As they progress, the adults being supported by the Intensive Family Support Service, will be encouraged to access training for future employment in these key growth areas. For those, who are not interested in pursuing a career in these sectors, support will also be given to help them find employment in their chosen area, but each of the Skills Gateways will look to offer opportunities to those supported by the service. This will be mirrored in the work done with the young people in each of the families. Relevant school subjects will be promoted and priority access to opportunities created in each of these Skills Gateways, ensuring they will be a potential pathway for those who are interested in these sectors.

## 2.2 Part B: The Case for Change

### 2.2.1 Existing Arrangements, Challenges & Business Needs

The 2018 Regional Skills Assessment Summary Report for Edinburgh and South-East Scotland City Region<sup>6</sup> concludes that although the outlook for the local economy is positive there are some key inclusive growth challenges that still remain.

Despite the current arrangements and ways of working, around only 40% of working age disabled adults are in employment, compared with more than 80% of adults with no disability<sup>7</sup>. Regional partners are committed to supporting disabled people of all ages to progress towards and into work.

Maximising economic opportunities for women to participate fully in the regional economy and recognising the wider social role they provide also remains a priority<sup>8</sup>. Regional partners are focused on promoting the fair work agenda and encouraging employers to mitigate the gendered barriers,

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<sup>6</sup> Regional Skills Assessment Edinburgh & South East Scotland City Region: Summary Report, Skills Development Scotland, <https://www.skillsdevelopmentscotland.co.uk/media/44990/rsa-edinburgh-and-south-east-scotland-city-deal-region.pdf>

<sup>7</sup> Job support for disabled people (Policy), Scottish Government 2018, <https://beta.gov.scot/policies/disabled-people/job-support-disabled-people/>

<sup>8</sup> Scotland's Economic Strategy, Scottish Government 2015, <https://beta.gov.scot/publications/scotlands-economic-strategy/pages/5/>

such as occupational segregation, which prevents the development of a strong, innovative, and inclusive economy.

### 2.2.2 Why a “whole family” service is key

Almost one in four of Scotland’s children are officially recognised as living in poverty<sup>9</sup>. Regional Partners have a clear duty to help and support all our children and young people to give them the best start we can. Currently the statutory supports that are in place do not adequately account for the young person’s family circumstances. If a young person’s housing situation is vulnerable or their home life is chaotic and unsupportive or if they have been affected by trauma or bereavement, the knock-on effect is significant. There is significant impact on that young person’s chances for higher attainment and therefore limits their opportunity to maximize their potential.

Unemployment can have severe and multiple effects on an individual that can result in a reduced standard of living, health issues (particularly with regard to mental health) and a lack of security for the individual and their family. As a result, young people who are affected by unemployment in their family may be denied further and higher educational opportunities due to: lack of support within the household, the requirement for them to contribute towards the family income and the additional anxiety that stems from a vulnerable and insecure housing situation. In turn, these issues can have a negative impact on the availability of skills and expertise in an area, leading to skills shortages and greater economic disparity.

In February 2018, the University of Glasgow produced the briefing “Local Contributions to Tackling Poverty and Inequality in Scotland”, for the Poverty and Inequality Commission<sup>10</sup>. The report highlights the percentage of young people living in low income families (Estimated by HMRC 2015) across Scotland’s local authority areas. In the SES city region area; Fife (18.4%) has the highest percentage of young people living in low-income households. closely followed by Midlothian (17%). Although West Lothian (15.9%), Edinburgh (15.8%), East Lothian (12.9%) and Scottish Borders (12.3%) all have significantly lower levels of young people living in low income households, it is clear that there is significant disparity across the SES city region. It can also be highlighted that the percentage figures in this area, although below the national average, masks significant pockets of poverty within each of these areas.

Poverty is particularly pronounced in families where children are still at school, for example 18% of all children in Edinburgh live in low income households. This equates to a total of some 17,600 young people. According to estimates produced by the Child Poverty Action Group, the cost to tax-payers of child poverty in Edinburgh amounts to £156 million per year. Schooling is often impacted by a low income household; young people who live in more deprived areas have less likelihood of a positive destination from school. For example, 14.7% of young people from the more deprived areas in Edinburgh do not go into further education, employment or training. When compared to those in the least deprived areas this figure is significantly lower. Only 8.9% of young people in the least deprived areas leave to a negative destination.

Research conducted by the University of Edinburgh on intergenerational family support for young people, identified increased difficulties faced by the younger generation, particularly around securing

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<sup>9</sup> Poverty and Income Inequality in Scotland: 2014-17, Scottish Government, <https://www.gov.scot/Publications/2018/03/3017/downloads>

<sup>10</sup> Poverty & Inequality Commission: 2018 <https://policyscotland.gla.ac.uk/wp-content/uploads/2018/02/Local-Poverty-Report-Feb-2018.pdf>

stable family homes and housing for those from disadvantaged families. It highlighted that support from older family members is increasingly important to achieving successful outcomes, and the role of the stable family home has been largely ignored. Being able to live in a more stable family home can form critical support that paves the pathway for tackling long term deprivation and inequalities.

This can be reflected in areas across the SES city region. There is a disproportionately high number of low income families, due to generational unemployment, low-wage/zero hour contracts, debt/financial hardship, benefit misalignment or a combination of these factors. The project will ensure that families in this situation have the support to understand what they may be entitled to; provide advocacy to help them access it and create a greater level of family stability. This type of “whole family” holistic intervention will alleviate some of the stress that exists within households facing disadvantage and instability and allow each of the family members to concentrate on other activities, such as education, training or progression into employment.

Traditional supports concentrate on the barriers faced by individuals, whether adult or young people, which can create a gap in provision if these services do not necessarily communicate and align. The Intensive Family Support Service would take recognition of the available support and facilitate a more co-ordinated, joined up approach that concentrates on the needs of the whole family as well as each individual, ensuring an enhanced offer that would reinforce the combined endeavours of each service.

Generational unemployment or low income is apparent when monitoring young peoples’ participation in the labour market in the first few years after leaving school. This has been measured since 2016 through the Scottish Government’s participation measure, published by SDS. The participation measure includes young people up to the age of 19 and has highlighted that higher numbers of 18 and 19 year olds are in unknown, unconfirmed and negative destinations. Figure 3 below<sup>11</sup> illustrates significant progress is being made in improving the participation measure, especially in East Lothian and Midlothian, but Fife in particular is still significantly below the Scottish and City Region Averages.

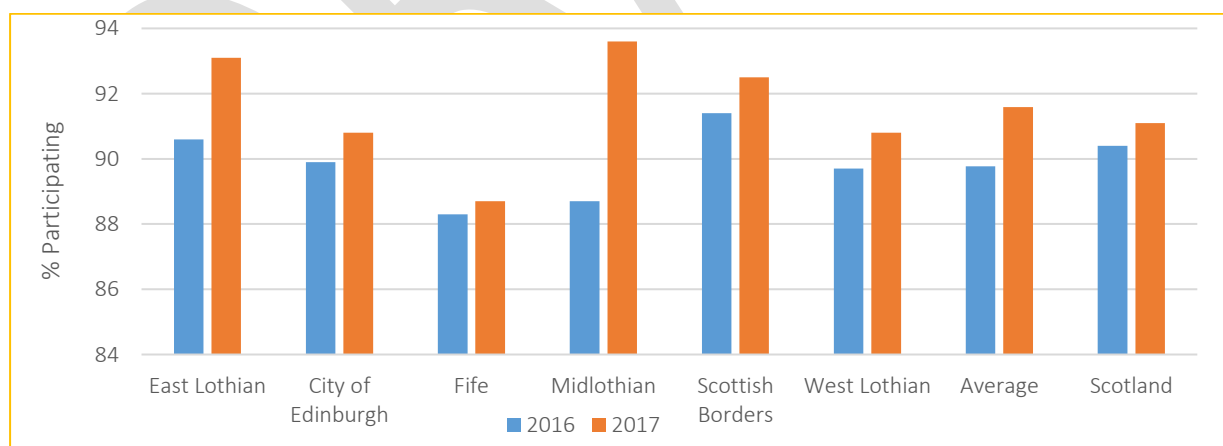


Figure 3: ESES City Region Deal Participation Measure Results

The activities being implemented individually by each local authority are making an impact, but there is a substantial amount of work still to do, especially to increase participation and encourage progression from those furthest from the job market. Both SLDR and Participation Measure figures are significantly worse for those who live in high SIMD areas. The barriers that many individuals face

<sup>11</sup> SDS Participation Measure (interactive resource): <https://www.skillsdevelopmentscotland.co.uk/publications-statistics/statistics/participation-measure/?page=1&statisticCategoryId=7&order=date-desc>

are beyond skills shortages and a requirement for employability support. Where unemployment is generational and examples of poverty and social exclusion exists, it has been recognised that a holistic; “whole family” approach will make more of an impact. Developing a wider approach throughout the SES city region, that concentrates on supporting each individual member of the family to progress, as well as the family as a whole, could result in a step-change level of impact. Much more effective than a range of individual programmes and a step-change that would not be possible without the collaboration and shared practices created by the IRES programme.

### *2.2.3 Why a geographical focus could maximise impact*

Fife Council’s Education and Children’s Service conducted further analysis into the characteristics of the approximately 350 – 450 young people per year, that leave school in Fife to a negative destination. Of the 447 that made up the cohort from 2014, 31.8% were from SIMD decile 1 and 2. This figure increased to 46.4% when including those in decile 3. Of this cohort, 26.2% of them have at least one additional support need. Many of these young people come from families where their parents or guardians have their own additional support needs and multiple barriers to employment. Consequently, it is unlikely that these young people will receive the necessary support and encouragement to access, achieve and sustain employment or a positive destination. In context across the SES city region there are 1,720 data zones, of which 242 are listed in the most deprived 20% according to the Scottish Index of Multiple Deprivation. Targeting support locally, concentrating on specific areas of disadvantage where there may be a concentration of workless, lone parent or low income households, possibly linked to a school catchment area, will hopefully result in knock-on effects that result in additional benefits to these communities.

Where an area has a history of generational unemployment and anti-social behaviour or a particular school that has a history of young people leaving to a negative destination this type of focused family activity could result in a significant improvement and results. Where attainment levels are low, an improved family situation and additional support should help these to improve leading the young people to access jobs and contribute more positively to the local economy. This would mean less young people facing unemployment, or low-skilled, vulnerable employment. Less at risk of misusing drugs or alcohol, lower engagement with community justice process and fewer people developing health and mental health issues as a result of poverty and social exclusion. This would mean lesser reliance on the benefits system, fewer engagements with social work services and increasing levels of community engagement.

### *2.2.4 Objectives and Benefits*

The overarching objective for the IRES Programme is to ensure the strengthened collaboration, resulting streamlining, and targeted additional investment from the city region deal significantly boosts the quality and quantity of outcomes achieved by the collective investment of the national and local partners.

Supporting all sections of society to acquire the knowledge and skills and secure the complementary supports they need (throughout their working lives) to develop and progress will be critical to maximising the talents of our citizens and unlocking the full potential of our economy.

The Intensive Family Support Service will provide a consistency of approach for those working with disadvantaged families across the city region. Each family will receive specific supports and interventions that will be developed in response to the families own circumstances. The type of



relationship building approach, delivered locally, in the families own homes and their communities will be consistent. Each family member will be engaged and assessed so a range of supports that are tailored to each individual's needs are implemented, as well as promoting activities that help the whole family unit to flourish. This will contribute to a greater regional coherence and provide transformational change by building a network of supports for families living in the most deprived areas to encourage and nurture their capacity to support their young people.

There are three main objectives for the Intensive Family Support Service:

- Identification of and engagement with workless, lone parent or low income families that have not fully benefited from engagement with statutory services, where additional holistic support would enhance the current range of separate provisions
- To maximise family income, stabilise vulnerable housing situations and create a supportive environment for each member of the family to progress into education, vocational training, lifelong learning and ultimately sustainable, healthy employment.
- To help reduce poverty by promoting access to higher skilled, higher paid employment and supporting labour mobility by increasing access to opportunities across the city region.

Such an intervention will create a robust Partnership and support an unprecedented level of collaboration and consistency of approach, for the target client group. This will help to develop economies of scale and to share innovative and best practice solutions to helping workless, lone parent and low income families.

### *2.2.5 Operational Risks*

The Intensive Family Support Service will target workless, lone parent and low income families, who by definition will have complex and multiple barriers to their progression. For this reason, job outcome rates will be low in comparison to traditional employability provision. This could be identified as an operational risk, should partners incorrectly compare this activity with mainstream employability provision. Where this project will see results is in the measurement of key indicators that demonstrate progression through a number of milestone outcomes, ultimately on route to employment as outlined above.

Further to this, it is our expectation that this project, especially when focused in particular localities throughout the SES city region area, will have many other additional, knock-on benefits, such as:

- Improved community engagement
- Enhanced engagement with DWP
- Income maximisation
- Increased school attendance
- Improved attainment
- Raised aspirations for both young people and adults
- Stabilised funding
- Reduced levels of offending
- A consistent regional service

Robust client monitoring and tracking systems are already in place across each of the local authority areas, to capture and monitor client progress. Work is also ongoing to further refine and develop these systems through the IRES Integrated Knowledge Systems (IKS) Project involving each of the local

authorities, Education Departments, Department for Work and Pensions, Skills Development Scotland and Developing the Young Workforce. It will be a mandatory requirement for those partners who deliver the Intensive Family Support Service to interact with this IKS project and share data accordingly.

### 2.2.6 Constraints

Due to the intensive nature of the work, it is essential that caseloads are kept at a manageable level and that family support workers are able to work flexibly and at times when the families require support most. This is not a standard employability intervention that will operate during standard working hours. As such, the major constraint will be to the number of families that can be effectively supported.

The target of supporting 280 families across the SES city region has been selected based on the intensity of support that is required to support this type of intervention. Currently, this intensive “whole family” approach is being piloted in Fife, part funded through existing ESIF Poverty & Social Inclusion allocation. Learning from this programme has indicated that smaller numbers of families should be targeted in order to provide a consistent level of service for each family, while providing the best chance to progress. Through the experience in Fife, it is clear that families can be identified, but it takes significant time required to engage with, register, build trust and start to make progress with each individual. As a result, the phase 1 project plan will be profiled to register the majority of beneficiaries earlier. Phase 2 has been given a slightly flatter profile at this time as many of the families engaged in Phase 1 may still be accessing support, but this will be up for review with the IRES Board as part of the ongoing monitoring. Due to the nature of the target beneficiaries’ barriers, most will not “exit” the programme quickly and very few beneficiaries will achieve an outcome or a result in the first year of the programme, as seen from the experience from delivering the pilot programme in Fife, but with intensive support, results are more likely in the later years.

### 2.2.7 Risk Management

Risk management is an integral feature of the Intensive Family Support Service. It is proposed that the service will be delivered by local third sector delivery partners and risk management will be an essential part of the project’s ongoing performance monitoring framework. Which will be further outlined in the Management Case. It will ensure robust management and mitigation of any potential or identified risks. The Intensive Family Support Service programme management group and ultimately the IRES board will regularly review progress with decisions made on continuation, adjustment or withdrawal of funding.

All risks at project level will be identified and mitigation measures put in place and monitored as part of the quarterly progress monitoring and annual review processes required by the IRES Programme Board. The Intensive Family Support project risk register outlined in the management case will be regularly updated accordingly.

## 3 Economic Case

This section provides an overview of the:

- Regional context informing business case for investment



- Factors that have informed the development Intensive Family Support Service project
- Selection process involved to identify delivery options which are most likely to realise Programme benefits
- Assessment of the anticipated knock-on economic benefits that may be generated by the project and,
- How the preferred delivery model, links into the skills pipeline and provides access to opportunities through other aspects of the City Region Deal.

### 3.1 Labour Market Context and Gap Analysis

As outlined in the strategic case there is a recognised need for closer alignment and integration across local, regional and National levels for employability and skills interventions. The IRES Programme Business Case points to the need for change in order to bring about the necessary improvements in the way that employability and skills are delivered across our public services.

The Intensive Family Support Service will create a city region-wide approach to supporting workless, lone parent and low income families. The approach will be delivered in partnership with local third sector providers, who can provide intensive, family-centred and tailored interventions that address the needs of each individual family member, while also developing “whole family” plans for progression.

Demographic changes are changing the way older people engage in the labour market. Employment rate for those aged 50-64 has increased by almost 10% over the last eight years and employment rate for those aged 65 and over also increasing. Therefore, employment can increasingly be identified as an option, even for those adults who have been out of the labour market for prolonged periods, and in families who have no history of employment whatsoever, should the correct interventions be identified and appropriate training be put in place. One of the key factors in promoting employment as an option to young people is their contact with adults who work. In many disadvantaged areas, where unemployment is a multigenerational reality, a young person’s only experience of a working adult can often be their teacher or the police. Increased focus on gaining an experience of the world of work, while at school, through Developing Young Workforce activity and Foundation Apprenticeships is a significant step forward. However, it is essential that these experiences for the young people are not undermined at home, if other family members have never experienced the world of work and actively discourage the engagement.

Since 2016, the type of holistic “whole family” approach is being piloted in Fife, for a small number of families, part funded by ESIF Poverty and Social Inclusion allocation. There are additional services in Edinburgh, East Lothian and West Lothian that have disadvantaged families at their core, but do not necessarily focus on each member of the families own barriers, but look at family circumstances such as debt management and housing issues. These families will often have links to multiple support networks such as, social work, community learning, community justice, education and housing, but from the experience gained over the pilot in Fife, these organisations do not necessarily communicate with each other, missing the opportunity to better align their activities and achieve greater results for all.

Should this service not be introduced, the support that these families require will continue to be fragmented, disconnected and ill-equipped to support the range of complex needs that have been identified from across the SES city region. The majority of families will have access to services provided through other interventions, but these do not focus specifically on progression, employability or on breaking the multi-generational cycle that has resulted in sustained disadvantage and increased poverty that is prevalent in significant parts of the SES city region.

The ESES city region is forecast to experience significant and sustained growth in population, households and commercial and infrastructure developments. The current supply of labour and skills in the region, whilst increased over recent years, is still not sufficient to meet future needs in term of volume or key current and future skills.

Key growth sectors across the region include construction, care, DDI, retail, hospitality and tourism. This means we must innovate our learning offer to better meet the needs of tomorrow's world and provide a gateway to support inclusive growth to enable pathways into employment. Youth unemployment across the region continues to be a concern. Despite fulfilling our commitment to reduce youth unemployment by 40%, four years ahead of schedule, we know that many young people, particularly those from workless, lone parent and low income households, continue to be in danger of leaving school to a negative destination, and therefore continue to be at greater risk of: health (particularly mental health) issues, substance misuse, contact with criminal justice services, lack of skills development and essentially lower levels of productivity and capacity to earn in the labour market.

It is essential, therefore that the young people coming through the education system have the best opportunity to access the identified current and future employment opportunities. In the current situation, many young people are not meeting their potential and therefore are likely to face poverty, deprivation and the issues outlined that are associated with it. To enable this change, greater support is needed to empower every member of the family to engage, address their complex barriers, progress and consider training and employment in their own right. As outlined in section 2.1.4, new opportunities will be created in conjunction with other IRES programme activity. Most specifically for adults and young people who have been supported through the Intensive Family Support Service to access pathways into higher skilled and higher paid jobs, particularly through the DDI and HCI Targeted Skills Gateways.

Figure 4 below outlines the IRES Programme's learning pipeline. Although those engaged by the Intensive Family Support Service will initially engage at stage 1 of this pipeline, the range of support and activities carried out will empower young people and adults to progress into the range of local and national employability and skills training programme across the city region and where possible access the Skills Gateways or other sustainable employment opportunities.

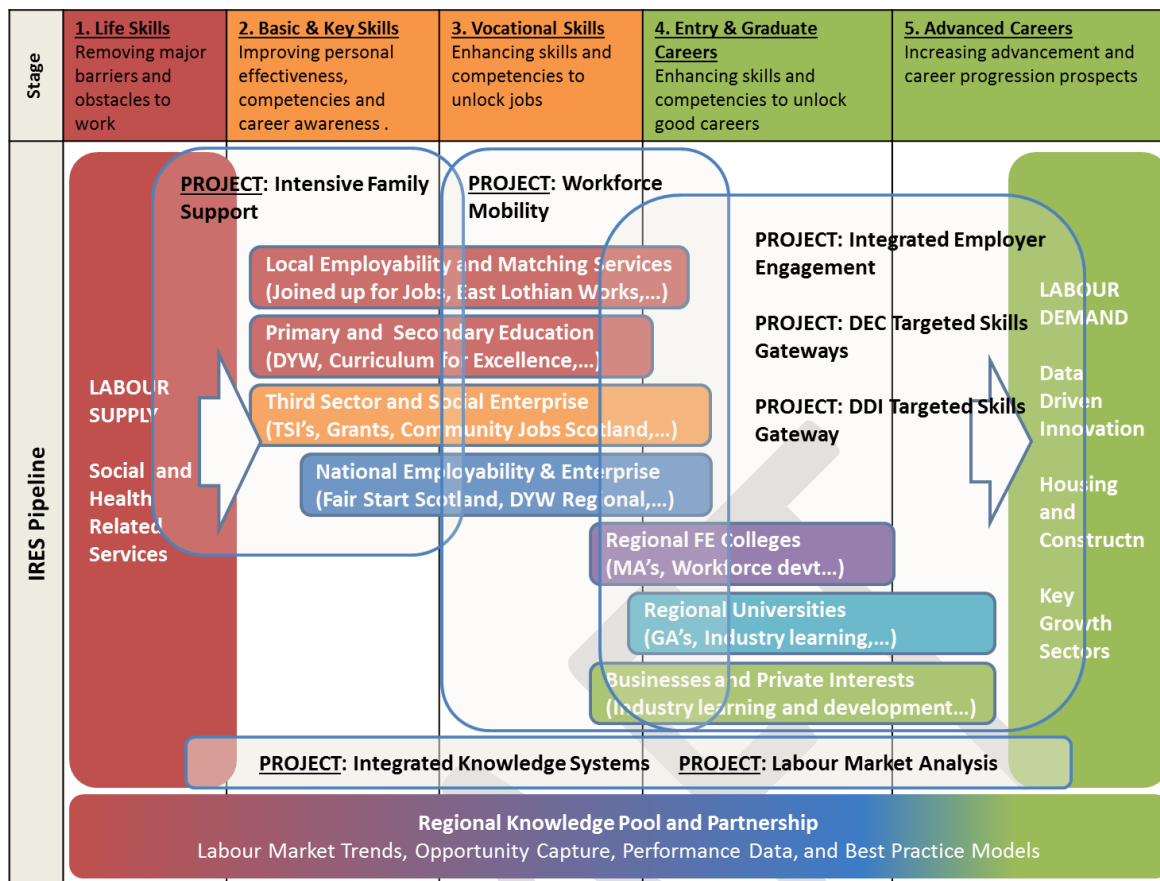


Figure 4: IRES Pipeline and component projects.

### 3.2 The change we want to effect

Any future employability and skills programme must enhance and help to future proof the regional economy by combining and augmenting existing resources. It must increase the employment rate and close the opportunity gap between different sections of society. It also must increase productivity and earnings and help reduce the gap between the lowest and highest earners.

The introduction of an Intensive Family Support Service, working across the SES city region will drive these types of changes. The project has Inclusive Growth at its heart, identifying those workless, lone parent and low income households that require significant, joined up and complex interventions that will stabilise often chaotic circumstances and make access to training and employment a real option. In turn, creating more stable and nurturing home environments to promote higher participation and attainment levels in young people and essentially widen the scope of opportunity for them to access higher skilled and higher paid employment and reduce inequality in the SES city region.

This type of intensive approach is essential for families who are in most need. In families where the adult(s) have multiple barriers that prevent them from progressing, accessing opportunities and creating a stable environment; then the young people are more likely to leave school to a negative destination. The IRES funding provides the opportunity to introduce a unique, innovative project across the whole SES city region. The change this would effect would be the introduction of a service that assesses and understands the range of complex needs that results in families being disadvantaged. Figure 5, below illustrates how the service will support existing provision. Providing advocacy and mediation that helps families navigate the various support agencies that they are

working with, such as: social security, department of work and pensions, credit unions, housing, community justice, social work and employability provision. Helping each agency understand how their actions could have positive or negative impacts on the family as a whole and supporting the family get the best out of each service. It will invest time in enhancing the family environment, building positive relationships and mutually encouraging attitudes.



Figure 5: Intensive Family Support Service links to existing support network

This holistic, family-centred, more intense type of service will address the needs and barriers faced by each individual as well as empowering the family as a whole to progress. It will be important to pilot the approach in key areas where there is a higher proportion of workless, lone parent or low income households, to demonstrate that significant impact can be made in particular communities, and that can be replicated in other communities throughout the wider city region over time.

It is recognised that third sector providers, providing outreach locally in some of the most deprived communities would be best placed to engage with and support workless, lone parent or low income households in these areas. It would be our intention that the third sector will be involved in the co-production and design of the service and that the Capital City Partnership, will lead on procuring the delivery service(s) and contract management on behalf of the IRES Board.

### 3.2.1 Identification of Options

Through the existing contributions that each of the partners already spend on employability, skills and training interventions, there was clear recognition that there is no single partner that has full responsibility for delivery of employability and the skills provision, but rather a partnership involving public, private and voluntary sector representation.

Given alignment to the wider ESES city region deal proposals and opportunities available for ensuring inclusive growth, reducing poverty and widening equality, partners agreed that a specific focus was required for workless, lone parent and low income families, particularly those families living in the more deprived parts of the city region, where poverty and lack of opportunity can be compounded by geography.

When considering how such a provision should be implemented the following options were considered:

- **Status Quo (Business as Usual)** – Fragmented activity, but no consistency of approach or specific single service for this client group in each of the Local Authorities across the SES city region. Some shared learning, where possible between individual organisations, but no integration or universal alignment.
- **Increased Local Resourcing** - Increase resources for existing local delivery activity, where it exists, but no integration or alignment between organisations
- **Full Restructure of delivery into Regional level projects** - Zero budgeting approach with all current activities ceased and new provision redesigned from scratch
- **Regional Employability and Skills Activity** – Introducing a single regional employability and skills service to augment current activity
- **Integrated Regional/Local Model** - Integrated and aligned activity initiated at community level across all local authority areas, providing links at the regional level as part of an inclusive, multi-agency, “family-centred” progression approach to services, interventions, and allied supports

Pros and cons of each option were assessed against impact criteria linked to the identified goals for an improved future Employability & Skills programme.

### 3.3 Appraisals Approach

#### 3.3.1 Status Quo (Business as Usual)

Activity does exist, particularly in Fife, Edinburgh and West Lothian that focuses on families facing disadvantage. This activity, however is fragmented and there is no consistency of approach or a specific single service for “families” as a client group in all of the Local Authorities across the SES city region. Where there is opportunity to share learning, where possible between individual organisations, there is no integration or universal alignment.

Pros	Cons
Minimal disruption to service.	<p>Scope for duplication and progression bottlenecks.</p> <p>Limited option to share capacity across partners.</p> <p>Limited opportunity to achieve economy of scale.</p> <p>Service capacity will reduce over time due to financial constraints.</p> <p>Current system has led to disparities, inequalities and multi-generational unemployment within the region.</p> <p>Continuing the status quo this trend is likely to continue, resulting in a widening of the skills and productivity gap, particularly if young people from these families are less likely to achieve a positive destination when leaving school.</p>

### 3.3.2 Increased Local Resourcing

Increase resources for existing local delivery activity, where it exists, but no integration or alignment between organisations

Pros	Cons
Additional capacity. Minimal disruption to service.	Would create additional inequality of opportunity across the city region as not all authorities have dedicated resource for the client group. Public expenditure means there is limited ability to increase capacity. Lack Regional coherence and alignment with wider city region deal. Difficult to sustain due to affordability.

### 3.3.3 Full Restructure of delivery into Regional level projects

Zero budgeting approach with all activities ceases and is redesigned from scratch

Pros	Cons
Reduced fragmentation from start Single integrated offer from start Aligns budgets and priorities with clear project aims Potential to leverage in additional funds.	Significant disruption to existing services and beneficiaries. Loss of best practice and expertise during transition. Danger of removing necessary and established support for vulnerable client group. Risk of disconnect from local priorities. Breakdown of existing, important relationships. Potential loss of trust in a replacement service from beneficiaries who had established relationships with existing services.

### 3.3.4 Regional Employability and Skills Activity

Introducing a new regional intensive Family Support Services to augment current activity

Pros	Cons
Adds additional capacity. Minimal disruption. Can be aligned with wider city region deal activity. Potential to leverage in additional funds.	Add to complexity and fragmentation. Difficult to sustain due to affordability. Risk of disconnect from local priorities, seen as parachuting in unsuitable/inappropriate services. A single, larger, regional delivery partner may not understand the complexity of circumstance in particular local communities.

### 3.3.5 Integrated Regional/Local Model

Learning from existing best practice, developing integrated and aligned activity built up from the community level to authority and regional scale as part of a wider joined-up approach

Pros	Cons
Adds additional capacity. Minimal disruption. Builds on existing best practice. Supports the enhancement of existing relationships. Aligned with wider city region deal activity. Reduced fragmentation over time.	Requires cultural change and strong buy in from all partners. Coordination and sequencing is challenging. Requires investment in collaboration infrastructure (e.g. management systems)

Pros	Cons
Potential to leverage in additional funds.	

### 3.3.6 Programme Option Analysis

The table below summarises assessment of each of the options in terms of set impact criteria.

Impact Criteria (0-None, 1-Low, 2-Medium, 3-High)	Status Quo	Increased Local	Full Restructure	Regional Activity	Integrated
Positive impact for service beneficiaries	1	2	3	2	3
Ease of Transition	3	3	1	2	2
Builds on established good practice	2	2	1	2	3
Targeting progression of disadvantaged groups	2	3	3	2	3
Increases value for money achieved	1	1	2	1	2
Aligned with key growth sectors	0	0	3	2	3
Promotes Regional collaboration	0	0	3	2	3
Contributes to City Region Deal commitments	0	0	3	2	3
Drives service streamlining and agility	0	0	3	0	3
Affordable and sustainable	2	1	3	1	3
<b>COMBINED (# out of 30):</b>	<b>11</b>	<b>12</b>	<b>25</b>	<b>16</b>	<b>28</b>

### 3.3.7 Preferred Option

Five options were considered for implementing an Intensive Family Support Service. Three of the options; status quo, increased local provision and a new additional regional programme scored lower than the other two. As can be seen from the analysis, this was due to their added complexity and their lack of alignment/integration across the city region and an inability to make the required impact.

Two options scored highly, integrated regional/local model and full restructure. Although carrying out a full restructure and implementing a new service from scratch is an attractive option, it does have quite a significant downside. Full restructure would be a simple way of aligning objectives and targets and implementing a new approach across the SES city region that meets the wider strategic aims. Unfortunately, the disruption that this would cause to already vulnerable families, where services already exist and the negative impact that removing these supports and breaking down existing, productive relationships would have, makes this option un-favourable.

The preferred option that scored highest on the options analysis is the **integrated regional/local option**.

### 3.3.8 Why the Integrated Regional/Local Model is preferred

The development of an integrated regional model that is built on the existing local provision, is preferred. This is because it takes advantage of existing best practice models, creates a culture of shared learning and regional integration, while maintaining existing relationships with clients and reducing disruption to already vulnerable families. This model will facilitate locally focused provision



that can react and respond to the intricacies of specific communities, but create a single, holistic, whole-family approach that can be implemented throughout the SES city region.

### 3.4 Impact of implementing the Intensive Family Support Service

The IRES programme has been allocated £25 million over an eight-year period to help facilitate a step change in inclusive growth by stimulating a change in culture and regional approach. This combined with the development of new skills content, enablers, and pilot activity will ensure our economy continues to generate good opportunities and that these are open and accessible by all sections of society.

Of that, the Intensive Family Support Service has been allocated £4.7 million over the period. As explained in section 1.3.1 this allocation will be split into two distinct phases:

- Phase 1: 2019 – 2022: Will use £1.7 million of this allocation to support up to 77 families. This £1.7 million, will be used to leverage in a further £1.5 million of ESIF Poverty and Social Inclusion funding from Scottish Government that can be used in five of the six local authority areas (not including West Lothian, who are not eligible for further PSI funding, due to their ongoing existing PSI commitments). This allocation will support a further 62 families, meaning up to 139 families will be supported across the SES city region in phase 1.
- Phase 2: 2022 – 2026: The remaining £3.0 million of IRES allocation will be used to maintain the service delivery across the SES city region, continuing to work with those phase 1 families who still require support, and engage a further 141 families. Ongoing performance reviews will be undertaken and linked to ongoing evaluation. The purpose of the evaluation will be to qualify and quantify the impact made by the service as an intensive intervention. Evidence from this evaluation will be used to leverage further local and national funds to help mainstream this provision by the end of phase 2.
- In total, for an investment of £4.7 million, the Intensive Family Support Service will deliver £6.2 million worth of activity, supporting up to 280 workless, lone parent and low income families from some of the most deprived parts of the SES city region.

This type of holistic and “whole family” support for workless, lone parent or low income families is markedly different to any of the existing employability activities that are funded through ESF Pipelines in each of the local authority areas across the SES city region.

The Intensive Family Support Service will make an impact by:

- Identifying and engaging with workless, lone parent or low income families, from the SES city region’s most deprived areas, who require additional holistic support to enhance the current range of separate provisions
- Maximising family income, helping to stabilise vulnerable housing situations and creating a supportive environment for each member of the family to progress into education, vocational training, and sustainable, healthy employment.
- Helping to reduce poverty by promoting access to higher skilled, higher paid employment and supporting labour mobility by increasing access to opportunities across the city region.



The rationale behind selecting workless, lone parent or low income households as the target group for this intervention and focus on the more deprived areas across the city region stems from the work done to develop the IRES Programme. Current provision does not suitably address the complex and varied needs of our disadvantaged families and this programme provides the unique opportunity to break generational cycles and enhance the opportunity for progression.

The table below outlines the breakdown between local authority areas that the Intensive Family Support Service will target for support:

LA Area	Target Area / Location*	Phase 1 Total	Phase 2 Total	Total No. of Families
East Lothian	Musselburgh East	12	10	22
Edinburgh	Craigmillar, Portobello, Gorgie, Sighthill, Leith	54	50	104
Fife	Lochgelly/Cowdenbeath, Kirkcaldy	38	35	73
Midlothian	Ladywood in Penicuik, Bilston, Loanhead, Danderhall	12	10	22
Scottish Borders	Specific families identified, not consistent by location	8	6	14
West Lothian	Armadale, Whitburn, Blackburn	15	30	45
<b>City Region</b>		<b>139</b>	<b>141</b>	<b>280</b>

\*Target locations have been proposed by each Local Authority partner, these will be confirmed during the process to select delivery partners and the roll out of the service.

It is not the intention that the Intensive Family Support Service will concentrate on activities exclusively for young people, but instead develop a family culture that will ensure that young people and their parents can address problems such as: debt management, housing, multigenerational unemployment and fully engage in existing mainstream provision in order to enhance their opportunity to progress. The service will engage with the family, identifying barriers to progression and putting in place additional support and eventually access to mainstream provision, where appropriate, through local Employability Pipelines. Key to the IRES programme as a whole will be the links between project activity, meaning that those supported by the service will have access to the DDI and HCI Targeted Skills Gateways. Promoting access to higher quality jobs particularly for those from disadvantaged groups will be fundamental in supporting inclusive growth throughout the SES City Region. Thus breaking the cycle of systemic, generational unemployment and supporting families who are in most need.

The introduction of Universal Credit full service will provide further opportunity to better support families as it is introduced. If Universal Credit has the impact that is intended, workless, lone parent and low income families will have more opportunity to take short-term or temporary jobs; as they will stay on UC, having the benefit element calculated based on additional earnings. Where previously this cohort would have been reluctant to take short term or temporary contract jobs, as the effect on their benefit would have been significant. Also should a temporary or short-term employment contract not be sustained, under the previous benefit system, it would result in a period of time before their benefits would return to previous levels; therefore causing additional financial strain. UC claimants will be encouraged, where appropriate, to take short-term or temporary contract jobs to gain experience and break their cycle of worklessness; while being supported to find a better job and then progress towards a career.

Youth unemployment across the SES city remains a concern and will be a focus of activity in each authority area. It is understood that young people from families in our most deprived areas less likely

to achieve a positive destination, regardless of the activities already on offer. This makes the proposal for further investment in young people from workless, lone parent and low income families, particularly from deprived areas, even more essential. This holistic, “whole family” approach will provide transformational change, reducing the likelihood of those young people from the SES city region’s most deprived areas leaving school to a negative destination.

The aim is to provide a holistic experience that is enhanced from traditional employability, concentrating on increasing the quality of support that the families receive and rewarding positive progress as well as traditional hard outcomes (such as employment, further/higher education and vocational training).

Such an intervention will create a robust partnership and support an unprecedented level of collaboration and consistency of delivery, for the target client group. This will help to develop economies of scale and to share innovative and best practice solutions to helping workless, lone parent and low income families.

#### *3.4.1 Summary of Outcomes Benefits, and KPI’s*

The Intensive Family Support Service is an integral part of the IRES Programme and it is anticipated that significant inclusive benefits will be generated including:

- Number of disadvantaged participants engaged in job searching, education/training, gain a qualification, or are in employment (including self-employment) upon leaving
- Number of disadvantaged participants in workless, lone parent or low income households with improved money management skills
- Number of participants no longer affected by debt as a barrier to social inclusion

These first indicators are specifically linked to the allocation of ESIF Poverty and Social Inclusion funding, which will be leveraged in during phase 1.

Additional impact will be measured through reporting on activity such as:

- Development of individual/household action plans
- Progression onto mainstream Employability Pipeline Activities
- Number of young people engaged through the intervention actively participating in education, employment or training.
- Number of households with income below median levels
- Value of increased income available to households after money advice
- Number of young people re-engaging with school

#### *3.4.2 Phase 1 – Performance Indicators and Milestone Profile*

Figure 6, below summarises the range of outcomes and benefit measures with timelines, in Phase 1. These targets are based on the funding available, experience gained from the pilot activity and the relative scale of the support required across the SES city region:

## Intensive Family Support Service (V0.5)

Outcomes		2019-2020				2020-2021				2021-2022				Phase 1 Total
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Number of families engaged	East Lothian		2	3	3	1	1	0	0	1	1	0	0	12
	Edinburgh		10	12	10	3	3	3	3	3	3	3	1	54
	Fife		8	8	8	2	2	2	2	2	2	1	1	38
	Midlothian		2	3	3	1	1	0	0	1	1	0	0	12
	Scottish Borders		1	2	1	1	1	0	0	1	1	0	0	8
	West Lothian		3	4	3	1	1	1	0	1	1	0	0	15
	<b>City Region Total</b>		<b>26</b>	<b>32</b>	<b>28</b>	<b>9</b>	<b>9</b>	<b>6</b>	<b>5</b>	<b>9</b>	<b>9</b>	<b>4</b>	<b>2</b>	<b>139</b>
Registrations (No. Individuals)			88	109	95	31	31	20	17	31	31	14	7	473
Action Plans Completed (No. Individuals)			88	109	95	31	31	20	17	31	31	14	7	473
Improved Money Management Skills (No. Individuals)			0	10	15	15	20	20	30	40	40	40	30	260
Participants no longer affected by debt as a barrier to social inclusion			0	0	10	10	10	10	15	20	30	35	30	170
Adult Positive Outcomes	Employability Pipeline Registration		0	0	2	2	2	3	3	3	3	3	2	23
	Gaining a qualification		0	0	0	4	4	4	4	5	5	4	4	34
	Entering FE/HE		0	0	0	0	2	3	5	6	6	5	4	31
	Accessing Employment / Self Employment		0	0	0	0	2	3	5	6	6	5	4	31
Young Person Positive Outcomes	Re-engagement in School		0	0	2	2	2	3	3	2	2	0	0	16
	Employability Pipeline Registration		0	0	2	2	2	3	3	2	2	0	0	16
	Gaining a qualification		0	0	2	4	6	8	10	10	10	10	9	69
	Entering FE/HE		0	0	2	4	6	8	10	10	8	8	6	62
Accessing Employment / Self Employment		0	0	0	2	4	6	10	10	10	10	10	62	

Figure 5: Phase 1 Outcomes, measures and timelines

### 3.4.3 Phase 2 - Performance Indicators: Indicative Profile

Figure 6 below, outlines the proposed targets, for Phase 2. Further detail and target profiling will be outlined prior to the commencement of Phase 2, based on actual performance in Phase 1.

Outcomes		Phase 1 Total	2022-23	2023-2024	2024-2025	2025-2026	Phase 2	Combined Total
			Total	Total	Total	Total		
Number of families engaged	East Lothian	12	2	3	3	2	10	22
	Edinburgh	54	10	17	13	10	50	104
	Fife	38	9	10	9	7	35	73
	Midlothian	12	2	3	3	2	10	22
	Scottish Borders	8	1	3	2	0	6	14
	West Lothian	15	7	10	10	3	30	45
	<b>City Region Total</b>	<b>139</b>	<b>31</b>	<b>46</b>	<b>40</b>	<b>24</b>	<b>141</b>	<b>280</b>
Registrations (No. Individuals)		473	105	156	136	82	479	952
Action Plans Completed (No. Individuals)		473	105	156	136	82	479	952
Improved Money Management Skills (No. Individuals)		260	58	86	75	45	264	524
Participants no longer affected by debt as a barrier to social inclusion		170	38	56	49	29	173	343
Adult Positive Outcomes	Employability Pipeline Registration	23	5	7	6	4	22	45
	Gaining a qualification	34	8	11	10	6	35	69
	Entering FE/HE	31	7	10	9	5	32	63
	Accessing Employment / Self Employment	31	7	10	9	5	32	63
Young Person Positive Outcomes	Re-engagement in School	16	3	5	4	3	16	32
	Employability Pipeline Registration	16	3	5	4	3	16	32
	Gaining a qualification	69	15	23	20	12	70	139
	Entering FE/HE	62	14	21	18	11	63	125
Accessing Employment / Self Employment	62	14	21	18	11	63	125	

Figure 6: Phase 1 and 2 with total outcomes, measures and timelines

Additional milestones and progression indicators may be introduced during the process to procure or select appropriate delivery partners for the service.

## 4 Commercial Case

We know that public sector investment in employability and skills provision spanning schools, colleges, universities, National Training Programmes etc. is substantial. It is therefore vital moving forwards that outcomes are maximised and delivered by the most effective and efficient means.

Critical to making progress towards an inclusive labour market will be the creation of the right leadership and collaboration environment to stimulate whole system thinking and a shared commitment to improving the quality and quantity of collective outcomes.

The Intensive Family Support Service Management Group will oversee the operational management responsibility for the project. This group will be chaired by The Capital City Partnership (CCP). CCP will provide contract and performance management for the service on behalf of the six local authority areas. CCP will work with local third sector providers in each local authority area to conduct capacity building and develop the final service specification. As each local authority area will have specific areas of deprivation or key target locations where this service could make the greatest impact, co-production and design with the local partners who will eventually deliver the service will be essential.

The CPP will carry out a selection/procurement exercise to identify delivery partners, who will deliver the service in each local authority area. Although the service will be commissioning a single approach, there will be up to six lots available for delivering activity.

All procurement will uphold the overarching principle to achieve best value and the Management Case to follow details further the role of the Intensive Family Support Service Management Group to ensure this.

## 5 Financial Case

Figures 7 and 8 below outline the planned programme budget and spend that will be available over the two distinct phases of the project.

## 5.1.1 Phase 1:

Intensive Family Support Service Activity and Spend	PHASE 1			
	2019-20	2020-21	2021-22	Phase 1 Total
<b>PROJECT MANAGEMENT AND DEVELOPMENT</b>				
<b>STAFF:</b>				
Programme Manager	£57,860	£57,860	£57,860	£173,580
Compliance Officer	£43,395	£43,395	£43,395	£130,185
Staffing Total	<b>£101,255</b>	<b>£101,255</b>	<b>£101,255</b>	<b>£303,765</b>
<b>MANAGEMENT COSTS:</b>				
Staff training	£2,000	£2,000	£2,000	£6,000
Mobile phones	£1,500	£1,500	£1,500	£4,500
Desk pp @180pm (inc hardware)	£6,480	£6,480	£6,480	£19,440
Travel	£2,500	£2,500	£2,500	£7,500
Marketing + integration support	£2,000	£2,000	£2,000	£6,000
Office supplies/Marketing	£500	£500	£500	£1,500
Subtotal	£14,980	£14,980	£14,980	£44,940
<b>PROJECT MANAGEMENT AND DEVELOPMENT TOTAL:</b>	<b>£116,235</b>	<b>£116,235</b>	<b>£116,235</b>	<b>£348,705</b>
<b>PROGRAMME DELIVERY</b>				
<b>DELIVERY CONTRACTS:</b>				
Delivery Partner: East Lothian	£42,009	£42,009	£42,009	£126,027
Delivery Partner: Edinburgh	£154,032	£154,032	£154,032	£462,096
Delivery Partner: Fife	£130,694	£130,694	£130,694	£392,082
Delivery Partner: Midlothian	£42,009	£42,009	£42,009	£126,027
Delivery Partner: Scottish Borders	£28,006	£28,006	£28,006	£84,018
Delivery Partner: West Lothian	£70,015	£70,015	£70,015	£210,045
<b>ESES City Region Delivery Total</b>	<b>£466,765</b>	<b>£466,765</b>	<b>£466,765</b>	<b>£1,400,295</b>
<b>ADDITIONAL LEVERAGE FUNDING:</b>				
Additional ESIF P&SI Allocation (East Lothian)	£50,000	£50,000	£50,000	£150,000
Additional ESIF P&SI Allocation (Edinburgh)	£175,000	£175,000	£175,000	£525,000
Additional ESIF P&SI Allocation (Fife)	£175,000	£175,000	£175,000	£525,000
Additional ESIF P&SI Allocation (MidLothian)	£50,000	£50,000	£50,000	£150,000
Additional ESIF P&SI Allocation (Scottish Borders)	£50,000	£50,000	£50,000	£150,000
Additional ESIF P&SI Allocation (West Lothian)	£0	£0	£0	£0
<b>ESIF Poverty &amp; Social Inclusion Allocation Total</b>	<b>£500,000</b>	<b>£500,000</b>	<b>£500,000</b>	<b>£1,500,000</b>
<b>REVIEW AND EVALUATION</b>				
Evaluators	£5,000	£5,000	£5,000	£15,000
<b>TOTAL PROJECT COST</b>	<b>£1,088,000</b>	<b>£1,088,000</b>	<b>£1,088,000</b>	<b>£3,264,000</b>
<b>ESES CRD TOTAL ASK</b>				
Total Delivery Cost	<b>£588,000</b>	<b>£588,000</b>	<b>£588,000</b>	<b>£1,764,000</b>

Figure 7: Phase 1 Projected Spend Profile

The current availability of ESIF Poverty and Social Inclusion allocation gives us a unique opportunity to implement this programme at a regional level, maximising our impact over the first three years of the programme, without over extending the budget by front-loading spend to initiate new activity that will be difficult to sustain in later years. For an investment of £1.7 million, activity worth over £3.2 million can be delivered in Phase 1.

### 5.1.2 Phase 2:

Figure 8 below outlines how the remaining £2.9 million of ESES allocation will be used to continue the service in Phase 2, while gathering evidence of this type of approach over the whole period. This data would provide evidence to analyse and evaluate the impact of the project, building confidence in the model, demonstrating success and influence local authorities to re-profile their spending in order to sustain the level of investment in the project, once PSI and ESES city region deal allocation is no longer available.

Intensive Family Support Service Activity and Spend	PHASE 1	PHASE 2					Programme Total	
	Phase 1 Total	2022-23	2023-24	2024-25	2025-26	2026-27		Phase 2 Total
<b>PROJECT MANAGEMENT AND DEVELOPMENT</b>								
<b>STAFF:</b>								
Programme Manager	£173,580	£57,860	£57,860	£57,860	£57,860	£57,860	£289,300	£462,880
Compliance Officer	£130,185	£43,395	£43,395	£43,395	£43,395	£43,395	£216,975	£347,160
<b>Staffing Total</b>	<b>£303,765</b>	<b>£101,255</b>	<b>£101,255</b>	<b>£101,255</b>	<b>£101,255</b>	<b>£101,255</b>	<b>£506,275</b>	<b>£810,040</b>
<b>MANAGEMENT COSTS:</b>								
Staff training	£6,000	£2,000	£2,000	£2,000	£2,000	£2,000	£10,000	£16,000
Mobile phones	£4,500	£1,500	£1,500	£1,500	£1,500	£1,500	£7,500	£12,000
Desk pp @180pm (inc hardware)	£19,440	£6,480	£6,480	£6,480	£6,480	£6,480	£32,400	£51,840
Travel	£7,500	£2,500	£2,500	£2,500	£2,500	£2,500	£12,500	£20,000
Marketing + integration support	£6,000	£2,000	£2,000	£2,000	£2,000	£2,000	£10,000	£16,000
Office supplies/Marketing	£1,500	£500	£500	£500	£500	£500	£2,500	£4,000
<b>Subtotal</b>	<b>£44,940</b>	<b>£14,980</b>	<b>£14,980</b>	<b>£14,980</b>	<b>£14,980</b>	<b>£14,980</b>	<b>£74,900</b>	<b>£119,840</b>
<b>PROJECT MANAGEMENT AND DEVELOPMENT TOTAL:</b>	<b>£348,705</b>	<b>£116,235</b>	<b>£116,235</b>	<b>£116,235</b>	<b>£116,235</b>	<b>£116,235</b>	<b>£581,175</b>	<b>£929,880</b>
<b>PROGRAMME DELIVERY</b>								
<b>DELIVERY CONTRACTS:</b>								
Delivery Partner: East Lothian	£126,027	£42,009	£42,009	£42,009	£42,009	£42,009	£210,045	£336,072
Delivery Partner: Edinburgh	£462,096	£154,032	£154,032	£154,032	£154,032	£154,032	£770,160	£1,232,256
Delivery Partner: Fife	£392,082	£130,694	£130,694	£130,694	£130,694	£130,694	£653,470	£1,045,552
Delivery Partner: Midlothian	£126,027	£42,009	£42,009	£42,009	£42,009	£42,009	£210,045	£336,072
Delivery Partner: Scottish Borders	£84,018	£28,006	£28,006	£28,006	£28,006	£28,006	£140,030	£224,048
Delivery Partner: West Lothian	£210,045	£70,015	£70,015	£70,015	£70,015	£70,015	£350,075	£560,120
<b>ESES City Region Delivery Total</b>	<b>£1,400,295</b>	<b>£466,765</b>	<b>£466,765</b>	<b>£466,765</b>	<b>£466,765</b>	<b>£466,765</b>	<b>£2,333,825</b>	<b>£3,734,120</b>
<b>ADDITIONAL LEVERAGE FUNDING:</b>								
Additional ESIF P&SI Allocation (East Lothian)	£150,000	£0	£0	£0	£0	£0	£0	£150,000
Additional ESIF P&SI Allocation (Edinburgh)	£525,000	£0	£0	£0	£0	£0	£0	£525,000
Additional ESIF P&SI Allocation (Fife)	£525,000	£0	£0	£0	£0	£0	£0	£525,000
Additional ESIF P&SI Allocation (MidLothian)	£150,000	£0	£0	£0	£0	£0	£0	£150,000
Additional ESIF P&SI Allocation (Scottish Borders)	£150,000	£0	£0	£0	£0	£0	£0	£150,000
Additional ESIF P&SI Allocation (West Lothian)	£0	£0	£0	£0	£0	£0	£0	£0
<b>ESIF Poverty &amp; Social Inclusion Allocation Total</b>	<b>£1,500,000</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£0</b>	<b>£1,500,000</b>
<b>REVIEW AND EVALUATION</b>								
Evaluators	£15,000	£5,000	£5,000	£5,000	£5,000	£1,000	£21,000	£36,000
<b>TOTAL PROJECT COST</b>	<b>£3,264,000</b>	<b>£588,000</b>	<b>£588,000</b>	<b>£588,000</b>	<b>£588,000</b>	<b>£584,000</b>	<b>£2,936,000</b>	<b>£6,200,000</b>
<b>ESES CRD TOTAL ASK</b>								
Total Delivery Cost	£1,764,000	£588,000	£588,000	£588,000	£588,000	£584,000	£2,936,000	£4,700,000

Figure 8: Phase 2 Projected Spend Profile and Overall budget

### 5.1.3 Added Value

ESIF Poverty and Social Inclusion activity currently exists, within the SES city region; in Edinburgh, Fife, Midlothian and West Lothian. These separate programmes in Edinburgh, Fife and Midlothian will stop, allowing five of the local authorities to pool their nominal PSI allocations and use this to augment the introduction of the Intensive Family Support Service. East Lothian and Scottish Borders are not currently using their PSI allocation, so this would be the first time that they would have access to this type of provision. West Lothian have elected to retain and extend their existing PSI provision until 2022 and therefore are not eligible for the extended service. West Lothian will therefore have a basic

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level of families supported in Phase 1, without the additionality brought by PSI that will be available in the other five local authority areas.

Without the additional of PSI allocation the Intensive Family Support Service would look to support 77 families in Phase 1, across the six local authority areas. The projected breakdown is illustrated in figure 9, below:

LA Area	Area / Location	2019 - 2020	2020 - 2021	2021 - 2022	Phase 1 ESES	Phase 2 ESES	Total Number of Families
East Lothian	Musselburgh East	4	1	1	6	10	16
Edinburgh	Craigmillar, Portobello, Gorgie, Sighthill, Leith	16	6	5	27	50	77
Fife	Lochgelly/Cowdenbeath, Kirkcaldy	12	4	3	19	35	54
Midlothian	Ladywood in Penicuik, Bilston, Loanhead, Danderhall	4	1	1	6	10	16
Scottish Bord	Specific families identified, not consistent by location	2	1	1	4	6	10
West Lothian	Armadale, Whitburn, Blackburn	10	3	2	15	30	45
<b>City Region</b>		<b>48</b>	<b>16</b>	<b>13</b>	<b>77</b>	<b>141</b>	<b>218</b>

Figure 9: Phase 1 – Breakdown of families supported through ESES city region’s Intensive Family Support Service

With the addition of PSI allocation, being available in phase 1, this will facilitate support for a further 62 families across the five of the local authority areas. This additional support excludes West Lothian as they are not eligible for the additional PSI. The additional breakdown is illustrated in Figure 10, below:

LA Area	Area / Location	2019 - 2020	2020 - 2021	2021 - 2022	Phase 1 Total	Phase 2 Total	Total Number of Families
East Lothian	Musselburgh East	4	1	1	6	0	6
Edinburgh	Craigmillar, Portobello, Gorgie, Sighthill, Leith	16	6	5	27	0	27
Fife	Lochgelly/Cowdenbeath, Kirkcaldy	12	4	3	19	0	19
Midlothian	Ladywood in Penicuik, Bilston, Loanhead, Danderhall	4	1	1	6	0	6
Scottish Borders	Specific families identified, not consistent by location	2	1	1	4	0	4
West Lothian	Armadale, Whitburn, Blackburn	0	0	0	0	0	0
<b>City Region</b>		<b>38</b>	<b>13</b>	<b>11</b>	<b>62</b>	<b>0</b>	<b>62</b>

Figure 10: Phase 1 – Breakdown of additional families supported with ESIF Poverty and Social Inclusion Allocation.

Therefore, the Intensive Family Support Service will target the support of a total of 280 families across the entire duration of the programme, as illustrated in Figure 11 below:

LA Area	Area / Location	Phase 1 PSI	Phase 1 ESES	Phase 2 ESES	Total Number of Families
East Lothian	Musselburgh East	6	6	10	22
Edinburgh	Craigmillar, Portobello, Gorgie, Sighthill, Leith	27	27	50	104
Fife	Lochgelly/Cowdenbeath, Kirkcaldy	19	19	35	73
Midlothian	Ladywood in Penicuik, Bilston, Loanhead, Danderhall	6	6	10	22
Scottish Bord	Specific families identified, not consistent by location	4	4	6	14
West Lothian	Armadale, Whitburn, Blackburn	0	15	30	45
<b>City Region</b>		<b>62</b>	<b>77</b>	<b>141</b>	<b>280</b>

Figure 11: Breakdown of total number of families supported in Phase 1 and Phase 2, with additional ESIF.

The Intensive Family Support Service Management Group will regularly review the progress of each delivery partner, with recommendations made to the IRES Board, for the continuation, adjustment or withdrawal of funding. The IRES Programme fund is a gap fund (funder of last resort) that is matched against existing resources and ESIF Poverty and Social Inclusion allocation leveraged in through Scottish Government. Risk is therefore proportionate across the partners and collaboratively managed to ease mainstreaming of the approach, by the end of phase 2.

Any underspend or de-commitments of the IFS service will be monitored by the IFS Management Group and recommendations made to the IRES Board for approval. Project overspends will remain the responsibility of the relevant project lead organisation and delivery partners. In exceptional and extenuating circumstances request for additional support can be made to the IRES Board for consideration.



The development of a network of local partners to deliver the programme creates an ongoing dialogue for learning and improvement. This ongoing support will promote positive outcomes and mitigate many of the risks associated with delivering the service.

## 6 Management Case

At the core of the project will be the **Intensive Family Support Service Management Group** that will oversee progress towards project objectives and work with the IRES Board and other project leads to support the delivery of the wider IRES programme goals.

This Management Group will be led by the Capital City Partnership (CCP), who will be responsible for the contracting/procuring of local delivery partners and overseeing the contract management of the programme. The group will bring together representatives from each local delivery partner to update on progress, share success and ensure that a continuity of service across the SES city region is maintained.

### 6.1 Project Management and Theme Support

The delivery of the Intensive Family Support Service will be undertaken by a network of local delivery partners, project managed by The Capital City Partnership on behalf of the IRES Board, as illustrated in the diagram below:

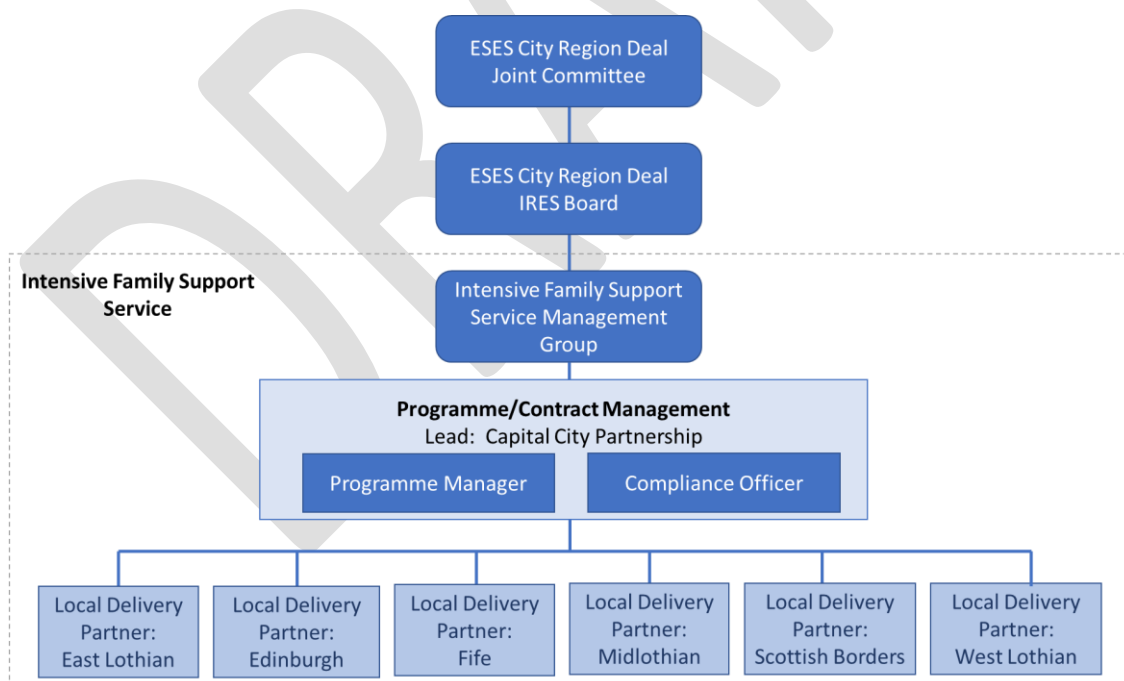


Figure 6: Proposed governance structure.

#### 6.1.1 Role of the Intensive Family Support Management Group:

The **Intensive Family Support Management Group** will be responsible for planning, implementing, reviewing, and refining the Intensive Family Support activity to ensure it delivers the change and inclusive growth ambitions for the ESES City Region Deal. Membership of this group will be as follows



and it is proposed that the group would be chaired by the Capital City Partnership as they will have responsibility for contracting/procuring the delivery contracts and therefore responsibility for monitoring performance and compliance.

Role	Organisation or Group	No.
<b>Chair/Vice-Chair</b>	Capital City Partnership	1
<b>Delivery Partners</b>	Representatives of each of the contracted/procured local delivery partners. Most likely local Third Sector organisations with the capacity to engage with low income, lone parent and low wage families in their local communities	TBC
<b>Local Authority Representatives</b>	Representatives from each Local Authority Area, with the capacity to link to own education, social work and employability providers	6
<b>Public Skills Bodies &amp; Innovation</b>	Skills Development Scotland, Department of Work and Pensions	2

*Note: lead members from other IRES themes would attend the delivery group as and when necessary to ensure compatibility across IRES objectives and engage with specific aspects and sub-themes*

Key to the success of the programme will be bringing together the delivery partners to monitor progress, share best practice and ensure the consistency of the approach.

The accountable body for delivery of the Intensive Family Support Service project will be the Capital City Partnership through a delivery agreement with the ESES City Region Deal Lead Accountable Body (City of Edinburgh Council) with strict monitoring of the Intensive Family Support project's progress within an approved agreement framework.

### 6.1.2 Role of the CCP – Contract Management

The Capital City Partnership will have responsibility for supporting capacity building in the third sector across the SES city region. Co-production and design of the final service specification with the third sector will be key to ensuring quality bids are received to deliver the service and to ensure best value for the investment. The CCP will have responsibility to carry out the contracting/procuring exercise. Once delivery partners have been appointed it will be the role of the CCP to monitor and manage performance targets and programme compliance relating to ESIF Poverty and Social Inclusion as well as the IRES Board's expectations.

The CCP's core staff will comprise of:

- **Programme Manager** - who will be responsible for the co-ordination and initial set up of the project. Working with third sector partners on co-production and design, the Management Group to finalise the delivery specification and initiating the selection/procurement exercise to appoint the delivery partners. As the delivery of the Intensive Family Support Service commences and activity is delivered by local delivery partners, this role will become more of a performance/contract management focus. The Project Manager will also have responsibility for setting up monitoring and tracking arrangements, all financial management systems and reporting progress to the IRES Board. In phase 1, they will also be responsible for ensuring ESIF audit compliance procedures are adhered to. It will also be essential to work closely with delivery partners to streamline delivery, integrating and mainstreaming activities into business as usual and to ensure the consistency of approach throughout the six local authority areas.

- **Compliance Officer** - will work closely with the Programme Manager, primarily ensuring the ESIF audit and compliance is adhered to both in terms of financial audit trail but working with delivery partners to ensure beneficiary eligibility and the appropriate evidence of progress and results. It is possible that the need for this role will reduce after the end of ESIF funding, but that will be reviewed at the end of phase 1.

### *6.1.3 Role of the Delivery Partners*

It will be the role of the delivery partners, once selected to provide a holistic, “whole family” service across their appointed area. It is not necessarily intended that there will be a separate delivery partner for each LA area and it is unlikely that a single provider could provide the intensity of support for the anticipated number of families across the entire region. It is intended that the selection/procurement process will result in a network of local third sector delivery partners delivering the service across the SES city region. This network would be brought together, by the Programme Manager regularly to share best practice and support each other to deliver a consistent level of support throughout the city region. This type of arrangement allows for local flexibilities to be reflected, where families in one part of the SES city region may require different types of support to be prioritised. The pilot activity currently delivered in Fife does not result in the same service being delivered to each family in Fife, as the type of support and interventions implemented are based specifically on the family make-up and each member’s respective needs. Where the consistency with the model is essential, is in the engagement and relationship building, the carrying out of individual assessments, financial inclusion activities and the development of both individual and family action plans.

### *6.1.4 Delivery Partner Network*

This network will be chaired by the Programme Manager and will bring together representatives of each of the delivery partners. This group will be supplementary to the Management Group and will meet regularly in order to share best practice, promote success and ensure a consistency of approach across the whole city region. The network will be essential to the ongoing review and evaluation process and should also bring in those with lived experience to help refine the way the service is delivered.

### *6.1.5 Proposed Delivery Activity*

The Intensive Family Support Service will target support at workless, lone parent or low income families, particularly looking to engage and support those from the SES city region’s more deprived areas. Links will be made with education services to assist in identifying young people from workless, lone parent or low income households, who are in danger of leaving school to a negative destination. One of the key aims of the programme is to provide holistic and wrap-around support to the entire family to ensure each member is able to secure and sustain positive transitions.

It will contribute to the Scottish Government’s Inclusive Growth priority, targeting young people furthest from the labour market, particularly those suffering from family disadvantage and poverty. Support to these workless, lone parent or low income families and the young people within them is crucial for the individuals themselves as well as society as a whole.

The Intensive Family Support Service actively contributes to achieving key strategic aims from of the ESIF Poverty and Social Inclusion programme:

- Support for active inclusion through the promotion of equal opportunities and active participation
- Increasing the financial capacity of the most disadvantaged individuals and households
- Increasing the number of disadvantaged participants from workless households into positive employment or training outcomes.

The Intensive Family Support Service is integral to the delivery of the wider IRES Programme and will help unlock access to good opportunities for all our citizens (Labour Market Access), open-up new talent pools for our businesses to help power growth and productivity (Economic Performance & Productivity), develop the knowledge, cultures, skills, networks and services that citizens need to succeed in the new economy (Fair Work) and moreover; put in place the additional interventions and supports some people require to mitigate the personal and situational obstacles they face in achieving their potential (People and Places).

The Proposed Activities will seek to address poverty and social exclusion by increasing the financial awareness, capacity and inclusion of the most disadvantaged families.

The support for workless, lone parent and low income families will include the following elements:

- The family will be linked with a support worker to agree an action plan that is additional to the general support work required
- The young person(s) will be linked with a youth worker for tailored motivational support and connections
- Further enhancement to the family package will be through money advice and financial inclusion training enabling both adults and young people to develop the skills to reach a position of financial stability and make better informed financial choices
- Where appropriate childcare support will be sourced and financed to ensure this is not a barrier for the adult or young people to engage with recognised progression routes through education, training or even employment.

The approach will consist of one-to-one support, home visiting and group work and will follow a pathway of engagement, up-skilling and progression. This approach will change mainstream methods of engagement to ensure maximum impact on each member of the family as well as the family unit as a whole. Activities will go beyond traditional employability activities, and will look at further barriers to employment such as unhealthy relationships, lack of family routine/structure, low aspirations, risk taking behaviours, disengagement with formal education and financial difficulties.

The model will be employability with a holistic and preventative approach, with the depth of engagement to identify a range of issues including: school engagement and transition, health barriers support, prevention of homelessness, offender reduction (including domestic violence), support for care experienced people, support to tackle trauma, bereavement and substance misuse. Staff will be highly trained in referral protocols.

The families will be identified and engaged through a partnership approach through a variety of sources. Key to this will be Jobcentre plus in order to identify families living on benefits. This will be in close conjunction with the Family and Community Support Teams (FACST) / Family and Household Support Teams (these teams have slightly different names in each local authority) and linked to Education Services to ensure that those families most in need are identified. Once families have been identified, workers will make contact and liaise with them, carry out a holistic assessment and agree

what support mechanisms are required. There will also be scope for other third sector projects working locally to make referrals or for self-referral in exceptional circumstances.

#### 6.1.6 For Adults

Activities will include practical family support with housing, health and debt. Parental skills will be explored and capacity developed. Financial advice and debt management training will be essential with support provided to open a basic bank account, to access affordable credit, to put in place home insurance and open savings accounts and to access affordable, essential household items. Courses on budgeting and money management skills will be developed and will introduce a preventative approach to financial education reducing the likelihood of ill-informed financial decisions. Innovative projects will be tailored to support participants in overcoming their individual barriers and to broker access to mainstream, affordable products and services to address the “poverty premium” and the associated debts and resultant social exclusion.

#### 6.1.7 For Young People

Relevant activities from above will also be offered. Dedicated youth support will offer a mix of one-to-one and group activity aiming to build confidence and self-esteem. Particular attention and focus will be dedicated to sexual health, safe and appropriate internet use and the impact of social media on young peoples’ sense of value, worth and place in local peer groups and community. Education on cyber abuse will help provide a preventative approach to mental health issues arising as a result. Where the young person is in danger of leaving school to a negative destination, support will be put in place to ensure they are attending and engaged with guidance staff within the school or accessing keyworker support through Skills Development Scotland or other specific training provision for young people through local employability pipeline supports.

### 6.2 Project Plan

The Intensive Family Support Service is a change programme with the intention that benefits identified from this new type of approach will, throughout the project lifecycle encourage local authorities to reprioritise spending and continue this type of support as mainstream activity.

The table below outlines the draft Implementation Plan for phase 1 and phase 2:

Intensive Family Support Service (V0.5)

Intensive Family Support Service	PHASE 1 - 2019 to 2022											
	2019/20				2020/21				2021/2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Activity vs CRD Spend Timeline</b>												
<b>PROJECT MANAGEMENT AND DEVELOPMENT</b>	<b>PROJECT MANAGEMENT AND DEVELOPMENT</b>											
Project Manager appointed	PM			Review				Review				Review
Compliance Officer appointed		CO		Review				Review				Review
Management Group formed		1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg
Delivery Partner network formed			1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg
<b>SELECTION / PROCUREMENT PROCESS</b>	<b>SELECTION AND PROCUREMENT</b>											
Third Sector Capacity Building												
Service Specification Produced												
Selection / Procurement Process Carried Out												
Contracts Awarded												
<b>PROGRAMME DELIVERY</b>	<b>PROGRAMME DELIVERY</b>											
Confirmation of target locations												
Community Outreach Conducted		Initiated						Ongoing				
Engagement with Local Agencies		Initiated						Ongoing				
Programme Referrals		Initiated						Ongoing				
Family Engagement Activity		Initiated						Ongoing				
Family Assessments / Action Plans		Initiated						Ongoing				
Adult Interventions		Initiated						Ongoing				
Young People's Interventions		Initiated						Ongoing				
Family Capacity Building		Initiated						Ongoing				
<b>REVIEW AND EVALUATION</b>	<b>REVIEW AND EVALUATION</b>											
Evaluation Planning and Data-setting		Initiated										
Identifying Evaluators		Appointed										
Contract Management Monitoring								Monthly analysis: Ongoing				
Progress and Target Tracking Meetings			1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg
Performance Review				Review				Review				Review
Performance Targets				Revised				Revised				
Phase 1 Evaluation and Recommendations				Analysis				Analysis				Draft
Phase 2 Evaluation and Recommendations												
<b>EXTERNAL FUNDING</b>	<b>EXTERNAL FUNDING</b>											
ESIF Claim Preparations		Y1 Q2	Y1 Q3	Y1 Q4	Y2 Q1	Y2 Q2	Y2 Q3	Y2 Q4	Y3 Q1	Y3 Q2	Y3 Q3	Y3 Q4
Submission of ESIF Claim			Y1 Q2	Y1 Q3	Y1 Q4	Y2 Q1	Y2 Q2	Y2 Q3	Y2 Q4	Y3 Q1	Y3 Q2	Y3 Q3
Verification and Payment				Y1 Q2	Y1 Q3	Y1 Q4	Y2 Q1	Y2 Q2	Y2 Q3	Y2 Q4	Y3 Q1	Y3 Q2
Local and National Contributions												
<b>Intensive Family Support Service</b>	<b>2019/20</b>				<b>2020/21</b>				<b>2021/2022</b>			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

Figure 7: Phase 1 Intensive Family Support Service Implementation Plan (Years 1 to 3)

Intensive Family Support Service	PHASE 2 - 2022 to 2026							
	2022/23		2023/24		2024/25		2025/26	
	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4
<b>PROJECT MANAGEMENT AND DEVELOPMENT</b>	<b>PROJECT MANAGEMENT AND DEVELOPMENT</b>							
Project Manager appointed				Review		Review		End
Compliance Officer appointed				Review		Review		End
Management Group formed	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	End
Delivery Partner network formed	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	End
<b>SELECTION / PROCUREMENT PROCESS</b>	<b>SELECTION AND PROCUREMENT</b>							
Third Sector Capacity Building								
Service Specification Produced								
Selection / Procurement Process Carried Out								
Contracts Awarded								
<b>PROGRAMME DELIVERY</b>	<b>PROGRAMME DELIVERY</b>							
Confirmation of target locations								
Community Outreach Conducted	Ongoing							
Engagement with Local Agencies	Ongoing							End
Programme Referrals	Ongoing							End
Family Engagement Activity	Ongoing							Mainstream
Family Assessments / Action Plans	Ongoing							Mainstream
Adult Interventions	Ongoing							Mainstream
Young People's Interventions	Ongoing							Mainstream
Family Capacity Building	Ongoing							Mainstream
<b>REVIEW AND EVALUATION</b>	<b>REVIEW AND EVALUATION</b>							
Evaluation Planning and Data-setting	Review							
Identifying Evaluators	Review							
Contract Management Monitoring	Monthly analysis: Ongoing							
Progress and Target Tracking Meetings	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg	1/4 mtg
Performance Review		Review		Review		Review		Review
Performance Targets	Revised		Revised		Revised		Revised	
Phase 1 Evaluation and Recommendations	Report							
Phase 2 Evaluation and Recommendations		Analysis		Analysis		Analysis	Draft	Report
<b>EXTERNAL FUNDING</b>	<b>EXTERNAL FUNDING</b>							
ESIF Claim Preparations	End							
Submission of ESIF Claim	Y3 Q4	End						
Verification and Payment	Y3 Q2	Y3 Q3	Y3 Q4	End				
Local and National Contributions	To be confirmed based on impact							
<b>Intensive Family Support Service</b>	<b>2022/23</b>		<b>2023/24</b>		<b>2024/25</b>		<b>2025/26</b>	
	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4	Q1/Q2	Q3/Q4

Figure 8: Phase 2 Intensive Family Support Service Implementation Plan (Years 4 to 8)

### 6.2.1 Phase 1: 2019 – 2022 (Years 1 to 3)

Table 4 outlines current plans for years 1-3. During the first phase there will be focus on:

- Appointing the Project Management Team and establishing the Management Group
- Preparing the Service Specification and carrying out a selection / procurement process to identify delivery partners across the SES city region
- Capacity building in the third sector and setting up a network of delivery partners
- Conducting community outreach in the key target areas and identifying families for referral/engagement
- Commencement of family assessments, development of action plans and ongoing activity to support each individual and the family as a whole.

- Agreeing a data set for evaluation and appoint an evaluator
- Contract management meetings and performance review
- ESIF quarterly claim preparations and compliance verifications

### 6.2.2 Phase 2: 2022 – 2026 (Years 4 to 7)

Phase 2 would continue with many of the above activities, but also take on learning from the initial phase to review key target locations and division of number of families across the SES city region. A strong focus within Phase 2 will be the ongoing monitoring and evaluation of this type of approach. As ESIF allocation will no longer be available as match, it will be necessary to demonstrate this approach has significant cost saving implications in other local authority spending areas, such as education, social work, housing and community justice. If this saving can be quantified, this could result in local authorities re-prioritising current spend in favour of mainstreaming this type of “whole family” activity.

### 6.2.3 Programme Evaluation

Thorough and robust programme evaluation will be a key component in ensuring further additional investment in this type of approach to supporting families and mainstreaming the Intensive Family Support Service. Evaluators should be identified at the inception of the project and ideally involve them in the final service specification. This way, appropriate data can be captured from the outset and an evaluation framework can be agreed and built into the programme as it develops. Analysis should take place annually in conjunction with the ongoing performance management and a report completed at the end of phase 1, with recommendations for any adjustments or operational changes in phase 2. This would then be followed up by continued annual analysis and a final report at the end of phase 2. This will incorporate any findings regarding the success of the service and recommendations for how additional local and national funding could be prioritised to mainstream the service.

Additional opportunity also exists to explore how this approach supports and helps families to progress. The IRES programme provides the opportunity for this service to engage with the Higher/Further Education sector. Working with and engaging with a family, group of families in a specific location, or different families from across the SES city region to compare their experiences over a prolonged period, while they are engaged in the Intensive Family Support Service could be the ideal opportunity for one or more PhD students. Academic analysis on the benefit of this type of service and the knock-on effects to these communities could prove valuable, both in the mainstreaming of this activity, but in implementing it in other parts of Scotland and the wider UK.

## 6.3 Risk Mitigation Plan

Risk management is an integral feature of the Intensive Family Support Service and the project risk register [ANNEX](#) is regularly updated. All risks at project level will be identified and mitigation measures put in place and monitored as part of the quarterly progress monitoring and annual review processes required by the IRES Programme Board. The Intensive Family Support Management Group and ultimately the IRES board will regularly review project progress with decisions made on continuation, adjustment or withdrawal of funding.

## ANNEX A:

Below are two further case studies, supplied by Fife Gingerbread, who are delivering this approach in Fife as part of the current ESIF Poverty and Social Inclusion programme. The case studies highlight the type of multiple barriers that each family face and the variety of interventions and support that is required, working in partnership with a range of statutory providers, forming links and providing advocacy for the families where required. These examples illustrate why there is a need for this type of whole family approach for certain families in most need.

### **Case Study 2**

Mum referred her family to the project in the Summer of 2017. She has a history of service involvement with local provision, poor engagement and Social Work intervention. Mum is a lone parent of 4 kids aged from 6 years to 13 years and is isolated and struggling to implement boundaries/routines.

The reason for the referral was primarily around the eldest child (aged 13):

- Offending behaviour in the local community
- Disruptive at home and physical violence
- School refusal
- Putting himself at risk (drug / alcohol use)
- Trauma having witness domestic violence

The household were also experiencing barriers such as low income and debt.

The eldest child immediately engaged in 1-to-1 support with a Development Worker, engaging in personal development around his own decision making and personal responsibility. Unfortunately, the situation escalated and he ended up in residential care (LAC). Making it Work for Families (MIWF) worked in partnership with residential staff, education, MST and other agencies to provide support to the whole family, focusing on fundamental change. This included 1-to-1 work with both the young person and Mum, group work, family learning activity, holiday provision, financial inclusion and employability support. The approach was coordinated as a partnership to keep the family engaged and avoid overwhelming them with different services or losing their engagement.

This family are now in a much more positive place:

- Eldest child successfully returned home, attends school and has a part time weekend job
- Mum has continued to engage and when it was identified that the younger siblings were displaying similar behaviours early intervention was put into place alongside the Primary School. This included family sessions with her daughter who was self-harming and experiencing bullying. She has now moved schools and is thriving
- Mum has engaged in vocational activity and is now actively attending Adult Basic Education classes locally. The long-term aim is for her to progress to College. She did not engage in School and has not worked for 14 years

The family have been engaged on the project for 18-months. The values and beliefs systems in complex circumstances are deep rooted. The journey to change and raising aspirations takes time, and the journey is ongoing for everyone in the household.



### Case Study 3

Lone parent household of nine children, six of whom are living at home and are aged between 6 and 21. There is history of the children not engaging in education, historical school refusal and generational unemployment. Mum has multiple barriers including physical disability limiting her mobility. One of the children living at home has global developmental delay. No one in the household is working.

The family were referred and initially were very difficult to engage initially. The High School made the referral based on the low attendance of the High School aged young people. L was at 8% attendance and R at 28% attendance at the point of referral. Social Work and Education were involved and the situation was escalating quickly.

Mum has sporadically engaged with 1-to-1 support and this has improved over the last 9 months to a point where we have open relationships and conversations. Mum has engaged with support around boundaries and routines with early morning visits before School. She has received financial inclusion support to address debt, and ensure the family were claiming the benefits they were entitled to. Reducing the impact of low income, poverty and deprivation.

L – Has engaged with an education programme delivered in the local community. MIWF has worked in partnership with the school staff and a mentor to create a flexible package that meet his needs and is being delivered in a Bike Repair Project. L is gaining personal development, coaching and education. This has required coordination, advocacy and supporting the family to have their voice heard.

R – Has re-engaged in mainstream education at High School. He responded well to the routines / boundaries visits and has successfully maintained this. He receives additional support from a YM mentor. Partnership working with existing provision out with MIWF is key to success.

The eldest child living at home is 21 and has also now engaged in employability support, but has a complex relationship with her boyfriend who is currently in prison.

MIWF are already working with Mum and the local Primary School focusing on the transition arrangements for the next child who is due to attend High School, to avoid the pattern that is apparent within the family.

### ANNEX B: Risk Matrix (Jan 2019)

Risk	Mitigation Measures
<p><b>Disadvantaged citizens and low-income families do not benefit from the change</b></p> <p>There is a risk that disadvantaged citizens and families do not see tangible long-term benefits from the programme, projects or changes in culture and practice stimulated by the IRES programme</p>	<ul style="list-style-type: none"> <li>Establish strong links with referral partners to ensure appropriate families are identified and engaged</li> </ul>
<p><b>Disadvantaged citizens and low-income families do not benefit from the change</b></p> <p>Failure to attract sufficient bids from potential delivery partners that enables delivery across the entire SES city region</p>	<ul style="list-style-type: none"> <li>Engage in third sector capacity building to ensure appropriate coverage in each local authority area</li> <li>Co-production with third sector to ensure potential delivery partners understand the aims of the Service and are in position to</li> </ul>

Risk	Mitigation Measures
	<p>deliver the service to the necessary high standard.</p>
<p><b>Programme and project management capacity</b></p> <p>Inadequate programme or project management results in failure to deliver agreed outcomes and results</p>	<ul style="list-style-type: none"> <li>• Ensure appropriate Project Management and delivery oversight is in place and adopt programme and project management best practice. The management arrangements will be reviewed on an annual basis to ensure they are sufficient for purpose</li> <li>• Project propositions and implementations plans will detail how delivery against targets will be assured.</li> <li>• The IRES Board are ultimately responsible for managing all aspects of programme and project risk and plans will be reviewed on an ongoing basis by a sub group of the IRES Board to ensure they satisfactorily capture the up to date risk profile and ensure there are appropriate mitigation procedures in place</li> <li>• New risks will be highlighted to the Board and where escalation is required mitigating actions will be agreed and implemented along with agreed timescales for review</li> <li>• The partnership will conduct a mid-programme evaluation in 2021 to check the direction of travel is still right</li> <li>• Delivery providers will receive performance and day-to-day contract management from CCP to ensure performance is in line with profile</li> <li>• Implementation of improvement plans, if a delivery partner is under-performing, communicated to the IRES Board ahead of any further mitigating actions</li> <li>• Introduction of the delivery partner “learning network”, meeting regularly to share best practice and support improved performance</li> </ul>
<p><b>Programme and project management capacity</b></p> <p>Failure to achieve consistency in the approach being delivered across the SES City Region resulting in inequality of opportunity for disadvantaged families</p>	<ul style="list-style-type: none"> <li>• Performance and contract management from CCP</li> <li>• Regular analysis of performance figures and data from the delivery partners</li> <li>• Introduction of the delivery partner “learning network”, meeting regularly to share best practice and to promote consistency</li> </ul>

Risk	Mitigation Measures
<p><b>Availability of public finance</b></p> <p>The potential loss of external funding arising from Brexit (e.g. ESF), Public Sector funding restraint and inflation can over time erode the capacity of the partners to fund services and projects needed by citizens and businesses</p>	<ul style="list-style-type: none"> <li>• Work with the partners to quantify the potential risk and seek strategies to minimize this, accepting there will be no recourse to additional CR funding to plug such gaps.</li> <li>• Partners will decide and agree an acceptable level of risk to carry.</li> <li>• The costs of the projects will be agreed at the outset and will be delivered within the agreed cash envelope.</li> <li>• Where the delivery cannot be made within the existing project budget, due to reasonably unforeseen circumstances, this will be notified through the PMO to determine appropriate set of remedial actions</li> </ul>
<p><b>Availability of public finance</b></p> <p>Failure to maximise drawdown of additional ESIF funding, leveraged in Phase 1</p>	<ul style="list-style-type: none"> <li>• Ongoing performance and contract management by CPP</li> <li>• Clear guidance established for ESIF compliance requirements and communicated out to each delivery partner</li> <li>• Ongoing internal compliance checks in collaboration with each delivery partners to ensure eligibility and evidence is compiled from the outset</li> <li>• Financial claims compiled and submitted on a quarterly basis to prevent cashflow issues arising</li> </ul>
<p><b>Long-term impact</b></p> <p>Lack of progress for clients into sustainable career pathways</p>	<ul style="list-style-type: none"> <li>• Development of strong links between each delivery partners and both DDI and HCI Targeted Skills Gateway Providers.</li> <li>• Establishment of priority places in each of the Skills Gateways for members of families supported by the Intensive Family Support Service</li> <li>• Family capacity building activity to create a nurturing environment that promotes learning and progression into further/higher education and employment from school</li> </ul>
<p><b>Long-term impact</b></p> <p>Failure to provide suitable aftercare and achieve sustainable results</p>	<ul style="list-style-type: none"> <li>• Long term holistic and intensive support will provide aftercare for the duration of the project. A single outcome or progression will not result in “exit” and sustainable results will be linked to the family’s ability to support itself and function</li> <li>• Programme evaluation and review will establish quantitative and qualitative evidence for continued investment from local and national sources, at the end of city region investment.</li> </ul>

ANNEX C:

DRAFT

# Edinburgh and South East Scotland City Region Deal Joint Committee

Friday 1 March 2019

## City Region Deal Regional Transport Appraisal Board

Item number 5.9

### Executive Summary

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The upgrading of existing transport infrastructure is a key element of the City Region Deal theme of 'Removing the physical barriers to growth'. This report summarises the agreed aims, objectives, and strategic actions to maximise transport connectivity across the region, so as to most effectively support the agenda for securing inclusive growth. The report also notes the agreed governance arrangements, with specific recommendations in respect of the establishment of the Transport Appraisal Board.

#### **Dr Grace Vickers**

Chief Executive, Midlothian Council

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## City Region Deal Checklist

Criteria	Details/Link to Document
<b>Contribution to City Region Deal commitments and Inclusive Growth Framework</b>	The upgrading of transport infrastructure will increase connectivity and ease of access across the region through reduced journey times and, in some instances, greater modal choice. This will provide better linkages between existing as well as planned new residential areas and centres of employment and training.
<b>Alignment, integration with, or dependence on, other City Region Deal activities</b>	The work of the Transport Appraisal Board (TAB) will relate closely to the nature and location of major City Region Deal investment arising through the work of the Boards responsible for Housing, Data Driven Innovation and the Integrated Regional Employability and Skills programme.
<b>Scale and regional distribution of expected outcomes, benefits, and leverage, from activity</b>	The City Region Deal document specifically identifies two projects, these being improvement of the A720 Sheriffhall junction on the City Bypass, and a strategic package of transportation improvements at West Edinburgh. The TAB will also be working with the other City Region Deal Boards to identify interventions to support objectives in such areas as workforce mobility and in the seven strategic housing locations, and as part of the innovation projects.
<b>Compliance with financial requirements and agreed expenditure profile</b>	The TAB will operate within the financial requirements and profile of the City Region Deal.
<b>Equalities Impact</b>	(See part 5 of main report)
<b>Anticipated significant risks and mitigation measures</b>	One of the first tasks of the newly established TAB will be to prepare and maintain a register of risks
<b>Alignment and fit with City Region Deal governance arrangement</b>	This report recommends the establishment of the TAB in accordance with the provisions of the City Region Deal as agreed by all partners
<b>PMO check</b>	All information provided.
<b>Government approval</b>	Not required, as TAB is part of the City Region Deal governance arrangements already agreed by the Governments and City Region Deal partners.
<b>Partner sign-off</b>	Not required at this stage. Partner sign off will be required at the point of project proposition approvals.
<b>Advisory Board sign off</b>	Not applicable
<b>Executive Board sign off</b>	Agreed at meeting of 14 February 2019.
<b>PMO Recommendation</b>	That the Joint Committee approves the recommendations in the report.

# Report

## City Region Deal Regional Transport Appraisal Board

### 1. Recommendations

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- 1.1 To approve the establishment of the Transport Appraisal Board on the terms set out in this report.
- 1.2 To appoint Dr Grace Vickers (Chief Executive, Midlothian Council) to act as Chair of the Transport Appraisal Board with delegated responsibility for its operation.
- 1.3 To note that individual proposals once prepared, will be presented to this Joint Committee for approval.

### 2. Background

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- 2.1 Transport is one of the five key elements of the City Region Deal and is integral to securing the overarching aim of achieving sustainable inclusive growth across the region. The City Region Deal agreement specifically identifies the need to upgrade existing transport infrastructure so as to assist in removing physical barriers to growth. To be fully effective, the transport element is identified as being significant in supporting the programmes of investment in innovation, employability/skills and housing. The City Region Deal agreement also specifies as part of the governance structure the requirement for a Transport Appraisal Board (TAB) to focus on these matters.

### 3. Main report

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- 3.1 A copy of the remit and terms of the TAB as set out in the City Region Deal agreement forms Appendix A to this report. It specifies that membership of the Board shall comprise representatives from the six constituent local authorities, the South East Scotland Transport Partnership (SESTran) and Transport Scotland.

- 3.2 In December 2018 Transport Scotland wrote to all local authorities in Scotland setting out its proposals for Regional Transport Working Groups (Appendix B to this report). In the case of Edinburgh and South East Scotland City Region, it proposed a working group “*Based around the emerging City Region Transport Appraisal Board involving those partners leading on the development of the Regional Economic Partnership and implementation of the City Region Deal*”. In its response to this letter (Appendix C to this report), the Executive Board of the Edinburgh and South East Scotland City Region Deal welcomed this proposed arrangement for the region; noting the approach under which economic development, planning and strategic transport issues need to be considered together.
- 3.3 The letter of response also refers to SEStran, noting that its membership of the TAB will ensure an inclusive and informed position as the new context for regional transport planning evolves. Discussion will be required at an early stage with Clackmannanshire and Falkirk Councils, which are members of SEStran but lie outwith the City Region Deal boundary.
- 3.4 There are two named transport projects within the City Region Deal, these being at Sheriffhall and West Edinburgh. The A720 Sheriffhall junction improvement on the City Bypass trunk road is a scheme for which the Scottish Government has set aside up to £120m of its contributory City Region Deal funding. At its meeting in December 2018, this Joint Committee instructed that officers engage with Transport Scotland so that the Committee can be better informed of the timing for implementation of the scheme as set within a business case programme. Officers will report on the outcome of such discussions at this meeting of the Joint Committee. At West Edinburgh, the Scottish Government is committing £20m of its contributory City Region Deal funding to support public transport infrastructure improvements identified in the West Edinburgh Transport Appraisal.
- 3.5 In addition to those named projects the TAB will work with the other City Region Deal thematic advisory boards to assess transport interventions in areas such as new infrastructure to support innovation projects, new infrastructure to unlock strategic housing sites and measures to encourage greater workforce mobility.
- 3.6 The TAB will also provide the City Region Deal input to programmes at a national level of which the most significant at this time are the Scottish Government’s emerging review of its National Transport Strategy and the forthcoming second Strategic Transport Projects Review.
- 3.7 It is intended to convene the first meeting of the Board in late March/April at which the schedule for further meetings can be agreed. It is anticipated that a full report and presentation on regional transport can be provided to the Joint Committee for its June or September meeting.



## 4. Financial impact

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- 4.1 Scottish Government has committed a total of £140m to two specific City Region Deal projects; these being up to £120m to support improvements to the A720 City Bypass for the grade separation of the Sheriffhall junction, and £20m to support public transport infrastructure improvements identified by the West Edinburgh Transport Appraisal.
- 4.2 Further investment in transport infrastructure and accessibility is expected to form part of projects within the innovation, employability/skills, and housing themes. A specifically identified part of the Easter Bush data driven innovation business case is the A701/A702 scheme which is to receive £10.9m of City Region Deal funding.
- 4.3 The terms of the agreed City Region Deal also commit the partners to put in place a Regional Developer Contributions framework to assist funding of identified regional transport infrastructure to further the aims of the City Region Deal and related regional planning, economic and transport strategies.

## 5. Equalities impact

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- 5.1 As noted above, the transport connectivity theme of the City Region Deal is an integral part of accelerating inclusive growth across the region. Removing physical barriers to growth has been identified one of five key interventions in the Deal Document's Inclusive Growth Framework. As a consequence, there are three specific positive impact on equalities which are to be achieved.
  - Upgrades and additions to existing infrastructure, with the resultant reduced journey times and increased modal choice, can readily support residents of more disadvantaged communities to more easily access job opportunities and education/training centres.
  - Transport infrastructure upgrades to unlock housing development sites enable the increase in the supply and availability of housing, particularly in the affordable sector, to assist directly those households which cannot access the private housing market.
  - Infrastructure improvements which assist in the delivery of data driven innovation projects and other business development areas will enable accelerated overall economic growth, as well as providing good accessibility to the increased job opportunities arising from those implemented projects.
- 5.2 The Transport Appraisal Board will be expected to prepare performance indicators to monitor the impact of interventions.

## 6. Background reading/external references

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- 6.1 [Edinburgh and South East Scotland City Region Deal Document, August 2018](#)

## 7. Appendices

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- 7.1 Appendix A: extract from the Edinburgh and South East Scotland City Region Deal Document, August 2018: Transport Appraisal Board Membership and Remit.
- 7.2 Appendix B: copy of letter from Transport Scotland to all local authorities on Regional Transport Working Groups
- 7.3 Appendix C: copy of letter of response to Transport Scotland from the City Region Deal Executive Board, dated 29 January 2019.

## **Edinburgh and South-East Scotland Regional Transport Appraisal Board**

### **Membership**

The Edinburgh and South-East Scotland Regional Transport Appraisal Board (TAB) Group will comprise:

- SESTran
- Representatives from the six local authorities in the City Region Deal
- Transport Scotland
- City Region Deal PMO (observer)

### **Purpose**

To make recommendations to the Joint Committee on the approach towards delivering the transport elements of the City Region Deal Investment Programme through the consistent adoption of best practice from the Scottish Transport Appraisal Guidance and the Treasury Green Book, as appropriate. Although the Transport theme covers only two projects (A720 and West Edinburgh) the Board will also consider transport elements of other City Region Deal projects, particularly in the Housing and Innovation themes.

The TAB will build on existing best practice and consider the most relevant technical approaches including modelling tools.

The TAB will also:

- Consider the strategic rationale, demand/need, objectives, evidence, costings and delivery programme and mechanisms for projects, their relationship and phasing in the overall programme, including cumulative impact.
- Consider approaches to the use of the proposed city region data store to establish a shared evidence base.
- Establish the evidence base and options for future investment in the city region's strategic transport infrastructure programme.
- Consider access to funds and budgets,
- Provide input as a region into other projects as appropriate; such as, the National Transport Strategy and Strategic Transport Project Review 2.

### **Meeting schedule**

To be confirmed.

### **Current status and implementation**

Discussions on the Terms of Reference for this group are ongoing between partners, Government and Transport Scotland, so are subject to change. The Board will be formed following Joint Committee ratification of Governance Framework and the signing of the City Region Deal.

**Alison Irvine**  
**Director for Transport Strategy and Analysis**

Buchanan House, 58 Port Dundas Road, Glasgow G4 0HF  
Direct Line: 0141 272 7590  
Alison.irvine@transport.gov.scot



To  
All Local Authorities (inc. National Parks as planning authorities) and Regional Transport Partnerships

## **REGIONAL TRANSPORT WORKING GROUPS**

On behalf of Scottish Ministers, Transport Scotland is progressing two key pieces of policy development and transport planning work which would benefit from your input as local and regional partners involved in transport, land use and economic development planning. This work is intended to set the transport policy and strategic transport interventions for a 20 year horizon which will link with wider government planning and delivery to enable sustainable and inclusive growth across the country.

The review of the National Transport Strategy is now at the stage of sharing and testing emerging policies to support the Strategic Vision and Outcomes and would benefit from your input on a regional basis. The second Strategic Transport Projects Review (STPR2) will use the emerging policy priorities and the developing national and regional evidence base to identify objectives and potential transport interventions. The NTS work to date has been progressed in a co-creative and collaborative manner and STPR2 will be seeking to adopt a similar approach from early in 2019.

Initial preparatory work on STPR2 has been progressed over the past few months and Transport Scotland is currently in the process of appointing consultants to take forward the majority of the STPR2 evidence base, objective setting and appraisal work from early 2019. The first stages of work will set the approach to engagement and the regional element of this dialogue will be key.

The Scottish Government recognises the importance of addressing regional economic development, planning and strategic transport issues in tandem. That is why we are writing to you about formation of Regional Transport Working Groups. In establishing Regional Transport Working Groups, we would like to observe the principles guiding development of Regional Economic Partnership (REP) arrangements. This would allow the Working Groups to be tailored to regional conditions and work in cognisance of existing partnerships will assist partners to share data and evidence to inform regional priorities. We want regional groupings to be voluntary and self assembled around the bespoke requirements of particular regions. Whilst recognising the existing Regional Transport Partnership structure, in order to meet our objectives for these new groups, the existing and emerging REPs which are taking shape largely around City and Regional Growth Deals appear to be a reasonable starting point for this fresh engagement. However, this will be subject to your feedback. Although the new REPs are

starting to mature in many parts of Scotland, that is not the case everywhere at the current time. This will require a flexible approach to be taken in some areas, in order to achieve all Scotland coverage by Regional Transport Working Groups. Whilst it is too early to define the approach to the next National Planning Framework as long as scrutiny of the Planning Bill continues, it is expected that future engagement on strategic planning matters could also align well with this approach

The potential terms of reference are set out in Annex A along with initial groupings in Annex B to start discussion. We recognise the need for there to be liaison between the groups and for them to avoid operating in isolation.

Membership of the new Regional Transport Working Groups is not intended to be static and each meeting or piece of work can involve relevant partners and stakeholders, working across boundaries as appropriate, however we believe the core team should involve senior level officials responsible for Transport, Economic Development and Social Equity in the region. We will of course engage more widely than the core group including elected members. However, we think it makes sense to have a smaller group of lead professionals informing the wider work and means of engagement. We would also seek to align this with the preparation of NPF4 after Parliament's consideration of the Planning Bill has concluded, subject to the final form of the legislation.

I would be grateful if you would consider and discuss the above within your respective organisations and existing regional forums and provide initial feedback from a nominated contact person by end of January 2019. Your feedback will allow Transport Scotland and the appointed consultant team to consider the approach to regional engagement within the scoping and inception discussions. Please share your feedback with David Torrance, Head of Regional Transport and Development Planning [David.Torrance@transport.gov.scot](mailto:David.Torrance@transport.gov.scot).

### STPR2 Evidence Gathering

Transport Scotland have been involved in transport appraisal and transport planning with all of the authorities since the publication of the first STPR. We are aware of work and effort which organisations have put into transport appraisals, business cases, surveys, economic impact assessments, feasibility studies etc. We want to ensure this evidence is captured in the first stage of STPR2 i.e. establishing the case for change. Therefore it would be helpful if you can collate any previous work you would believe would provide evidence of problems, opportunities, issues and constraints, for your region – in order to share with the appointed consultants at the appropriate time. We recognise in areas where an Initial Appraisal has been undertaken very recently, this exercise has been completed.

### Next Steps

Feedback from authorities on regional groupings will be considered in discussion with the appointed STPR consultants from January 2019. From February / March 2019 Transport Scotland and the consultant team will meet with each of the emerging regional groupings. The agenda for these meetings will be dependent on recent work in that area, however each will set a plan for engagement and collaboration on NTS and STPR.

We intend to take a transparent and collaborative approach in the development of these Reviews. For information on the NTS review, please visit <https://www.transport.gov.scot/our-approach/strategy/national-transport-strategy/#> . Further information on STPR2 will be available in the New Year.

We look forward to working with you.

Kind Regards,

A handwritten signature in black ink that reads "Alison Irvine". The signature is written in a cursive style with a small dot above the 'i' in "Irvine".

Alison Irvine  
Director of Transport Strategy and Analysis

## **Annex A – Terms of Reference**

### **Regional Transport Working Groups**

#### **General Terms of Reference for all Groups**

This Regional Transport Working Group will assist Transport Scotland in its delivery of two key pieces of policy development and transport planning work. This work is aimed at setting the policy and strategic transport projects for a 20 year horizon which will link with wider government planning and delivery to enable sustainable and inclusive growth across the country. This requires input from the regional partners and members of this group agree to work collaboratively through the course of these projects.

The Regional Transport Working Group agree to share information, data and evidence, set direction and regional priorities for transport, be constructive and proactive in addressing challenges, in a co-creative and collaborative manner.

Membership includes commitment from senior level officials responsible for Transport, Economic Development and Social Equality within regional organisations, along with Transport Scotland supported by their consultants. The group commit to involving and engage other partners and stakeholders during the process as appropriate. The group will endeavour to keep discussions focussed, specific and outcome orientated.

#### **Regional Transport Working Group – Specific Terms of Reference**

To be developed by working groups as appropriate.

## Annex B – Existing Groupings

### City Region Groupings

- Aberdeen City Region (Based around the City Region Transport Working Group with input from the Regional Economic Partnership/ ONE Group)
- Edinburgh City Region (Based around the emerging City Region Transport Appraisal Board involving those partners leading on the development of the Regional Economic Partnership and implementation of the city region deal)
- Glasgow City Region (Based around the emerging City Region Transport Groupings and assisted as required by the Regional Economic Partnership)
- Inverness and Highlands (Potential to consider sub areas of the Highlands as appropriate)
- Tay Cities Region (Based around the recently agreed HoT and developing Regional Economic Partnership)
- Stirling / Clackmannanshire / Falkirk (Based around the emerging Stirling and Clackmannanshire City Region Transport Grouping; early regional economic partnership arrangements, and featuring the collaborative participation of Falkirk Council)

### Regional Groupings

- Argyll and Bute (Based around the local authority boundary and informed by the emerging Argyll and Bute Growth Deal work)
- Ayrshire and Arran (Based around the emerging Regional Economic Partnership and Ayrshire Growth Deal involving all three Ayrshire Councils)
- South West (Based around the South West study)
- South East (Based around the Borders Connectivity work)
  - We recognise that the SE and SW groupings will need to work closely together to support the South of Scotland and the two Scottish local authorities that are part of the Borderlands Inclusive Growth Deal.
- Moray (Based on emerging discussions around the Moray Growth Deal)
  - Moray area could consider potential alignment and interaction with Aberdeen City Region and Inverness / Highlands area.
- Northern Isles (Recognising the routes to and interconnectivity of Orkney and Shetland and the emerging Islands Growth Deal discussions)
- Western Isles (Recognising the routes to and interconnectivity of the Western Isles and the emerging Islands Growth Deal discussions)





Ms Alison Irvine  
Director of Transport Strategy and Analysis  
Transport Scotland  
Buchanan House  
58 Port Dundas Road  
Glasgow  
G4 0HF

Our Ref: GV/AI/01

Your Ref:

Date: 29 January 2019

Dear Ms Irvine,

### **Regional Transport Working Groups**

Thank you for your letter in respect of the above. It has been considered by the Executive Board of the Edinburgh and South East Scotland City Region Deal (the partner local authorities being City of Edinburgh, East Lothian, Fife, Midlothian, Scottish Borders and West Lothian). As Executive Board lead on the transport element of the City Region Deal I have been asked to inform you of the collective view of the City Deal partner authorities.

By way of context, the Edinburgh and South East Scotland City Region Deal was signed by the UK and Scottish Governments and the partners in August 2018. In support of its overall aim of accelerating inclusive growth there is a need to ensure a robust strategic co-ordinated approach to maximising inclusive economic development, land use planning and transport connectivity. The fifteen year timescale for the City Deal provides for such an approach as well as a basis for longer term strategic regional development.

The signed City Region Deal document identifies specific regional inclusive growth challenges including those relating to transport and connectivity; and addresses these under the major theme of removing the physical barriers to growth, including the upgrade of existing transport infrastructure. In overall terms the City Region Deal partners regarding transport improvements as essential in supporting the key objectives of the City Region Deal on housing, innovation, employability and skills, and wider social benefit, through reduced journey times, public transport improvements and other measures to increase accessibility across the region. A number of specific transport projects are included in the City Region Deal as well as related commitments including the establishment of a Regional Developer Contributions framework.

The City Region Deal document also identifies as part of its governance structure a Transport Appraisal Board which will report to the City Deal Joint Committee. Board membership will comprise representatives of the six constituent local authorities, Transport Scotland and the current regional transport partnership (SESTran). The Board is expected to begin operating from summer 2019. One of its primary tasks will be to engage positively with Transport Scotland in providing input to the ongoing review of the National Transport Strategy and the second Strategic Transport Projects Review.

The City Region Deal Executive Board comprising the partner local authorities and a representative of the higher and further education sector, welcomes the overall approach set out in your letter to establish regional transport working groups. In particular, the Board agrees that for the Edinburgh City Region the most effective working group would be that which you note in Annex B to your letter, *“based around the emerging City Region Transport Appraisal Board involving those partners leading on the development of the Regional Economic Partnership and implementation of the city regional deal”*.

The General Terms of Reference at Annex A to your letter would accord with the approach being taken in the Edinburgh City Region; and assuming that membership would also include officials responsible for planning, as referred to in the fourth paragraph of your letter. In relation to the specific terms of reference for the working groups, the City Region Deal document sets out the terms of reference for the Transport Appraisal Board, and these can be further developed and refined as the Board becomes established, including changes that may be consequent on any new transport and planning legislation that comes into force.

As noted above, the current regional transport group (SESTran) will be a member of the Transport Appraisal Group, therefore ensuring an inclusive and informed position as a new context for regional transport planning evolves. The City Region Deal partners will also be sensitive to the views of those local authority members of SESTran (Clackmannanshire and Falkirk) which are not part of the Edinburgh and South East Scotland City Region Deal.

Two of the Edinburgh City Region Deal local authority partners are also part of other proposed groupings as set out in Annex B to your letter. Fife Council is part of the Tay Cities Region; and Scottish Borders Council is part of the Borderlands Inclusive Growth Deal. Accordingly, either or both Councils may wish to submit additional comments to you on those aspects.

In summary, the Executive Board of the Edinburgh and South East Scotland City Region Deal welcomes the overall proposals set out in your letter to establish regional transport working groups, agrees that the most appropriate way forward in the City Region is through the emerging City Region Deal Transport Appraisal Board, and commits to working closely with Transport Scotland in securing a co-ordinated strategic approach to transport, planning and economic growth across the region.

Yours sincerely,



Dr Grace Vickers  
Chief Executive, Midlothian Council  
on behalf of the Executive Board of the Edinburgh and South East Scotland City Region Deal  
Waverley Court  
4 East Market Street  
Edinburgh EH8 8BG

# Edinburgh and South East Scotland City Region Deal Joint Committee

Friday 1 March 2019

## City Region Deal Regional Housing Board

Item number 5.10

### Executive Summary

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Housing is one of the five key themes in the City Region Deal Document. The regional housing programme will work to accelerate the delivery of affordable housing and housing of all tenures, enable the development of the seven major strategic sites referenced in the Deal document and drive efficiencies across the public sector estate.

The report notes the agreed governance arrangements, with a specific recommendation in respect to establish the Regional Housing Board.

#### Andrew Kerr

Chief Executive, The City of Edinburgh Council

Contact: Elaine Scott, City Region Deal Housing Programme Lead

E-mail: [elaine.scott@edinburgh.gov.uk](mailto:elaine.scott@edinburgh.gov.uk) | Tel: 0131 529 2777



## City Region Deal Checklist

Criteria	Details/Link to Document
<p><b>Contribution to City Region Deal commitments and Inclusive Growth Framework</b></p>	<p>Removing Physical Barriers to Growth is one of five themes in the City Region Deal Inclusive Growth Framework. A significant programme of house building will be targeted at increasing the supply of housing across all tenures to improve affordability, and will integrate the latest technologies to reduce fuel poverty</p> <p>The HCI Skills Gateway Programme will ensure that people across the region have skills to access construction jobs generated through the housing programme, and will address the gender imbalance in the industry in particular. Current advanced and more senior roles in the HCI industry sector are 89% male<sup>1</sup>. A review of progression of females to higher qualifications (advanced levels) within south east Scotland identified this to be key barrier to progression of women in more senior industry roles<sup>2</sup>. Increasing female role models at senior levels has been cited as a key factor that could improve gender imbalance and attract more women into construction<sup>3</sup>. In order to deliver the forthcoming infrastructure and housing requirements further specialisations and upskilling for the existing workforce is needed. To address this imbalance an advanced skills programme would be developed to provide support and education/training for MSc/CPD specialisations and with a stronger focus on women (60%) into advanced levels. Such courses will comply with this level of gender specific participation as a minimum with places strictly ring-fenced for women/people with disabilities as appropriate.</p> <p>An agreed approach to City Region Deal Procurement will ensure that community benefit clauses will be used to target inclusive employment practices and other opportunities.</p>
<p><b>Alignment, integration with, or dependence on, other City Region Deal activities</b></p>	<p>The work of the Regional Housing Board will relate closely to the nature and location of major City Region Deal investment arising through the work of the Boards responsible for Transport, Data Driven Innovation and the Integrated Regional Employability and Skills programme (in particular the Housing and Construction Innovation Skills Gateway).</p>
<p><b>Scale and regional distribution of expected outcomes, benefits, and leverage, from activity</b></p>	<p>Delivering this programme will contribute significantly towards the Scottish Government's target of building 50,000 new, affordable homes by 2021 and the future supply of new homes over the next 15 years of the City Region Deal.</p> <p>The City Region Deal document specifically identifies seven strategic sites for new housing: Blindwells (East Lothian); Calderwood (West Lothian); Dunfermline (Fife); Edinburgh's Waterfront (City of Edinburgh), Shawfair (Midlothian); Tweedbank (Scottish Borders); and Winchburgh (West Lothian). Taken together these sites are expected to deliver over</p>

<sup>1</sup> Addressing the skills shortage through diversity and inclusion. Construction Matters, UK Construction Week. April, 2017.

<sup>2</sup> SEBE, Edinburgh Napier University. External feedback review. Athena Swan, 2016.

<sup>3</sup> Women in Construction: The Race to Gender Equality. Ranstad, 2018

	<p>41,000 new homes, create 7,800 jobs and contribute over £10 billion to the wider economy.</p> <p>Other elements of the housing programme include: a commitment to maximise the longer term certainty of funding levels for affordable housing across the region from Government; developing risk-sharing guarantees on a site-by-site basis with Government; increasing the supply of good quality low cost market rent housing from local authorities; and maximising the potential contribution of public sector land and property.</p>
<b>Compliance with financial requirements and agreed expenditure profile</b>	The Regional Housing Board will operate within the financial requirements and profile of the City Region Deal.
<b>Equalities Impact</b>	<p>Removing physical barriers to growth has been identified one of five key interventions in the Deal Document's Inclusive Growth Framework. The Regional Housing Programme will achieve the following positive impact on equalities:</p> <ul style="list-style-type: none"> <li>• A significant programme of house building will be targeted at increasing the supply of housing across all tenures to improve affordability.</li> <li>• New homes will integrate the latest technologies to reduce fuel poverty</li> <li>• The Housing and Construction Innovation Skills Gateway Programme will ensure that people, including those with protected characteristics, across the region have the skills to access construction jobs generated through the housing programme.</li> <li>• An agreed approach to City Region Deal Procurement will ensure that community benefit clauses will be used to target inclusive employment practices and other opportunities.</li> </ul>
<b>Anticipated significant risks and mitigation measures</b>	One of the first tasks of the newly established Regional Housing Board will be to prepare and maintain a register of risks
<b>Alignment and fit with City Region Deal governance arrangement</b>	This report recommends the establishment of the Regional Housing Board in accordance with the provisions of the City Region Deal as agreed by all partners
<b>PMO check</b>	All information provided.
<b>Government approval</b>	The Regional Housing Board is part of the City Region Deal governance arrangements already agreed by the Governments and City Region Deal partners.
<b>Advisory Board sign off</b>	Not applicable
<b>Executive Board sign off</b>	Agreed at meeting of 14 February 2019.
<b>PMO Recommendation</b>	That the Joint Committee approves the recommendations in the report.

# Report

## City Region Deal Regional Housing Board

### 1. Recommendations

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- 1.1 To approve the establishment of the Regional Housing Board on the terms set out in this report.
- 1.2 To appoint Andrew Kerr (Chief Executive, The City of Edinburgh Council) to act as Chair of the Regional Housing Board with delegated responsibility for its operation.
- 1.3 To note that there will be updates provided across the regional housing programme to each Joint Committee meeting.

### 2. Background

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- 2.1 Housing is one of the five key elements of the City Region Deal and is integral to securing the overarching aim of achieving sustainable inclusive growth across the region. The regional housing programme has the potential to transform regional housing supply and drive economic and inclusive growth across South East Scotland, through accelerating the delivery of affordable housing, and housing across all tenures. To be fully effective, the housing element is identified as being significant in supporting the programmes of investment in innovation, employability/skills and transport. The City Region Deal agreement also specifies as part of the governance structure the requirement for a Regional Housing Board to focus on these matters.

### 3. Main report

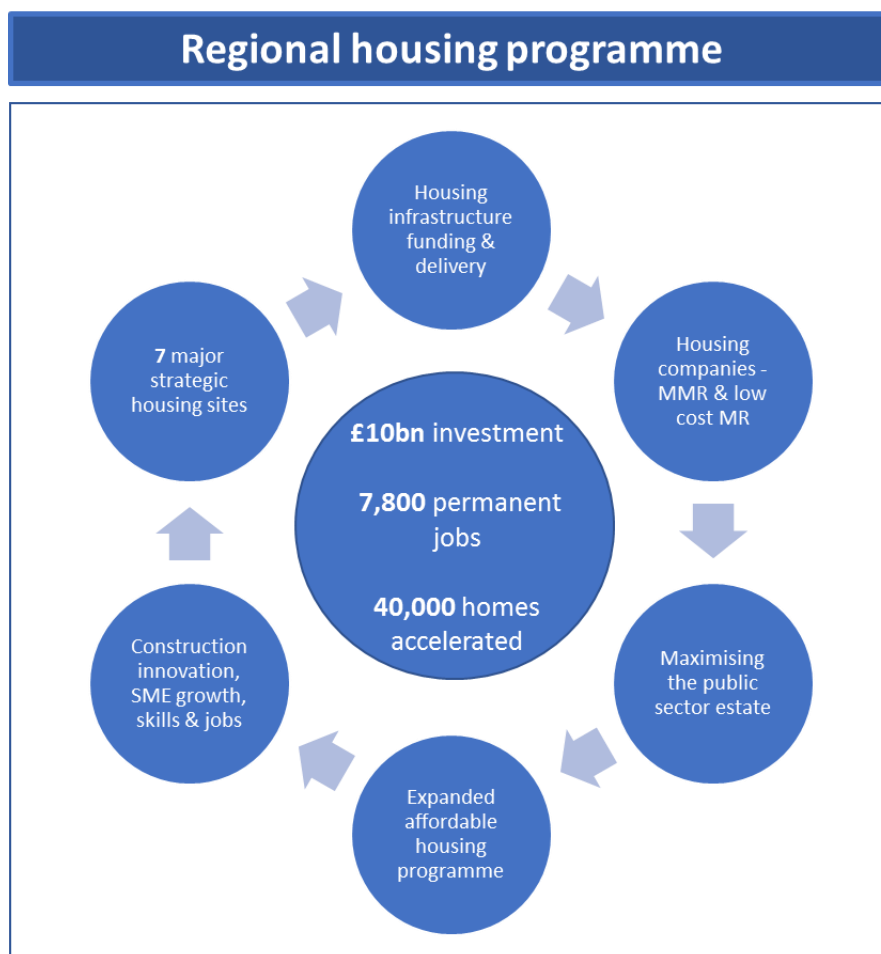
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- 3.1 In August 2018, all six local authority partners and both UK and Scottish Governments signed off on the [City Region Deal](#). This included housing as one of five major thematic elements and included draft Terms of Reference for the establishment of a Regional Housing Board. In summary, regional partners and Scottish Government have committed to work collaboratively on:
  - An expanded **affordable housing programme** working on a commitment to maximise certainty over future funding levels for the regional housing programme.
  - Developing **risk-sharing guarantees** to share the financing risk of infrastructure delivery, starting with Winchburgh, where West Lothian Council has agreed guarantees for up to £150m of infrastructure investment with the Scottish Government.

- Delivering **seven strategic sites** - Blindwells, Calderwood, Dunfermline, Edinburgh's Waterfront, Shawfair, Tweedbank and Winchburgh over lifetime of the Deal. Working together to deliver these sites, recognising the long-term nature of these proposals with most new homes being delivered over a 15-year period. The Scottish Government will commit at least £50 million of predominantly private sector loans, to be spent on projects that will unlock housing in strategic development sites across the region.
- A funding package comprised of a one-off £16m capital grant and consent for CEC to on-lend up to £248m to establish a **new housing company**, Edinburgh Living, with Scottish Futures Trust to deliver a minimum of 1,500 homes at mid-market rent and competitive market rent levels.
- Maximising the potential contribution of **public sector land and property**.
- More **jobs, training and apprenticeships as well as opportunities for regional SMEs** e.g. maximising community benefits and alignment with the Integrated Regional Employability and Skills (IRES) programme and particularly the Housing Construction & Infrastructure (HCI) Skills Gateway.
- Establish **regional governance** - The Regional Housing Board will make recommendations to the Joint Committee to ensure the effective delivery of the city region deal housing projects.

3.2 The Regional Housing Programme comprises a number of elements, as shown in Figure 1:

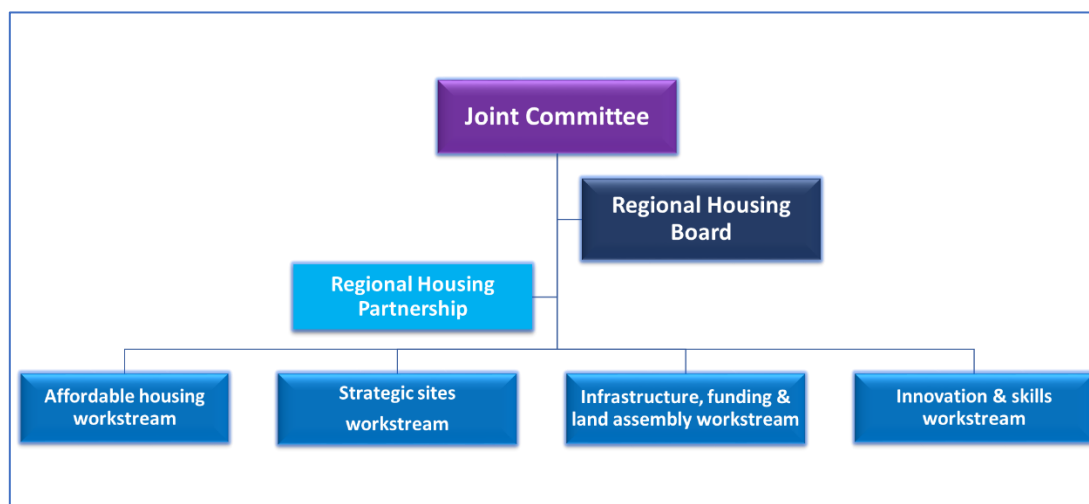
**Figure 1: Overview of ESESCR housing programme and projects**



- 3.3 A copy of the remit and terms of the Regional Housing Board as set out in the City Region Deal agreement forms Appendix A to this report. It specifies that membership of the Board shall comprise representatives from: the six constituent local authorities; Edinburgh Napier University; The University of Edinburgh; Scottish Enterprise; Construction Scotland Innovation Centre; and the Scottish Government. The Board will provide robust governance and strategic oversight over the regional housing programme, progress the statements outlined in the Heads of Terms agreement and final deal documentation and ensure the effective delivery of the City Region Deal projects.
- 3.4 The remit and terms of reference from the city region deal agreement will be developed further by the Board to ensure that all elements of the Housing programme can be managed effectively. The structure shown in Figure 2 will be recommended to the Board once formed:



**Figure 2: Proposed Regional Housing Governance**



- 3.4 The Joint Committee will be the decision-making body for strategic decisions that impact across the Regional Housing Programme. The Joint Committee will receive updates from the Regional Housing Board at each meeting.
- 3.5 The governance arrangements will be focused on delivering enhanced outcomes for partners and local communities and will not duplicate or replace any existing local governance arrangements. Through strategic collaboration on key housing issues impacting the region, partners aim to add value to existing local delivery arrangements and maximise benefits from city region deal projects to communities.
- 3.6 It is intended to convene the first meeting of the Board in late March/April at which the schedule for further meetings can be agreed. The draft Terms of Reference for the Board within the Deal Document will also be developed. It is anticipated that a full report and presentation on the Regional Housing Programme can be provided to the Joint Committee for its June or September meeting.

## 4. Financial impact

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- 4.1 Scottish Government has committed a total of at least £65 million for Regional Housing: £15 million of capital grant for the City of Edinburgh Council to establish a new housing company with the Scottish Futures Trust (already delivered); and at least £50 million of predominantly private sector loans, to be spent on projects that will unlock housing in strategic development sites across the region.
- 4.2 An additional £125 million affordable housing grant from Government for the region was committed prior to the signing of the City Region Deal Document for 2018/19 to 2020/21. The Regional Housing Board will work to maximise certainty over future public funding levels for the regional housing programme.

## 5. Equalities impact

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- 5.1 As noted above, the housing theme of the City Region Deal is an integral part of accelerating inclusive growth across the region. Removing physical barriers to growth has been identified one of five key interventions in the Deal Document's Inclusive Growth Framework. The Regional Housing Programme will achieve the following positive impact on equalities:
- A significant programme of house building will be targeted at increasing the supply of housing across all tenures to improve affordability.
  - New homes will integrate the latest technologies to reduce fuel poverty
  - The Housing and Construction Innovation Skills Gateway Programme will ensure that people, including those with protected characteristics, across the region have the skills to access construction jobs generated through the housing programme.
  - An agreed approach to City Region Deal Procurement will ensure that community benefit clauses will be used to target inclusive employment practices and other opportunities.
- 5.2 The Regional Housing Board will be expected to prepare performance indicators to monitor the impact of interventions.

## 6. Background reading/external references

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- 6.1 [Edinburgh and South East Scotland City Region Deal Document, August 2018](#)

## 7. Appendices

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- 7.1 Appendix A: Extract from the Edinburgh and South East Scotland City Region Deal Document, August 2018: Regional Housing Board Membership and Remit.

# Edinburgh and South-East Scotland City Region Housing Board

## Membership

Representatives from the following organisations will be represented:

- The City of Edinburgh Council
- East Lothian Council
- Fife Council
- Midlothian Council
- Scottish Borders Council
- West Lothian Council
- Edinburgh Napier University
- University of Edinburgh
- Scottish Enterprise
- Construction Scotland Innovation Centre
- Scottish Government Housing (observer)
- City Region Deal PMO (observer)

## Purpose

The city regional Housing Board will provide robust governance and strategic oversight over the city regional housing programme, progress the statements outlined in the Heads of Terms Agreement and ensure the effective delivery of the City Region Deal projects.

At project level, the city regional Housing Partnership, made up of senior regional housing partners, will report to the Board manage and deliver the programme.

The city regional Housing Partnership aims to deliver the city regional housing programme and accelerate the delivery of affordable and low-cost market homes, enable the development of the seven major strategic housing sites, drive efficiencies across the public sector estate and increase housing land supply.

The Board will oversee and provide recommendations to the Joint Committee in relation to the delivery of the following key outcomes:

- Accelerated delivery of seven strategic housing sites with capacity for over 40,000 homes
- Housing infrastructure delivery and funding solutions
- Land to develop a robust affordable housing pipeline
- An affordable housing programme (with a commitment to maximise certainty over future public funding levels for the regional housing programme)
- A pipeline of mid-market rent and low cost market rent homes
- Accelerated delivery through innovation and supporting regional SME growth
- Jobs, learning and progression opportunities, meeting current and future industry skills requirements
- Support the development of a consistent all partner approach to community benefits

- **Strengthened relationship between public, private, and third sector stakeholders**

#### **Meeting schedule**

**This group will meet bi-monthly.**

#### **Current status and implementation**

**The Board will be formed following Joint Committee ratification of Governance Framework and the signing of the City Region Deal.**