1 Purpose of Report/Recommendations

1.1 The purpose of this report is to update Members on:

- The progress achieved to date in securing £105 million of funding towards a City Deal and the City and Region’s Strategic Growth Projects;

- to present all of the current considerations in advancing this funding and in securing additional financial commitments towards an overall funding package of circa £250m;

and:

- to seek Members’ support and endorsement of key next steps.

2 Background

2.1 Members will recall that following a lengthy period of discussion and engagement with Government on the merit, need and opportunity of advancing a City Deal for the City and District - the Chancellor of the Exchequer, Philip Hammond visited the City in July 2018 and invited ... “a bid for a Derry-Londonderry City deal”

2.2 In the months following, a Vision and Outline Bid document for the Derry-Londonderry & Strabane City Region was prepared by Council in partnership with all key City and regional stakeholders. The Bid was endorsed by Council and the Strategic Growth Partnership and submitted to Government in the Autumn of 2018.

2.3 The bid set out the need and economic impact of the key strategic projects identified in the Inclusive Strategic Growth Plan 2017-2032 which included:
• The growth and development of the centres of innovation excellence at Ulster University’s Magee Campus and at Altnagelvin Hospital (C-Tric; CARL and CIDRA).

• The establishment of a Graduate Entry Medical School at Magee

• Investment in skills and pathways to employment

• A ‘SMART/Digital’ proposal for the City & Region

• Major regeneration proposals in Strabane Town Centre and Queens Quay/Foyle Street in Derry City Centre

• A number of tourism and riverfront projects, a signature tourism development; infrastructure proposals and upgrades - including the A2 Buncrana Road, Foyle Port and City of Derry Airport - together with the wider development of rail, key roads projects (A5 & A6) and the expansion of Magee – all as critical projects to support any City Deal investment.

2.4 The bid was subsequently followed by the preparation and submission of detailed ‘Strategic Outline Business Cases’ on the key innovation and smart/digital city projects (i.e. those projects which would be considered by UK Government for funding under a City Deal). In parallel, Strategic Outline Cases were also scoped and advanced in relation to the key supporting and complementary ‘regeneration’ projects (i.e. those projects which were to be considered by the Northern Ireland devolved administration for “match” funding to the UK Government’s City Deal funding package).

2.5 As a result, in November 2018, the Chancellor announced in his Autumn statement that Government would now ‘enter into negotiations’ in respect of a City Deal for the Derry-Londonderry & Strabane City Region.

2.6 During the remainder of 2018 and through to April 2019, detailed discussions and engagement took place with Government on the nature and quantum of funding for the innovation and digital projects and on the relationship and complementarity of the projects proposed with those presented in the Belfast City Region City Deal.
2.7 A key issue in relation to the amount of funding attainable was the challenge for this area of the ‘per-capita’ model used by Treasury which calculated and limited the funding available based on population. The need and scale of the projects proposed considerably exceeded the quantum available under this model and the model could not flex to reflect need, historic underinvestment, scale of opportunity, or indeed uniquely for this City and Region, it’s border location and its cross-border, functional economic catchment area and population.

2.8 In parallel with these discussions therefore, in December 2018, an invitation was formally extended to the Irish Government by the North West Strategic Growth Partnership to engage in the process. The Irish Government was asked to consider its position in relation to projects within Derry City and Strabane District which have a wider North West benefit and complementary projects and initiatives within Donegal.

2.9 On May 7 2019, after prolonged and intensive negotiations both civic and political, the Secretary of State for Northern Ireland announced a UK Government £105 million economic package for the Derry-Londonderry and Strabane District Region. The package was announced in two parts:

- £50M committed to the Derry City & Strabane Region City Deal;

and

- £55M for a new ‘Inclusive Future Fund’ aimed to “boost the economic potential of the City and support a more prosperous, united community and stronger society.”

2.10 The announcement pledged the £50M City Deal package in support of the bid proposal – i.e “...to help boost innovation and the digital potential of the City Region and unlock partner funding” and “... to enable new projects such as a Centre for Industrial Digitisation, Robotics and Automation (CIDRA) and a programme of digital and Smart Cities interventions, subject to business case approval.”

2.11 The Inclusive Future Fund was cited as enabling investment in projects which could:

- “Build on the economic potential of the local university and making the local area more accessible and attractive to live, visit, study and invest

- Support local people by providing jobs and skills opportunities; and
2.12 While considerably less than the sum required to fully address all of the City and Region’s strategic priorities, the long-awaited outcome of this commitment of funding was widely welcomed as was the flexibility afforded in enabling part of the funding from UK Government (the £55M Inclusive Future Fund) to be applied to Strategic Projects within the bid which would not normally be considered eligible for funding by UK Government under City Deal.

3 Key Issues

3.1 In order to facilitate advancement towards the next stage of the process, the following key issues are currently under discussion with Government and key partners:

- Funding – quantum, source and nature

- Projects – scaling and prioritization

- Governance – structures, accountability and resources

- Processes & Timeframes

3.2 Funding

3.2.1 With regard to funding, the principal issues are confirmation of the overall quantum and conditions of the Northern Ireland ‘match’ funding to the UK Government £105M announcement and the extent and nature of 3rd party contributions.

3.2.2 In relation to the Northern Ireland ‘match’ funding, the working assumption at present is that the £105M UK Government package will be 100% matched, although it is presently advised that in the absence of a regional government, no such absolute commitment can be provided (particularly in relation to the ‘Future Fund’) and that any match funding will be subject to availability and wider strategic considerations and processes.

3.2.3 In relation to 3rd party commitments, discussions are positively progressing with Ulster University as the key project lead on the innovation projects. Conversations are also developing with the Irish Government with regard to the opportunity of its engagement.
3.2.4 The contribution from Derry City and Strabane District Council will be dependent on progression of the above, impact and affordability. Council investment will be focused on the provision and delivery of leisure and civic/commercial office projects in Strabane Town Centre and in Foyle Street in Derry respectively as catalyst/anchor projects for the wider proposed regeneration proposals in each location.

3.2.5 Taking all of the above into consideration, the scope of the City Deal proposals are therefore advancing on the basis of an overall funding package of in excess of c. £250M eventually being confirmed.

3.2.6 This, together with the circa £70M previously pledged by Council - and a number of other funding sources in 2018 to future ‘Community and Social’ projects throughout the City and District within the Strategic Growth Plan - will enable over £300m of both Strategic and Community projects within the plan to be progressed and developed in the coming years.

3.3 Projects

3.3.1 As stated in 2.12, while the £105M UK Government commitment is welcome, even with the anticipated level of Northern Ireland and 3rd party contributions, scaling and prioritisation of existing strategic project proposals contained within the bid is required to meet the potential circa £250M overall anticipated funding package.

3.3.2 Discussions during recent weeks with City and Regional Partners, UK Government and the Northern Ireland Civil Service have focused on project scaling, prioritisation and seeking agreement on same whilst maintaining a commitment to attainment of the main economic outcomes through an integrated approach to the planning and delivery of projects.

3.3.3 The focus of the core UK Government £50M City Deal funding has remained the delivery of the centres of innovation and excellence in data analytics (CARL) and robotics and automation (CIDRA) together with the key smart/digital City & Region initiatives. Revised Strategic Outline Business Cases are now being prepared in respect of these projects.

3.3.4 In relation to the prioritisation of the anticipated ‘Future Fund’/Northern Ireland/potential 3rd party funding package, the emphasis is presently on advancing key projects within the original bid: -
- The Graduate Entry Medical School and further expansion of the Ulster University Campus along the Riverfront and the delivery of the development of the personalised medicine centre of excellence (T-HRIVE) at Ulster University and Altnagelvin.

- The resulting development of civic and commercial offices on Foyle Street and Queens Quay/Riverfront regeneration.

- The significant, mixed-use civic, health, leisure and educational proposal for the regeneration of Strabane Town Centre.

- Key tourism, economic and social projects and initiatives.

- An integrated, council-wide, multi-level skills and pathways to employment intervention and support programme, with revised Strategic Outline Business Cases on all of the above to be progressed as agreement is reached and prioritisation is finalised in parallel with advancement of discussions on funding.

3.3.5 It is proposed that securing commitment and financing of the A2 Buncrana Road and other significant external connectivity projects such as rail infrastructure, City of Derry Airport, the A5 & A6 etc. together with the wider expansion and development of Magee should also continue in parallel.

3.4 Governance

3.4.1 As with all projects but especially with one of this scale, effective governance and accountability arrangements - together with adequate resourcing are critical. As a result, a key focus is on liaising with Government to develop and agree project governance structures, boards and corresponding roles and responsibilities etc.

3.4.2 The inclusion of project partners, identification and agreement of project leads, establishment and resourcing of project delivery teams, communication, reporting and monitoring all form part of the considerations of this developing work package. Analysis will also be undertaken of what has worked well and what has not in the delivery of City Deals elsewhere in the UK.
3.5 Process and Timeframes

3.5.1 From experience of previous and current other City Deal initiatives, the next stage in the process is to work to advance ‘Heads of Terms’ with Government. On completion of that stage, the projects will have been reviewed and agreed, scaled and prioritised to match the available funding and Strategic Outline Business Cases revised and re-presented, clarified and approved.

3.5.2 This process is underway at present with a targeted completion date of 6-8 months from present.

3.5.3 Clarification is currently being sought from Government on the requirements of the preferably parallel process in relation to advancement of the next stage of ‘Future Fund /NI Match Funding projects development.

4 Financial, Equality, Legal, HR, Improvement and other Implications

4.1 This report substantively deals with the financial implications and benefits of both the current funding announcement and the further funding anticipated. A key issue for the Council will be the financial commitment of Derry City & Strabane District Council towards its anchor projects in Strabane Town Centre & Derry City Centre as a catalyst for the wider regeneration plans in both locations.

4.2 This commitment, as previously stated, will be dependent on the confirmation of the totality of Government funding, affordability, other Council Capital commitments/ priorities and in the wider context of Councils current and planned commitment to considerable community and social projects across the entire City and District.

5 Recommendations

5.1 On the basis of all of the above, Members are asked to note the considerable progress achieved to date, acknowledge the key issues to be resolved as set out in this report to advance to the next stage, and support and promote at local and regional level efforts to:

- Confirm and secure at the earliest opportunity, commitment to the totality of anticipated ‘match’ funding and 3rd party funding required from all sources, including Council.
- Advance the projects as broadly prioritised in the report in line with the available funding and in collaboration with all city and regional bid partners, develop evolving governance and accountability structures and processes, project business cases and timeframes for progression.

- Progress and advance funding for the wider connectivity and infrastructure projects in relation to road, rail and air and the expansion of the Magee Campus of Ulster University - all of which are critical to the success of the strategic projects to be delivered under the City Deal/Future Fund/match funding package.

**Background Papers**