



ANNUAL REPORT

2013-14

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1 Introduction

Since the publication of “Scotland’s Cities: Delivering for Scotland” in December 2011¹, a great deal has been achieved by the partners in the Scottish Cities Alliance – the cities, the Scottish Government and its agencies, the Scottish Council for Development and Industry (SCDI) and the Scottish Cities Knowledge Centre (SCKC).

This report looks back over the second year of operation of the Alliance, including achievements to date, how the Strategic Implementation Plan has developed since it was approved last year and the status of current projects.

The report concludes by looking forward to phase two of the Alliance and the aspirations for the coming year.

¹ Scottish Government (2011), *Scotland’s Cities: Delivering for Scotland* available at www.scottishcities.org

2 Achievements

Successes	Workstream	Output
City Investment Plans & Funding Frameworks	Attracting Investment	For the first time Scotland's cities have collaborated on investment planning to showcase their collective offer and unlock sustainable economic growth at the local, regional and national level through collaboration and agglomeration.
Sector Asset Mapping	Attracting Investment	For the first time a report detailing the assets in the seven growth sectors across the seven city regions has been prepared to allow the cities to identify gaps and synergies and develop a city wide understanding of sectoral investment opportunities.
Sitematch 2013	Attracting Investment	For the first time Scotland's cities collaborated to add value to each other's assets rather than competing, by promoting their sites and prospects to an audience of potential London investors. The cities made a number of new connections and at least one investment prospect can be directly attributed to this event at present.
MIPIM 2014	Attracting Investment	For the first time Scotland's cities coordinated a collaborative presence at this event, providing the cities with a unique opportunity to demonstrate Team Scotland's credentials as a place to invest and do business. The event organisers acknowledged the Alliance's exhibition of its £2.5 billion worth of development opportunities in its top ten must see exhibits at the event.
Sectoral Excellence Conferences	Attracting Investment	Showcasing Scotland's combined strengths in the food and drink sector at the first conference in the Sectoral Excellence conference programme
European Structural Funds	Attracting Investment	For the first time Scotland's cities collaborated on the development of three project ideas for ESF funding to finance projects aimed at creating the conditions for economic growth.
Collaborative Marketing	Attracting Investment	Supported by a dedicated cross city investment promotion officer, a comprehensive Alliance Investment and Promotion Programme together with associated budget has been developed and approved.
Smart Ticketing	Creating the	Through the Alliance, Scotland's cities are playing a

Routemap	Conditions	lead role in the delivery of Transport Scotland’s routemap towards a world class multi-modal and integrated smart ticketing system.
Hydrogen Bus Routemap Development	Creating the Conditions	The Alliance's collaborative work in this area attracted European funding to make Scotland part of an EU commercialisation road map for fuel cell buses.
National Heating & Cooling Plan funding	Creating the Conditions	The Alliance successfully secured €60,000 worth of European funding towards developing national heating and cooling plans.
Work informed by Research & Best Practice	Research & Best Practice	The cities have benefited from a coordinated programme of research and best practice guidance from the Scottish Cities Knowledge Centre, aligned to their collective ambitions to attract new investment and create growth.
Nordic Horizons	Research & Best Practice	The Alliance has engaged with experts from Scandinavian cities as part of a knowledge exchange programme.
RSA City Growth Commission	Research & Best Practice	The Alliance has contributed to an independent authoritative enquiry into how best to enable UK cities to drive growth and respond to the fiscal and economic challenges of the future.

Partnership Working Achievements:

- Demonstrating a common purpose and consistency of approach/language around growth;
- Improving the profile of the Alliance brand and reaching a wider investor audience through collaboration and having a stronger voice;
- Progressing a collaborative application for European Structural Funding;
- Influencing national agencies to develop their work programme in a way which complements the work of the Alliance;
- Improved business engagement;
- City Leaders’ approval of city investment plans; and
- Represented as a body to consult on both the COSLA Commission for Local Democracy as well as in the development of the third National Planning Framework where the cities produced a coordinated response to the draft NPF3 proposal and engaged with the Scottish Government to outline their collective ambitions for the new framework document.

3 Strategic Investment Plan – Summary of Progress

Attracting Investment

City Investment Plans and Funding Frameworks – Developed and formally approved by the Leadership Group April 2014.

City Deals – Work underway and will report to Leadership Group in June 2014.

City Powers – Continue to be analysed and discussed in context of CIPs and Funding Frameworks.

Sector Asset Mapping – Report produced June 2013 and an accompanying narrative is under development.

Priority Sites – Report produced and used in the development of the City Investment Plans and at a number of investment promotion events.

Investment Promotion – Events and marketing programme approved to March 2015.

European Structural Funds – Three projects developed and taken through assessment process. The smart cities project, which could attract funding of up to £10m, is progressing well.

Creating the Conditions for Economic Growth

Digital Connectivity – Phased project considering options to improve broadband provision underway.

Smart Ticketing – Report produced and subsequent programme agreed with Transport Scotland to progress the report's recommendations.

Building the Hydrogen Economy – Report outlining project priorities produced and European funding secured to progress the development of a hydrogen bus network.

Smart Future Cities – Investment programme approved to support the cities to develop a shared vision and roadmap for investment.

Culture – Programme to develop the Wasps studio network across all the cities underway.

Sustainability – Mini-Stern & STEP-UP programmes underway and National Heating and Cooling Plan funding from Europe secured.

Research and Best Practice

The cities benefited from SCKC Papers and a series of seminars aligned to their collective ambitions to attract new investment and create growth.

4. Budget

The Scottish Cities Alliance has two funding sources. The first is an investment fund for specific collaborative projects to accelerate their development and delivery. The second is an operational fund to cover SCDI's costs for staff and for running a programme of events and engagement.

Cities Investment Fund

The Cities Investment Fund of £7 million was provided by the Scottish Government when the Alliance formed in December 2011. The purpose of the fund is to leverage other private finance or European funding, support large-scale collaborative projects and develop programmes which allow for wider city region investment.

Table 1 shows the indicative budget allocations set out in the Alliance's Strategic Implementation Plan against the project approvals to date. Table 2 provides a full breakdown of funding spend across individual projects.

Table 1 Cities Investment Fund

	Programme	Anticipated 3 year budget £m	Anticipated Budget 2013-2014 £m*	Anticipated Budget 2014-2015 £m	Anticipated Budget 2015-2016 £m	Approvals to 2 Apr 2014 £m
1.	Attracting Investment					
	Sub-totals:	£4.000m	£1.325m	£1.625m	£1.05m	£1.125m
2.	Creating the Conditions for Economic Growth					
	Sub-totals:	£2.800m	£1.000m	£1.000m	£0.800m	£1.332m
3.	Research & Best Practice					
	Sub-totals:	£0.200m	£0.067m	£0.067m	£0.066m	£0.189m
	Totals:	£7.000m	£2.392m	£2.692m	£1.916m	£2.646m

*Includes the initial 2012-13 commitments

Operational fund

Each city and the Scottish Government contributed to the Scottish Cities Alliance fund of £160k to cover staff costs and events for the financial year 2013-2014. Procedures have been put in place by the SCDI financial management team to monitor expenditure.

The partners have approved the same level of funding for the current financial year 2014-2015. This fund will continue to be reviewed to ensure the Alliance is appropriately resourced to achieve its objectives.

SCOTTISH CITIES ALLIANCE - CITIES INVESTMENT FUND MONITORING REPORT			
Table 2	BUDGET APPROVALS*	DRAWDOWNS REQUESTED**	ACTUAL EXPENDITURE INCURRED**
Total funding allocation	7,000,000	7,000,000	7,000,000
Actual to date (net of interest received)	2,590,540	1,376,463	913,010
Remaining unallocated fund balance	4,409,460	5,623,537	6,086,990
Project approvals to date			
1. ATTRACTING INVESTMENT			
Cities Investment Programme	643,000	400,000	346,875
City Deal	450,000	360,000	125,000
Global Excellence Conference (Perth)	12,000	12,000	12,000
Global Excellence Conference (Dundee)	20,000	0	0
subtotal	1,125,000	772,000	483,875
2. CREATING THE CONDITIONS			
Digital Connectivity	326,000	136,000	73,441
Smart Cities and Regions Project Accelerator	200,000	160,000	160,000
Smart Cities / Future Cities collaboration	160,000	0	0
Smart Ticketing (Phases 1 and 2)	200,000	49,550	49,550
Cultural and creative hubs and business development	25,000	20,000	0
Mini Sterns	200,000	0	0
STEP-UP: contribution to EU €3.7m project to extend to all Scottish cities	50,000	50,000	35,000
Hydrogen	118,000	40,000	49,861
Green Deal	52,850	52,850	52,850
subtotal	1,331,850	508,400	420,702
3. RESEARCH AND BEST PRACTICE			
Scottish Cities Knowledge Centre:			
Director (half time post for three years)	184,537	147,630	60,000
Nordic City Programme	4,175	3,455	3,455
subtotal	188,712	151,085	63,455
Totals to date	2,645,562	1,431,485	968,032
Add back accrued interest	55,022	55,022	55,022
Fund balance	4,409,460	5,623,537	6,086,990
* 2nd April 2014			
** 31st March 2014			

5 Looking Forward

The first phase of the Alliance's pioneering collaborative initiative has been successfully completed, with a valued and sustained collaboration of interests amongst Scotland's Cities having been identified and pursued, leading to clear examples of shared approaches and joint projects. Building on this first phase, the Alliance will focus on supporting the delivery of collaborative projects and investment streams to continue to promote economic growth and capitalise on the cities' capabilities. This will be done within a global context.

Focus for 2014-2015:-

- Understand and articulate the city region agenda and raise the profile of the city region debate in relation to the impact on the Scottish economy;
- Act as an influencer on behalf of Scotland's cities making key global links with other cities;
- Support the delivery of City Investment Plans and Funding Frameworks;
- Support the delivery of the Strategic Implementation Plan;
- Work with fund managers and property investors to unlock the additional investment needed to deliver on the priorities identified in the City Investment Plans;
- Build a knowledge repository for cities and others;
- Collaborative development of key infrastructure projects and funding streams;
- Coordinate delivery and match-funding of European Structural Fund project;
- Development of a set of inward investor protocols across the cities which give potential investors an easily accessible gateway to each of the cities;
- Improve the Alliance profile through improved communication of its programmes; and
- Underpin NPF3 with a city region bottom up approach to planning.

Appendix

Strategic Investment Plan – Progress

Attracting Investment

The Cities Investment Programme has always been the overarching priority of the Alliance. The collective vision for this programme as outlined in the Strategic Implementation Plan (SIP) is to create a Scotland where:-

“Our cities and city regions will collaborate by combining their collective strengths to enhance their international competitiveness and to attract new investment from major finance providers and developers”

Over the course of the last year, considerable progress has been made to develop this programme in line with the key elements detailed in the SIP.

City Investment Plans and Funding Frameworks

In April 2013 the Leadership Group agreed that the Cities should collaborate with national agencies to produce City Investment Plans (CIPs) for each of the cities and their regions. Draft CIPs were presented to the Leadership Group in December 2013 and these have since been finalised and approved by the Leadership Group when they met in April 2014. The CIPs outline how effective and co-ordinated investment planning by cities can help to support the collective ambitions of all Scotland’s cities and unlock sustainable economic growth at a local, regional and national level. This is the first time that Scotland’s Cities have come together to increase growth outcomes and realise more investment opportunities through collaboration and agglomeration.

In addition to approving the CIPs themselves, a number of key decisions were made by the Leadership Group in April. Subject to some qualifications, the Group agreed that, as a priority, businesses cases for collective approaches for the delivery of the housing and business premises elements of the CIPs should be developed; that the Alliance should look to explore a range of funding models including payment by result models to finance the priorities identified and that the cities would work over time to commit a percentage of overall city spend, with an aspiration of 1% over the longer term, to economic infrastructure investment.

These decisions are significant and demonstrate a real commitment from the cities to collectively exploit the full range of funding that the plans have the potential to open up. The Alliance’s Strategic Director will table a paper at the Leadership Group meeting in June 2014 setting out how the remaining unallocated monies in the City Investment Fund could be used to assist with project assembly, finance, procurement and delivery.

City Deals and City Powers

To align with the work to develop Funding Frameworks for the CIPs, the Leadership Group in September 2013 agreed to investigate the city deal funding mechanism for Scotland's cities, building on the work Glasgow had undertaken in this area. The full report will be presented to the Group in June 2014. It will consider how a city deal might maximise the potential of each city region and how a city deal might work in the context of Scotland's devolved powers and budget.

In addition, the Leadership Group in September 2013 approved a separate piece of work to look at the range of existing powers available to cities and consider opportunities to make best use of these. A paper outlining examples of the use of city powers was tabled at the Leadership Group Meeting in April 2014.

Sector Asset Mapping

A report was produced in June 2013 which pulls together information on the assets in the seven growth sectors (creative industries, energy, financial and business services, food and drink; life sciences; tourism; and universities) in each of the seven city regions. The purpose of this exercise was to identify gaps and synergies in our sectoral offer. Work is now underway to develop a narrative for presentation to investor audiences.

Priority Sites

A report detailing the priority sites across the cities was produced last year and was used in the development of the City Investment Plans and at a number of investment promotion events.

Investment Promotion

A dedicated Alliance resource was appointed in March 2013 to take forward this programme of work. Since then, a comprehensive Alliance Investment Promotion Programme and budget have been approved for 2014-2015. Key highlights include:-

Sitematch – In June 2013 the Alliance had a presence at a Sitematch event in London which gave the cities and potential investors a chance to discuss in detail, sites and prospects. The event was well received and is a good example of partnership working by Scotland's cities adding value to each other's assets rather than competing. Perth is pleased to attribute one confirmed investment prospect to the event. The Alliance is planning to pilot an event for Scottish investors in Aberdeen on 10th June 2014. This event will allow an early opportunity for the Alliance to promote the City Investment Plans and develop and consolidate relationships with a Scottish investor audience before it looks to host a further Sitematch event in London.

MIPIM 2014 – The Alliance’s attendance at MIPIM 2014 in March provided the cities with a unique opportunity to demonstrate Team Scotland’s credentials as a place to invest and do business. The event hosted 2,225 companies from 93 countries exhibiting over 4 days, with individual participants numbering 21,000 including 4500 investors. The Alliance had a full programme of meetings and events and achieved excellent exposure, including being named one of the top ten “not-to-be-missed” stands. A key strength, commented on by several participants, was the cities’ collaborative approach and how working together, and with SDI, greatly enhanced the offering from Scotland. All cities have made positive progress in key relationships and are confident that activity and events later in the year will enable further progress in attracting inward investment. A full report has been prepared and will be used to develop a targeted proposal to inward investment at MIPIM 2015.

“As an expat Scot I was thrilled to encounter the Scottish Cities Alliance at MIPIM. I believe that the establishment of serious minded and ambitious strategic alliances between our great cities is a move which carries with it the promise of significant long term and well distributed national gains.

Investment opportunities which embrace the broadest possible diaspora of Scotland’s numerous and diverse qualities are likely to attract the eye of global investors, especially those less familiar with Scotland as a world class investment opportunity. Competition is healthy and there will always be a place for it but this yoking of the potential within Scotland’s major cities is a tremendously positive move. It may be a difficult reality to confront but, even among sophisticated international investors, Scotland is not always regarded in this way and there is a job of education necessary, as well as one of marketing. Having engaged with the SCA team and discussed their work with them, I have every confidence that those tasks are well in hand and a piece of work which may one day be viewed as truly game changing, is now quietly underway.”

Mark Morley, Group Head of Marketing and Communication, Quantum Global, Switzerland

International Festival of Business - The IFB 2014 presents an international platform for the Alliance to meet with investors, developers and end users. Not only is it a key opportunity for Scotland’s cities to network with industry professionals, it consolidates the work of the Alliance from MIPIM 2014 and forms part of a larger programme of activity over the year. It should ensure the Scottish Cities and their regions continue to be recognised as global players.

MIPIM UK – The Alliance has secured a place at this inaugural event in London to build upon the learning from MIPIM 2014 and provide an important link between this event and the London and Scottish events programme.

Global Excellence Conference Programme – 2014-2015 – This series of events aims to showcase the city-wide offering of Scotland’s cities across the key sectors. Perth hosted the first Global Excellence Conference showcasing Scotland’s cities combined strengths in the food and drink sector in March. Over 250 delegates attended the

event which coincided with the launch of Perth's Food and Drink Business Park and there are plans for this to become an annual event in the city's calendar. Dundee will host the next event in the series, showcasing Scotland's expertise in the life science sector on 20th and 21st May 2014. This will be followed by events in Inverness on Marine Renewables in September 2014 and in Stirling on Tourism in February 2015. Discussions continue to take place to finalise arrangements with the other cities for the remainder of the programme.

European Structural Funds

In June 2013, the Alliance held a workshop to identify project ideas for ESF funding to support the delivery of its objectives. The identified projects were taken forward through a peer assessment process. The Alliance continues to have a lead role in the delivery of the Smart Future Cities/Open Data proposal while its project ideas on Waste as a Resource and Building the Hydrogen Economy have been subsumed into other projects being progressed within broader Scottish Government led workstreams.

Creating the Conditions for Economic Growth

The collective vision for this programme as outlined in the SIP recognises that:-

“By investing in those aspects of a city that enhance its global competitiveness, we will be better positioned to attract people, businesses and investors to live, work, study, visit and invest in Scotland's cities.”

Over the course of the last year both the smart ticketing and hydrogen projects have produced reports and work is underway to progress the identified recommendations. In addition, a strategic programme has been developed to accelerate the adoption of “Smart City” service transformation across the cities.

Digital Connectivity

Glasgow continues to lead on this project which aims to build the case for world class digital connectivity across Scotland's cities by 2020. The project was split into two phases which will report this month. Phase one will comprehensively map mobile and fixed infrastructure throughout Scotland. Phase two will test this data through the development of local strategic options to achieve world-class infrastructure in Glasgow by 2017, and inform the development of strategy at both the local and national level.

The Alliance also participated in The Royal Society of Edinburgh's Inquiry into Digital Participation and their final report has recently been published. The Alliance will now look to build on the recommendations of the report to ensure that the societal and economic benefits of digital technology are fully realised across the cities.

Smart Future Cities

In April 2013, the Alliance Leadership Group agreed to develop a collaborative programme around Smart Cities as part of its Strategic Implementation Plan. Since April, the strategic rationale, approach and a plan for designing this investment programme has been agreed by the Alliance partners. The premise is to accelerate the adoption of “Smart City” service transformation focused on the Alliance’s objectives of creating the conditions for growth and supporting investment in Scotland’s cities. Scotland’s cities are well placed to be at the forefront of developing a common vision for the smart delivery of public services, building on Glasgow’s success in securing £24 million from the UK Technology Strategy Board Future Cities Demonstrator programme. The developing Alliance programme will help to disseminate the learning from Glasgow’s Demonstrator to the other six cities. Work will be undertaken with the individual cities to understand where in the smart city journey each city is and where it wants to go. Leaders from each city will be supported to build a shared vision and develop a roadmap for investment and transformation for their city and Scotland as a whole.

The Alliance is an important vehicle to developing a Scotland wide Smart Cities strategy because it brings together public, private and academic stakeholders able to collectively develop and implement innovative ideas in a way that they could not do working independently. Working collaboratively with the Scottish Government Digital Directorate, the Alliance is seeking to secure European Structural Funding to help cities realise their ambitions. The EU Horizon 2020 Research and Development programme has a ‘Smart City’ focus and the Alliance is working with industry, academia and the cities to access the €200 million of innovation funding for 2014-2015. Concurrently, the Edinburgh Centre for Carbon Innovation is developing its Smart Accelerator project which will help the Alliance identify, prioritise and accelerate a series of smart city projects informed by international learning across Scotland during 2014.

Smart Ticketing

Dundee continues to lead on this project which aims to accelerate Transport Scotland’s “Delivery strategy – smart & integrated ticketing.” A proposal for Transport Scotland to take forward the recommendations from the Alliance’s Smart Ticketing Report has been approved and will be joint funded by the Alliance and Transport Scotland. This will look at purchasing additional software and hardware to expand the successful pilot scheme for students at Dundee College across Scotland’s cities. It will also provide a project management resource to encourage the acceleration of smart travel on bus operated public transport across the cities. An action team consisting of representatives from the cities will continue to liaise with Transport Scotland throughout the project’s development.

Culture

Creative industries play an increasingly important role in the Scottish economy. They contribute significantly to the cultural profile and vibrancy of our cities and their

regions. In recognition of this, Stirling is leading a project with the Wasps Studios charity to provide affordable studios to support artists and arts organisations in Inverness, Perth and Stirling. This will deliver a studio network spanning all of Scotland's cities. An Alliance steering group will work in conjunction with Creative Scotland to explore the potential for collaborative projects which can capitalise on the Alliance's aims and objectives.

Sustainability

The Alliance is currently considering how best to integrate the various strands of its sustainability work under the aegis of the investment work so that economic impact can be maximized.

Edinburgh is coordinating a project which will produce Mini-Stern reviews for each of the cities. The reviews will be used to identify a range of economic benefits. These include job creation, skills development and new, innovative supply chains from deploying low carbon solutions and reducing carbon emissions in Scotland's cities. In addition to bespoke reports for each city, a separate report will be produced detailing the collaborative opportunities across the cities.

The Alliance continues to engage with the EU funded STEP-UP project. The project will develop sustainable energy action plans across the cities to improve their resilience in meeting their energy needs and enable them to capitalise on investment opportunities. Further investment opportunities will be considered which build on the Scottish Government's live nationwide heat map due to launch in Spring 2014, as well as from an award of €60,000 of European funding towards the development of national heating and cooling plans.

Building the Hydrogen Economy

Aberdeen continues to lead on this project, which aims to enable the expansion of Scotland's renewables industry through the deployment of a range of hydrogen related technologies. A report has been produced outlining four key projects for the cities and their regions to prioritise. Funding has been approved to appoint a project manager to take forward the report's recommendations and develop funding options including European Structural Funds. The Alliance's collaborative work in this area has already secured European funding for Scotland to be part of an EU commercialisation road map for fuel cell buses. The Alliance has confirmed its involvement in this project, which is supported by both public and private stakeholders.

Research and Best Practice

The SCKC's work plan, which is coordinated by Inverness, continues to develop and the cities have benefited from a coordinated programme of research and best practice guidance from the SCKC aligned to their collective ambitions to attract new investment and create growth.

The SCKC is working hard to invest in training and expertise in urban development to enable Scotland to have the expertise and skills it requires to plan its cities and deliver future economic growth. For example, SCKC has applied for further PhD studentships in partnership with the cities. Topics include considering how cities should look to secure foreign direct investment in their local economies as well as how they should aim to foster the growth of small firms.

The SCKC has completed research projects on urban infrastructure investment and defining and measuring city success. Projects are underway to conduct a literature review of city governance, particularly competition and collaboration, as well as developing an understanding of city networks and who is building our cities. Seminars on “Infrastructure Investment and Growth”, “The Connected City”, “Energy and the City”, “Small Cities - Large Towns” and “Culture, Vibrancy and City Growth” have taken place over the course of the last year. The learning from these seminars feeds into the Alliance’s programme of work and is communicated through the newly established SCKC website.

The Alliance has also engaged with two separate bodies in conjunction with the SCKC on research and best practice. Experts from Scandinavian cities have met with the Delivery Group as part of a knowledge exchange programme delivered by the Nordic Horizons policy group. Separately, the Alliance has contributed to the RSA’s City Growth Commission, an independent authoritative enquiry into how best to enable cities to drive growth and respond to the fiscal and economic challenges of the future.