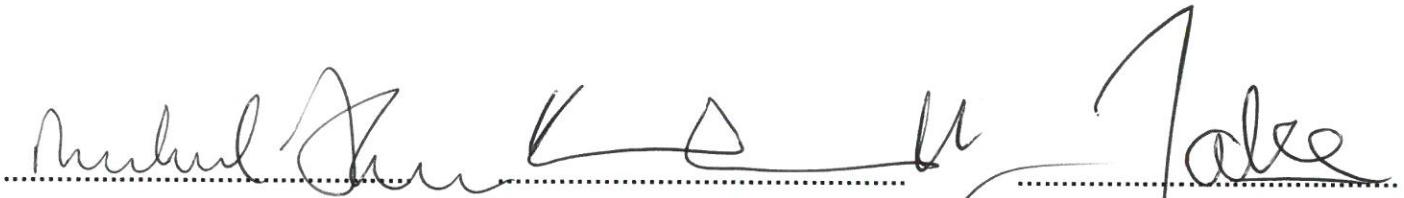


Borderlands Growth Deal Heads of Terms Agreement



Scottish Government
Riaghaltas na h-Alba
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Our signing of this document confirms our joint commitment to achieve full implementation of the Borderlands Growth Deal.



Michael Matheson MSP

Cabinet Secretary for
Transport, Infrastructure
and Connectivity
Scottish Government

Rt Hon David Mundell MP

Secretary of State
for Scotland
UK Government

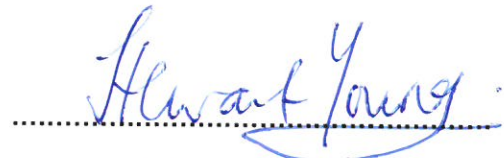
Jake Berry MP

Parliamentary Under
Secretary of State,
Minister for the
Northern Powerhouse
and Local Growth
UK Government



Cllr John Mallinson

Leader of Carlisle City Council



Cllr Stewart Young

Leader of Cumbria
County Council



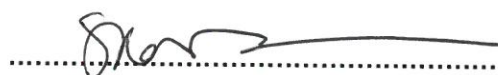
Cllr Elaine Murray

Leader of Dumfries and
Galloway Council



Cllr Peter Jackson

Leader of Northumberland
County Council



Cllr Shona Haslam

Leader of Scottish Borders Council

EXECUTIVE SUMMARY

1. The Borderlands region comprises the five local authority areas of Carlisle City, Cumbria County, Dumfries and Galloway, Northumberland County and Scottish Borders. The Borderlands authorities have been working together since 2014 to develop a strong working relationship, and a joint strategy to secure investment for priority projects that will accelerate economic growth for the benefit of individuals, businesses and communities across the region.
2. The Borderlands is home to over 1 million people over a combined geography that comprises 10% of the UK landmass. The rural nature of the area presents particular challenges and opportunities that the growth deal will seek to address, to ensure the region can achieve its vision for inclusive growth, building on its strengths as a place to live, work, visit and invest.
3. The Borderlands economy has three main challenges: narrowing the productivity gap; increasing the working age population and delivering inclusive growth. Locally developed proposals designed to address these challenges and harness the region's substantial assets to accelerate economic growth focus on making improvements to transport, skills, place and regeneration, digital infrastructure, energy, business growth, rural innovation, culture and tourism.
4. The UK and Scottish governments will work collaboratively with the Borderlands Partners to deliver a deal that will help to transform the regional economy. Both governments are committed to continuing their support for the region to harness its full economic potential. This "Heads of Terms" document defines the broad activities that the governments hope to support, subject to business cases that confirm these activities are viable, value for money, sustainable and State Aid compliant to the satisfaction of both governments. It does not form a legally binding contract.
5. The combined investments of the UK and Scottish Governments will commit up to £350 million to the Borderlands Growth Deal. Local authority partners will contribute up to £44.5 million towards the deal. Taken together this will result in a significant overall growth deal package worth up to £394.5 million for the region. Borderlands Partners predict that the proposed interventions will generate around £1.1 billion of Gross Value Added uplift and deliver around 5500 jobs in the region.

THE COMMITMENTS

6. The information below broadly defines the areas and activities to be prioritised for support through the Borderlands Growth Deal. Support for the proposed projects and activities will be subject to the development and approval of business cases to the satisfaction of the sponsoring government or governments. Business case information must satisfy the relevant governments that the proposed activities are feasible, sustainable, value for money and will deliver suitable returns on investment. The governments must also be satisfied that the business cases are State Aid compliant.

Place

Quality of Place

7. The place proposal includes a programme of investment to stimulate the repurposing and reinvention of towns and centres across the Borderlands area to create places that are economically vibrant, resilient to change and that attract a working age population. Supporting communities to thrive is a pillar of growth deal investment in the Borderlands area and both governments will work with local partners to fund place based initiatives across the region.

8. As part of the £85 million which the Scottish Government is committing to the deal to support activity in the south of Scotland, Scottish Ministers will invest up to £20 million to enhance the quality of places, creating thriving rural hubs that support community cohesion and attract visitors and investment. This investment aligns with the Scottish Government's Town Centre Action Plan and Place Principle which aims to facilitate a more joined-up, collaborative approach to utilising the services and assets within a place to achieve better outcomes for local people and communities.

Destination Borderlands

9. Tourism is a priority sector for the Borderlands region, with over 60 million visitors a year to assets of global significance, including two World Heritage Sites, at a value of over £1.3 billion to the area.

10. Borderlands Partners have identified strategic priorities for Destination Borderlands investment, including a world-renowned tourist attraction Alnwick Gardens, which consistently welcomes more than 300,000 visitors a year to the north east of England. In supporting this sector, UK Government will invest up to £5 million, subject to business case approval, for the development of the Lilidorei play village, a year-round visitor attraction to boost local economic growth.

11. The Scottish Government will invest up to £31 million through the Borderlands Deal in developing tourist attractions in Scotland identified as priorities by the local partners. The specific projects to be considered for support through the deal, to maximise the region's appeal as a leading outdoor and adventure tourism destination, are Stranraer Marina, The River Tweed Walking and Cycling Route, and maximising the Seven Stanes mountain biking network. Support for the proposed projects will be subject to full business case approval and appropriate partner contributions.

The Star of Caledonia

12. A landmark sculpture situated on the border between England and Scotland at Gretna, the Star of Caledonia aims to stimulate economic growth by attracting visitors

to the region. Up to £1.5 million of UK Government money will be provided for the project, conditional on remaining funding being raised within the current planning permission window of 3 years. Full business case approval will be required along with proof of gap funding in order to release the investment. If the additional funding is not found during this time frame, the UK Government £1.5 million will revert to one of the other whole of Borderlands projects funded by the UK Government in Scotland.

Berwick Theatre and Conference Centre

13. To support the visitor economy and local growth in the town, UK Government will invest in Berwick Theatre and Conference Centre to facilitate culture led regeneration and economic development in the area.

Infrastructure

Transport Connectivity

14. Transport Connectivity is vital for joining up the communities and maximising the economic potential of the Borderlands region.

15. The UK and Scottish Governments will work together through the deal to consider the potential to extend the Borders Railway.

16. Up to £5 million of funding will be made available by each Government through the deal to progress the evidence base, options appraisal and feasibility work on Carlisle to Tweedbank rail options.

17. The Scottish Government will progress the evidence base through the Strategic Transport Project Review process already underway through Transport Scotland. The UK Government Department for Transport will progress complementary feasibility work on these options with a wider UK perspective.

18. The two Governments will work together to align their work, enabling a shared understanding of the cross border benefits and challenges of these options.

Digital

19. The Borderlands Growth Deal will invest in improving digital and mobile connectivity across the whole region. In dispersed rural areas, digital and mobile connectivity is recognised as a significant barrier to growth. This programme will seek to directly address this challenge through investing in the infrastructure required to enable businesses and communities to remotely access services and markets.

20. As part of the £65 million funding the UK Government is committing to the South of Scotland through the deal, the UK Government will invest up to £16.2 million in the South of Scotland to support enhanced digital connectivity. Building on work undertaken by UK and Scottish governments, a detailed business case will be developed to ensure investment is targeted at not-spot locations that will help realise the ambition of comprehensive full-fibre and mobile connectivity across the whole of the Borderlands. The Scottish Government is already investing in the R100 programme and to complement this there will be a voucher scheme in Cumbria and Northumberland and potentially in Scotland that will facilitate the delivery of gigabit connectivity in not-spot locations.

Carlisle Station Gateway

21. The proposal is to create a new high-profile gateway development for Carlisle that will boost economic prosperity by attracting people to live, study and work in the area. This will comprise of three connected projects. Firstly, UK Government will invest up to £15 million in improvements at Carlisle Railway Station, as the largest station in the Borderlands, to enhance connectivity and access into the wider Borderlands region.

22. Secondly, UK Government will invest, subject to business case, in the city regeneration of Carlisle as a focal point for higher education, business and cultural interaction, serving the Borderlands region. Government has provided £250,000 in funding to support the development of a robust proposal and local partners, working with the University of Cumbria and other key local stakeholders, are exploring options to deliver higher level skills improvements and new job opportunities, including at the site of the historic Citadel buildings.

23. Thirdly, working with Homes England, UK Government will also, subject to business case, support investment in the Caldew Riverside area to unlock and develop important brownfield sites.

Business Infrastructure

24. The UK Government will invest in infrastructure to support business growth and productivity, allowing Cumbria and the North East to realise the ambitious Local Industrial Strategies that they are currently developing.

25. The Scottish Government will invest up to £15.5 million to improve business infrastructure in the south of Scotland, stimulate business growth and support job creation. Investment in this area will enhance the area's inward investment offer to higher value sectors, and meet the growth needs of local businesses.

26. The Scottish Government will consider a contribution to the development of Chapelcross from the overall funding available to support business infrastructure across the region, once the business case is more developed.

Innovation and Skills

Rural Innovation

27. The UK Government and the Scottish Government will jointly fund up to £8 million, subject to business case approval, to support the development of a Dairy Innovation Centre to be based in Dumfries and Galloway to maximise the value of the region's dairy sector.

28. The forestry and wood sector in the Borderlands is an asset to the region which can deliver substantial low carbon growth and contribute towards sustainable economic development. Forestry and wood processing are a significant employers and contributors to the economic growth of the Borderlands region. Recognising this key sector, the Borderlands Partners will bring forward proposals for a Forestry Innovation Zone as an exemplar for the sector.

29. To underpin the development of the rural economy the UK and Scottish governments will jointly fund up to £5 million in Scotland, and the Department for Environment, Food and Rural Affairs will also contribute up to £5 million in England which is additional to the March quantum statement. Both governments will work collaboratively with partners to establish the best way to deliver a challenge fund for businesses and land managers to trial environmentally friendly pilots of the Borderlands natural capital, advance sector strategies and measures to capture and analyse real time information to maximise product yield, minimise pollution, promote carbon capture and flood management. These interventions could form the development of a Natural Capital Innovation Zone across the Borderlands region.

Mountain Bike Innovation Centre

30. UK Government will invest up to £19 million, subject to business case approval, in the development of a world class Mountain Bike Innovation Centre to create a business focused research facility to test, manufacture and develop mountain biking technology building on the Borderlands region's existing assets and expertise.

31. By offering innovation and business development services under one roof there will be opportunities to develop a local supply chain and a mountain bike and adventure sports industry cluster.

32. Included in the UK Government investment is support for a mountain bike and adventure park adjacent to the innovation centre. The bike park will support the innovation centre with a test track for product testing, providing immediate product feedback. The park will also operate as a tourist facility and world class mountain bike destination.

Learning and Skills

33. Talented people are the cornerstone of any successful economy, and it is vital they have access to the best training and development opportunities possible.

34. The Scottish Government will invest up to £7 million in developing the South of Scotland Skills and Learning Network, with a focus on the visitor economy. The network will use advanced technology to deliver high quality teaching across the region, to deliver on strategic priorities identified in the South of Scotland Regional Skills Investment Plan. The partners will also explore the potential to deliver a hospitality training facility, run as a social enterprise, to deliver the practical skills needed by industry, and invest in community development.

35. The network will support further and higher education collaboration that allows students and businesses to access flexible training and upskilling that supports business and wider economic growth. The partners will work closely with local people, businesses, colleges, universities and other stakeholders to design and deliver programmes that meets local employment needs.

Green Growth

Energy

36. Supporting the region's vision for a strategic whole systems approach to energy across the Borderlands region, UK Government will be investing up to £31 million,

subject to business case approval, in Scotland and England in local feasibility and demonstrator energy projects delivered by a Borderlands Energy Investment Company established by the five Borderlands local authorities.

37. The first stage will involve the development of a regional energy masterplan to guide the development of local feasibility and energy demonstrator projects, in close consultation with both governments, to identify opportunities with clear economic potential, building on previous work. Both governments will be invited to develop and approve the final scope of works for the masterplan.

Chapelcross

38. The Borderlands Partners aim is to realise the potential of the 200-hectare former nuclear Chapelcross site through the creation of a large scale strategic mixed use employment site for Borderlands with significant wider economic impact.

39. The UK Government will invest up to £7.8 million in the former nuclear power plant site at Chapelcross in Dumfries and Galloway. The UK Government and the Scottish Government will work with the Borderlands Partners to help continue the development of a business case for the site.

40. The Nuclear Decommissioning Authority will work closely with the Borderlands councils and other partners to support the initiative. In particular, it will continue to welcome bids for funding from them related to redeveloping the land around Chapelcross.

GOVERNANCE AND ASSURANCE

41. Strong and effective leadership and governance is paramount to both successful implementation and providing assurance to governments, local authorities and wider regional partners. To date, the deal has been developed through joint working by the region's local authorities and the partners have consulted and engaged extensively to develop proposals and a governance approach that will deliver transformative economic growth.

42. Local partners will demonstrate the feasibility, viability and value for money case for each project and programme before funding is made available. As such, all commitments in this document are subject to the approval of business cases which are in accordance with relevant departmental and government policies and the identification of relevant legal powers.

43. Projects are locally led and owned, with the Borderlands Growth Deal local authorities being accountable for the financial management of the deal and responsible for any liabilities incurred in the delivery of the growth deal.

44. Borderlands Partners will establish and refine a model of governance through a local partnership agreement. This should meet the expectations set out in the Regional Partnerships work stream of phase 2 of Scotland's Enterprise and Skills Review. As part of new investment in the regional economy, ministers from both governments expect that the governance arrangements will include effective engagement with Scottish Enterprise, South of Scotland Enterprise, Skills Development Scotland, the

relevant Local Enterprise Partnerships and the North of Tyne Combined Authority in England, the tertiary education and third sectors, as well as meaningful input from senior business and industry leaders.

45. Local partners will work with both the Scottish and UK governments to develop a final deal document, a detailed implementation plan, a financial plan that takes account of affordability over the lifespan of the deal, together with monitoring and evaluation frameworks and associated business cases for all projects and programmes receiving funding from the growth deal.

46. Growth deal funding committed by the Scottish Government will be delivered over a 10 year period and UK Government funding over a 15 year period.

47. The Scottish Government is developing an Inclusive Growth Monitoring Framework which will incorporate indicators to measure progress towards the five high level inclusive growth outcomes (Productivity, Participation, Population, People, and Place) and will expect growth deal evaluation and monitoring reports to align with this.

48. Local partners will work with the Scottish and UK governments to agree a communications strategy and an operating protocol. Both documents will set out how communications about the deal and its associated activities are taken forward in a way that meets the needs of the regional partners as well as both governments.

ENDS