

Derry/ Londonderry and Strabane City Region

Heads of Terms

City Deal and Inclusive Future Fund Investment Plan

UK Government, Northern Ireland Executive and
Derry City and Strabane District Council

FEBRUARY 2021



Our signing of this document confirms our joint commitment to achieve full implementation of the Derry/ Londonderry and Strabane City Region City Deal and Inclusive Future Fund Investment Plan.

All signatories below acknowledge that this document is not intended to be legally binding.

Signature

**The Rt Hon Brandon Lewis CBE MP
Secretary of State for Northern Ireland,
on behalf of the UK Government**

Signature

**Conor Murphy MLA
Minister of Finance,
on behalf of the Northern Ireland Executive**

Signature

**John Kelpie
Chief Executive
Derry City and Strabane District Council**

Signature

**Brian Tierney
Mayor
Derry City and Strabane District Council**

along with local Delivery Partners:

Signature

**Professor Paul
Bartholomew
Vice-Chancellor,
Ulster University**

Signature

**Dr Anne Kilgallen
Chief Executive,
Western Health and
Social Care Trust**

Signature

**Dr Aaron Peace
Chief Executive,
C-TRIC**

Signature

**Leo Murphy
Principal & Chief
Executive,
North West Regional
College**

Introduction

1. This Heads of Terms Document is an agreement between the UK Government, Northern Ireland Executive and Derry City and Strabane District Council, together with its project delivery partners - Ulster University, Western Health and Social Care Trust, Clinical Translational Research and Innovation Centre (C-TRIC) and the North West Regional College.
2. It sets out a commitment to a City Deal and Inclusive Future Fund Investment Plan to deliver on a suite of integrated and complementary catalyst projects in the areas of Innovation, Digital and Health together with a number of major transformational Regeneration, Tourism and Renewal projects all of which are derived from and contribute to the objectives of the region's Inclusive Strategic Growth Plan 2017-2032. It is underpinned by a cross-cutting commitment by the delivery partners to lever the opportunity of the investment to further job creation, skills and employability and to develop and deliver the projects inclusively and sustainably.
3. The investment package of £250 million comprises a funding commitment by the UK Government of £50 million City Deal and £55 million Inclusive Future Fund; £105 million match funding by the Northern Ireland Executive; and contributions by Derry City and Strabane District Council and project delivery partners of a minimum of £40 million.
4. The Inclusive Future Fund element of the investment plan is an exclusive fund for the City and region. It recognises the unique circumstances facing the region and will help create new opportunities for the whole of the community. The City Deal and Inclusive Future Fund Investment Plan will boost the economic potential of the region and support a more prosperous, united community and stronger society.
5. Investment will be prioritised to support the region's priority growth sectors and seeks to deliver the greatest economic impact, as well as helping to deliver on the shared visions of regional economic development and inclusive growth.
6. The region has seen much progress in recent years economically, physically and socially. There remain, however, significant challenges which have inhibited sustainable economic growth. The projects which will be delivered by this overall investment package will enable a new era of unprecedented growth and development for the region, providing tangible benefits for all. This will be vital in supporting the region recover from the impact of COVID-19 and in supporting economic recovery across Northern Ireland.
7. A key driver for this investment is the opportunity to address historical economic challenges faced by the region including education, innovation, job creation and skills development. The investment plan will help tackle regional imbalance and allow for additional regional regeneration, delivering a balanced spread of benefits across the region, expanding connectivity and improving the lives of our

citizens. The direct investment will deliver more jobs, more growth and greater opportunities for the people of the North West and Northern Ireland as a whole. These immediate economic impacts will be further enhanced by the catalytic effect of the investment in knowledge capital that the region can expect to achieve in tandem with greatly improved infrastructural linkages, in particular digital connectivity. It will thus create a region that is a significant driver for a rejuvenated NI economy.

8. Sustainability and inclusivity will be key elements underpinning these transformative projects. The Derry/ Londonderry and Strabane City Region delivery partners will work with Government to enable social, economic and environmental wellbeing in the implementation of the City Deal and Inclusive Future Fund Investment Plan.
9. This is a truly exciting era for this region. The substantial £250 million investment provides an opportunity to boost the local economy and deliver change for the people of Northern Ireland and specifically, the Derry / Londonderry and Strabane City Region. The UK Government, the Executive, local council and stakeholders will continue to work together to deliver on this substantial investment.
10. This “Heads of Terms” document defines the broad activities that the government funding hopes to support, subject to government approval of business cases that confirm these activities are viable, value for money, sustainable and compliant with subsidy control principles¹ to the satisfaction of both the UK Government and the Department of Finance on behalf of the Executive. This document is not intended to be legally binding nor does it provide any legally enforceable commitment to provide future funding.

¹ All subsidies provided by public authorities in Northern Ireland must comply with either the EU State aid rules or the subsidy control chapter of the EU-UK Trade and Cooperation Agreement and any other international subsidy commitments.

Derry City and Strabane District Council Region

1. The Derry City and Strabane District Council area comprises the second largest city in Northern Ireland, fourth largest city on the Island of Ireland. Derry~Londonderry is *the Capital of the North West* and is at the core of the only functional economic region of its scale which straddles the border with the Republic of Ireland.
2. Derry-Londonderry has an urban population in excess of 110,000 and is the principal, sub-regional economic driver of a wider cross-border region of over 350,000 people. The regional city is also recognised as a University City and has Northern Ireland's second largest acute hospital, which includes the only cross-border Cancer Centre on the island of Ireland.
3. The performance of the Derry City and Strabane District Council area is vital to the future wellbeing of everyone living in Northern Ireland. The North West has the opportunity to grow and drive forward the Northern Ireland economy. The UK Government is committed to Levelling Up across the United Kingdom and the substantial investment to be delivered through the City Deal and Inclusive Future Fund Investment Plan will empower the region to become an engine for growth for Northern Ireland.

Challenges

1. Like many regions, the Derry/ Londonderry and Strabane City Region has long faced a complex range of interrelated geo-political and historic circumstances which are both well understood and widely recognised as the factors resulting in such persistent economic decline and stagnation. Many of these challenges unfortunately continue to impede economic growth, social cohesion and development of the region today. These circumstances include:
 - The **location** of the City on the border between Northern Ireland and the Republic of Ireland with the resulting fragmentation and distortion of its functional economic area, its susceptibility to fluctuating currency levels and differing regulatory and statutory controls and environment;
 - Its **peripherality** as the most westerly City within the UK, and north-westerly on the island of Ireland;
 - A legacy of underinvestment in **infrastructure** with poor local sub-regional connectivity, grossly inadequate intercity road, rail and transport connections to Belfast, Dublin and other cities/ regions and to/from the Island's ports and airports;
 - A key challenge for the wider City Region is facilitating an uptake in the next generation digital connectivity footprint across the area, boosting economic productivity, innovation and internationalisation whilst supporting inclusive growth.

- Inadequate third level educational provision with **University places** in the City at only 3 per 100 of population leading to high levels of outward migration among young people seeking greater opportunity; and
 - The impact of the UK's Exit from the EU creates acute concern and uncertainty both economically and socially.
2. These issues have resulted in some of the highest levels of **unemployment, economic inactivity and deprivation** across the UK. Approximately 43% of working age adults have no or low levels of qualification and the proportion of families in **low income** households is the highest in Northern Ireland. Similarly, productivity levels fall well below the UK national average and lag even further behind international competitors. A **skills gap** has remained as the nature of jobs in the region's economy increasingly require educational qualifications.
 3. More recently, Derry/ Londonderry City and Strabane town centre have suffered as a result of Covid-19 which has had an immediate impact on the way in which they now function and operate. It has exacerbated and accelerated the decline that many city and town centres were already experiencing and both are in need of significant regeneration programmes.
 4. The City Deal and Inclusive Future Fund Investment Plan is intended to address these long recognised and key structural weaknesses through interventions which will see the city and town centres prosper and grow in a fully inclusive way.
 5. This will be achieved through strategic investment in high value-added, future-proofed initiatives in the spheres of data analysis, robotics, life sciences and health. Alongside and complementing these will be interventions in skills and educational provision assisted by a world-class computing capability supported by ultrafast broadband provision. Physical transformation will be key to attracting people to this region and this will be addressed through a once in a generation plan to reimagine the city centre and riverfront in Derry/ Londonderry and Strabane town centre.
 6. All of the interventions have been derived from within the framework of the region's Inclusive Strategic Growth Plan and represent a fully integrated suite of projects that can deliver a sustainable step-change in the region's competitive position and address its unique challenges.

Project Proposals

The integrated projects comprising the City Deal and Inclusive Future Fund Investment Plan aim to further position the region as a globally competitive and attractive location for digital and innovation investment, drive inclusive and sustainable growth, environmentally and physically transform the central riverfront of Derry/ Londonderry and Strabane Town Centre, and enhance the vitality and sustainability of the Walled City for both citizens and visitors.

The project proposals have the potential to deliver an additional 7000 jobs, increase GVA by £210M per annum, drive growth in output and wages and provide a population boost as further people are attracted to come to the region to work and study – all contributing significantly to the overall targets set out in the Inclusive Strategic Growth Plan 2017-2032.

Innovation, Digital and Health

The suite of innovation, digital and health projects are aimed at transforming the region's innovation and digital capability and capacity. This will be achieved through the establishment of research and innovation centres that build on Ulster University's strong track record of research excellence in data, health and life sciences and advanced manufacturing, and will be supported through enhanced digital capability, connectivity and smart infrastructure. The ambition is to create an Innovation Corridor, located on the city riverfront, which will be home to a fast-growing cluster of research centres of excellence that will bring together researchers, business and the local community. The creation of an innovation ecosystem for enhanced academic, industry, government and community partnership with a focus on delivering national and global opportunities aims to create over 750 high value-added jobs with significant longer term downstream impact and increased GVA underpinned by enhanced digital capability and connectivity which will also support wider economic growth.

- ***Centre for Industrial Digitalisation Robotics and Automation (CIDRA)***
This will support industry and commerce in their adoption and exploitation of industrial digital technologies, robotics and automation promoting innovation and accelerating new applications in the service sectors. At the heart of this proposal is the need to improve innovation, productivity and competitiveness in the regional economic base whilst considering the needs, skills, and well-being of the future worker. The creation of more innovative and competitive businesses that have adopted new and emerging digital and smart technologies will improve productivity and create new high value jobs.
- ***Cognitive Analytics Research Laboratory (CARL)***
This is a transformational new cutting-edge Applied Research Centre on a world level that brings together data analytics and Artificial Intelligence

expertise which are key technologies for future innovation. The Centre seeks to exploit the advances in High Performance Computing by applying Artificial Intelligence and Machine Learning techniques to sectors as diverse as health, financial technology, media, energy and public policy, ensuring industry is better equipped to grasp global opportunities and deliver positive impacts on their businesses and create more high value jobs.

- ***The Transformation Healthcare Research Innovation Value Based Ecosystem (THRIVE)***

Building on the existing C-TRIC, this a research-led, community and industry-facing facility developed in response to the strategic needs of the Northern Ireland health and life science industry and in recognition of the global opportunities that exist in the area of personalised and genomics medicine delivering tangible patient, economic and societal benefits along with high value jobs. Core to this project will be the establishment of a Community Health Company which will study the genes of the people of the region.

- ***Graduate Entry Medical School (GEMS)***

This project will help meet the region's need for increased medical student places to address the wider issue of a shortage of doctors. This will deliver a step change in Northern Ireland's capacity to train and deliver medical professionals to support the National Health Service in the North West, Northern Ireland and across the UK.

- ***Smart City***

This proposal will place Derry/ Londonderry and Strabane City Region at the leading edge of urban innovation supporting the development, deployment at scale and commercialisation of smart specialisations across a range of sectors and public service delivery.

- ***Digital Enabling Infrastructure Programme***

This programme will create a step change in the digital infrastructure within the city region by focusing on next generation technologies including 5G connectivity and rural connectivity in areas with poor or no broadband connectivity. This will ensure that connectivity within the city region will be future proofed and will bring new capabilities in terms of availability, speed, capacity and resilience to drive economic recovery and growth.

Regeneration, Tourism and Renewal

The transformative regeneration and renewal projects will see a re-imagining and repurposing of Strabane Town Centre and the central riverfront of Derry/ Londonderry whilst enhancing the Walled City. The vision is to shape a world-class

cultural, business, civic, learning and innovation district in the city of Derry/Londonderry through transformational investment, and to revitalise Strabane town centre. This investment in infrastructure, place-making and tourism-led regeneration will support sustained economic recovery and inclusive growth.

- ***Derry Central Riverfront***

This project plays a crucial role in connecting all elements of the city centre, old and new, whilst also reinforcing the positive relationship between the city and both sides of the river. The project will enable the complete reconstruction of Queens Quay and remodelling of Harbour Square. This will unlock new civic and commercial development opportunities and create new opportunities for employment along Queens Quay, Strand Road, Foyle Street and the Walled City, making the city a dynamic and exciting place in which to visit, study, work, invest and live.

- ***Strabane Town Centre Regeneration***

The Strabane town centre will be re-imagined and revitalised through the creation of new physical infrastructure, centred around the historic Canal Basin. This project will enable key services to be more accessible for residents and will endeavour to deliver the relocation of the North West Regional College campus, small business incubation units, a primary health care hub, a leisure centre and new improved connections to public transport to revitalise Strabane. The unique co-location of critical public services on a key strategic site will provide better connectivity and leverage economic, health and social benefits for the people of the area.

- ***Walled City Tourism/ Economic Investment***

Subject to development and approval through the business case process, this place-based regeneration investment will include tourism, environmental improvement and economic renewal, which will reimagine and repurpose the City Centre and its environs to become a vibrant destination city where people can visit, live, work, invest, study or shop. This strand of the investment plan will be developed further as society and the economy recovers from the impact of Covid-19. The focus of the investment will be on enhancing the experience and creating a world class destination that builds on the region's cultural heritage and assets with the unique, historical City Walls as its centrepiece.

- ***DNA Museum/ Ebrington***

This Tourism-led Regeneration investment will extend the tourism experience across the Peace Bridge to Ebrington with the Derry North Atlantic Maritime Museum project aimed at delivering a maritime visitor experience and archive of international significance sharing the region's globally important maritime stories and collections in an engaging way.

Cross-Cutting Objectives

Job Creation, Skills and Employability

The Derry/ Londonderry and Strabane City Region partners will work together with Government to develop an integrated programme for employability and skills to underpin and leverage the City Deal and Inclusive Future Fund Investment Plan.

- **Skills and Employability Pathways**

A key catalyst to underpin the City Deal and Inclusive Future Fund Investment Plan will be the creation of inclusive conditions and a range of interventions required for our citizens to take advantage of the opportunities that will grow through the investment plan. The focus will be on creating a skills pipeline for the employment opportunities that will arise, promoting inclusive growth and assisting with economic recovery. Working collaboratively with key stakeholders, *Skills and Employability Pathways* will ensure that citizens, particularly young people, the long term unemployed and those removed from the labour market, are equipped with the skills for a modern economy and have improved levels of employability.

Sustainability and Inclusivity

Sustainability and inclusivity will be key elements underpinning these transformative projects. The Derry/ Londonderry and Strabane City Region delivery partners will work with Government to enable social, economic and environmental wellbeing in the implementation of the City Deal and Inclusive Future Fund Investment Plan. This will include the use of social value criteria in the award of contracts required to deliver the transformational projects.

The investment will be implemented in accordance with the council's strategy *Green Transformation of the City and Region*, by assisting the transition towards a smart, low carbon, sustainable and inclusive economy. The investment will be channelled through circular, zero-waste and resource-efficient initiatives and sustainable transport systems and climate change mitigations, such as flood and infrastructure protection will be built into capital and infrastructural developments where possible. The region's precious natural heritage and biodiversity will be protected, restored and enhanced.

Building on a community wealth building approach, partners will ensure that there is socially-inclusive growth in the local economy and local people from all sections of the community have the opportunity to benefit and prosper. Adopting a community development approach, delivery partners also commit to engaging with citizens in an ongoing, co-design and co-production basis.

Governance and Assurance

1. Strong and effective leadership and governance is paramount to the successful implementation of the overall programme, and in providing assurance to the Northern Ireland Executive, the UK Government, the Council and delivery partners. Proposed projects under the City Deal and Inclusive Future Fund Investment Plan have been developed through joint working between the Council, UK Government, the Northern Ireland Executive and local delivery partners who have engaged extensively to develop proposals and a governance approach that will deliver transformative economic growth for the region.
2. The Northern Ireland Executive and the UK Government funding commitments over the next circa 15 years is subject to:
 - approval of business cases for all projects (including any subsidy control principles);
 - development and agreement of a Deal Document and Financial Agreement;
(If combining the City Deals and IFF in a single Deal Document and Financial Agreement will unduly delay projects which are ready for delivery, then separate arrangements will be considered.)
 - establishment of clear and robust governance arrangements; and
 - the consent of delivery partners on their specific projects.
3. Delivery partners will demonstrate the value for money case for each of the projects through the Outline Business Case, before any funding is made available. All project commitments in this document are subject to the approval of full business cases (FBCs) unless agreed otherwise by central Government.
4. Delivery partners will establish a model of regional governance that will align with the governance and funding arrangements which were agreed by the Executive in May 2020 and which encompass the best practice approaches and structures identified.
5. Council will agree detailed governance arrangements following the signing of these Heads of Terms to provide the necessary assurance to the UK Government, the Executive and delivery partners that decisions will be made in accordance with these Heads of Terms. Formal governance structures must provide clear lines of accountability for expenditure of public funds and demonstrate how local decision making will drive economic growth across the region.
6. Delivery partners also recognise the need to develop new structures and approaches that will intensify direct engagement with the business sector, both to deliver co-investment and maximise economic benefits and job creation. Delivery partners will establish robust frameworks for the development of business cases and will demonstrate value for money for each project and how projects will contribute to the vision of inclusive growth before funding is made available.

7. Satisfactory assurances will be required on effective accountability arrangements in respect of the UK Government and the Executive's financial commitments.