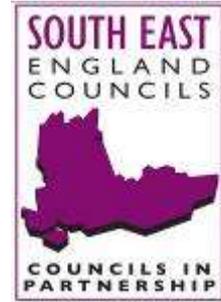


SOUTH EAST ENGLAND COUNCILS EXECUTIVE COMMITTEE MEETING

Date: 11 September 2012

Subject: City deals – emerging themes and potential for deals in the South East

Report of: Nick Woolfenden, SEEC Head of Policy Co-ordination



Recommendations:

SEEC Executive members are asked to:

- i) Note key aspects of City Deals to deliver economic growth, agreed between central Government and eight city-regions outside the South East.
- ii) Discuss potential benefits for the South East if similar opportunities were made available to all parts of the country.
- iii) Consider proposals for SEEC to develop a strong case to Government for the economic benefits of a 'local deal' type approach for areas in the South East.

1. Background

- 1.1 In July the Government agreed City Deals with eight English 'Core Cities', all outside the South East. These offer the local authorities, in conjunction with Local Enterprise Partnerships (LEPs), additional powers/freedoms/resources to deliver economic growth over large 'city-region' areas, in some cases covering populations of several million. In exchange, local partners have committed to deliver specific economic outcomes, for example jobs and economic growth. All deals require councils to agree enhanced cross-local authority governance arrangements.
- 1.2 The expectation is that this approach will be rolled out more widely by the Government to other cities to maximise economic growth. However despite its significant economic potential, much of the South East may miss out on these opportunities given the lack of major cities in the South East's network of smaller settlements.
- 1.3 City deals are emerging as a significant way of devolving funding and responsibilities to local government. Given the potential link with SEEC's wider infrastructure and local government finance priorities, we propose members consider preparing a strong case to Government setting out the economic benefits of allowing all parts of the South East the opportunity to sign up to similar deals in the future.
- 1.4 To inform member discussions this paper briefly highlights key elements of the current City Deals (see Annex) and the high-level scope of work that SEEC could undertake. We are pleased to welcome Michael Coughlin, LGA Executive Director (formerly Chief Executive of Reading BC), and his colleague Sarah Bull who will update members on current City Deals and the LGA's views on future opportunities.

2. City Deals - what's on offer

- 2.1 The eight existing City Deals include a range of agreements tailored to each area's preferred route to stimulating economic growth. They offer additional and/or devolved control of infrastructure and/or other public funding in return for delivering specific economic growth targets and robust enhanced governance arrangements. LEPs are the lead local partners in the majority of the existing Deals, reflecting the public/private partnership nature of the agreements. Highlights from each Deal are set out in the Annex but, in summary, key incentives and benefits for local areas include:

- 100% retention of business rates in specific areas
- Devolution of major transport scheme decisions/investment
- Funding for revolving investment funds
- Influence over skills funding, eg Skills Funding Agency (SFA) post-16 FE funds
- Enhanced inward investment/export services with UKTI
- Integrated management of public sector assets, including agreements with the Homes & Communities Agency (HCA)
- Promotion of low carbon/green economy
- Business-friendly planning systems.

2.2 In return, local targets and requirements within the Deals include:

- Reducing NEETs (young people not in employment, education or training)
- Reducing unemployment
- New apprenticeships
- Job creation
- Increasing economic output
- Pooling of local public sector funding/land/property assets
- Housing growth and regeneration
- Enhanced cross-local authority governance arrangements.

3.1 Preparing a case for local deals in the South East?

3.1 As SEEC has previously highlighted to Government, the South East is the powerhouse of the national economy, and offers significant returns on investment. However far more could be achieved if the Government provided the right resources and flexibilities to local partners to seize opportunities. These opportunities range from greater investment in essential infrastructure to support growth, to tackling long-standing challenges such as deprivation. It is therefore important that the Government actively considers how the City Deal approach could be used to further incentivise economic success in all parts of the South East.

3.2 We therefore recommend SEEC commissions a short report to scope and set out a clear case to Government for all South East local areas to have similar opportunities to the cities. This work would fit well with SEEC's draft business plan priorities on infrastructure and local government finance.

3.3 Some urban areas in the South East are already considering bids under the forthcoming City Deal round 2 (eg South Hampshire, South East Midlands LEP/Milton Keynes). SEEC's work would make the case for all parts of the South East, not only cities, to be able to strike similar 'local growth' deals with Government. As well as local authorities, we would expect discussions to be held with LEPs as part of developing this work given their potential role in such agreements.

3.4 In high-level terms, our report would include the following elements:

- Set out the South East's economic potential, in totality and its localities, and how this would be enhanced with greater local devolution of resources and decision making.
- Identify key asks/offers that could form part of the deal, eg relating to investment, skills & jobs, business growth, transport & infrastructure.
- Consideration of options for local governance.

3.5 We invite member comments on the outline proposal and seek agreement to explore costs and progress this work, which could be commissioned during the autumn, with a view to launching the report in spring 2013.

Annex - Highlights from approved City Deals

Themes>	Investment for growth	Skills & jobs	Business growth	Transport	Other infrastructure	Governance
Bristol & West of England	100% business rates retention from specific sites pooled into £1bn economic development fund to create 40k jobs	Influence over £114m SFA FE funding, in return for 5% pa increase in apprenticeship starts	Business growth hub for indigenous and foreign businesses, with UKTI support	Increased powers/funding re road, rail and bus schemes, subject to joint governance arrangements	Pooled management of 180 public sector land/property assets	City Mayor to be elected plus other agreements for LEP-wide governance for transport, skills, growth hub
Greater Birmingham & Solihull	£1.5bn public/private investment fund, leveraging £15bn private investment over 25 years	Skills 'compact' between employers, colleges and schools, to recruit 25% of businesses and deliver 3.5k apprenticeships	Life science cluster, £25m investment to sector and 2k high-value jobs created		Joint housing/economy investment plan for LA and HCA assets, delivering 2.8k homes by 2022 Energy efficient improvements to homes and public buildings, with £1.5bn investment and 8k jobs	Putting governance mechanisms in place for investment fund and a Housing/Economic Growth Board
Greater Manchester	£1.2bn for growth/infrastructure projects, in return for local share of tax take Framework to align central gov, EU and private funding for job creation	Apprenticeship & Skills Hub, to deliver increased numbers of apprenticeships Trial incentive payments to skills providers to influence provision	£4.4m transition funding for Business Growth Hub prior to Enterprise Zone funding, in return for 3.8k new and 2.3k safeguarded jobs	Devolution of local major schemes funding, plus some bus and rail decisions	Joint carbon emission plan plus 'green investment' joint venture company to create 34.8k jobs Joint investment programme with HCA for 5-7k homes by 2017	Greater Manchester Combined Authority in place
Leeds City Region	Investment fund including £200m pooled business rates matched by Gov Trade & Inward Investment Plan to deliver trade surplus over 6 years and create 7.4k jobs	Guarantee to Young People to tackle NEETs problem, with 20k new opportunities. Employment & Skills Board to influence skills investment	See investment for growth column	£1bn Transport Fund from council levies, 10 yr local majors funding allocation and co-investment with DfT, to achieve 2% economic output increase and 20,000 jobs Proposal with other cities for devolution of Northern Rail franchise		Establishing a West Yorkshire Combined Authority

Themes>	Investment for growth	Skills & jobs	Business growth	Transport	Other infrastructure	Governance
Liverpool City Region	Additional Enterprise Zone; deliver £10bn regeneration; City Region Investment Fund pooling public funding New Mayoral econ & housing Board; £75m Gov funding for Mayoral Development Corporation projects.	6 new academies and investment for 12 new secondary schools Post 'Work Programme' support and alternative to 16-17 Youth Contract; mutual bank to target skills investment; halve long-term youth unemployment, create 17k jobs and 6k apprenticeships	International business festival to promote opportunities & exports Capitalise on knowledge and science sector job growth	New strategic transport body to manage £800m 10 yr fund, creating 15k jobs	Simplify regulations and planning for low-carbon energy companies to accelerate £100m investment over 5 yrs	Liverpool Mayor to work with Local Enterprise Board and City Regional Cabinet; single transport body to be set up
Newcastle & the North East	Accelerated Development Zone, with tax increment financing (TIF) powers and local business rates retention on 4 sites for 25 yrs. £92m investment programme creating 13k jobs	Co-ordinated local and national employment services; support small businesses to increase apprenticeships by 15%, deliver employer skills needs, local delivery model for Youth Contract	£500m private sector investment over 5 yrs for marine & off-shore manufacturing, creating 8k jobs	Joint local-national investment programme for A1 improvements	Joint Investment Plan with HCA to deliver 15,000 new homes Broadband investment	Establish a North East Combined Authority, and give LEP formal decision-making powers
Nottingham	See business growth column	Create 1k apprenticeships; Youth Employment Hub to reduce unemployment by 25% over 4 yrs; businesses into schools and adult & community learning scheme	New SME finance to boost high-tech start-ups inc £45m venture capital fund, a Technology Fund and fund to encourage graduates to start local businesses	Transport measures to improve connectivity to other cities; £8m New Deal Development Scheme to improve transport and broadband in Creative Quarter	Broadband investment	Establish Nottingham Growth Board
Sheffield City Region	£700m Investment Fund inc business rate income from city centre redevelopment	Local skills funding model inc £44.4m local/private and £27.8m Gov funding over 3 yrs for key growth sectors; Skills for Growth & Employment Partnership to deliver 4.5k apprenticeships and 2k skilled employees over 3 yrs	National Centre for Procurement around Advanced Manufacturing and Nuclear Research Centres	Improved connectivity, through 10-yr allocation of devolved major schemes funding, proposal for devolution of Northern Rail Franchise, and bus/tram projects		Establish a South Yorkshire Combined Authority