

## **City Deals and localising the levers of economic growth**

### **Purpose of Report**

For discussion.

### **Summary**

The City Deals for the eight core cities have devolved new economic levers to our cities to drive growth and create new wealth and a recent report by the All Party Parliamentary Group (hereinafter APPG) on Local Growth has called for further devolution of localities.

At this meeting, members will hear from Cllr Keith Wakefield, Leader, Leeds City Council, on the deal which was negotiated by the Leeds City Region, Cllr Peter Box CBE, Chair of the Economy and Transport Board, on the next wave of City Deals and Giles Roca, Secretary to the APPG and Head of Strategy at Westminster City Council, will set out the recommendations of the APPG's report 'What next for LEPs'.

### **Recommendation**

Members are asked to note the presentations and discuss the LGA's role in representing the interests and concerns of local government in relation to its role in driving growth.

### **Action**

As directed by the Councillors' Forum.

**Contact officer:** Ian Hughes  
**Position:** Head of Programmes  
**Phone no:** 020 7664 3101  
**E-mail:** [ian.hughes@local.gov.uk](mailto:ian.hughes@local.gov.uk)

## **City Deals and localising the levers of economic growth**

### **What are City Deals?**

1. City Deals provide functional economic areas (FEA) with the opportunity to have access to economic levers and powers that have been traditionally held by central government. This gives local leaders and businesses the ability to shape local economies in order to drive growth.

### **Background**

2. At a time when Britain was in recession, Government set up a Growth Review as a rolling programme of policy development which was to last the whole of this Parliament. It calls on business to challenge the Government to remove barriers to growth. It is focused on four ambitions for the UK economy:
  - 2.1 To create the most competitive tax system in the G20;
  - 2.2 To make the UK the best place in Europe to start, finance and grow a business;
  - 2.3 To encourage investment and exports as a route to a more balanced economy;  
and
  - 2.4 To create a more educated workforce that is the most flexible in Europe.
3. The LGA's Local Growth Campaign in November 2011 identified the key role that councils have in driving local economic growth and their ambition to do more. It set out that a key way to deliver councils' ambition for growth would be through more devolved powers and matching finances so that more levers of growth could be handled locally.
4. This position was supported by the launch of the Unlocking Growth in Cities document by the Cabinet Office in December 2011 which set out that cities were seen as having the potential to drive economic recovery. It was felt that having the ability to determine the precise shape of local improvements in, for example, transport infrastructure, would improve the place, encourage investment and drive growth for that area.
5. The Government saw the Core Cities (Liverpool, Manchester, Birmingham, Sheffield, Leeds, Bristol, Nottingham and Newcastle) as key to driving forward national economic recovery. However, it was also acknowledged that these cities needed to be empowered locally to address the under-performance of most UK cities compared to their European counterparts.
6. Outside London, Birmingham is only the 71<sup>st</sup> largest city economy in the world, with Manchester 73<sup>rd</sup> and Leeds 85<sup>th</sup>. To realise the potential of these cities, the City Deal policy recognised that this would require new private sector investment; it would mean

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finding and retaining graduates and skilled workers, creating the conditions for firms to innovate and grow, and empowering strong decisive leaders who are able to take tough decisions. This would only be achieved through 'a fundamental shift in the relationship between national government and cities – starting with a genuine transfer of power'<sup>1</sup>.

7. As a result, the City Deals concept was developed. The aim of which:
  - 7.1 Empowers local leaders so they can look outwards to the private sector rather than upwards to central government;
  - 7.2 Businesses can benefit from dynamic new partnership with civic leaders that yield new opportunities for investment and growth; and
  - 7.3 Local people gaining access to new job opportunities, better local transport and a housing market that is more responsive to local needs.

**Wave 1**

8. City Deals have been signed by the eight Core Cities (Liverpool, Manchester, Sheffield, Leeds, Newcastle, Nottingham, Bristol and Birmingham). They have each negotiated a deal with government to devolve powers and levers previously held nationally so that they can deliver extra growth.
9. Together the eight city deals aim to create 175,000 new jobs, 37,000 new apprenticeships and secure an additional £17bn worth of investment all over 25 years. Alongside this:
  - 9.1 Budgets on transport have been devolved;
  - 9.2 Cities are making critical investment in green infrastructure and technology;
  - 9.3 Cities are testing new ways of pooling funding on economic development; and
  - 9.4 Cities are testing a model that incentivises a city to invest in growth in return for a share of the national tax take.
10. The table below sets out the anticipated outcomes of Wave 1 city deals

<b>City</b>	<b>Outcomes</b>	<b>Key tool</b>
<b>Birmingham</b>	Birmingham estimates that the deal will deliver more than 10,000 additional jobs, through new investment in the life sciences and expansion of the Green Deal programme, alongside leveraging in over £15 billion of private sector investment over 25 years as a result of new financial powers.	<b>Localised asset management</b> – joint investment programmes that bring together local and national assets in an economic area to unlock resources for housing regeneration and development.

<sup>1</sup> Unlocking Growth in Cities – Cabinet office

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<b>Sheffield</b>	The Sheffield City Deal will create over 4,000 new apprenticeships and an additional 2,000 up skilled employees over a three year period and 7,000 new jobs through a city centre development scheme.	<b>Local skills funding model</b> – a new model of skills funding that will match local contributions (public and private with national funding to provide a skills budget that cities will control to invest in the skills that local businesses need.
<b>Leeds</b>	Leeds estimates that its deal will create 20,000 new opportunities for young people across Leeds City Region and a further 20,000 extra jobs as a result of new freedoms, powers over skills, employment and transport.	<b>Localised youth contracts</b> – local alternatives to the national 16 -17 youth contract programmes with cities having the power to design and deliver local models to reduce NEETs.
<b>Liverpool</b>	Liverpool estimates that its deal will support over 35,000 people into work and create 6,000 apprenticeships through new powers over skills and employment, alongside delivering an International Business Festival which will deliver £100million return on investment.	<b>Skills bank</b> – an employer owned mutual that will match public sector funding and private sector investment and allow businesses to buy the skills and apprenticeships that their local economy needs.
<b>Nottingham</b>	Nottingham estimates that the deal will create 10,000 jobs and 1,000 apprenticeships in and around the Creative Quarter.	<b>Local Venture capital fund</b> - a localised model that will match national funding with local contributions to create a venture capital fund that will invest in high tech start-up and growth businesses across an economic area.
<b>Bristol</b>	Bristol estimates that the deal will deliver 40,000 jobs across the Enterprise Areas and existing Enterprise Zone and over £1billion of investment to drive local economic performance over the next 25 years, as a result of new financial powers.	<b>Business growth hubs</b> – city led business hubs that brings together all the support advice and services that investors and local businesses need to locate, grow and trade
<b>Newcastle</b>	Newcastle estimates that the deal will create around 13,000 jobs and	<b>Accelerated Development Zone</b> – unlocking city centre

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	secure £1billion of investment over the next 25 years as a result of new financial powers, alongside an additional 8,000 jobs in the marine and offshore sector in the North East and 500 new apprenticeships in Newcastle.	growth which will prove £1bn boost to the North east economy. New tax increment financing powers with all growth in business rate income generated within the four site retained by the two councils for 25 years.
<b>Manchester</b>	The Greater Manchester deal will support 40,000 jobs in the next 20 years and 6,000 apprenticeships for young people, alongside new powers which will allow Greater Manchester to 'earn back' up to £30million a year of tax for growth it creates.	<b>Earn back</b> - a new payment by result model that incentivises a city to invest in growth in return for a share of the national tax take.

11. Several of the deals have led to City regions developing new governance structures. Liverpool and Bristol have voted to have directly elected mayors which will be supported by decision making structures across wider economic areas. Leeds and Sheffield are moving towards creating West Yorkshire and South Yorkshire Combined authorities. Nottingham's deal is based solely within the city council's boundaries and they have set up a private sector governance arrangement to deliver the deal.

**Key features of the Deals:**

12. Whilst the content of each of the deals is bespoke to the specific area, there are some key issues which underpin each deal:
- 12.1 A transformative idea which leads to the reform of public services, such as the earn back deal in Manchester;
  - 12.2 The unlocking of new private sector finance to support investment in local initiatives that will boost economic development; and
  - 12.3 Robust governance arrangements around functional economic areas– for example the combined authorities in the case of Manchester, Sheffield and Leeds.

**Expansion of City Deals – Wave2**

13. The LGA's Local Leadership, Local Growth paper in July 2012 signalled that not just cities are responsible for driving growth and leading Britain out of recovery. It summarised that 'Councils are ambitious to do more to target growth incentives and programmes more effectively to local economic circumstances'.

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14. A number of councils – outside of the core cities have expressed their desire to broker a deal with central government along the lines of City Deals.
15. The LGA has already spoken to ministers about this issue and pressed the case robustly for “Local Growth Deals” to be offered to any council or group of councils that can offer a transformational idea that would support new growth.
16. The Head of the Cities Unit in the Cabinet Office attended the last LGA Economy and Transport Board and the growth which could be delivered from ‘non-city’ deals was set out by members.
17. It is expected that an announcement on Wave 2 will be made in late October. It is expected that up to 15 new economic areas will be invited to bid for deals, but that a smaller number will be offered deals, based on the ideas submitted by councils. Ministers have acknowledged the lobbying by the LGA, counties and rural areas for their role in driving economic growth to be recognised and that these areas should be able to negotiate deals. As a result of this lobbying, the Department for Business, Innovation and Skills (BIS) and the Department for Communities and Local Government (CLG) are now in discussions to develop a policy framework for deals outside urban areas.

**Report of the All Party Parliamentary Group (APPG) on Local Enterprise Partnerships (LEPS)**

18. The APPG on LEPs produced its first report in September.
19. Oral evidence was provided to the enquiry by the leaders of the LGA’s Economy and Transport Board. The report of the Group was extremely sympathetic to localism. It called for a further round of City Deals and for further devolution of LEP areas (for example, to support skills provision). The APPG’s Chairman was Brandon Lewis MP, who has recently become a CLG minister. CLG will make a formal response to the report in the autumn.
20. The full report of the Group (and a summary of its recommendations) is attached as **Appendix 1**.