

City Deals

Purpose of report

For update and discussion.

Summary

This report updates members on City Deals and the proposed next steps for the LGA's work on City Deals. Board members may wish to explore:

1. any feedback/learning points from those who have signed City Deals.
2. what ambition there is within other areas (including rural areas) for City Deal type agreements
3. the big transformative ideas that would make a major difference to local growth that councils could bring forward.

Cllr Peter Box, Chair of the Board and the Leeds City Region, will present to the Board setting out his experience of the Leeds City Region deal.

Recommendation

That members use this paper and the information in the presentation to inform discussion.

Action

Officers to take forward members' comments.

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City Deals

Background

1. The LGA's Local Growth Campaign in November 2011 identified the key role 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.
2. As part of the focus on growth and localism, the Government saw the Core Cities (Liverpool, Manchester, Birmingham, Sheffield, Leeds, Bristol, Nottingham and Newcastle) as key to driving forward national economic recovery. But 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. This meant "a fundamental shift in the relationship between national government and cities – starting with a genuine transfer of power" (*Unlocking Growth in Cities* – Cabinet office, attached at **Appendix A**).
3. As a result, the City Deals concept was developed. Liverpool signed a City Deal in February 2012 and Greater Manchester signed in March 2012. Deputy Prime Minister Nick Clegg and Cities Minister Rt Hon Greg Clark MP announced the detail of the 6 remaining core City Deals on the 5 July 2012, as per **Appendix B**.

Key features of the Deals:

4. Whilst the content of each of the deals is bespoke to the specific area, there are some key issues which underpin each deal:
 - 4.1 A **transformative** idea which leads to the reform of public services, such as the earn back deal in Manchester.
 - 4.2 The **devolution of economic levers to localities** which gives cities the greater powers and tools to drive local economic growth – e.g. new economic investment funds.
 - 4.3 The **unlocking of new private sector finance** to support investment in local initiatives that will boost economic development.
 - 4.4 Robust **governance arrangements around functional economic areas** – for example the combined authorities in the case of Manchester, Sheffield and Leeds.

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5. Detail of all eight City Deals can be found in **Appendix A**. It is expected that the above issues will also underpin any future negotiated deals with Government.

Devolutionary steps by Government

6. The Board has been campaigning for more devolution to councils to support growth especially around skills and transport. Much progress has been made on this agenda through the first tranche of deals.

7. For example on skills:

- 7.1 **Local skills funding model:** 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. (Sheffield City Region)
- 7.2 **Skills Bank:** an employer-owned mutual that will match public sector funding with private sector investment and allow businesses to buy the skills and apprenticeships that their local economy needs. (Liverpool City Region)
- 7.3 **Outcome incentives:** new models to give cities greater influence over the skills system by using incentive payments or payment by results. (Greater Manchester and Liverpool City Region)
- 7.4 **City apprenticeship hubs:** enabling cities to boost apprenticeship numbers by supporting SMEs take on apprentices through Apprenticeship Training Agencies, brokerage and incentive payments. (Bristol and the West of England, Greater Manchester, Leeds City Region, Newcastle and Nottingham)
- 7.5 **Localised youth contracts:** local alternatives to the national 16-17 youth contract programme, with cities having the power to design and deliver local models to reduce NEETs. (Leeds City Region, Liverpool, Newcastle)

8. On transport:

- 8.1 **Rail devolution:** increase city control over rail services by devolving greater responsibility for commissioning and managing franchise arrangements for local and regional rail services (e.g. Northern Rail). (Bristol and West of England, Leeds City Region, Greater Manchester and Sheffield City Region)

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- 8.2 **Devolution of local transport majors funding:** matching local resources with devolved transport budgets so cities have the power and resources to make strategic transport investments. (Greater Birmingham and Solihull, Bristol and West of England, Leeds City Region, and Sheffield City Region)

Board's call for an expansion of City Deals

9. A number of councils – both cities and other areas - outside of the core cities have expressed their desire to broker a deal with central government along the lines of the City Deals. These 'deals' would provide councils and groups of councils with the flexibility to shape national programmes to local economic circumstance.
10. A number of councils have called for the ability to determine the precise shape of local improvements in for example, transport infrastructure, skills, the Work Programme and other infrastructure and develop the connections between them in order to improve the place, encourage investment and drive growth for that area.
11. A recent letter from the LGA, to Cities Minister Rt Hon Greg Clark MP, asked for the LGA to work with Government to see "how we could develop this policy to support the ambition for economic growth in our smaller cities, in our counties and in the sector as a whole".

Latest position

12. LGA officials have been involved in discussions with Cities Unit to support extending the City Deal offer to *non city* areas and to explore how the LGA can support the development of more bids.
13. An announcement on a second wave of deals is expected soon. As discussions with Government are currently taking place, officers will update the Board on timescales and detail at the Board meeting.
14. In order to develop LGA work on future city deals, members may wish to discuss:
 - 14.1 any feedback/learning points from those who have signed City Deals.
 - 14.2 what ambition there is within areas outside Core Cities for City Deal type agreements.
 - 14.3 what big transformative ideas would make a major difference to local growth could councils bring forward.

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14.4 what role the Board would like to see the LGA taking in the next phase of City Deals and what support councils like from the LGA in this area.