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## **City Deals and the Heseltine Report**

### **Purpose of report**

For discussion and direction.

### **Summary**

The Board has some clear lobbying priorities which include the extension of City Deals to any council that has a transformational idea for growth and the devolution of transport and skills budgets to local partnerships to enhance local growth.

The announcement of a wave two of City Deals and the aspects of the Heseltine Report which called for greater economic devolution were welcomed by councils.

For the Board to influence the future direction of these policies, Emma Squire, a Head of Local Growth Strategy at the Department of Business Innovation and Skills will be attending the Board. She will be briefing the Board about the direction Government is taking in response to the Heseltine Review and early thinking on a wave three of city deals.

### **Recommendation**

Members are asked to comment.

### **Action**

As directed by members.

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## **City Deals and the Heseltine Report**

### **Background**

1. The Board has called for a number of levers of economic growth to be devolved to help drive local growth. The extension of City Deals and the Heseltine Review offer new opportunities to help drive these objectives.
2. Emma Squire, Head of Local Growth Strategy, Department of Business, Innovation and Skills (BIS), will attend the Board to discuss how these policies could be developed in future. This report provides a summary of the current Government position and offers some issues for debate with BIS.

### **City Deals**

#### **Summary**

3. The LGA has been pressing Government to extend City Deals to councils that have transformational ideas for growth. We have worked extensively with the Cities Unit putting this case to ministers. On 29 October, the Deputy Prime Minister announced the 20 cities which have been invited to bid for a Wave 2 City Deal. Cities and their wider areas have been invited to submit innovative and ambitious proposals around the key issue facing their area.
4. The LGA welcome this expansion of the city deal process and have offered support to the cities which have been asked to bid. The LGA hosted a successful conference on 31 October on City Deals and Local Growth. This provided councils with the opportunity to hear experiences from cities that already have deals and from central government about their hopes for the next wave.
5. The LGA also will be pressing Government for a further extension of deals, especially to county and non-urban areas. There is also a case for mainstreaming the devolved powers achieved in the early City Deals as a part of a general mainstreaming programme, making these powers available to all councils that want them to help boost growth. The Wave 2 cities will receive a “core package” of devolved powers as part of their deal. Thus the case for making this available to all councils is strong.
6. The core package is currently under discussion in Government and to influence this, the LGA are running a seminar with Centre for Cities on 19 December to discuss what an ambitious core package might contain.

#### **Details of Wave 2 City Deals**

7. Twenty areas have been asked to bid for Wave 2 of City Deals:

The Black Country (Wolverhampton)  
Bournemouth  
Brighton and Hove  
Greater Cambridge  
Coventry and Warwickshire  
Hull and Humber

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Ipswich  
Leicester and Leicestershire  
Milton Keynes  
Greater Norwich  
Oxford  
Reading  
Plymouth  
Preston and Lancashire  
Southampton and Portsmouth  
Southend  
Stoke and Staffordshire  
Sunderland and the North East  
Tees Valley

8. Places have been chosen to bid based on the fact that they are the next fourteen largest cities and the next six with the highest population growth between 2001 and 2010. The areas were all asked as to how they would like to be represented in this list but the expectation is that all will engage with their wider areas.
9. Leaders across the Wave 2 cities have been asked to work together across their Functional Economic Areas (FEAs) to put forward proposals designed to unlock the full growth potential of the area.
10. Lessons learnt from Wave 1 have informed the Government's approach to Wave 2. This has led to the following approach:
  - 10.1 **Focusing on the wider economic area:** Wave 2 deals will be negotiated with groups of authorities across an FEA (cities will self define the economic geography that makes sense).
  - 10.2 **Deals will focus on one flagship proposal that addresses a big cross cutting problem:** deals will be focused on developing one innovative/transformational solution to this problem.
  - 10.3 **A guaranteed core package:** a core package will be offered to all cities that agree a deal in Wave 2, in return for a set of government asks.
  - 10.4 **Longer project timescales:** deals will be announced in November 2013. This will give more time for options development, negotiations and agreement.
  - 10.5 **Building an element of competition: no guaranteed deals – cities will need to meet 5 key tests to go forward and negotiate a deal:**
    - 10.5.1 strong governance across an FEA
    - 10.5.2 doing more with less
    - 10.5.3 private sector leverage
    - 10.5.4 strong political commitment and willingness to invest resources to get a good deal
    - 10.5.5 transformational proposals at the leading edge of our economic reform agenda.

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- 10.6 **Focusing on impact:** establish a strong expectation that cities will need to demonstrate success before they can come forward for a future round of deals. Cities will need to be clear about what outputs/outcomes they want to achieve and their process for tracking these.

**Proposed timescales for Wave 2:**

<u>Jan 19</u>	Prospective Wave 2 cities to submit initial proposal to Cabinet Office.
<u>Early Feb</u>	Decision on which cities will go forward for detailed negotiations.
<u>Feb to April</u>	Discussions with Cabinet Office about content of the core package.
<u>April to June</u>	Ad hoc ministerial meetings with individual cities.
<u>June to Nov</u>	Finalise city deals through detailed negotiations.

**LGA programme of work:**

11. There are three core areas of work that the LGA will be taking forward on City Deals:

- 11.1 **Provide bespoke support to Wave 2 councils.** An offer of support was sent out from the LGA Chief Executive to Wave 2 Chief Executives. This offer included brokering assistance with research, peer support/challenge of bids, seminars, support from Wave 1 cities and evaluation of deals.
- 11.2 **Influencing and pressing for a comprehensive core package to be offered to Wave 2 Deals and ensuring that this is devolved to more councils.** We will be commissioning a paper to challenge thinking about what an ambitious core package might contain and hold a seminar for councils to discuss the core package.
- 11.3 **Continue to press BIS and DCLG for more deals, principally regarding counties.**

12. For discussion at the Board, Members may wish to consider:

- 12.1 Issues they would like to raise with BIS on promoting local growth possibly including what they would like to see coming from discussions with BIS and DCLG regarding counties?
- 12.2 What an ambitious core package might look like and how much access to a core package might negate the need for separate deals?
- 12.3 Any concerns or questions about the Wave 2 programme.

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**Heseltine Review – “No Stone unturned in pursuit of Growth”**

**Summary**

13. Lord Heseltine was commissioned by the Prime Minister to review UK competitiveness. The LGA worked extensively with his review team to plant ideas about greater devolution, especially more City Deals and greater devolution in skills and transport policy.
14. On 31 October Lord Heseltine published a series of proposals for economic growth which calls on Government to pool £50 billion of Whitehall money into a single pot so that it can be bid for by “city states” and regions. In the report, he advocates a network of local enterprise partnerships becoming the engines of local planning and growth. Members of the Economy and Transport Board were invited to the launch in Birmingham and a number were able to attend.
15. The main issue now is understanding how Government will respond to the Review. This issue will be addressed by Emma Squire.

**The Report**

16. The report makes 89 recommendations, including an overall theme of Localism and decentralisation from Whitehall. The report also promotes the idea of bringing money from different Whitehall departments into a single pot to fund skills, transport and support for small and medium enterprises (SMEs). **Appendix A** sets out the LGA’s formal response to the recommendations regarding local government interests.
17. In summary, Lord Heseltine set out a number of recommendations aimed at providing a stable yet flexible architecture for promoting growth in the UK. These include:
  - 17.1 A Prime Minister led National Growth Council to ensure that all parts of government play their part to support growth and with an independent secretariat to ensure its conclusions are implemented.
  - 17.2 A very significant devolution of funding from central government to Local Economic Partnerships (LEPs) so that government investment in economic development is tailored directly to the individual challenge and opportunities of our communities and can be augmented by private sector investment.
  - 17.3 A clear statement by government of its priorities to guide LEPs in preparation of strategic plans for their local economies.
  - 17.4 For central government, a clear policy for each sector of the economy conceived in conjunction with industry and academia.

**LGA key messages**

18. The formal LGA response is **attached** at **Appendix A** to this report. In summary, the press statement released by the LGA Chairman was:
19. Lord Heseltine is absolutely right to champion the role of local areas in delivering growth. This report provides clear evidence that giving local areas more power and funding to nurture business opportunities is absolutely essential to national economic recovery.

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20. *"The coalition has ruled out top-down structural reform of local government, so the issue is a moot point. The more urgent priority for councils is helping local businesses to drive growth and create jobs, and the report proposes a number of helpful measures. As well as empowering local areas, it is important that central government agencies also do their bit to promote growth.*
21. *"We endorse Lord Heseltine's idea of bringing money from different Whitehall departments into a single pot to fund skills, transport and support for SMEs. Local economies are complex and national funding streams are not always as coordinated, flexible and responsive as we need them to be in order to get projects off the ground in good time.*
22. *"It is important that Whitehall hands responsibility for administering any money to sub-regional areas so that it can be awarded based on local needs, rather than an inflexible set of national criteria. This will help avoid creating perverse outcomes, such as the shocking skills mismatch in this country which, among other things, last year saw fewer than 40,000 people trained to fill around 72,000 new jobs in the building and engineering trades.*
23. *"It is pleasing to see an acknowledgement that there are variations in the economic potential of different regions. It is important that all areas benefit from national economic recovery and that those places with less potential for short-term growth are not left behind."*

**Discussion with BIS**

24. As set out above, the key issue now is the delivery of the Government's response to Lord Heseltine. Key issues which members may wish to raise are:
- 24.1 The positive aspects of the review, for example the proposal to devolve skills, transport and other budgets to the local level.
  - 24.2 The concern expressed by councils about the competition for funds and the structural reorganisation proposed by Lord Heseltine.