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Update on City Deals

Purpose of report

For information.

Summary

On February 19 2013, the Deputy Prime Minister announced that all 20 areas that were invited to bid for the second wave of City Deals had been given the green light to negotiate bespoke deals. Deals will be negotiated in three tranches over the next 12 months. The LGA is now pressing for Whitehall deliberations on the City Deals, skills devolution and Heseltine single pot to be joined up with a view to making Local Growth Deals available to all areas.

Recommendation

Members are asked to note the update.

Action

Officers to provide updates as further developments emerge.

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1. The devolution of economic powers to local areas has been the bedrock of the LGA Local Growth campaign's call for local government to be enabled to fulfil its potential to support economic recovery and growth. The Government has responded positively to our call with the City Deals concept, which provides functional economic areas with the opportunity to have access to levers and powers normally held nationally. The first City Deals were signed in July 2012 by the eight Core Cities, with each having negotiated the devolution of a bespoke package of powers and levers. Further detail on wave 1 City Deals is attached at **Appendix A**.
2. The LGA pressed for Deals to be offered to all areas so we were encouraged that twenty more areas were invited to submit bids for a City Deal in October 2012. Places were chosen on the basis that they comprised the next fourteen largest cities and the next six with the highest population growth between 2001 and 2010. More detail on wave 2 bids is attached at **Appendix B**.
3. On February 19, the Government announced that all wave 2 bids had been given the green light to negotiate City Deals. The Government will now work closely with each area to develop the proposals in more detail in order to negotiate a final Deal. The aim is to complete Deals with the twenty localities over the next year, with negotiations expected to be undertaken in three tranches. The first Deals are due to be signed in the next few months, the second in the autumn and the third by the end of the year/ early 2014.
4. At its meeting on January 31, the Economy and Transport Board discussed the risks associated with having three parallel discussions within Whitehall about devolution of growth-related funding and powers: City Deals; devolution of skills policy; and the single funding pot recommended by Lord Heseltine and committed to by the Government in the Autumn Statement. The Board recommended that the LGA press for these discussions to be joined up under the auspices of rolling out Local Growth Deals to all areas on a national, non-competitive basis.

Financial Implications

5. This is core work for the LGA and is budgeted for within the 2012-13 LGA budget.

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Appendix A: Wave 1 City Deals

City	Outcomes	Key tool
Birmingham	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 £15bn of private sector investment over 25 years as a result of new financial powers.	Localised asset management – joint investment programmes that bring together local and national assets in an economic area to unlock resources for housing regeneration and development.
Sheffield	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.	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.
Leeds	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.	Localised youth contracts – local alternatives to the national 16-17 youth contract programmes with cities having the power to design and deliver local models to reduce NEETs.
Liverpool	Liverpool estimates that it 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 £100m return on investment.	Skills bank – 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.
Nottingham	Nottingham estimates that the deal will create 10,000 jobs and 1,000 apprenticeships in and around the Creative Quarter.	Local Venture capital fund - 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.

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City	Outcomes	Key tool
Bristol	Bristol estimates that the deal will deliver 40,000 jobs across the Enterprise Areas and existing Enterprise Zone and over £1bn of investment to drive local economic performance over the next 25 years, as a result of new financial powers.	Business growth hubs – city led business hubs that brings together all the support advice and services that investors and local businesses need to locate, grow and trade
Newcastle	Newcastle estimates that the deal will create around 13,000 jobs and secure £1bn 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.	Accelerated Development Zone – unlocking city centre 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.
Manchester	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 ‘earnback’ up to £30m a year of tax for growth it creates.	Earn back - a new payment by result model that incentivises a city to invest in growth in return for a share of the national tax take.

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Appendix B: Wave 2 City Deals

Black Country: want to use a City Deal to grow their high-value manufacturing sector, building on their track record in designing, building and exporting products such as aircraft control systems, turbo technology and automotive components.

Bournemouth and Poole: want to use a City Deal to encourage a transition to a more balanced local economy by boosting Advanced Manufacturing (particularly marine and aerospace) as well as digital and creative industries.

Brighton and Hove: want to use a City Deal to realise the economic potential of their eco-tech sector, in which local universities have developed specialisms. Brighton and partners want to build on this and encourage more innovation.

Greater Cambridge: want to use a City Deal to unleash the next wave of the “Cambridge Phenomenon”, a cluster of high-tech firms that focus on biotechnology, software and electronics, many of which have links with Cambridge University.

Coventry and Warwickshire: want to use a City Deal to capitalise on existing strengths in advanced manufacturing and engineering and to support the expansion of this sector by raising the skill levels of the workforce.

Ipswich: want to use a City Deal to equip local people and businesses with the skills they need to take advantage of significant expansion in high value jobs through development of Sizewell and Felixstowe.

Hull and the Humber: wants to use a City Deal to maximise the potential of the Humber Estuary, which is already a home to a chemicals and processing sector worth £6bn and has the highest tonnage throughput of any UK port.

Leicester and Leicestershire: want to use a City Deal to accelerate the growth of key sectors in the economy (notably manufacturing and logistics) and to encourage greater commercialisation of research emanating from the three universities in the area.

Milton Keynes and the South East Midlands: want to use a City Deal to deliver significant, sustainable growth in housing. Over the longer term, this will allow the local area, and South East Midlands, to attract and find homes for high-skilled workers to drive economic growth.

Greater Norwich: wants to use a City Deal to accelerate the growth of the internationally-recognised environmental and life sciences industry within the Greater Norwich area by focusing on the potential of Norwich Research Park.

Oxford and Oxfordshire: want to use a City Deal to accelerate the growth of the knowledge economy by building on the strong base (including significant clusters in bio-sciences, space technology and cryogenics), two universities and science centres.

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Plymouth: wants to use a City Deal to build on its strengths in advanced engineering and design, marine renewable energy, maritime and sub-sea operations, and supporting technologies by ncreasing the commercialisation of research and increasing exports.

Southampton and Portsmouth: wants to use a City Deal to drive the growth and diversification of the maritime sector, which covers the associated sub-sectors of transport and logistics, defence and advanced manufacturing, the visitor economy and the complex supply chains linked to research and innovation.

Preston: has seen significant private sector growth in the last 10 years, largely driven by growth in small and medium sized businesses. Preston want to build on this and sustain further growth, particularly in the aerospace and advanced manufacturing sector by investing in infrastructure.

Reading & Central Berkshire: want to use a City Deal to ensure that people have skills in growing sectors such as construction, logistics and knowledge intensive areas and that school leavers have the soft “employability” skills businesses need.

Southend and South Essex: want to use a City Deal to increase investor confidence to increase the supply of good quality office space and housing which will accelerate business expansion.

Stoke and Staffordshire: want to use a City Deal to build on strong heritage to become the internationally competitive home for Advanced Materials (metals, ceramics, polymers, etc.) businesses in Europe.

Sunderland and the North East: want to use a City Deal to expand their manufacturing base and to diversify and grow the city’s economy.

Swindon and Wiltshire: want to use a City Deal to capitalise on the strong military presence in the area. They seek to do this by increasing the number of spin-offs firms from developments in military technology and to harness the skills from ex-servicemen/women.

Tees Valley: wants to use a City Deal to establish a global super cluster of petrochemical and processing industries to compete on the world stage. They want to build on Tees Valley’s current industrial complex, which includes over 50% of the country’s petrochemical and a significant percentage of the pharmaceutical sectors.