

Leicester & Leicestershire City Deal

‘Accelerating Prosperity’

Expression of Interest Submission

Section A: Summary information

A1. Proposal title:

Leicester and Leicestershire City Deal - “Accelerating Prosperity”

A2. Key partners involved in the proposal.

- Leicester and Leicestershire Enterprise Partnership (LLEP)
- Leicester City Council
- Leicestershire County Council
- Blaby District Council
- Charnwood Borough Council
- Harborough District Council
- Hinckley & Bosworth Borough Council
- North West Leicestershire District Council
- Melton Borough Council
- Oadby & Wigston Borough Council
- Leicester & Leicestershire Business Council
- Employment land developers and agents
- Government Departments (Cabinet Office, DBIS, DCLG, DFT)
- Public sector estate bodies including Homes and Communities Agency

A3. Local points of contact

- **Andrew Smith, Director of Planning, Transportation and Economic Development, Leicester City Council**
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- **Tom Purnell, Head of Policy and Communities, Leicestershire County Council**
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- **Christine Fisher, Chief Executive, North West Leicestershire District Council**
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Section B: Problem definition

B1. What is the single economic challenge or opportunity that you want to address through a city deal? Why has this been chosen as the focus of your proposal?

A genuine opportunity exists for a City Deal to **accelerate by a minimum of 3 years** the Leicester & Leicestershire Enterprise Partnership's (LEEP) **ambition to create 25,000 new jobs, increase GVA by £4billion and lever over £2billion of private investment** in Leicester & Leicestershire by 2020.

To help new and existing businesses to invest, expand and thrive we need to deliver essential **infrastructure to unlock new development sites** and provide high quality connecting transport infrastructure. We believe a City Deal can make a real difference by accelerating the development of key employment sites and providing confidence for existing businesses to grow and new businesses to invest. Based on strong supporting evidence from the business community and development industry, together with some early examples of what we can achieve by working in partnership, we feel there is a compelling proposition that the City Deal will deliver a real step change in economic growth.

The Challenge

There has been a **significant fall in jobs** in the Leicester and Leicestershire economy over the period 2008 to 2011. Total employment in 2011 was **25,000** lower than in 2008 representing a **5% fall**, almost twice the national average. The majority of the jobs lost were in the private sector and almost 20,000 were lost in the following sectors:

Construction	-6,949 (-26%)	(National -14%)
Retail	-6,845 (-14%)	(National -6%)
Business administration and services	-6,088 (-15%)	(National -7%)

The Opportunity

- To exploit our locational advantage in the **centre of England** and access by rail to London in under **1 hour** to attract high value service sector jobs to Leicester City and grow the largest creative business cluster outside London
- To accelerate growth of our strong manufacturing sector (**13.6%** compared to 8.5% nationally). Our 2012 business survey indicates that **68%** of businesses in the sector are planning for growth
- To accelerate growth of our strong logistics sector (**11.9%** compared to 8.8% nationally). Our business survey indicated that **74%** of businesses in the sector are planning for growth. **90%** of England's population is accessible from our area by road within 4 hours
- East Midlands Airport in Leicestershire is the second largest freight airport in the UK and handles **300,000 tonnes** of cargo annually. This provides significant **export opportunities** through our unique trade links with global economies, particularly India and China
- To exploit and commercialise the cutting edge Research and Development expertise of our **three world class universities** (Loughborough, Leicester and De Montfort) that teach over **50,000 students**

Our recent Leicester & Leicestershire Employment Land Study has forecast demand for the period 2010 to 2031 for **210,800 sq. m. of offices, 167 ha of industrial land and 130 ha of**

strategic warehousing land. Unlocking and accelerating development on this scale would have a **transformative** impact on our economy including:

- Delivering Grade A office space to support the City Centre as a thriving commercial centre at the heart of the LLEP area and attracting and growing the professional and business services and creative sectors
- Providing industrial land across the LLEP area for existing and new manufacturing companies, particularly in the food and drink and high technology manufacturing sectors
- Providing strategic warehousing land across the LLEP area and in particular close to East Midlands Airport where a major Strategic Rail freight development has been proposed
- Accelerating the delivery of the Leicester Innovation Park and expansion of Loughborough Science & Enterprise Park to grow the R&D sector and increase university collaboration with industry

B2. Why can't this be taken forward by the private sector or through existing policy tools?

High costs and lack of finance for advance infrastructure has undermined the viability of development schemes leading to delays or failure of the private sector to deliver employment sites. This has led to a lack of certainty over delivery timescales and has severely limited the availability of high quality land and premises for new and existing businesses. This is severely impacting the growth of our priority sectors, particularly the land intensive manufacturing and logistics industries.

Strategic Infrastructure Planning

The lack of a strategic infrastructure plan for the functional economic area has resulted in a lack of coordination and prioritisation of resources to deliver strategic infrastructure needs. There is a gap in the current national planning policy framework for strategic infrastructure plans covering functional economic areas and we would seek, through the City Deal, for the Government to recognise our infrastructure plan as a local strategic document.

Private Finance and Bank Lending

The LLEP Chair and City Mayor recently met with the British Bankers Association and senior representatives of the six largest high street banks. The meeting concluded that the banks still regard development finance for advance infrastructure as 'high risk' even for schemes that have pre-let contracts. This policy failure will continue to stifle development therefore the Government policy should consider alternative infrastructure funding models including 'local infrastructure banks' which is effectively what our City Deal bid is proposing.

Public Funding for Infrastructure

Government policies on local authority funding for infrastructure and development do not assist joint working across functional economic areas. The emerging rules governing the recently introduced Business Rates Retention scheme and the existing Community Infrastructure Levy (CIL) for example do not incentivise local authorities to pool and align local resources and collaborate effectively to invest in strategic projects with wider economic benefit.

National capital funding streams for investment in infrastructure are made available across Whitehall Departments with varying timescales and there is a need for a longer term

commitment (minimum 10 years). Furthermore rules governing national funding streams such as Local Majors Transport, HCA and Regional Growth Funds should be simpler, more flexible and apply over longer terms to enable local areas to prioritise investment based on impact as opposed to rigid targets and complex monitoring requirements.

Public Sector Land

Currently public sector land is held by numerous local and national bodies and the use of this land to support business growth is uncoordinated. This restricts the ability to align these land assets and reinvest receipts at the local level to deliver business growth projects.

The failure of existing policies requires a new way of working involving the **public and private sectors working in partnership**. We strongly believe that public intervention and investment to deliver enabling infrastructure would make employment sites financially viable and provide the confidence for the private sector to invest and accelerate development.

The Government's Growing Places Fund (GPF) programme, devolved to the LLEP, is an excellent example of how a flexible funding stream with 'light touch' guidance and controls enables local bodies to deliver growth and jobs by unlocking and accelerating stalled developments. Within 6 months the following stalled schemes have now started as a result of our GPF investment loan:

- Ashton Green – investment in access road unlocked 5 hectares of city council industrial land to provide capacity for 700 jobs in the food and drink manufacturing sector
- Melton Office Park – investment in surface water pumping station unlocked 86,000 sq. ft. office development and capacity for 500 jobs
- Glenfield Park – investment in access road and other off-site infrastructure unlocked site to provide 1.2m sq. ft. industrial space with the potential to create 2,000 jobs

The high demand from developers for the LLEP's Growing Places Fund provides strong evidence that access to finance for advanced infrastructure through public sector intervention can unlock key development sites. The partnership has received loan bids exceeding **£60m against an available loan fund of £13m**.

Section C: Broad approach

C1. What broad approach do you intend to take to addressing the challenge or opportunity identified above?

LLEP partners currently have a limited programme of infrastructure support using local resources however this is not enough to deliver our growth potential and satisfy the demand highlighted in our employment/office land studies. **The ability to simplify and pool local and national resources and funding for infrastructure would represent a significant step change in our ability to unlock major employment sites.** Longer term commitment to public funding would also provide the support and confidence required by the private sector to invest in new development schemes which will support the growth of our priority sectors; manufacturing, logistics, financial and business services, creative industries and R&D. The case study of our Enterprise Zone is an excellent model of advanced infrastructure delivery

that we want to apply through the City Deal to accelerate development on other key employment sites.

Case Study:

LLEP Enterprise Zone (EZ) MIRA Technology Park (MTP) in Hinckley & Bosworth

The 80ha MTP development secured £19.6m RGF investment to deliver off-site enabling infrastructure. Without this investment the development would have taken at least 10 years to generate the private investment to deliver the major road improvements to the A5. The RGF has accelerated the development by at least 5 years and will deliver 2,000 high value jobs in the transport related R&D sector and lever over £300m private investment.

Our City Deal includes the following local 'offers' and Government 'asks':

Local Offers:

- **Strategic Infrastructure Plan:** We will agree a long term plan for the LLEP area which sets out infrastructure projects prioritised by the scale of economic impact which will unlock development opportunities supporting economic growth.
- **Local Infrastructure Fund:** We will create a local fund in excess of £100m to invest in priority projects identified in the Strategic Infrastructure Plan. This fund would pool and align national and local sources of finance such as Growing Places Fund, strategic transport funding, pooled business rates growth, local authority capital funds and Enterprise Zone business rates. This will lever significant private investment.
- **Public Sector land:** We will co-ordinate public sector land assets to facilitate land assembly on key employment sites and reinvest capital receipts.

Government Asks:

- Devolution of all future national capital funding streams for infrastructure - Regional Growth fund, strategic transport funding, broadband, Green Deal, flood defence, HCA funding eg. Affordable Housing Programme.
- Cross departmental commitment to longer-term and certainty of capital funding over a minimum of 10 years to enable successful planning and delivery of infrastructure and provide confidence for prudential borrowing.
- Devolution of European Regional Development Funds for 2014-2020 to support infrastructure provision.
- Transfer of Homes and Community Agency (HCA) land assets to be managed by the host local authority including land at Abbey Meadows and Waterside in Leicester.
- Agree for the Government Property Unit to work to develop a clearer picture of all public sector owned land and have a closer working relationship with local estate holders to identify opportunities to develop new employment land opportunities.

The City Deal would have **immediate** short and medium term benefits by unlocking **four sites** that support the growth of our **priority sectors** with the potential of creating nearly 15,000 jobs which otherwise would not be delivered until 2020. The City Deal could **accelerate the delivery of these benefits** and we could see these jobs being delivered in as little as four years, **2017** as opposed to 2020.

Site 1: Leicester Innovation & Technology Park: 5 hectares site for R & D innovation site
Intervention required: To accelerate delivery HCA and City Council land consolidated under council ownership and receipts reinvested into site development. Funding for site access road required to release second phase of development.
Timescale: reduced from 8 to 3 year delivery
Sector Focus: R&D and high technology manufacturing
Economic Impact: 1,500 jobs, private investment of £50m

Site 2: Leicester City Centre Office Development
Intervention required: Acquisition and assembly of City Council/private sector land for Grade A office development. Funding for site clearance, relocations, gap funding and supporting transport infrastructure required. More flexible planning requirements for car parking
Timescale: reduced from 8 to 4 year delivery
Sector Focus: Financial & Business Services, Creative Design
Economic Impact: 2,000 jobs, private investment of £80m

Site 3: Strategic Rail Freight Terminal: alongside East Midlands Airport to develop 250ha distribution centre providing 6million sq. ft. warehousing space (subject to planning approval) and rail terminal for 750 ft. trains
Intervention required: Junction improvements M1 24 and new rail head
Timescale: accelerated delivery timescale – reduced from 10 to 5 year delivery
Sector Focus: Distribution & Logistics
Economic Impact: 6,000 jobs, private investment of £500m

Site 4: Loughborough Science & Enterprise Park – Total development of 155,000 sq. m of R&D space
Intervention required: Funding for access improvements, road extension and utilities provision
Timescale: reduced from 8 to 3 year delivery for initial phases
Sector Focus: R&D, advanced engineering & manufacturing
Economic Impact: 5,300 jobs, private investment of £225m

C2 How can this approach ‘do more with less’ by delivering greater efficiency in public spend or by leveraging new resources from the private sector?

The successful implementation of our City Deal proposition will secure substantial economic benefits in the form of business growth and job creation. The direct benefits to Government of our ‘asks’ will be the **efficient and accelerated delivery** of key infrastructure projects to support the delivery of the four priority sites identified in C1. A greater degree of local control, commitment and certainty of public funding will allow these schemes to be brought forward for development earlier. Certainty of public sector **investment** would also generate greater **private sector leverage**. This is one of the most significant barriers to attracting private investment in large scale schemes and setting out longer term plans for investment with defined public sector commitments will result in increased private sector leverage and an accelerated delivery timescale. The four schemes identified in C1 have the potential to leverage **over £800m of private investment** and create **nearly 15,000 private sector jobs**.

Consolidation and alignment of infrastructure funding and local control outlined in C1 would considerably simplify fund management and deployment leading to removal of duplication of effort and more efficient infrastructure delivery. Combination of existing and proposed funding streams would allow more strategic investment in priorities across the LEP area and would permit investment to be targeted at major strategic infrastructure challenges than would otherwise be the case. In addition our early investment in advance infrastructure will generate additional business rates growth for reinvestment.

Consolidated management of land assets locally would remove unnecessary duplication of effort with associated legal and other asset management costs. A good example is land held by the HCA at Abbey Meadows in Leicester which sits alongside council owned land both having their own estate management processes and costs. The proposed local reinvestment of receipts from Government property assets would incentivise local managers to ensure these resources are deployed as quickly as possible. Private sector investment would be levered more quickly through these proposals.

This City Deal will also deliver greater efficiency in public spending by reducing the demand for public services, in particular benefits and services associated with worklessness. We offer to evaluate the impact of our interventions through the City Deal to develop a full understanding of the savings to the public purse which will arise. We ask that the Government agrees to enter a dialogue with local partners about local retention of savings identified through that robust evaluation.

C3 What local resources do you expect to invest in addressing this problem?

- Combined use of local authority and LLEP staff resources
- Growing Places Fund
- Retained business rates including Enterprise Zone
- Pooled Leicester and Leicestershire business rate growth
- Capital programme resources including capital receipts from land sales
- Strategic transport funds
- Local authority property assets
- Private sector funds from developers and private equity funds

Section D: Expected benefits

D1 How do you expect your proposal to have an impact on local jobs and growth, and at what scale?

The City Deal will **enable and support** us to invest in the necessary infrastructure to accelerate the development of key employment sites and support the delivery our ambition to create **25,000 new private sector jobs**, increase **GVA by £4billion** and leverage **£2billion of private investment** in Leicester and Leicestershire by 2020.

The City Deal is one of a number of implementation tools for our wider economic strategy which clearly recognises the inter-dependencies between employment land, transport, housing, employment and skills and business support. We are developing a range of solutions to tackle these economic challenges, all of which are interconnected. The City Deal focus on employment land will have a major impact on local jobs and growth by:

1. Agreeing a Strategic Infrastructure Plan which prioritises key employment sites and related infrastructure investment
2. Targeting investment from a pooled infrastructure funds to priority projects
3. Coordinating the use of public sector assets to facilitate land assembly on key employment sites and reinvest capital receipts

The City Deal would have a significant impact on local jobs and growth. Unlocking the 4 sites below alone has the potential of creating nearly **15,000 jobs** and leveraging **over £800m of private investment**. The City Deal would also accelerate delivery from **2020 to 2017**.

Leicester Innovation & Technology Park

Sector Focus: R&D and high technology manufacturing

Economic Impact: **1,500 jobs, private investment of £50m**

Leicester City Centre Office Development

Sector Focus: Financial & Business Services, Creative Design

Economic Impact: **2,000 jobs, private investment of £80m**

Strategic Rail Freight Terminal

Sector Focus: Distribution & Logistics

Economic Impact: **6,000 jobs, private investment of £500m**

Loughborough Science & Enterprise Park

Sector Focus: R&D, advanced engineering & manufacturing

Economic Impact: **5,300 jobs, private investment of £225m**

Section E: Governance

E1. Over what geographical area will you address this problem? Why?

The City Deal would apply across the Leicester and Leicestershire area which is coterminous with the LEP area. The rationale for addressing this challenge across this area is because it functions as an integrated economic entity where over 90% of residents live and work within the LEP area. The challenge of delivering infrastructure to unlock key employment sites can only be tackled by the City, County and seven district authorities working together with the private sector. The outcome of this joint working will benefit the whole LEP area and its population of nearly one million people.

E2. What governance structures will ensure effective, binding and strategic decision-making across the relevant economic area?

This proposal builds on the good progress that has been made by the Leicester and Leicestershire Enterprise Partnership through collaboration between local authorities, other public agencies and the private sector. This has delivered some success in taking difficult LEP wide decisions such as the location of the Enterprise Zone in Hinckley and Bosworth where it was recognised this would have LEP wide economic benefit and the decision of the 9 local authorities to pool business rates. A further example is the investment of the £13m Growing

Places Fund which involves identifying and prioritising projects across the city and county against an agreed set of criteria based on economic impact and deliverability.

Notwithstanding the progress made, the elected City Mayor, County and district Leaders Partners are committed to undertaking a review of the governance required to deliver most effectively the economic growth priorities in this City Deal, covering form, scope and funding through a process of binding decision making. It is essential that we put in place strong, binding and transparent governance for the City Deal that is democratically accountable as follows:

- The LLEP will continue to provide overall strategic leadership for economic growth across Leicester & Leicestershire
- The governance model will have the ability to agree a strategic infrastructure plan, agree resources to be pooled and allocate these to priority projects

E3. How will you generate momentum in developing a workable city deal proposal?

- **Leicester & Leicestershire's political leaders** are committed to enhancing existing collaborative working which already takes place through the LLEP, to maximise the impact they can jointly make on the area's economic prospects.
- To harness our unique political and business leadership through the LLEP and strong local authority partnership working between the **first elected City Mayor outside London** and the two-tier local government system in the County
- The election of a **City Mayor** for Leicester has brought about quicker and more effective decision making and raised the profile of the area. This has benefitted the wider LEP area by making quick decisions on behalf of the accountable body for the LLEP. The Mayor has also engaged with Government about potential additional powers and this will be of benefit to the wider LEP area.
- There is a strong platform for **delivery expertise and capacity** provided through combined staffing resources in the LLEP Team and Local Authorities.
- Strong **private sector support** provided through the **LLEP and Business Council** which comprises of the Chamber of Commerce, Federation of Small Businesses, CBI, IOD and Leicestershire Asian business Association (LABA) will help engage the wider private sector to invest in unlocking development opportunities.
- Strong working relations with Whitehall Departments, particularly **DBIS, DCLG, DFT**, and with the Cities Team in **Cabinet Office**.