

CITY DEAL COVENTRY & WARWICKSHIRE UPDATE
REPORT OF DEPUTY CHIEF EXECUTIVE – COMMUNITY
DIRECTION



Hinckley & Bosworth
Borough Council

A Borough to be proud of

WARDS AFFECTED:

1. **PURPOSE OF REPORT**

- 1.1 This report updates Members on the proposed Coventry & Warwickshire (CW) City Deal, including proposals for local authority funding contributions to the financing of specific proposals.

2. **RECOMMENDATIONS**

- 2.1 That Executive notes the main content of the Coventry & Warwickshire (CW) City Deal Negotiation Document, summarised in section 4 of this report.
- 2.2 That Executive notes that following the presentation of the proposals to Government by the CW City Deal's 'pitch team', it is Government's intention to conclude negotiations on the detail within the proposals as quickly as possible, to enable the City Deal to be signed.
- 2.3 That Executive approves the cost sharing proposals to provide funding for the flagship Clearing House proposal, as recommended by the Section 151 officers of the local authorities, who will participate in the CW City Deal and notes that under these proposals, this Council's estimated financial contribution would be in the range of £15 – 30,600 per annum.

3. **BACKGROUND TO THE REPORT**

- 3.1 Members will recall that Council considered a report on City Deals in on 28 January 2013 and resolved to support both Leicester and Leicestershire and Coventry and Warwickshire City Deals. A report on the Leicester & Leicestershire City Deal is included as a separate report on the Executive's meeting agenda.
- 3.2 In late 2012, the government announced that Coventry was on the list of cities invited to make an application for Wave 2 City Deal, following their introduction for London and the major 'Core Cities' earlier that year. Coventry City Council invited all the Warwickshire councils to participate in a sub-regional bid for an area coterminous with CWLEP boundary. It was subsequently decided that the City Deal area should be extended to include the Hinckley & Bosworth Borough Council area, given its strong economic links to the CW sub-region.
- 3.3 The remit of any City Deal is to stimulate economic growth through a combination of a set of local 'offers', enhanced by an agreement of specific 'asks' of government to devolve freedoms or flexibilities to the locality in order to assist that growth. From the outset, it was made clear that no new money would be made available to support a City Deal, although it might be possible to agree a specific 'ask' involving an existing funding stream. However, government has been consistently clear that its expectation was that a City Deal must be designed to tackle a specific evidenced need or barrier to economic growth and that any 'asks' had to be realistic, evidenced and demonstrate why they would enhance growth prospects.

4. Coventry & Warwickshire City Deal

- 4.1 After a long iterative development process, the final set of CW City Deal proposals were 'signed off' by the CWLEP Board and City Deal Leaders' Board in September 2013.
- 4.2 The detailed bid was submitted to Cabinet Office on 17 October 2013 and is available in the members room for reference.
- 4.3 The CW City Deal proposals aim to promote significant economic growth within the Advanced Manufacturing and Engineering (AME) sector. Stimulating this sector, which has the potential to grow faster and furthest of all the employment sectors represented in the CW economic area will create significant levels of new jobs and the additional productivity will benefit the overall aims of enhanced prosperity across the sub-region.
- 4.4 The CW sub-region has world leading AME brands, particularly in the automotive and aerospace sectors, expenditure on research and development (R&D) well above the national average, two universities with world class reputations in the engineering and advanced manufacturing research and unrivalled innovation centres (for example, the Motor Industry Research Association facility (MIRA) on the A5 corridor, the Manufacturing Technology Centre at Ansty, Warwick Manufacturing Group at Warwick University and the Serious Games Institute at Coventry University). Despite all this, evidence suggests that whilst economic performance and productivity is above the national average, the AME sector is underperforming against its potential capabilities.
- 4.5 The City Deal proposals are therefore aimed at delivering a significant improvement in AME productivity and sector growth, with a particular focus on developing the growth potential of Small and Medium Enterprises (SMEs) within the sector. SMEs report that they face considerable barriers to realising their growth potential with skills gaps and shortages, a lack of suitable premises to sustain growth and a lack of accessible finance. These issues are further aggravated by the difficulties they face in navigating a complex, supplier led, business support environment and accessing national 'products' that should be readily accessible to them.

Growth Hub

- 4.6 The flagship proposal to tackle these issues is the provision of a business friendly Clearing House to act as a Growth Hub for the AME sector through which companies can access the bespoke elements of support they currently lack and allow them to grow faster and further than would otherwise be the case. This is complemented by a secondary proposal that offers a series of specific 'offers' and 'asks' around simplifying the planning process for AME companies and developing a pipeline of major sites to accommodate the growth anticipated within the sector. Overall, the City Deal aims to delivery a net growth of £745M in GVA (a measure of economic productivity) and the creation of over 15,000 new jobs across the CW City Deal area by 2025, both in the AME sector and the wider economy.
- 4.7 Having submitted the Negotiating Document, a CW City Deal 'pitch team' met with Ministers and officials from the Cabinet Office and the Department for Business, Innovation and Skills (BIS) on 24 October to seek agreement for the proposals. The proposals were received favourably and Greg Clark MP has subsequently confirmed that government will seek to conclude the final negotiations on the details of the proposals as quickly as possible to enable the City Deal to be signed. It is

anticipated that it may be possible to have concluded the negotiations before the end of the calendar year.

- 4.8 The flagship proposal of a Clearing House/Growth Hub will require local funding. Given that the financial future of local authority funding is inextricably linked to the need for sustained growth in business rates, it is considered reasonable that local authorities contribute to these costs. The City, County and District/Borough Councils within Warwickshire (although not Hinckley and Bosworth) already have an arrangement in place for the pooling of business rates growth. The ability to deliver future net business rate growth through this pooling arrangement, or directly to individual councils, would be positively enhanced by the successful implementation of the City Deal proposals.
- 4.9 A high level five year business plan has been developed for the Clearing House, with assistance on costings provided by Grant Thornton LLP. These costings have been reviewed and challenged by the finance officers representing the Section 151 officers of all the participating local authorities. These cost estimates are presented in this report at **Appendix 1**.
- 4.10 Finance teams have met regularly to ensure their understanding of the City Deal, as it has developed and the Section 151 officers have developed a cost sharing methodology to apportion the running costs of the Clearing House across the eight participating local authorities. The cost sharing proposals are set out as **Appendix Two**.
- 4.11 The council's contribution under the proposed cost sharing arrangement would be within the range of £15 – 30,600 per annum. Depending on the outcome of the detailed negotiations needed to conclude the City Deal, it is not yet known when the Clearing House will be established. Potential draw on this funding would be made during the final part of 2013/14, but it is considered more likely that the funding contribution will be required for all or part of the financial year 2014/15.

5. FINANCIAL IMPLICATIONS (KP)

- 5.1 The financial implications for each element of the scheme have been captured by financial representatives from each participating authority as detailed in the table below. At a high level, the scheme assumes that funding will be made available in year 1 costs from the Lancaster Pot. This fund is a one off start up Government fund running from January 2014 to March 2015. It will be a competitive bid process administered by Lancaster University. The ask on the Lancaster Pot will be at least £1.7m. In addition contributions will also be sought from local business and educational establishments to support the proposal.
- 5.2 Following these funding assumptions, the balance of funding for the scheme to be met from participating authorities is estimated at between £1million to £2.1million per annum. A methodology of apportioning this cost based on the relative spending power of each Authority has been proposed by finance officers as detailed below. On this basis, the contribution from this Authority is between £15,199 and £30,622. A contribution of the upper amount will be proposed as part of the 2014/2015 budget setting process to be placed in a dedicated "City Deals" ear marked reserve.

6. LEGAL IMPLICATIONS (AB)

- 6.1 None linked directly to this report although the method of governance of the delivery body for the City Deal is yet to be agreed and will have separate legal implications

7. CORPORATE PLAN IMPLICATIONS

7.1 Supporting the City Deal bid will contribute to the Council's Corporate aim of growing the economy.

8. **CONSULTATION**

8.1 Consultation has taken place between all Coventry & Warwickshire Local Authorities in formulating the City Deal bid.

9. **RISK IMPLICATIONS**

9.1 Noted below.

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
Not being part of the City Deal would reduce potential opportunity for securing resources for key local economic initiatives.	Support the governance arrangements with Leader to secure a seat on the proposed Economic Growth Board.	Executive
	Secure the submission of HBBC's support to the bid.	SLB

10. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

The City Deal would benefit all communities within the Borough.

11. **CORPORATE IMPLICATIONS**

11.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications – None relevant to this report
- Environmental implications – As detailed in the report
- ICT implications- - None relevant to this report
- Asset Management implications – None relevant to this report
- Human Resources implications – None relevant to this report
- Voluntary Sector – None relevant to this report
- Legal implications – As detailed in the report

Background papers: Report to Council on City Deals 28 January 2014

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Appendix One : Summary of the financial implications of the Clearing House proposals.

Service within Clearing House	Summary Financial Implications	New cost to be funded (£)
Skills for Employers, Sector Investment, Export and Trade, Account Management	<p>Clearing House delivery including staff (Skills Trainers, Placement Managers and AME Account Managers), building and running costs, events, ICT marketing and wage subsidies.</p> <p>Net costs quoted after assumption that UKTI fund 2 AME sector specialists and Government fund/provide a building to cover rent and fit out and fund wage subsidies.</p>	<p><u>Gross Cost</u></p> <p>£3.9m pa year 1</p> <p>£4.2 pa by year 5.</p> <p><u>Net cost</u></p> <p>£1.0m pa year 1</p> <p>£2.1m pa year 5</p>
Sector Investment	Unified sector investment team/marketing team currently assumed as funded from existing Council resources (primarily Coventry and Warwickshire).	Nil - Existing resources (Councils)
Access to Finance	<p>Locally-financed Business Investment Fund.</p> <p>Assume access to finance team use existing staff resources from the Councils and other partners.</p>	<p>In principle support.</p> <p>Nil</p>
Planning and Sites	<p>Assumed reprioritising of existing planning support to provide dedicated case officers for AME businesses.</p> <p>Offering free pre-application planning advice will affect Warwickshire and Stratford only as other Councils do not currently charge.</p>	Nil

Indicative cost sharing proposals

Partner	%	Lower range Blended Split £	Upper range Blended Split £
Warwickshire	47.04	492,995	993,248
North Warwickshire	1.14	11,962	24,101
Nuneaton and Bedworth	2.15	22,580	45,493
Rugby	1.56	16,346	32,933
Stratford-on-Avon	1.60	16,820	33,887
Warwick	2.09	21,883	44,088
Coventry	42.96	450,216	907,060
Hinckley and Bosworth	1.45	15,199	30,622
Total	100	1,048,002	2,111,432