

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

WARDS AFFECTED: ALL WARDS



Hinckley & Bosworth
Borough Council

A Borough to be proud of

1. **PURPOSE OF REPORT**

To update Executive on implementation of the Coventry and Warwickshire City Deal ahead of approval by Council.

2. **RECOMMENDATION**

That Executive approve the following recommendations for formal approval by Council:

1. That Council formally endorse the Coventry and Warwickshire City Deal set out in appendix 1
2. That Council approve the cost sharing proposal as recommended by the Chief Financial (section 151) Officers of the City Deal local authority partners as detailed in the main body of the report.
3. That Council agree to fund the Council's share of the estimated year 1 costs of City Deal. This will be £16,290 and will be funded from the designated "City Deals Reserve"
4. That Council support the approach of applying to European Union and Single Local Growth Fund sources of funding to support the on-going costs for City Deal taking into account any match funding requirements

3. **BACKGROUND TO THE REPORT**

- 3.1 This Council's involvement in the Coventry and Warwickshire (CW) City Deal was endorsed by Executive at the meeting held on 20th November 2013. Coventry and Warwickshire is one of 20 areas that were invited to take part in the second wave of City Deals. The purpose of City Deals is to drive local economic growth and jobs with each one a "bespoke" agreement between a local area and central Government that reflects the different needs of the local area's functional economic geography.
- 3.2 The CW City Deal focuses on the advanced manufacturing and engineering sector and aims to promote sustained economic growth and create jobs in the sub region. The City Deal will establish a Coventry and Warwickshire Business Support Clearing House that will deliver a range of bespoke business support services to support local businesses to grow and create local jobs by assisting them to invest in skills; supporting innovation through better access to research and development; and by supporting them to access both finance – and development opportunities.
- 3.3 The expected outcomes of the City Deal include over 15,000 new jobs by 2025 (including 8,800 in the advanced manufacturing and engineering sector); support for growth in 450 companies; and a new motor test track for the automotive sector at Fen End in Warwickshire. The City Deal includes £25m of public sector investment and over £67m of private sector investment.
- 3.4 After extensive negotiations the Coventry and Warwickshire City Deal has been agreed between central Government and Coventry and Warwickshire Local Enterprise Partnership (CWLEP); the seven local authorities in Coventry and Warwickshire and Hinckley and Bosworth Borough Council. As part of the City Deal the eight local authorities will set up a Joint Committee to provide robust governance arrangements

for the City Deal, with the aim of establishing an Economic Prosperity Board, if the regulations can be changed to allow continued engagement for HBBC.

- 3.5 The second wave of city deals was a competitive process and to be successful deals were required to focus on a single economic issue requiring an *“innovative and transformative response”* ie each City Deal needed to address a specific “problem” facing the local economy that could be tackled through actions identified and addressed through the Deal.
- 3.6 A key element of Coventry and Warwickshire’s current and future economy growth is the advanced manufacturing and engineering sector including the automotive sector. However, further growth in the advanced manufacturing and engineering sector is being limited by a number of barriers that have been identified by local businesses, particularly experienced by small and medium sized enterprises (SMEs). The barriers to growth identified include: insufficient business support advice and guidance – especially targeted at SMEs in this sector; access to finance; availability of individuals with appropriate skills; and availability of appropriate employment sites for growing businesses.
- 3.7 The Coventry and Warwickshire City Deal aims to address these issues by:
 - Providing the **right type of business advice, guidance and support programmes** to grow both SMEs and companies within the advanced manufacturing and engineering sector
 - **Establishing tailored skills programmes** for the advanced manufacturing sector, which build on recent reforms to the national skills system, ensuring that advanced manufacturing and engineering companies can employ people with the right skills
 - Maximising the potential of the advanced manufacturing and engineering sector, including the automotive sector, by **supporting more SMEs to secure business in the supply chain**
 - Helping further growth of the automotive sector by providing funding that will support the **development of a new test track facility in Fen End**
- 3.8 To achieve this the Coventry and Warwickshire City Deal involves setting up a new flagship Clearing House Centre where key business support agencies are co-located in one building; the provision of a range of innovative business support programmes that will support further growth in the advanced manufacturing and engineering sector particularly focused on SMEs including addressing skills issues; a new pan-Midlands supply chain initiative and the provision of a new £17m motor test track facility at Fen End in Warwickshire.
- 3.9 To address the skills issues that have been identified and to ensure local people can access employment, the City Deal includes a new Coventry and Warwickshire Shared Apprentice Scheme for the advanced manufacturing and engineering sector along with a new Skills4Growth programme that aims to provide local people with the right skills (in addition to qualifications) that local businesses need so that they can gain employment locally in advanced manufacturing and engineering.
- 3.10 The City Deal sets out a range of programmes and initiatives, funded by £25m of local and national public sector funding and over £67m of private sector funding. These cover the whole of the Coventry and Warwickshire sub-region - areas covered by Coventry City Council, Warwickshire County Council and part of Leicestershire. This includes: North Warwickshire; Nuneaton and Bedworth; Rugby; Warwick; Stratford-on-Avon; and Hinckley and Bosworth.
- 3.11 The expected benefits to the sub-region include the creation of over 15,000 jobs by 2025 (including 8,800 in advanced manufacturing and engineering) and support for growth for 450 companies.

- 3.12 A range of options was considered as part of the development of the Deal but it was considered that a clear focus on the advanced manufacturing and engineering sector and in particular the development of smaller businesses was most likely to bring the greatest economic benefits to the sub-region from such a Deal.
- 3.13 Although there was not a great amount of additional funding available from Government through the City Deal process, it is considered that the opportunities offered mean that the option not to support the Deal is not recommended. Benefits include access to and greater use of national support for businesses locally and to create a co-located coherent offer; the creation of new skills programmes and development of apprenticeships schemes and the allocation of funding through the dedicated “Lancaster Pot” of Regional Growth Fund to support the running costs for year one. The ‘Clearing House’ will be located at Cheylesmore House, the costs of which will be subsidized by the Government.
- 3.14 The City Deal has been agreed by Government (12 December) and will be formally signed between central Government; CWLEP, the seven local authorities in Coventry and Warwickshire and Hinckley and Bosworth BC. There is a wide range of other partners involved in the City Deal including the Chamber; the two Universities and the FE sector.
- 3.15 The eight local authorities that form part of the City Deal will set up a Joint Committee to provide robust collective governance arrangements for the Deal.
- 3.16 The Clearing House will be a subsidiary company limited by guarantee of the CWLEP. The Clearing House Managing Director, will report directly to the CWLEP who will manage the day to day operations. Councils through the Joint Committee will be able to hold the CWLEP to account on the outcomes of the Clearing House. The accountable body will be a Local Authority given responsibility for the funding used to support the City Deal.
- 3.17 The City Deal document is set out in appendix 1.
- 3.18 The City Deal takes immediate effect once it has been signed and partners are seeking to appoint a Programme Director to implement the Deal. The Deal has a programme of activities due to start in 2014/15 and these are planned for five years.

4. FINANCIAL IMPLICATIONS [KP]

- 4.1 The City Deal Clearing House will require new funding in the region of **£1.1m per annum rising to £3.2m per annum** to be found on-going from partners involved. This assumes contributions from Government to part fund the accommodation costs and securing grant from the Lancaster Fund (year 1 only), European Funding and the Single Local Growth Fund to meet all other operating costs.
- 4.2 The table below shows the different sources for funding for the elements that collectively make up the City Deal proposal. ‘Lancaster’ funding has been secured to support the running costs for year one. The contribution for CWLEP assumes that the project will receive the support requested from Government to meet costs, as well as external grant funding from European Funding and the Single Local Growth Fund will be sought to meet any shortfall.

Overall Total across all elements of the CD proposal

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
CWLEP Partners	1,123,202	2,700,733	2,917,058	3,274,032	3,274,032	13,289,057
Government Ask	310,000	310,000	155,000	-	-	775,000
Lancaster Pot	1,437,859	-	-	-	-	1,437,859
TOTAL	2,939,701	3,010,733	3,072,058	3,274,032	3,274,032	15,570,556

4.2 The proposals for cost sharing are based on the following:

- Government contributions are received to support the accommodation costs of the Clearing House.
- A dialogue with the private sector to maximise the contribution that can be made will also be needed to ensure buy- in to the concept and development of a Business Investment Fund or Local Innovation Fund.
- In year 1 the costs will be met by funding from “the Lancaster Pot” of Regional Growth Fund (a one off start up Government fund running from January 2014 to March 2015) and from Council contributions.
- Cabinet office has given a steer to seek funding for on-going support from European Funding and Single Local Growth Fund and any other funding the CWLEP has access and influence over.
- External funding will be sought from other sources via the CWLEP and will be used to meet the on-going costs for areas that are funded by the Lancaster Pot and Council contributions in year 1.
- There is scope for further reductions in CWLEP and partner contributions if external funding bids are successful. Overall, on-going funding should be the responsibility of the CWLEP via a combination of funding streams.

4.3 Following the above, any residual costs are to be shared between partner Councils on the basis of the average of Spending Baseline and Spending Power. Using this method will sure that no one Council contributes more than 50% of costs. Indicative contributions based on the year one costs have been calculated as follows:

Partner	%	Year 1 contribution £
Warwickshire	47.04	528,371
North Warwickshire	1.14	12,821
Nuneaton and Bedworth	2.15	24,201
Rugby	1.56	17,519
Stratford-on-Avon	1.60	18,027
Warwick	2.09	23,453
Coventry	42.96	482,521
Hinckley and Bosworth	1.45	16,290
Private Sector Contribution		TBD
Total	100	1,123,202

- 4.4 The contribution for this Council is therefore estimated to be £16,290 in 2014/2015 which will be funded from a City Deals reserve created in 2013/2014.
- 4.5 Council contributions are currently only included for year one, with other funding sources being pursued by the CWLEP. It is possible that future Comprehensive Spending Reviews may mean that, along with other policy changes, there is a risk of some funding sources being reduced or removed. The financial impact of any policy changes will need to be considered by each authority and the CWLEP and the extent to which they can be planned for at this point in time.
- 4.6 In addition it is worth noting that the Lancaster pot and European funding come with conditions and performance targets in addition to public sector match funding requirements of up to 50%. The role of the accountable body will fall on the Council applying for the funding on behalf of the CWLEP.
- 4.7 The Exit Clauses as part the Governance arrangements set out which parties bear the costs of having to exit the Clearing House arrangements if and when this may ever to be needed in the future. The risk of these costs will be borne by CWLEP as the parent company of the Clearing House entity. The Clearing House will initially operate for a five year period.

5. LEGAL IMPLICATIONS (AB)

The City Deal will be governed by a Joint Committee:

- 5.1 Section 102(1)(b) of the Local Government Act 1972 states that, for the purpose of discharging any of its functions, two or more Local Authorities may appoint a Joint Committee of those authorities.
- 5.2 Under the constitution approval of full council is required to establish the Joint Committee. A legally binding governance arrangement will have to be agreed between the members of the Joint Committee

6. CORPORATE PLAN IMPLICATIONS

Involvement in the City Deal contributes to the following Corporate Plan Aims:

- Creating a vibrant place to work and live
- Empowering communities
- Supporting individuals

7. CONSULTATION

The proposals in the City Deal have been arrived at following extensive local research and discussions between CWLEP; the sub-regional local authorities and a wide range of partners in the sub-region including local businesses. The City Deal is the result of a lengthy process of negotiations with central Government.

8. RISK IMPLICATIONS

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
None		

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The operations of the Clearing House will support a number of groups in the local community including those looking for work and business providers.

10. CORPORATE IMPLICATIONS

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

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: None

Contact Officer: Katherine Plummer, Head of Finance x5609

Executive Member: Cllr Stuart Bray