



Date: 18 January 2013

Hinckley & Bosworth
Borough Council

A Borough to be proud of

To: **All Members of Council**

Copy to all other Members of the Council

(other recipients for information)

Dear Councillor,

Please see attached supporting information regarding the City Deals report.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Owen'.

Rebecca Owen
Democratic Services Officer

COUNCIL - 28 JANUARY 2013

SUPPLEMENTARY AGENDA

10. CITY DEALS (Pages 1 - 24)

A copy of the bids is available on the website as part of the agenda documentation or in the Members' Room.

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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- **Mandip Rai, Head of LLEP, Leicester & Leicestershire Enterprise Partnership (LLEP)**
E mail: mandip.raii@llep.org.uk ; Tel: 0116 2527312
- **Tom Purnell, Head of Policy and Communities, Leicestershire County Council**
E mail: tom.purnell@leics.gov.uk ; Tel: 0116 3057019
- **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 (LLEP) **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**.

Expression of Interest to Government
15 January 2013

Re-engineering Engineering:
RAISING OUR G-AME

COVENTRY AND WARWICKSHIRE CITY DEAL

Growth of Advanced Manufacturing & Engineering (G-AME)

Section A: Summary information

A1. Proposal title.

Coventry and Warwickshire City Deal – *Re-engineering Engineering: raising our G-AME*

Our challenge - and opportunity - is to leverage the existing strengths and assets of the CW City Deal area's economy to drive globally competitive growth in high value advanced manufacturing and engineering through investment in skills; access to innovation and space for growth. We must take full advantage of the current export-led upturn in automotive and allied sectors and the expansion of low carbon technologies.

Our first step in raising the **G**rowth of **A**dvanced **M**anufacturing and **E**ngineering (G-AME) is to address the immediate skills shortages facing our local businesses: **we must re-engineer our engineering skills urgently**. We will establish a **G-AME Changer Programme** to deliver new engineers from April 2014 through targeted collective effort. Universities, FE colleges, innovation centres, major manufacturers, supply chains, business and sector support organisations and local authorities will all work together locally with Government to significantly up-skill our engineering workforce as part of our wider strategy for growth.

The CW City Deal, firmly based on CWLEP priorities, tackles our skills issue head-on. It will deliver the growth potential of the whole sub-region as the heart of England's high value manufacturing and engineering corridor – from the East Midlands down to Oxfordshire and the South East and across from the West Midlands to the East of England – to provide a sustainable, productive platform for export-led national economic growth into the future.

A2. Key partners involved in the proposal.

This is an integrated private/public sector bid, driven by the CWLEP and its business partners and all the local authorities within the City Deal area. The key partners are:

Coventry & Warwickshire
Local Enterprise Partnership
(CWLEP)*

Coventry City Council

Warwickshire County Council

Hinckley & Bosworth Borough Council

North Warwickshire Borough Council

Nuneaton & Bedworth Borough
Council

Rugby Borough Council

Warwick District Council

Stratford on Avon District Council

*NB The CWLEP Board includes senior private sector representatives (including Jaguar Land Rover; SCH Group; and MIRA), Coventry University and the University of Warwick, the Coventry & Warwickshire Chamber of Commerce and the Federation of Small Businesses.

The CW City Deal Leaders Board and City Deal Steering Group, which include members of CWLEP Board and all participating local authorities, are engaging with key partners across the City Deal region including:

6 FE Colleges & other learning
providers

Job Centre Plus/Connexions/Careers

Local Chambers of Trade

Registered providers of housing

Key private sector businesses

Adjoining Local Enterprise
Partnerships

Coventry and Warwickshire Place
Board

West Leics and Northern Warks

Market Towns Cross Border Delivery
Partnership

All local MPs

A3. Local point of contact.

Paula Deas - CWLEP Operations Director

024 7683 1061 paula.deas@coventry.gov.uk

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?

CW City Deal area is England's high-value and historic manufacturing heart and has major strengths in design, manufacturing and delivering of products and services: mechanical, electrical and electronic engineering; digital technology; ICT and energy and green technologies and advanced construction. CW City Deal area has **almost a tenth of all English motor manufacturing jobs** and has the **second highest proportion of employment in advanced manufacturing/digital media** by LEP area.

There are currently real opportunities for growth in the AME sectors in which the CW sub-region excels – with global players; world class brands and diverse SME providers including the automotive and digital technology sectors. However we need to significantly increase the number and skills levels of our engineers if we are to root large internationally mobile investors; attract investment to the UK, and develop globally competitive supply chains, and grow our indigenous AME business base.

There is a **shortage of 18,000 high-level engineers** in the West Midlands. In addition the CW City Deal area is expected to require **up to 25,000 level 2 and 3 engineers** to replace the ageing workforce over the next five years. Local companies Jaguar Land Rover and Rolls Royce both cite a lack of suitably skilled engineers as a barrier to growth and this applies at every level of the economy. All 30+ businesses on the CWLEP High Value Manufacturing Business Group have identified the lack of engineering skills at all levels as their key inhibitor to growth. Lack of engineering skills also has a critical impact on local businesses' ability to innovate – this is particularly cited by SMEs in the West Midlands Manufacturing Manifesto.

A skilled workforce is the key to generating and increasing R&D and innovation activity. While investment in R&D by businesses in CW sub-region is three times the national average; research from Centre for Cities for CWLEP identifies the huge potential in the sub-region for delivering innovation for businesses and growth in advanced manufacturing and engineering. Our research also shows that **90% of local R&D investment is concentrated in only 5% of firms** and **GVA at £43k per head** remains below the national average.

A lack of sufficient skilled labour and weak business to business connectivity is also hindering agglomeration benefits. We need to support our engineering and advanced manufacturing supply chain companies to secure a greater UK share of supply to original equipment manufacturers (OEMs) in line with the national Industrial Strategy - estimated to be worth **an additional £3billion pa for businesses** in the automotive sector alone. Lack of confidence in the market is impacting on the provision of suitable locations for advanced manufacturing and engineering businesses to grow and expand quickly to enable them to innovate; respond to growth opportunities and to attract inward investment.

Skills shortages, access to innovation and space for growth all need to be tackled if the CW City Deal area is to be the recognised international “go-to” place for advanced manufacturing and engineering. The CW City Deal proposes to focus on **re-engineering engineering skills** as the most immediate and critical issue that

needs to be addressed, which will act as catalyst for our wider strategy for AME growth.

There is an unrivalled mix of AME skills providers and innovation assets in the sub-region including: high value manufacturing and engineering businesses; two High Value Manufacturing Catapult centres (Manufacturing Technology Centre at Ansty & Warwick Manufacturing Group); the National Automotive Innovation Campus and Motor Industry Research Association; two outstanding Universities – University of Warwick and Coventry University; six FE Colleges with deep connections into industry eg Power Academy at Warwickshire College; and innovation incubators at Warwick Science Park, MIRA & Coventry University.

Our unique mix of assets provides the City Deal with the opportunity to do something very different to address our skills problem; working with Government to re-engineer our engineering skills as part of our wider G-AME strategy.

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

Skills for Advanced Manufacturing and Engineering growth - CWLEP is leading work on the provision of local apprenticeships and meeting the skills shortages and has commissioned an in-depth study to better understand local business needs and the mismatch with skills in the local labour market. Larger firms like JLR and Rolls Royce have developed bespoke training packages but lack of availability of suitably skilled workers is still a barrier to growth. Although initiatives are being developed locally to meet specific local needs – including cross-border initiatives in the north of the City Deal area - the current provision of training is not sufficiently flexible or quick enough to respond to local businesses' needs, especially smaller businesses, with rigid training systems cited as a particular problem eg three funding rates for apprenticeships depending on age.

Businesses also identify an insufficient number of school leavers with STEM subjects and a general lack of technical skills – this is beginning to be addressed through specialist bespoke provision but will not solve the immediate issue facing employers. Both providers and employers cite the lack of flexibility and responsiveness in skills funding, which prevents local specific needs being addressed quickly.

Engineering skills change and these require continual updating for those in work eg there is currently an identified local need for up-skilling mechanical engineers into automation engineers. SMEs in particular cannot commit to the level of retraining that is required. The Work Programme does not offer the type of intensive targeted work-based training required to up-skill those capable of becoming engineers. Lack of co-ordination and funding limits local placement opportunities for Graduates.

Access to innovation - More than 80% of funding for R&D in the CW City Deal area comes from the private sector and is supported by targeted public sector investment. Public funding for innovation and R&D comes from a variety of sources and understanding of the range of national and local opportunities is poor; advice and support is dispersed.

Infrastructure for AME growth - local authorities are working with developers and using assets to facilitate the development of key sites. Lack of market confidence means developers are not building speculatively with insufficient provision for businesses to move quickly to upscale production with a number of automotive supply chain companies in this position. AME companies have high expectations of quality of life for their employees which impacts on their investment decisions. The

private sector is not addressing housing supply issues and a lack of economic confidence is slowing the redevelopment of our urban centres. Road and rail transport investment needs better longer term co-ordination with local development sites and to get local people to jobs. CWLEP is co-ordinating the allocation of a range of funds but for further co-ordination of local and national funding across boundaries and departments a single infrastructure fund for growth is required.

Section C: Broad approach -

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

Our unique and bespoke City Deal offer is to **RE-ENGINEER OUR ENGINEERING SKILLS** through a **G-AME Changer Skills Programme**.

We will establish a new CWLEP led **Re-engineering Skills Board** - bringing together local authorities and the CWLEP business groups with the unique mix of outstanding Universities, FE Colleges and other learning providers and centres of innovation set out in B1. The Board will take a radically different approach to skills delivery. By joining up the demand and supply sides we can match training provision to business cycles rather than fixed academic cycles and current funding arrangements.

Providers will re-engineer and tailor training courses to meet the specific requirements of AME businesses, informed directly by the CWLEP Business Groups and the AME Skills Audit currently underway. We will build on and roll out good practice such as the JLR Chaired Advanced Skills Accreditation Scheme which offers SMEs flexible access to individual Masters level modules through a network of top universities. By working flexibly and collaboratively we will radically reduce training periods to significantly increase the number of engineers trained.

Subject to securing our City Deal and the flexibility of skills funding arrangements, the Board will launch the **G-AME Changer Skills Programme** in late 2013 and the revised offer will begin to deliver skilled engineers from April 2014 onwards.

The Programme will operate across the City Deal area, building on the current breadth and depth of provision, to establish an integrated network of G-AME Changer assets to join up skills and apprenticeship services and to offer bespoke services to AME employers with a dedicated point of contact located at each site. The co-ordination of the G-AME Changer Skills network and its offer will be the responsibility of the Re-engineering Skills Board, providing accountability to local authorities, CWLEP and local AME businesses. The Programme will have four key target groups:

Engineers in workforce and former engineers: retraining and up-skilling engineers who need to reach level 4 and above through modular degree programmes completed in less time with employers providing in house training with tailored modules from FE/HE

Unemployed people: identifying people with the aptitude to be trained to level 2 and level 3 and provide industry designed intensive and flexible training packages

Graduates: immersive experiential training through intensive work-based schemes; opportunities for involvement in R&D; work pathways and placements.

Apprenticeships and trainees: using integrated network for engineering apprenticeships at one rate; with ability for employers to access and share resources immediately

We ask Government:

- **To devolve control of elements of skills and apprenticeships funding to deliver the G-AME Changer Skills Programme to meet the needs of local engineering employers**
- **CW to pilot/fast track the new Traineeships Programme and level 6/7 apprenticeships**
- **To give local flexibility to adapt the DWP Work Programme including the mandatory attendance at G-AME Changer Skills Programme events for 18-24 year olds**
- **Release capital funding for the development of the proposed AME Apprenticeship resource at the Manufacturing Technology Centre at Ansty to add to our Programme.**

The uplift in skills from our “Bespoke Offer” will allow use of freedoms and flexibilities in the Core Package to develop our G-AME Changer Programme further as outlined briefly below.

Delivering access to innovation – we will co-ordinate our unrivalled innovation offer to increase local AME R&D activity through an “innovation escalator”. We want to work with Government to develop a local dedicated Innovation Fund of Research Council, Technology Strategy Board funding and other public resources.

Delivering Infrastructure for AME growth - We will develop a £0.3b local CW Infrastructure Fund to deliver key development sites for AME business growth and inward investment; facilitate housing and regeneration schemes and improvements to our key road and rail corridors. We want to discuss how the local infrastructure fund could be supplemented with Government funding streams, including transport, and the release of land assets. We will build on our good planning practice including the wider use of local development orders for the AME sector. We want to work with Government to stream-line and expedite planning issues including the provision of a single point of contact for developers.

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?

CW City Deal partners are committed to thinking differently about how existing resources can be used to drive better outcomes and growth in the City Deal area. The Re-engineering Skills Board will bring together all the key agencies, businesses and skills providers to provide a more effective use of resources by reducing bureaucracy; co-ordinating provision and aligning public and private sector resources to meet AME business needs. This will significantly increase private sector investment in training and the provision of apprenticeships and provide greater value for money. The local cost of benefits will be reduced through the up-skilling of unemployed residents, including NEETs, so that they enter a sustainable job.

A City Deal Economic Prosperity Board (EPB) will be established to take a strategic approach to investment decisions as all partners agree finance and investment are critical to success. Leveraging growth will break down existing barriers between layers of government and private and public sector organisations. Funding City Deal priorities will require investment with the biggest impact, better use of existing public sector funding; providing the private sector with the incentives and confidence to invest existing and new cash. The Deal will not just mean investment of cash resources. Of equal importance is the commitment of the partners to use human

capital to invest time and expertise to drive innovation and growth through the development of the G-AME Changer programme.

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

We will develop new financing models which incentivise growth, working through the EPB to co-design and co-fund the interventions needed. Our existing planned arrangement for business rate pooling demonstrates an ability to work together on funding strategies. Work is underway on the process to identify how partners would pool resources and to initially support the development of a CW G-AME Changer Skills Fund.

In addition we believe collaborative working will allow us to develop a £0.3 billion of local resources to fund investment via an evergreen Infrastructure Fund. Providing longer term funding solutions to co-finance and de-risk development will deliver our growth priorities. The Fund will be deployed as part of the wider G-AME Changer strategy to produce a return on investment and will be tailored to provide site-specific commercial funding and public investment depending on the nature of the project and gap/funding requirement.

Section D: Expected benefits

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

Improving skills

There is currently a shortage of skilled engineers at all levels. Further detailed information on the local position will be provided by the CWLEP AME skills audit when it is completed in March 2013. The CW sub-region is delivering apprenticeships, but currently **just 7.3% of all achievements at intermediate level, and only 13.5% at advanced level apprenticeships**, are within our key AME sectors.

Expected impact: through the G-AME Changer Skills Programme we expect to:

- Deliver an additional **5,000 new engineers** within the workplace over the next two years and to have eliminated the City Deal area's engineering skills shortage by 2020
- We will upskill existing engineers to levels 2 and 3 and 4 by involving more businesses in retraining their workforce (numbers to be confirmed by CWLEP Business Groups)
- Deliver a significant increase in engineering apprenticeships particularly at the intermediate and higher level (numbers to be confirmed by CWLEP Business Groups)

Innovation

A key driver of productivity is innovation. Currently, within Coventry & Warwickshire, we have a much higher than **average spend by business on R&D activity**. However, this activity is concentrated within a small number of key firms so **that 90% of all R&D spend occurs in just 5% of our companies**.

Expected impact: We want to both increase the total amount of spend on R&D through our City Deal, and for that activity to be spread more across our business base with **25% of AME business becoming R&D active** with the highest level of R&D investment nationally.

Productivity

The Coventry & Warwickshire economy is less productive than the England average, and surrounding areas that have a strong presence in advanced manufacturing (i.e. Leicester/Leicestershire; Oxfordshire and Northamptonshire). GVA per employee in 2011 was **£42,773** compared to **£48,782** for England as a whole. This equates to a **productivity gap of £2.4bn** for the local economy. In other words, if our workforce was as productive as the England average, our economy would produce £2.4bn more output per annum (a 12.3% increase in total GVA for the area).

Expected impact: through investment and support for advanced manufacturing through our City Deal, we aim to **eliminate this productivity gap by 2020**, with an aspiration for **20% growth**.

Local Jobs

An outcome of increased innovation, productivity and economic output will be **growth in employment**. According to the 2011 Business Register and Employment Survey, there are 438,000 people employed within Coventry & Warwickshire City Deal area (including Hinckley & Bosworth). **Just over 21% of these (93,500)** are

employed in either manufacturing; information & communication or professional, technical & scientific sectors.

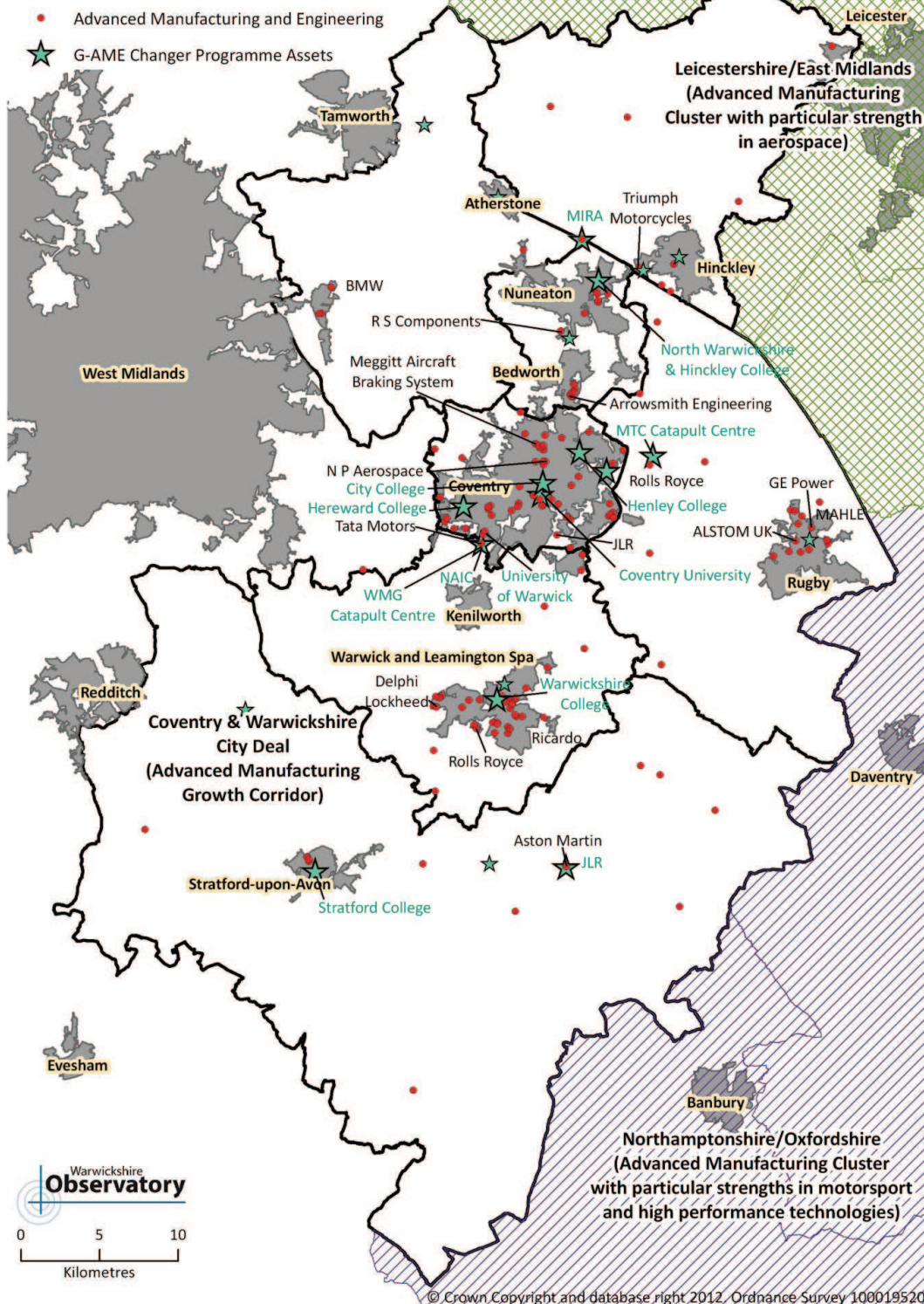
Expected impact: We intend to both **increase the net number of jobs by 30,000 in our area, and raise the proportion of our workforce employed in these key sectors to 25% by 2020.**

Section E: Governance

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

The map below shows the functioning economic geography of the CW City Deal area: the key AME businesses that the G-AME Changer Programme will benefit; and the education and innovation assets that will deliver the Programme.

City Deal



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

It is anticipated that a new City Deal Economic Prosperity Board governance structure will be developed. Chaired by the CWLEP, membership of the Board will include Leaders from all 8 local authorities within the CW City Deal area. Other key

private sector partners and the two universities would be represented through CWLEP nominees to the City Deal EPB. The initial City Deal focus will be on the skills agenda and the proposed Re-engineering Skills Board will report to the EPB. We would want to explore the potential of a combined authority structure, although this is not immediately viable given the complexities of transport authority arrangements (which include Coventry's membership of the West Midlands ITA; and Hinckley and Bosworth's inclusion in the county of Leicestershire). In addition the current CWLEP governance structure does not include Hinckley and Bosworth. The EPB will develop strong links with adjoining City Deal and LEP areas in West Midlands, Leicestershire, Northamptonshire and Oxfordshire to strengthen the UK AME offer.

These proposals build on a strong track record of political and private sector collaboration, strengthened with the advent of the CWLEP. The CW City Deal area's track record of cross border/organisational collaboration includes:

- History of joint working through Coventry, Solihull, Warwickshire (CSW) Partnership to foster economic development with the private sector (superseded by the CWLEP)
- Strong public/private sector cooperation through the CWLEP e.g. CCC hosting the CWLEP Chief Executive and Operations Director, County and District Council representation on the Executive Delivery Group and Business Groups
- Business rates pooling involving Coventry and all 6 Warwickshire authorities.
- Coventry and Warwickshire MoUs on shared services; procurement and planning matters including a formal Duty to Cooperate
- Robust examples of cross-boundary and cross-county working e.g. the A5 corridor improvements & MIRA Enterprise Zone (NWBC, NBBC, HBBC), the University of Warwick Masterplan (CCC, WDC), the development of Ansty Park (CCC, RBC, WCC), the proposed C&W Gateway (WDC, WCC, CCC).
- Innovative shared services e.g. CCC and WDC shared Head of Planning; CCC and WCC undertake joint Highways procurement; shared CSW Resilience Team
- CWLEP initiatives to accelerate financial assistance to the private sector schemes through streamlined management of funding e.g. Growing Places Fund, ERDF, RGF etc.
- Strong cross-LEP working within the West Midlands and neighbouring areas

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

The Re-engineering Skills Board will be established with HE, FE and innovation centres and local businesses. The G-AME Changer Skills Programme will be developed using data from CWLEP skills research and CWLEP business groups. CW City Deal has already involved close co-operation across borders and political control (4 councils are Conservative controlled, 3 Labour and 1 Liberal-Democrat) enabling the early creation of a CWLEP-Chaired Shadow EPB. Local MPs have been briefed and are fully engaged with the Deal. Local authority, CWLEP and private sector staff are formally allocated to work with City Deal partners to develop the CW City Deal EOI and these arrangements will continue until a CW City Deal is signed.

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