

Cabinet
Council

7 January 2013
14 January 2013

Name of Cabinet Member:

Cabinet Member (Policy and Leadership) – Councillor Mrs Lucas

Director Approving Submission of the report:

Chief Executive

Ward(s) affected:

Citywide

Title:

Coventry and Warwickshire City Deal

Is this a key decision?

Yes – the proposals within the report will affect the whole city.

Executive Summary:

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.

The Coventry and Warwickshire City Deal (the 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.

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.

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.

Recommendations:

Cabinet is requested to recommend to Council that it should:

1. Agree that Coventry City Council should formally endorse the Coventry and Warwickshire City Deal set out in appendix 1
2. 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 and in Appendix 2. Costs range from £1.1m to be met from local authority partners in year 1 with on-going costs rising to £3.2m (year 5) which will be met by the CWLEP partners on the basis that contributions from private sector partners and grant funding being pursued are forthcoming.
3. Agree to fund the Council's share of the estimated costs of City Deal of £0.48m to support the year 1 operating costs.
4. 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

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List of Appendices included:

Appendix 1 – Coventry and Warwickshire City Deal

Appendix 2 – Indicative cost sharing proposal for the Council contributions

Appendix 3 - Funding mix for the City Deal

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes - 14 January 2014

Report title: Coventry and Warwickshire City Deal

1. Context (or background)

- 1.1 On 29 October 2012 the Government launched a second wave of city deals. City Deals are intended to be a transaction between cities and their wider areas and central Government and aim to give cities the powers and tools they need to drive local economic growth; unlock projects or initiatives that will boost their economies; and strengthen local governance arrangements. The first wave of City Deals included only the eight largest cities outside London. Coventry and Warwickshire was one of 20 areas invited to take part in the second wave.
- 1.2 At the meeting of Council on 4 December 2012 it was agreed that Coventry City Council should enter into discussions and negotiations with Government to develop a Coventry and Warwickshire City Deal. After extensive negotiations with Central Government an agreement has now been reached on the content of a City Deal for the Coventry and Warwickshire sub-region.

2. Options considered and recommended proposal

- 2.1 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.
- 2.2 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.
- 2.3 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**
- 2.4 To achieve this the Coventry and Warwickshire City Deal proposes the 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.

- 2.5 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.
- 2.6 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 in Leicestershire.
- 2.7 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.
- 2.8 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.
- 2.9 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.
- 2.10 The City Deal will be formally signed between central Government; CWLEP and 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.
- 2.11 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.
- 2.12 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.
- 2.13 The City Deal document is set out in appendix 1.

3. Results of consultation undertaken

- 3.1 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.

4. Timetable for implementing this decision

- 4.1 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.

5. Comments from Executive Director, Resources

5.1 Financial implications

- 5.1.1 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 the CWLEP partners. 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.
- 5.1.2 The proposed local authority financial contribution to the City Deal is a total of £1,123,202, made up from contributions from all eight local authorities. Coventry City Council's contribution of £0.48m and Warwickshire County Council's contribution of £0.53m make up the most of the funding with each of the District Councils contributing to the rest. This funding allocation is set out in more detail in appendix 2.
- 5.1.3 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. The funding mix for City Deal is detailed in Appendix 3, with £1.4m secured from the Lancaster.
 - 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 to 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.
 - An agreed sharing of residual costs between the City, County and six District Councils is unlikely to be needed if the CWLEP is successful in seeking European Funding and SLGF funding.

- However, for completeness, should there be residual costs these could be split on the basis of the average of Spending Baseline and Spending Power, ensuring that no one Council contributes more than 50% of costs. Indicative contributions based on the year one costs are detailed in Appendix 2.
- The overall financial summary is set out in Appendix 3, highlighting funding sources for each element of the City deal proposal. The Council's 2014/15 contribution will be funded from resources set aside in the 2012/13 Financial Outturn Report.

5.1.4 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.

5.1.5 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. For this funding approach to be successful, full endorsement and agreement by CWLEP will be required.

5.1.6 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 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.

5.2 Legal implications

The City Deal is facilitated through the provisions in Chapter 4 of the Localism Act 2011 which facilitates additional freedoms for permitted authorities. These arrangements will be subject to a formal agreement between central Government, CWLEP and the participating local councils. The agreement will set out the basis upon which the City Deal is to operate. More detailed arrangements will be made with regard to the joint committee of local authorities which will provide robust and transparent governance for the joint committee as well as providing a channel for maintaining oversight of the Deal.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The City Deal is designed to promote economic growth and create jobs in Coventry and the wider sub-region – a key Council objective.

6.2 How is risk being managed?

The City Deal will be managed through CWLEP and be held accountable by the new Joint Committee made up of the eight local authorities that are signed up to the City Deal. One of these local authorities will be selected to be the accountable body for the City Deal.

6.3 What is the impact on the organisation?

The City Deal requires the Council to provide funds as part of the agreed funding package of the Deal. Furthermore the Council is committed to working in partnership with the other local authorities and the CWLEP to deliver the Deal. This will include the co-location, where it is appropriate, of employees and the development of shared services.

6.4 Equalities / EIA

No specific adverse impact on protected groups has been identified at this stage. The City Deal includes specific measures to provide apprenticeships and skills training for local people and this will include targeting groups currently disadvantaged in the labour market.

6.5 Implications for (or impact on) the environment

No specific impact at this stage.

6.6 Implications for partner organisations?

The City Deal has been led by the CWLEP. The City Deal involves a range of partner organisations including the two Universities; the Chamber of Commerce; FE colleges and training providers; Government departments and agencies; and local businesses. The setting up of the Coventry and Warwickshire Joint Committee will strengthen the partnership of the local authorities within the sub-region including Hinckley and Bosworth Borough Council.

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