



# **Proposal**

## **A Leeds City Region Deal**

**July 2012**

# Introduction

## A vision for Leeds City Region

The Leeds City Region Local Enterprise Partnership's long-term vision is to build **'a world-leading dynamic and sustainable low carbon economy that balances economic growth with a high quality of life for everyone.'**

In 2011 we became the first LEP in the country to launch a cohesive economic Plan, outlining our priorities and strategy to help us achieve this vision. We have three key targets:

- to accelerate output growth to an average 2.6% per year to 2030
- to create 60,000 new jobs by 2016
- to achieve a substantial reduction in city region carbon emissions

The City Deal Proposal we present here is a coherent package to help us achieve these targets. Taken together, our propositions to improve skills, increase exports and deliver much higher levels of investment in transport and other infrastructure – to be followed by further discussions with Government on planning and low carbon – will remove many of the barriers that are currently preventing us from realising our full economic potential.

If these proposals are implemented, we will take a big step towards a faster-growing city region and start to generate extra tax revenues for the national purse. For example, a 10% reduction in LCR unemployment will generate an extra £1.3bn for the Exchequer over the next decade as a result of the extra taxes received and lower benefit spending by Government. What we ask from Government is that departments work with local partners to give us the freedoms and flexibilities that will enable us to fulfil our ambitions for Leeds City Region and play our full part in the UK's economic recovery.

## Leeds City Region's strengths

Leeds City Region has a diverse and resilient economy<sup>1</sup> that possesses both scale and strength in many fields:

- we are the largest city region in the country outside London with a population of 3 million
- we generate 5% of English economic output with annual GVA of £52 billion
- we have the largest number of manufacturing workers anywhere in the UK and the largest number in financial & business services outside the capital
- we boast nationally and internationally competitive clusters in:
  - o health & life sciences – particularly biotechnology, advanced surgical instrumentation, pharmaceuticals, regenerative medicine and telehealth

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<sup>1</sup> *Index of Economic Resilience*. Report by Ekosgen for Yorkshire Cities, 2011.

- o low carbon industries – we are home to 3 major coal-fired power stations; have substantial renewable and low carbon energy capacity in on-shore wind, biomass, energy-from-waste and micro-generation; a number of leading manufacturers in the low carbon supply chain; and strong environmental consultancy expertise
- o digital & creative industries – including the Airedale digital cluster, whose combined turnover alone is on a par with that of Cambridge
- we also possess nationally and regionally significant hubs of activity in financial & business services (notably finance and legal services) and manufacturing (notably textiles, food & drink, aerospace components, automotive engineering, printing & publishing and construction fabrication)
- our quality of life is outstanding, from the internationally renowned landscape of the Yorkshire Dales to world-class cultural assets that include being the home of modern British sculpture
- our location at the heart of national railway and motorway networks provides easy access to global markets and means we are ideally placed as a location for the logistics industry
- we have innovation assets of the highest quality including:
  - o one of the largest concentrations of higher education institutions in Europe, with 8 institutions producing 36,000 graduates each year
  - o 2 universities in the world's top 100
  - o 36% of combined LCR university research is ranked as world-class, and 10% is world-leading in fields such as business & management, medical & healthcare technologies, pharmaceuticals and biotechnology, nano-technology, advanced engineering and advanced textile technology
  - o 15 FE colleges teaching 110,000 students
  - o 11 centres for industrial collaboration, a variety of specialist research institutes and 23 knowledge transfer partnerships

## What are the challenges we face?

Like all areas, we face challenges in achieving our full growth potential. These include:

- skill levels in the workforce that have improved, but remain below average
- a national and international profile that is not strong enough in comparison with competitor city regions, which has hampered our ability to attract new inward investment in recent years<sup>2</sup>
- below-average export rates - recent business survey data shows that only 10% of firms in the city region export outside the UK.<sup>3</sup> Further, in those areas where the city region is understood to have its greatest niche strengths (such as services, healthcare and medical devices), the region lags UK competitors in its share of UK trade<sup>4</sup>
- business start-up, survival and growth rates that lag behind the national average

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<sup>2</sup> A recent report by fDi Intelligence, part of the *Financial Times*, found that West Yorkshire ranked 15<sup>th</sup> in the country for inward investment, behind Birmingham, Manchester, Tees Valley and Newcastle.

<sup>3</sup> *Leeds City Region Business Survey*. Yorkshire Cities, 2011.

<sup>4</sup> *Leeds City Region Growth Industries*. LCR Economic Drivers and Innovation Panel, 2011.

- smaller-than-average private sectors in some parts of the city region
- low levels of public sector investment in some sectors, which have left the city region's infrastructure lagging behind what is needed to support a world-leading economy<sup>5</sup>

As a result, although our productivity levels match those of most core city regions, we are not improving our overall economic performance relative to national or international competitors. Since the start of the recession the city region has lost jobs twice as fast as the national average.

## **The Leeds City Region Proposal**

This City Deal offers an unprecedented opportunity to work with Government to tackle these key challenges, and unlock the full potential for low carbon growth and job creation in the Leeds City Region. As part of our ambitious proposal, we will:

- transform the city region's job market with progress on two fronts: a long-term ambition to move to a 'NEET-free' Leeds City Region and to shape the skills investments of Government, employers and individuals to align with the real growth sectors in our economy
- create a £1bn 'West Yorkshire-Plus' transport fund to unite the Leeds and Manchester City Regions into a single functional £100bn economy
- pool up to £200m from partners within the city region – if it is matched by central government – in a Leeds City Region Investment Fund for the benefit of the entire area using a common appraisal framework
- eliminate the city region's balance of payments deficit with the rest of the world through a major drive to increase our exports and promote inward investment
- deliver a much more business-friendly planning system
- aim to become the exemplar UK low carbon city region in non-domestic retrofit, low carbon business and sustainable, low carbon design

In return, we ask government departments to give us the freedoms and flexibilities we need to drive forward this agenda, based on our own local priorities.

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<sup>5</sup> For example, public sector investment in housing in Yorkshire & Humber has consistently seen the lowest allocation per capita of any region, while investment in transport has remained at much lower levels than in London for many years.

# The Leeds City Region propositions

## Main proposals

1. **Skills and worklessness:** Skills pathways for a vibrant economy
2. **Transport:** A transformed transport system across the north
3. **Investment:** Transforming our infrastructure – a Leeds City Region Investment Fund
4. **Trade and inward investment:** Closing the Leeds City Region balance of payments gap

## Supplementary proposals

5. **Planning:** Business Friendly Planning to Promote Growth and Development
6. **The low carbon economy:** Delivering the UK's leading low carbon city region

## Appendix

7. Leadership in Leeds City Region

# 1. Skills Pathways for a Vibrant Economy

Our ambition is to increase significantly the opportunities available to disengaged young people, as well as those searching for their first chance of employment, and to actively align the longer-term skills investment of Government, businesses and individuals much more closely to the growth opportunities in our economy.

Firstly, there are too many young people in Leeds City Region who are not connecting with the labour market or who have the wrong skills for today's jobs. This is a waste of their talents, a blight on our communities and a drag on the city region's economic growth.

Our long term ambition is to have a 'NEET-free' city region by transforming the experience of young people entering the job market. Our first step is to offer a **Guarantee to the Young** supported by a range of integrated pathways including education, training, volunteering, work experience and apprenticeships, leading to jobs and higher level qualifications. We believe it will be vital in a continuing period of austerity to offer young people the hope of a bright future, rather than the current negative outlook linked by the media to social unrest.

Secondly, we must engage business much more directly with longer term skills investment to ensure that the £500m of mainstream skills funding is driving growth in our key sectors and attracting more private investment in higher level skills to add value to the economy.

Our **LEP is committed to taking a leadership role on skills**, which is one of its highest priorities for driving productive economic growth. Along with other LEPs in our region, we have commissioned a major research project to identify in detail the current/future skill needs of employers in our key sectors. We intend to use the results to target future skills investment priorities, working closely with our FE/HE partners in the **Leeds City Region Skills Network**.

By creating new opportunities to gain relevant skills and find a job with prospects, and by working with SMEs to drive increased employment, we will ensure that the city region builds the future skills we need to accelerate economic growth.

We have a diversified economy in a strategic central location with potential for significant jobs growth, providing we can improve the skills levels of the workforce and the employability of young people in particular. Our LEP target is to return to pre-recession levels of employment by 2016, thereby creating 60,000 new jobs.

We support proposals for the **14-24 Apprenticeship Academy** in Leeds at the heart of an **offer to young people of multiple routes to employment** starting from school age and leading up to higher education. We will work with Government to secure backing for the Academy ready for a September 2013 start. This will be a flagship initiative demonstrating a single access point to vocational pathways in the City, bringing leading businesses together to prepare their employees of the future. It could be the springboard for similar arrangements elsewhere in the city region

providing new opportunities for partners to work together for the benefit of young people.

Alongside this, in Bradford we will also establish **Industrial Centres of Excellence** in key economic growth sectors, setting up Studio Schools which deliver a business-led curriculum aligned to labour market requirements.

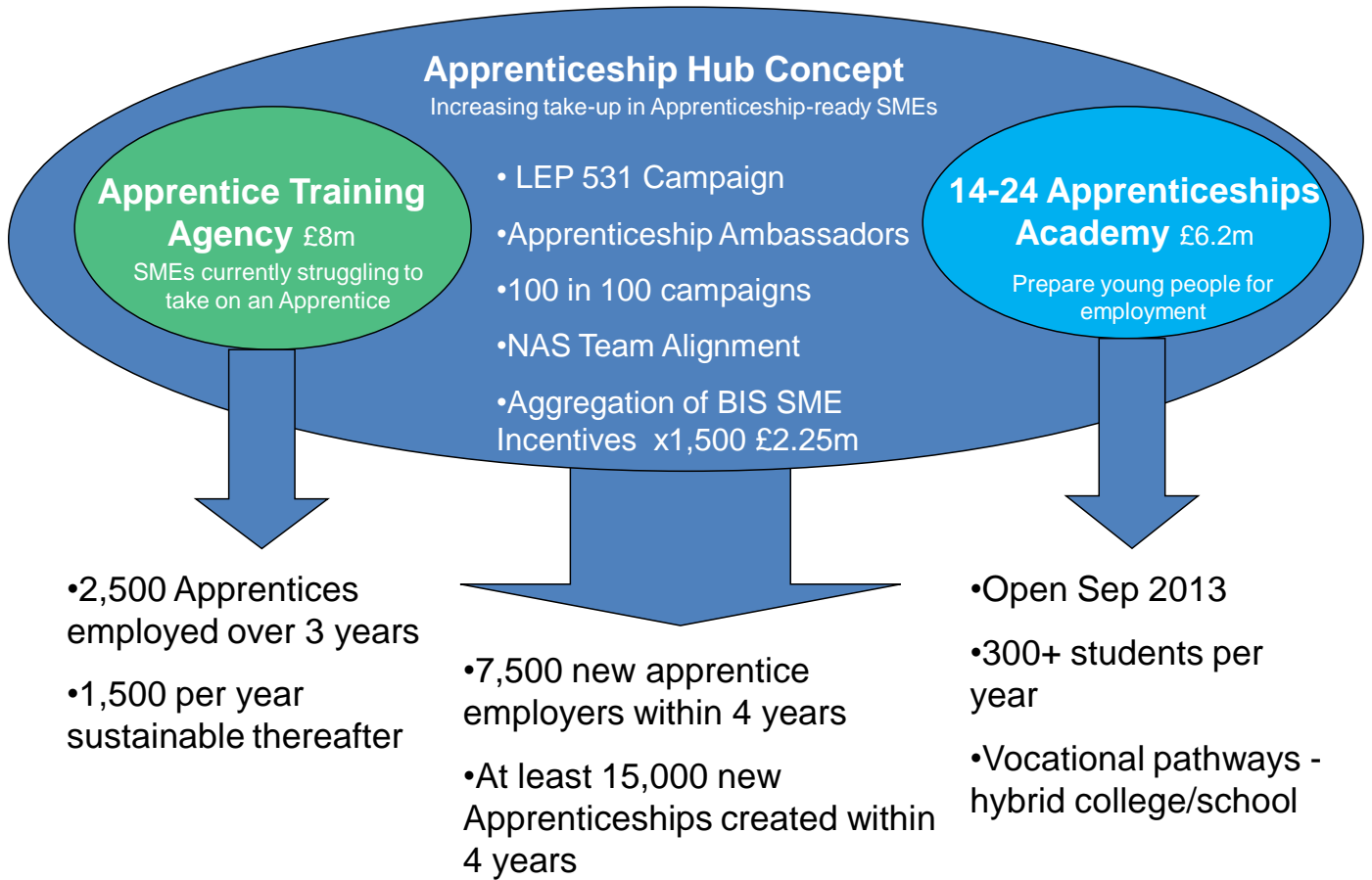
We will work with DWP and DfE to integrate support services for those out of work, starting with the **16-17 year old provision for youth contract support**, to align our local offers with national programmes and truly offer a more joined-up, easily accessible range of advice, guidance and support to secure proper pathways for young people to gain skills and experience that will lead to a job. We will also examine how public transport incentives can be used to overcome barriers to participation and open up wider labour market opportunities for young people.

To address the chronic need for significant numbers of job opportunities for young people, in our cities, we will create **Apprenticeship Hubs** across the City Region, starting in Leeds and Bradford, to tap into the latent job creation potential of the 99% of our businesses made up of SMEs. These will incorporate Apprentice Training Agencies delivering sustainable jobs with SMEs which would otherwise not employ apprentices, supported by dedicated employer incentives in line with BIS and LEP priorities. This represents a major saving to the Treasury in lieu of benefit costs and provides a constructive contribution to the economy by preparing young employees to support business recovery.

In addition, working closely with NAS and building on our business-to-business campaigns (Ambassadors, 5-3-1 and 100 in 100) we will develop a broader Apprenticeship Hub concept for employers capable of employing apprentices directly. This will align the mainstream services on offer including NAS and National Careers Service with LEP and Local Authority initiatives to radically increase the number of employers with apprentices from 12% to over 20%, ie. 7,500 additional employers (using NAS measures) and the expectation that at least 15,000 new apprenticeships will be created in the next four years. We will strongly encourage developers, investors, suppliers and existing major employers to demonstrate an obligation to employ young people as standard.

See diagram below to illustrate the concept.

**Leeds City Region Apprenticeship Hub: Wider Proposition**



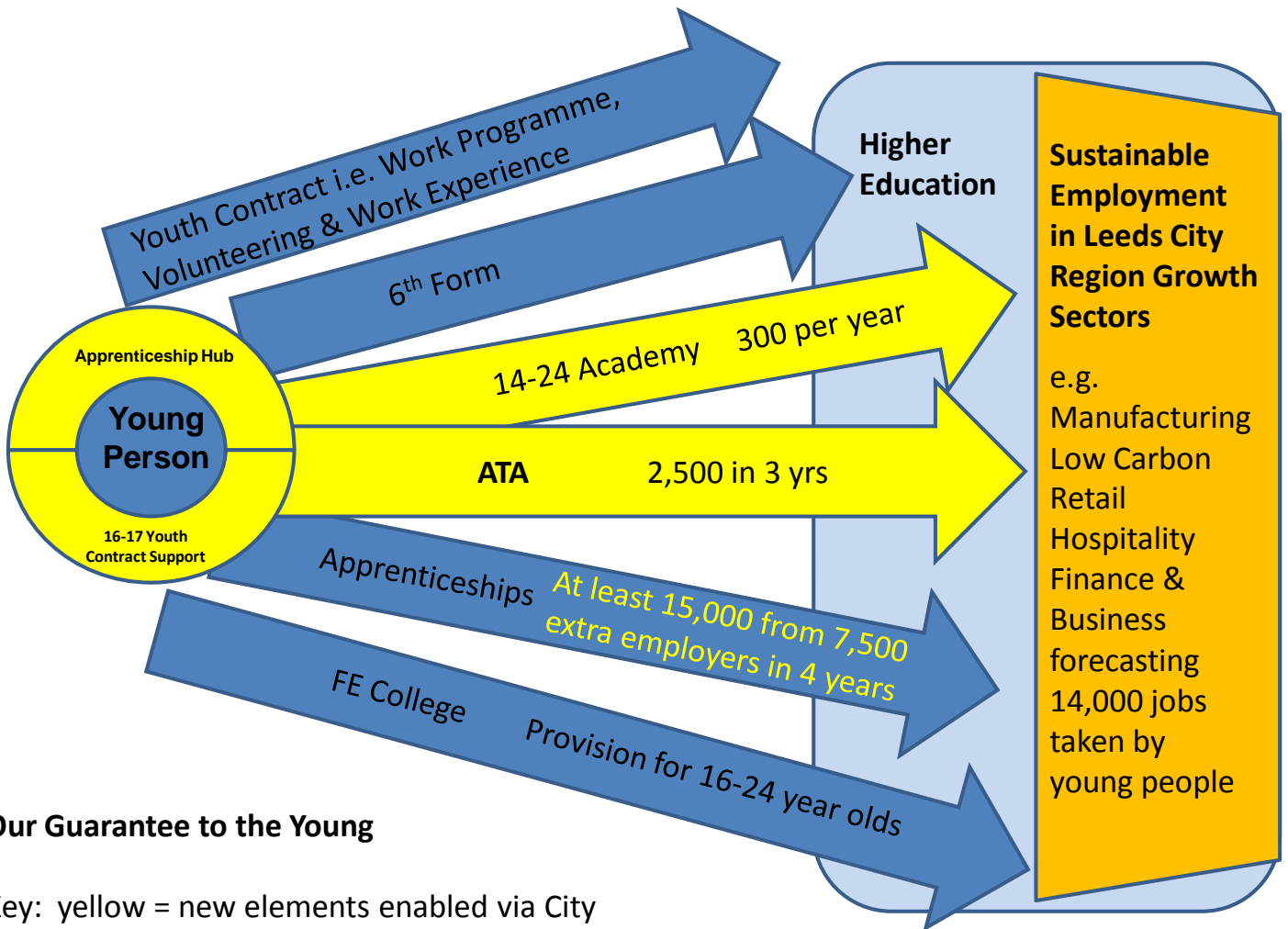
We will strengthen and fulfil our **LEP role as leaders of employer intelligence for skills** and will use this to work collaboratively with the Skills Network of providers to prioritise and invest in future skills provision. We are keen to support BIS and UKCES by managing our spatial element of the **Employer Ownership Pilot** to better incentivise employer investment in economically valuable skills, in particular targeting future growth oriented SMEs.



The offer	The asks
<b><i>Our Guarantee to the Young</i></b>	
<p>To demonstrate our commitment to the long-term ambition of a NEET free city region, our local authorities have agreed council budgets which pledge investments of several million pounds for skills, employment and young people's provision, despite the cuts in their total budgets, for example:</p> <ul style="list-style-type: none"> <li>• Leeds - £1.75m for young people's programmes in addition to £3m for Employment Leeds and local skills</li> <li>• Bradford - £4.5m from 2012/13, additional to the £1.4m secured last year</li> </ul> <p>We support the establishment of a 14-24 Apprenticeship Academy in Leeds in 2013 offering 300 young people per year vocational routes to employment, along with Industrial Centres of Excellence in Bradford.</p> <p>We will work closely with DWP and DfE to design better integrated support services for unemployed people, including £3m IAG for vulnerable young people and £4m of local employment support. We will focus initially on 16-17 year olds entering the labour market, promoting skills pathways for all young people into sectors with prospects.</p> <p>We will establish Apprenticeship Hubs (ATAs) in Leeds, Bradford &amp; the wider city region which will be fully sustainable after 3 years, underwritten to £1.7m by LA/College joint ventures. We will work closely with NAS and adhere to national policy guidelines, including that Apprenticeships created through this route complement rather than displace direct employment Apprenticeship opportunities, and offer clear progression to permanent employment.</p>	<p>Support from Government to develop and secure approval for the 14-24 Apprenticeship Academy concept.</p> <p>Local commissioning of DWP youth contract support services for 16-17 year olds.</p> <p>Further dialogue to extend this approach to enabling better integration of local and national employment, advice and guidance services, exploring the potential in each locality for a single access route for young people with services aligned including exploring moves to co-location.</p> <p>A joint approach by our Local Authorities, DWP and Jobcentre Plus in preparation for the introduction of Universal Credit by aligning front-facing services for housing, debt and digital literacy support.</p> <p>Support for establishing our Apprenticeship Hubs (ATAs) in Leeds and Bradford (£3.2m), extending rapidly to the wider Leeds City Region (+£5m) subject to BIS agreement of a business plan built on the principle of incentivising SME employers to directly employ apprentices from the ATA.</p>
<b><i>Skills for a Growing Economy</i></b>	
We will invest over £500k in LEP '5-3-1' and local authority '100 in 100' campaigns to encourage radical	Confirmation of the LEP's leadership role in articulating employer skills needs, which requires data-sharing protocols

<p>increases in employer engagement with apprenticeships.</p> <p>We will lever in £16 million skills investment from businesses and individuals to accelerate sectors with long term economic growth prospects, using evidence based on employer research currently underway.</p> <p>Our LEP partnership will contribute a dedicated private-public Employment &amp; Skills Board, supported by a secretariat team funded by local authority contributions of £1m pa, to provide strategic leadership.</p> <p>We will focus around £500m of mainstream skills provision much more closely on our economic priorities by developing strong &amp; positive relationships with the 15 FE Colleges, 8 HEIs and hundreds of skills providers in the LCR Skills Network, through our Skills Partnership Agreement.</p>	<p>with BIS, SFA, YPLA and NAS; resources for analysis &amp; joint marketing; structured dialogue with colleges about provision; better LMI for informed choices by learners; all supported by City Skills Fund resources to strengthen LEP capacity.</p> <p>The above will give the LEP the tools to properly fulfil its role as the leader of employer skills intelligence and as a constructive partner to the skills sector, based on principles of mutual accountability, set down in a Skills Concordat.</p> <p>Agreement of management arrangements with BIS and UKCES for the LEP to manage the LCR spatial element of the Stage II pilot of Employer Ownership of Skills, using £15m of the £250m fund. BIS will actively support Leeds City Region to develop their bid. This will be managed as a LEP-led 'Future Skills Investment Fund', directing targeted incentives to employer, individual &amp; provider investment in the future skills needs of the economy, in particular targeting SMEs unlikely to benefit in the first stage of the pilot.</p>
<p><b>Impacts</b></p>	
<ul style="list-style-type: none"> <li>• 14-24 Apprenticeship Academy concept in Leeds at the core of a multiple-route pathway into vocational and higher level skills routes to employment, supporting at least 300 young people per year into careers in key growth sectors</li> <li>• In Bradford, the planned Industrial Centres of Excellence will add to the range of options available to young people, through offering advanced technical learning and vocational pathways to 1800 students who will benefit from this route</li> <li>• Apprenticeship Hubs (ATA) fully sustainable after 3 years</li> <li>• At least 2,500 additional new Apprenticeships with SMEs through the ATA by 2015</li> <li>• Savings to Treasury of between £4.5k and £10k for every 'NEET' in an apprenticeship, saving over £11m net in benefits across the cohort of 2500 ATA apprentices alone</li> <li>• Nearly double the number of employers with apprentices in learning, through our wider Apprenticeship Hub campaigns, from 12.8% to over 20% in 4 years (+7,500 employers – baseline 10,665) and the expectation that at least 15,000 new apprenticeships will be created</li> <li>• 3,000 businesses engaged in £31m skills investment to accelerate sectors with long term economic growth prospects, evidence based by employer research currently underway</li> </ul>	

### Illustration of Impact of City Deal on the Offer to Young People



#### Our Guarantee to the Young

Key: yellow = new elements enabled via City Deal to make positive offer to young people aged 16-24 in Leeds City Region

## 2. A Transformed Transport System Across the North

The transport infrastructure of Leeds City Region – and indeed of the North of England as a whole – has suffered from long-term under-investment and over-centralised decision-making. Business sees the transport system as a constraint to growth.

Our aim is to shrink distances both within the Leeds City Region and between LCR and other city regions through faster and more reliable journey times. This will effectively create a single cross-Pennine economic zone with a combined LCR/Greater Manchester workforce of 2.5m and a £100bn economy (one tenth of national output).

West Yorkshire (WY) Leaders are on course to introduce a local investment fund for transport of in excess of £1bn (known as the WY-Plus Transport Fund), with the lead objective the delivery of net increases in GVA and jobs at the sub-regional level.

A Fund of £1bn of well targeted investment in transport would create an economic step change by adding some £1bn per annum to sub-regional GVA potential, giving the wider LCR a growth uplift of 2% and increasing its employment potential by 20,000 jobs in the medium term.

Current development work on the Fund has been focussed around identifying and then prioritising the programme of major public transport and local highway based interventions that would shrink distances between places and improve journey time reliability in order to maximise economic productivity. This local investment would be entirely complementary to national investment such as the Northern Hub and Transpennine electrification, and in the longer term HS2.

If we are to deliver a £1bn-plus programme, a substantial proportion of the funding will have to be found locally. In the current fiscal climate this is an enormous challenge. What we are looking for is a bespoke Tax Increment Finance deal that will allow local decision makers to understand how they can earn back local contributions to the fund as net increases in GVA, measured by changes in rateable values at the WY-plus level. These earned-back funds would be committed back into the Fund to deliver additional GVA-targeted investment. The aim would be a rolling infrastructure fund, pump-primed with local money that was dependent on growth being delivered.

Operating a Fund of such scale would require the further development of local governance arrangements and delivery capacity. The critical path towards the development of these arrangements is in view, with a new framework for a Transport Body, which would include a **West Yorkshire Combined Authority**.<sup>6</sup> This is again dependent on there being a significant investment programme to oversee and deliver.

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<sup>6</sup> Other authorities could also have the opportunity to join the Combined Authority.

The terms of the LCR Transport Deal based around the asks proposed in the table below would create the ‘tipping point’ and provide Leaders with a clear basis on which to commit to a £1bn-plus Fund and institute the associated governance reforms.

The offer	The asks
<b><i>A bespoke arrangement to devolved funding, including DfT’s post-2014 major transport scheme funding</i></b>	
<p>Leaders will decide on a ‘WY-Plus’ Transport Fund of at least £1bn that would in the medium term create 20,000 jobs and a 2% uplift in GVA for Leeds City Region.</p> <p>The WY-Plus Transport Fund will include, and match, post 2014 major transport scheme funding to 2025, to establish a programme of schemes that maximise GVA.</p> <p>Subject to the outcome of the Statutory Review process, a Combined Authority for WY will be established that provides accountability for the operation of the Fund and for devolved powers and funding.</p> <p>LCR will use the same robust modelling basis as Greater Manchester in programme identification and justification to make the Manchester-Leeds alliance practicable where joint investment may be involved. This appraisal system will also be used to identify which transport schemes (e.g. on key connectivity corridors) maximise net GVA.</p>	<p>A working 10 year City Region transport funding allocation from the post 2014 national Major Transport Scheme Budget.</p> <p>Commitment from DfT to work in partnership to identify a pipeline of GVA prioritised projects and to contribute, dependent on value for money and affordability, to a programme of strategic schemes</p> <p>Commitment to pay funding in blocks in advance of LCR incurring costs on schemes, subject to affordability, and at the beginning of each Spending Review Period.</p> <p>Covered elsewhere as part of wider LCR financial asks, a fit for purpose tax increment financing regime (New Development Deal), based on an ‘earn back’ model.</p> <p>Approval of a local appraisal framework for assessing new major public transport and local highway schemes that prioritises economic growth.</p> <p>Over time, agreement of DCLG to transport Precepting powers, matched by transparent and accountable local governance arrangements for the Combined Authority, in line with those of the GLA/TfL, supporting the delivery of our 10 year programme of investment.</p> <p>Discussion with HMT/DfT about an appropriate capital/resource split for funding in next spending review period.</p>

<b><i>A devolved northern rail franchise</i></b>	
Development of a Compact with other transport authorities, including Greater	Take forward proposals for the devolution of a northern rail franchise to local

Manchester, that drives the performance and economic impact of the new northern rail franchise. We will put in an early Eol to run the franchise.	partners, in consultation with the PTEs and the Combined Authority.
LCR will seek to develop with GM a framework along with Network Rail to ensure local businesses benefit fully from the implementation phase of the electrification of the northern Transpennine line (e.g. construction jobs), and to develop a strategic approach to maximising the inward investment potential of improved connectivity between our related urban areas and development zones.	To support a co-ordinated LCR/GM approach to maximising the full economic potential of the £290m investment to electrify the northern Transpennine line by 2018, and to consider the business case for further infill electrification, e.g. the Caldervale line, the Harrogate line, lines to Sheffield and the line to Selby.
To prepare working Protocols for agreement with DfT.	Support work to develop protocols to improve collaboration and alignment on the local and strategic road networks and on rail, with a view of developing local readiness to have greater powers devolved in the future
We have published in partnership with Sheffield City Region a compelling case for improvements to Yorkshire's rail network which, through quicker journeys and improved business links, better commuter services, and more capacity for freight, would deliver up to £12bn of economic benefit across Yorkshire.	Continue work to ensure completion of the Northern Hub as soon as possible to reduce the journey times between Newcastle-Leeds-Manchester and deliver £4.2bn of economic benefit and up to 30,000 jobs, and identification of further improvements to Yorkshire's rail network, particularly around the key bottlenecks of Leeds and Sheffield stations which have not been addressed in Control Period 5.
<b>Impacts</b>	
<ul style="list-style-type: none"> <li>• a transformation of the transport system (public transport and local highways based) and of connectivity to other city regions, shrinking journey times, improving journey time reliability and increasing economic productivity</li> <li>• 20,000 extra jobs from a £1bn WY-Plus Transport Fund, with a 2% uplift in GVA for the LCR</li> <li>• cost efficiency savings from reformed transport governance and delivery</li> </ul>	

### 3. Transforming our Infrastructure – a Leeds City Region Investment Fund

If we are to achieve the LEP Board’s vision of a world-leading low carbon economy, Leeds City Region needs a big improvement in the quality of our infrastructure which is the bedrock of a fast-growing, high-productivity economy.

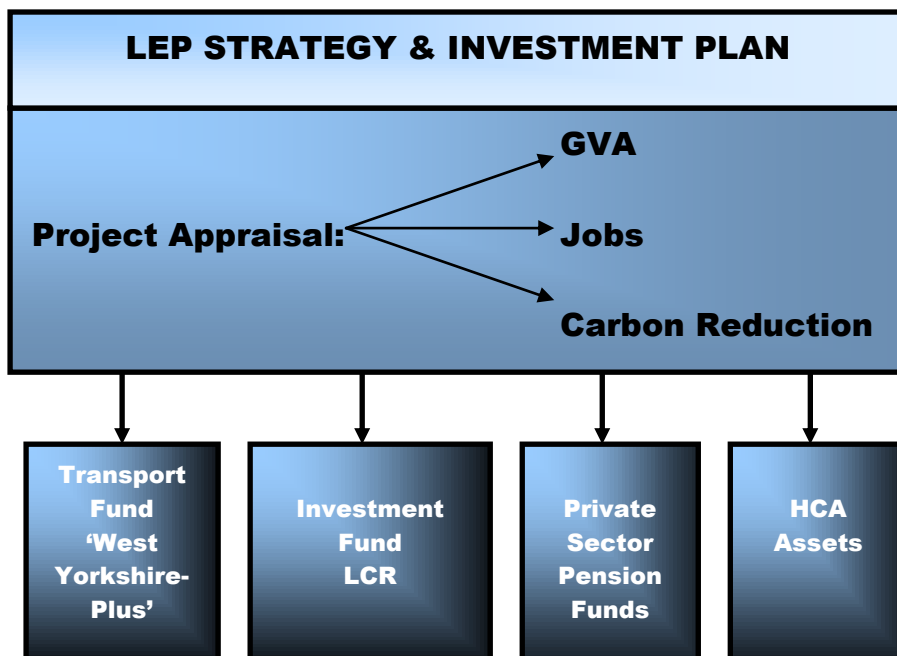
In the current economic climate, a more strategic approach to investment is needed that brings together funding from as many sources as possible outside Government, and which will in turn attract further investment from the private sector.

We therefore propose to establish a Leeds City Region Investment Fund. There are a range of potential funding sources which could be pooled at a city region level. We estimate that funds to the value of around £200m could be generated from within Leeds City Region for investment over the next 10 years. If matched by Government through devolution of existing and future capital funding, a sum of £400m would in itself make a real difference to our growth potential, and also help us lever in still more funds from private sources.

The development of the Investment Fund will require steps to be taken in sequence by both sides:

- city region local authorities initially will match the sums made available to us in the Growing Places Fund
- in order to be able to put Regional Growth Fund resources from Round 3 into the Fund, government will need to agree that we have appropriate autonomy over some funds from this round
- over the slightly longer term, city region authorities are willing to consider the pooling of business rates and the Community Infrastructure Levy
- in view of the strong local commitment to this direction of travel, we ask Government to match LCR’s local commitment through the devolution of relevant funding streams, including an appropriate sum from future rounds of Regional Growth Fund, and to explore the inclusion of other government funding streams. Over time we also seek Government’s agreement to allow us to move to a Single Capital Pot that will enable us to add HCA and other resources to the Fund

The Investment Fund forms one of four distinct funding streams, set out below in diagrammatic form. Projects will be evaluated through a single evaluation model that will give priority to those projects which maximise GVA and create jobs, and at the same time contribute to carbon reduction.



As we move towards our ultimate aim of a single consolidated pot, demonstrating a track record of sensible strategic decision-making and good governance, we will be looking to Government to reward this progress with further steps that can accelerate investment in the city region, notably:

- **Access to fiscal benefits** – it is estimated that the Leeds City Region generates some £28bn worth of tax revenues, around £6bn less than Government spends locally. However, the impact of the Investment Fund, the Transport Fund and the other aspects of this City Deal will be to accelerate growth, create jobs and thereby move us closer to being an economically self-sufficient city region – for example, a 10% reduction in unemployment in LCR will produce savings to Government of around £1.3bn over the next ten years. We propose a dialogue with Government to agree a methodology for a larger proportion of the fiscal benefits arising from economic growth to be retained locally in the LCR for further investment whereupon LCR has demonstrated adequate governance and decision making.



The offer	The asks
<p><b>Growing Places Fund</b> – it is proposed that the LCR authorities contribute proportionate amounts from their own capital budgets to match the sum of £36m awarded to the LEP from the Growing Places Fund.</p> <p><b>Enterprise Zone</b> – receipts from the LCR Enterprise Zone will be available for use by the LEP over 25 years – this will be used to support borrowing for investment in projects to stimulate growth, and returns on investment will be recycled to the Investment Fund.</p> <p><b>Business Rates Retention (Pooling)</b> – the city region will establish a business rates pool; the additional yield arising from this arrangement will be diverted to the Investment Fund.</p> <p><b>Community Infrastructure Levy (CIL)</b> - consideration will be given to a percentage top slice of the CIL to be earmarked for the Investment Fund.</p> <p><b>WY-Plus Transport Fund</b> - work is underway to consider the establishment of a WY-Plus Transport Fund of more than £1bn to be focussed on major public transport and highways schemes in order to deliver net economic growth in the sub region. The core funding for this approach would be dependent on increasing the transport levy within West Yorkshire over a period of years, and ‘topped up’ by securing a bespoke arrangement with Government to devolve transport funding (see transport deal). The WY-Plus Transport Fund and the LCR Investment Fund would be designed to work in tandem, providing joint funding in appropriate cases.</p> <p><b>Other sources of funding</b> - other potential funding sources are under consideration, including:</p> <ul style="list-style-type: none"> <li>• the use of local authority assets through an Asset Backed Vehicle</li> <li>• European Funds: ERDF, JESSICA, etc</li> </ul>	<p><b>Single Capital Pot</b> – as set out in <i>Unlocking Growth in Cities</i>, we wish to see additional funds for the Investment Fund arising from the devolution of various Departmental funding streams, into a single capital pot for the LCR LEP. We seek to secure an appropriate sum from future rounds of Regional Growth Fund at least in line with our share of the economy, but in addition to explore other government funding streams.</p> <p>Discussions are also taking place with the Homes and Communities Agency to consider the establishment of a shared local investment programme, which would sit alongside the proposed Investment Fund, where HCA assets and land – and other investment where appropriate – are pooled alongside investment resources from Leeds City Region and other partners with the aim of creating a shared return and achieving agreed outcomes.</p> <p><b>Pooled Business Rates</b> – we seek formal agreement from government to establish a business rate pool.</p> <p><b>Public Works Loans Board</b> – in order to maximise the spending power of the Investment Fund, and as announced in the Budget, we ask Government to provide a discount on PWLB loans of 20bps, on condition that we provide improved information and transparency on our long-term borrowing and associated capital spending plans.</p>

<ul style="list-style-type: none"> <li>• direct Pension Fund investment – work is underway to look at the potential use of local authority pension funds to provide investment into projects which are capable of supporting an appropriate rate of return in addition to the economic growth benefits</li> </ul> <p><b>A model for determining investment priorities</b> - the city region is developing a model for prioritising investment projects based on their impact on GVA. A similar model has been developed in Greater Manchester which has the support of the Treasury and therefore it is likely that we will adopt this, or a variation on this, for LCR. At the same time investment priorities in each district within the city region are being identified to bring together a programme of projects to be tested against this model to determine their economic impact.</p>	
<p><b>Impacts</b></p>	
<ul style="list-style-type: none"> <li>• to be determined via scheme appraisal</li> <li>• will include cost efficiency savings from use of single appraisal system</li> </ul>	

## 4. Closing the Leeds City Region Balance of Payments Gap

Leeds City Region has a trade deficit of over £1bn a year. Our vision is to turn this into a comfortable and growing surplus within the next three years and exceed the trade performance of the current best performing region by 2018. Our targets are to deliver a surplus of £600m by 2015 and £1.7bn by 2018. This would raise the city region's GVA by 1.1% annually from 2015, and would increase the employment rate by at least 0.5% by 2018.

Improving our export and inward investment performance is at the heart of the city region's ambition to become a world-leading low carbon economy. This means encouraging far more businesses to export, significantly growing trade outside Europe, and building the international profile of the city region's key sectors. In the city region of the future, international businesses will be the norm, and our workforce will have the skills and knowledge to match.

Our ambition is also to see a step-change in our ability to attract inward investment into the city region, capitalising on areas of global competitiveness. By 2015 our ambition is to capture at least 5% of national Foreign Direct Investment (in line with our share of the economy), and then to double the value of investment in absolute terms by 2018. Since exporting companies and inward investors are the biggest sources of productivity growth and innovation, improved performance will positively influence both the region's and the UK's economic performance.

To enable Leeds City Region to achieve our vision on international trade and investment, we are asking for a different kind of relationship with government, one where UKTI shares our vision and focuses its resources on achieving the targets we have set. Specifically, we are asking government for the following:

### Resources

- UKTI commits to a level of international trade activity commensurate with the economic scale of the city region and the contribution made by local partners. UKTI will seek to match local resources/contributions towards international trade activity in order to support the delivery of a jointly owned operational plan affording the plan the same priority as its own activities.
- An agreed time commitment from UKTI Investment Services Team sector specialists to support city region sector trade and investment teams in developing competitive propositions for key sectors.

### Networks

- To work as part of a virtual integrated project team that will include the LEP, universities, industry organisations, Chambers, UKTI staff, HMRC and UK Export Finance

- Flexibilities in roles, functions and products to enable delivery of the plan, including wider business support delivery (BCfG, MAS), subject to any non-variable contract arrangements

**Delivery priorities**

- To commit to working with us to deliver a whole company trade support offer for mid-sized businesses – from Board level down to receptionist, focussed on moving businesses into markets outside Europe
- Joint delivery of key city region projects such as the Medical Hub and global event and USA trade campaign
- Joint delivery of two further medium-term city region projects over the next three years
- Support to unlock any barriers in delivering new skills and qualifications around international trade

**Governance**

- To sign-up to a joint three-year City Region Trade and Investment Plan. The anticipated signatories are UKTI, HMRC, UK Export Finance and BIS
- To work to a business-led City Region Trade and Investment Board, which includes UKTI Board level representation to oversee and monitor the plan

The offer	The asks
<p>A city region staffing budget of £1.5m to deliver an International Trade and Investment Programme.</p> <p>Grow the annual local operational budget for trade and investment from £300,000 to £500,000 within two years, through collaboration with public and private partners.</p> <p>Use local business networks to deliver a concerted, intelligent export campaign, addressing the real and perceived barriers to first time exporting and entering new markets, and providing clients both for UKTI and for private international trade support providers.</p> <p>Deliver a Medical and Bioscience Hub in the City Region along with an annual Global Medical and Bioscience event.</p> <p>Deliver a three-year campaign to strengthen trade and investment links with the USA.</p>	<p>UKTI commits to a level of international trade activity commensurate with the economic scale of the city region and the contribution made by local partners. UKTI will seek to match local resources/contributions towards international trade activity in order to support the delivery of a jointly owned operational plan affording the plan the same priority as its own activities.</p> <p>An agreed time commitment from UKTI Investment Services Team sector specialists to support city region sector trade and investment teams in developing competitive propositions for key sectors.</p> <p>Flexibilities in roles, functions and products to enable delivery of the plan, including wider business support delivery (BCfG, MAS), subject to any non-variable contract arrangements.</p> <p>Joint delivery of key LCR projects such as the Medical Hub and global event,</p>

<p>Provide complementary resources to enable delivery of a whole company trade support offer for mid-sized businesses, focussing on markets outside Europe.</p> <p>Work with universities, colleges and schools to develop and trial new qualifications in international trade.</p> <p>Delivery of further key projects to be defined.</p> <p>Work with business leaders to develop a City Region Export club (including the provision of funding support), aiming to diversify the markets of existing exporters.</p> <p>Co-ordinate publicly funded business support programmes, both national and local, to achieve maximum value in supporting growing companies and delivering the LEP's objectives.</p>	<p>USA trade campaign and international trade skills development</p> <p>Support to unlock any barriers in delivering new qualifications around international trade.</p> <p>Sign-up to a joint three-year City Region Trade and Investment Plan. The anticipated signatories are UKTI, HMRC, UK Export Finance and BIS.</p> <p>Formal involvement in a City Region Trade and Investment Board, with UKTI Board level representation to oversee and monitor the plan.</p> <p>Government agencies to sign up to a light-touch performance monitoring framework on trade and investment at the city region level.</p>
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### Impacts

- Our target to be the best performing city region by 2018 and to generate a LCR trade surplus of £600m by 2015 and £1.7bn by 2018 would raise the City Region's GVA by 1.1% annually from 2015. It would create at least 7,400 jobs by 2018 based on conservative estimates.
- Halving the gap between exports to the EU and exports to the rest of the world, equating to £250m in LCR. This would raise GVA by 0.4% per annum above its current baseline, and raise the employment rate by between 0.3% to 0.5% by 2018 (equivalent to between 4,500 and 7,400 FTEs)
- Doubling the value of exports to the BRIC economies, currently around £1bn
- An increase of 50% in the number of city region businesses exporting goods by 2015, an increase on the agreed LEP target of 40%. This would add an additional £500m GVA to the City Region economy
- An increase of 25% in the value of service exports, an increase on the agreed LEP target of 15%

## 5. Business Friendly Planning to Promote Growth and Development

Leeds City Region is committed to delivering an effective and business friendly planning system that promotes and accelerates development and growth, particularly housing development, whilst safeguarding the valuable assets that make the city region distinct.

A major structural change has occurred in housing markets over recent years, which has resulted in development stagnation and a major imbalance in housing supply and demand. It will require a broad range of complementary actions to address the many complex and intertwining issues that have brought about this situation.

We are already taking action within the city region in our local response to Government's ambitious reforms of the planning system, and to deliver our ambitions set out in the city region Local Enterprise Partnership's Plan of September 2011. Our actions include:

- preparing a city region-wide spatial framework, setting out the priorities for delivering our Plan's ambitions;
- agreeing a city region-wide LEP Development Charter which will put in place a consistent 'front door' and high standard of planning service across all city region authorities;
- preparing Local Development Orders to promote our Enterprise Zone and the Bradford Growth Zone;
- creating Strategic Planning Committees within authorities to deal with and fast-track major development applications;
- developing a consultee role for the LEP Board to give it a valuable and clear public role in major planning decisions affecting economic growth and competitiveness;
- developing a new localised approach to attracting new investment into supporting housing development; and
- working to unlock stalled development sites in collaboration with developers through the Get Britain Building initiative and our Growing Places Fund

However, we know that the market is not working as effectively as it could in delivering development, which has an adverse effect on jobs and the homes that we need to support growth. We are keen to explore how we could better use existing and potential new tools and measures to help kickstart and accelerate housing delivery, as well as to explore other means to improve efficiencies and reduce costs within planning services.

### **Collaborative Action**

We intend to pursue these planning and development issues through close collaboration with the Department for Communities and Local Government and the Homes and Communities Agency. Accordingly, we will be writing to the Minister for

Planning, as agreed during earlier City Deal discussions, to raise with Mr Clark the key issues that we believe need to be addressed by Government to further support Leeds City Region and other core cities to deliver local growth.

## 6. Delivering the UK's Leading Low Carbon City Region

The Leeds City Region is already a UK leader in low carbon, sustainable development with a proven track record in delivering domestic and commercial retrofit, renewable energy generation and eco new build. Our recent Mini-Stern review has identified that, by investing in cost-effective and cost-neutral measures alone, the Leeds City Region could reduce its carbon emissions by 40% by 2022. Over the next 12 months we will develop a portfolio of renewable energy and retrofit projects. Once this has been completed we would like to meet with DECC to use their expertise to support delivery of any remaining elements.

### Leeds City Region Pipeline and Delivery plan

Over the next 12 months, we will:

- Develop a portfolio of renewable energy and retrofit investment opportunities, working in partnership with the private sector and energy companies. As part of this programme of work we will investigate potential delivery mechanisms (such as ESCO's) and utilising existing funding streams. In particular, we will develop a £50m package of commercial retrofit investment opportunities for the Green Investment Bank.
- Develop the Domestic Energy Efficiency Programme (DEEP) to provide a city-region wide delivery framework for roll-out of the Green Deal. The DEEP programme is already providing an effective framework for city-region wide delivery of CESP and CERT funding. We will continue to work with energy providers to adapt the programme for delivery of the Green Deal, including identifying funding sources for initial investment.
- Deliver the Leeds Re-Fit scheme, which will deliver at least 23% carbon reductions to public sector buildings across Leeds through prudential borrowing and energy performance contracting.

### Collaborative Action

DECC will provide Leeds City Region with strategic advice and support in development of a delivery plan for decarbonisation of the built environment, and development of the low carbon business sector. This would include offering ad hoc support in bidding for appropriate EU monies relating to sustainability and highlighting the success of low carbon investment in the city region. In the first instance, DECC would advise LCR on existing policies and funding streams that can meet their aims and provide contacts and guidance on how to apply for investment from government policies and schemes. Opportunities for further collaboration could be discussed after Leeds City Region has produced the delivery plan.



## 7. Leadership in Leeds City Region

Governance in the Leeds City Region is based around stable, institutionalised joint-working arrangements. The Leeds City Region Partnership has been working together for nearly eight years, and has an accountable decision-making structure in the form of the Leaders' Board which brings together the Leaders of the eleven Local Authorities. The Leaders' Board was established as a Joint Committee in April 2007, making it the first legally constituted city-region body. This meets in public in order to bring transparency to decision making.

Following the establishment of the LEP in 2010, the LEP Board and the Leaders' Board have become the joint focus for decision-making, and their shared vision was articulated in an overarching Strategic Plan for the area, launched at the LEP summit in September last year. As the first of the core cities to develop a Strategic Plan, the Leeds City Region LEP has already demonstrated strong collaborative working practices.

**As part of the city deals process, the Leeds City Region Partnership has committed to starting the process to establish a West Yorkshire Combined Authority, covering Leeds, Bradford, Wakefield, Calderdale and Kirklees.** Other local authorities could also have the opportunity to join the Combined Authority, so in the future this could expand to cover the whole LEP area<sup>7</sup>. A key advantage of the Combined Authority model is its joint governance arrangements for transport, economic development and regeneration, which allow for strategic prioritisation across West Yorkshire. Following the Ad Hoc Ministerial Group on 6 March, Leeds City Region has provided a further statement on their commitment to create a Combined Authority and the timescale for its creation.

Not only will the West Yorkshire Combined Authority provide a stable and strong governance structure enabling it to take on new powers and functions, it will also have more gravitas to lobby central government and national agencies successfully. This will enable the Combined Authority to secure future devolution and resource prioritisation. One area where Leeds City Region could go further is to develop working relationships with other LEP areas to improve transport connectivity across the North of England. Work has already started in this area, which will further strengthen our leverage and negotiation capital with central government.

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<sup>7</sup> The process of establishing a Combined Authority will require full Council agreement by each authority