

Unlocking growth in cities: city deals – wave 1

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1. City Deals: Progress to date

The Coalition Government is committed to unlocking the full growth potential of our cities. We want powerful, innovative cities that are able to shape their economic destinies, boost entire regions and get the national economy growing. But to unlock their full potential, we need a major shift in the powers and levers available to local leaders and businesses to drive growth. To achieve this, the Government has launched a programme of city deals.

1.1 The first wave of city deals has focused on the eight largest cities outside London and their wider economic areas. Each deal is bespoke and reflects the different needs of individual places but every deal aims 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 the governance** arrangements of each city.

1.2 And each and every deal represents a genuine transaction – with both cities and Government offering and demanding things in return.

1.3 We have concluded deals with Greater Birmingham and Solihull, Bristol and the West of England, Greater Manchester, Leeds City Region, Liverpool City Region, Nottingham, Newcastle and Sheffield City Region. Across these deals there is an impressive picture of

devolved powers and new and innovative ways of doing things that will unlock growth and deliver jobs.

1.4 The core cities have estimated that the first wave of deals will create **175,000 jobs over the next 20 years and 37,000 new apprenticeships**. If achieved, this is a significant contribution to our economy – one that will create real opportunities for real people across the country. Crucially, through these deals the core cities are embarking on new and innovative ways of driving local economic growth. Taken together, these deals provide a suite of new freedoms, powers and tools to help cities go for growth.

Greater powers and incentives to invest in growth

- **Earn Back:** a new payment by result model that incentivises a city to invest in growth in return for a share of the national tax take. (Greater Manchester)

- **New Development Deals:** the freedom to deliver critical infrastructure through tax increment financing, with the ability to borrow against future business rate income in key development zones. (Newcastle, Sheffield and Nottingham)
- **Economic Investment Funds:** the power to pool multiple funding streams and business rate income into a single investment fund, leverage private sector capital and invest in local priorities. Cities will be able to create self-sustaining investment funds that will reduce dependence on central government grants. (Greater Birmingham and Solihull, Bristol and West of England, Greater Manchester, Leeds city Region, Liverpool City Region and Sheffield City Region)
- **City apprenticeship hubs:** enabling cities to boost apprenticeship numbers by supporting SMEs take on apprentices through Apprenticeship Training Agencies, brokerage and incentive payments. (Bristol and the West of England, Greater Manchester, Leeds City Region, Newcastle and Nottingham)
- **Localised youth contracts:** local alternatives to the national 16-17 youth contract programme, with cities having the power to design and deliver local models to reduce NEETs. (Leeds City Region, Liverpool, Newcastle)

Greater powers and levers to deliver the skills and jobs that local businesses and people need

- **Local skills funding model:** a new model of skills funding that will match local contributions (public and private) with national funding to provide a skills budget that cities will control to invest in the skills that local businesses need. (Sheffield City Region)
- **Skills Bank:** an employer owned mutual that will match public sector funding with private sector investment and allow businesses to buy the skills and apprenticeships that their local economy needs. (Liverpool City Region)
- **Outcome incentives:** new models to give cities greater influence over the skills system by using incentive payments or payment by results. (Greater Manchester and Liverpool City Region)
- **Local venture capital fund:** a localised model that will match national funding with local contributions to create a venture capital fund that will invest in high tech start up and growth businesses across an economic area. (Nottingham)
- **Business Growth Hubs:** city led business hubs that bring together all the support, advice and services that investors and local businesses need to locate, grow and trade. (Greater Manchester and Bristol and West of England)

Greater freedoms and tools to support local businesses

Greater powers and resources to drive critical infrastructure

- **Rail devolution:** increase city control over rail services by devolving greater responsibility for commissioning and managing franchise arrangements for local and regional rail services (e.g. Northern Rail). (Bristol and West of England, Leeds City Region, Greater Manchester and Sheffield City Region)

- **Devolution of local transport majors funding:** matching local resources with devolved transport budgets so cities have the power and resources to make strategic transport investments. (Greater Birmingham and Solihull, Bristol and West of England, Leeds City Region, and Sheffield City Region)
- **Localised asset management:** joint investment programmes that bring together local and national assets in an economic area to unlock resources for housing development and regeneration (Greater Birmingham and Solihull, Bristol and West of England, Greater Manchester, Liverpool and Newcastle).
- **Broadband:** Resources to deliver super fast broadband across cities. (Bristol and West of England, Greater Manchester, Leeds City Region, Newcastle, Greater Birmingham and Solihull).
- **Low carbon pioneering cities:** local programmes that will help cities make critical investment in green infrastructure and technology; generate low carbon jobs; and accelerate reductions in emissions. (Greater Birmingham and Solihull, Leeds City Region, Greater Manchester, Newcastle, Nottingham)

New powers and responsibilities have been matched by strengthened governance and accountability.

1.5 Liverpool and Bristol have voted to have **directly elected mayors** supported by strong decision making structures across the wider economic area; Leeds and Sheffield have joined Greater Manchester in forming a West Yorkshire and South Yorkshire **Combined Authorities**; Newcastle is working with the seven authorities across their economic area to take steps towards a North East Combined Authority; Birmingham is an unusually large Local Authority - one of the biggest in Europe - and has developed strong private sector leadership and decision making across the Local Enterprise Partnership; and Nottingham's City Deal is focussed on a particular area of the City Centre – the Creative Quarter – which is wholly within the city council's boundaries and Nottingham has created a new Private Sector Governance arrangement to deliver the Deal.

1.6 Huge progress has been made in just over seven months since the publication of '*Unlocking growth in Cities*'. But city deals are not a 'one time' event but a continuing process. Over the months and years ahead, the core cities will need to make the most of these new powers and projects; show that local power and initiative can and does work; and come back to Government to negotiate greater powers and freedoms.

2. Summary of City Deals

Bristol and West of England LEP

(Bath and North East Somerset, City of Bristol, North Somerset, South Gloucestershire)

Bristol estimates that the deal will deliver 40,000 jobs across the Enterprise Areas and existing Enterprise Zone and over £1bn of investment to drive local economic growth over the next 25 years, as a result of new financial powers.

Summary

- The West of England will get new financial powers to drive economic investment through 'Growth Incentive'. The West of England will invest its own resources in critical infrastructure projects that will maximise growth. In return, the West of England will retain 100% of their business rate growth in five Enterprise Areas for 25 years. This business rate income will be pooled and pumped into a £1bn economic development fund which will invest in more growth maximising projects.
- The deal also includes a ten year allocation of local transport majors funding to deliver the Greater Bristol Metro, and further initiatives on employment and skills, inward investment, and public property.

2.1 The West of England Local Enterprise Partnership area has a population of over 1 million and has around 450,000 jobs. Bristol has a higher proportion of the population with high-level qualification than any other core city and the lowest proportion with no formal qualifications at all, and had the highest net private sector jobs growth rate of any major English city outside of London. Furthermore, the Bristol urban area has the highest GVA per capita of the core cities.

2.2 However, high levels of population growth have led to high living costs and house prices, and congested infrastructure. The City Deal will unlock the economic potential of the West of England by accelerating the delivery of the 21st century infrastructure needs. The West of England is capable of generating 95,000 new jobs over the next 20 years, but this is only deliverable as a result of investment in infrastructure which can only be generated by handing the city much greater freedoms and flexibilities to raise finance and re-invest the dividends of success.

Bristol's City Deal has five parts:

- 1) **Growth Incentive:** The West of England will get new financial powers to drive economic investment through a growth incentive. The West of England will invest its own resources in critical infrastructure projects that will maximise growth and create 40,000 jobs. In return, the West of England will retain 100% of their business rate growth in five Enterprise Areas for 25 years. This business rate uplift will be pooled and pumped into a £1bn economic development fund which will invest in more growth maximising projects, creating a revolving investment programme.
- 2) **Transport:** in return for strengthened governance arrangements, the Government will give the West of England a ten year allocation of local majors funding to deliver the Greater Bristol Metro; greater control and freedom to deliver the Bus Rapid Transit Network, including the ability to recycle savings locally; and new powers over rail planning and delivery.
- 3) **Public Property Board:** create a new Public Property Board, made up of relevant Government departments and Bristol City Council, which will manage public sector assets in the city – including up to £1bn of City Council assets and an estimated 180 public sector land and property assets. This will unlock more land for economic growth and housing, use assets to lever in other public and private sector investment for regeneration and generate savings by co-locating services.
- 4) **City Growth Hub:** establish a City Growth Hub that will bring together all the facilities and services that businesses need to grow. The Hub will be co-located in the Temple Quarter Enterprise Zone and will create a 'one stop shop' for foreign investors and exporters with the aim of boosting trade in the West of England. UKTI will strengthen the capacity of the hub by sharing resources and expertise.
- 5) **People and Skills:** the business community will be given real influence over skills provision in the West of England, particularly over the £114m of Skills Funding Agency funding for Further Education colleges, through a Local Enterprise Partnership Skills Group. The Group will agree and deliver a single skills investment plan linked directly to the West of England's jobs strategy. As part of this deal, West of England will deliver a 5% per year increase in apprenticeship starts for 16 to 24 years olds over 3 years.

Governance

The people of Bristol voted to have a Mayor at the recent referendum. The Mayor will be elected on 15 November and will strengthen Bristol's leadership, putting in place a strong, stable and visible leader for a four year term.

The City Deal is also strengthening governance across the West of England with the pooling of business rates, a legally binding agreement to ensure investment is focused maximising economic returns and strong Local Enterprise Partnership-wide governance arrangements on transport, skills and the City Growth Hub.

Greater Birmingham and Solihull LEP

(Birmingham, Bromsgrove, Cannock Chase, East Staffordshire, Lichfield, Redditch, Tamworth, Wyre Forest)

Birmingham estimates that the deal will deliver more than 10,000 additional jobs, through new investment in the life sciences sector and expansion of the Green Deal programme, alongside leveraging in over £15bn of private sector investment over 25 years as a result of new financial powers.

Summary

- The Birmingham City Deal tackles the greatest constraint on local economic action – flexibility over how public funds are spent in the local economy – and will create GBS Capital, a £1.5bn investment fund, to aggregate, manage recycle and invest public funds to deliver LEP priorities.
- The deal also includes further investment in the local life sciences sector, which will deliver 2,000 jobs, and green investment that will deliver 8,000 jobs by 2020. The deal also includes initiatives on skills, and housing.

2.3 Birmingham is England's second city and the economy of the Greater Birmingham and Solihull (GBS) Local Enterprise Partnership supports 900,000 jobs and generates £34bn of GVA, with a population of almost 2 million people. However, Greater Birmingham and Solihull faces some critical challenges including high unemployment, low levels of skills and constraints around unlocking key development sites. The inability to effectively flex, prioritise and leverage the public funds spent in the local area is also of specific concern to Birmingham and Solihull.

2.4 The Greater Birmingham and Solihull LEP has ambitious plans to create a net increase of 100,000 private sector jobs by 2020 and increase GVA by over £8bn over the same period. The Greater Birmingham and Solihull Deal will support Greater Birmingham and

Solihull to achieve these targets as well as tackling the constraints on economic growth, particularly flexibility over spending in the local economy.

Greater Birmingham and Solihull Deal has five parts:

- 1) **Finance:** Create an investment fund of £1.5bn – GBS Capital – that will manage, invest, recycle and leverage a number of public and private sector funding streams to deliver the LEP's infrastructure priorities. Greater Birmingham and Solihull will seek to negotiate a single settlement from central Government. This investment fund could leverage in over £15bn of private sector investment over 25 years. Greater Birmingham and Solihull will develop a new

approach to local economic investment that will be self-sustaining and reduce dependence on central government grants.

- 2) **Skills:** Tackle the long-standing skills deficit, by implementing a ‘*Skills for Growth Compact*’. This will commit employers, colleges and schools to building a best-in-class skills service. By getting local businesses into schools and colleges to lecture, mentor and train, this initiative will help young people get the skills they need and link them into local job opportunities. The city has committed to recruit 25% of local businesses to the Compact by 2015 and deliver 3,560 new apprenticeships.
- 3) **Housing:** Unlocking the potential of under-used public land by kick starting housing development to address long-term housing needs. A joint investment plan will be produced, bringing together HCA and city assets to stimulate housing and economic development. The city estimates that this will deliver 2,800 new homes by 2022 and yield a 100% return on the current value of the public assets.
- 4) **Life Sciences:** Capitalising on Birmingham’s leading position in life sciences and its unique

assets as a location for clinical trials, the city will launch a new Institute for Translational Medicine which will cluster state of the art clinical facilities. This will inject £25m worth of investment into the sector and create 2,000 high value jobs.

- 5) **Low Carbon:** Creating new ‘green’ jobs while reducing the city’s carbon footprint by expanding the city’s landmark green deal programme. The LEP will leverage the expertise developed through the pioneering *Birmingham Energy Savers* programme. This will provide energy efficient improvements to 15,000 houses and 40 public buildings, create 8,000 jobs and kick start a £1.5bn investment programme.

Governance

The City Deal will strengthen governance across the LEP area. Robust mechanisms will be established for GBS Capital and a Housing and Economic Growth Board will also be formed, with key stakeholders including the Homes and Communities Agency, to take forward the Public Assets proposal and drive maximum economic benefit from the development for housing, employment and mixed-use purposes for publicly-owned land across the LEP area.

Greater Manchester

(Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford, Wigan)

The Greater Manchester Deal will support 40, 000 jobs in the next 20 years, and 6000 apprenticeships for young people, alongside new powers which will allow Greater Manchester to 'earn back' up to £30m a year of tax for growth it creates.

Summary

- Greater Manchester will receive new financial powers which will allow it to 'earn back' a portion of additional tax revenue from growth generated by £1.2bn of local investment in infrastructure.
- Alongside this, the city has also calculated that the deal will lead to 3,800 new jobs for local people and will protect 2,300 existing jobs through enterprise support, as well as 6,000 new apprentices by routing skills funding direct to SMEs through a new City Apprenticeship and Skills Hub. The deal also includes new initiatives on housing, investment, environment and transport.

2.5 In the decade before the recession Greater Manchester was the only area in the UK to experience growth comparable to London and the South East. In 2008 Greater Manchester generated £48bn of GVA, accounting for almost 20 per cent of the North of England's economic output. Greater Manchester has a population of 2.6m, with an additional 4.4m living within an hour's drive.

2.6 Greater Manchester has developed a clear understanding of the drivers of its economy, its strengths and challenges and the levers it needs in order to achieve its growth potential. The priorities identified in the Greater Manchester strategy supported by the Combined Authority and the LEP, form the basis of the proposals for the Greater Manchester Deal.

Greater Manchester Deal has eight parts:

- 1) **Finance:** Greater Manchester will raise £1.2bn and invest it locally in growth maximising projects. Greater Manchester will be able to 'earn back' a share of the national tax take from this growth on a payment-by-results basis and will reinvest 'earned back' funds into further infrastructure projects.
- 2) **Investment:** establish a Greater Manchester Investment Framework that will bring together central government, European, and the private sector funding to drive economic growth. The investment framework will prioritise projects on the basis of GVA and jobs per pound of public funding in order to get the most out of public investment.

- 3) **Skills:** create a City Apprenticeship and Skills Hub which will support small businesses to increase the number of apprentices they take on. This hub will deliver a 10% per year increase in apprenticeships for 16-24 year olds; 6,000 new apprenticeships over two years; and pilot a tax incentive scheme to encourage business to take on new apprentices. In addition, Greater Manchester will trial new ways to increase the cities influence over the skills system through incentive payments to providers.
- 4) **Enterprise Support:** strengthen and expand Greater Manchester's Business Growth Hub which provides access to finance and gives trade, investment and business advice to local companies. Government will invest £4.4m of transitional funding in the hub until 2015 and then the city will use Enterprise Zone revenues to self-fund the hub. Manchester estimates that this will create 3,800 new jobs and safeguard 2,300 jobs.
- 5) **Inward Investment:** establish Manchester as a beacon for high value inward investment, specifically for developing markets in China and India, and for Graphene technologies.
- 6) **Low Carbon:** Greater Manchester will work with Central Government to develop a plan to reduce emissions by 48% by 2020 as part of the low carbon pioneer programme. UK Green Investments and Greater Manchester will also establish and fund a 50/50 Joint Venture Company (Greater Manchester Green Developments Ltd) to develop a portfolio of investment projects. The city estimates that this will create an additional 34,800 jobs in the built environment sector and an additional £1.4bn GVA.
- 7) **Housing:** establish a joint investment programme with the Homes and Communities Agency, which will use public sector assets to develop 5,000-7,000 new homes by 2017 and invest in the economic development.
- 8) **Transport:** deliver a package of transport proposals, including devolution of the Northern rail franchise, devolution of local transport majors funding and local bus improvement measures.

Governance

Greater Manchester has established strong, stable and effective governance across its economic area following the establishment of the Greater Manchester Combined Authority in April 2011. This strategic, corporate body has powers in its own right, so is not dependent on delegations from its constituent authorities, and decisions to pursue a particular policy are binding, providing long-term stability. This provides a stable and accountable platform for Government to devolve powers and functions as part of the City Deal process.

Leeds City Region LEP

(Barnsley, Bradford, Calderdale, Craven, Harrogate, Kirklees, Leeds, Selby, Wakefield, York)

Leeds estimates that its deal will create 20,000 new opportunities for young people across Leeds City Region, and a further 20,000 extra jobs as a result of new freedoms, powers over skills, employment and transport.

Summary

- The cornerstone of the Deal is a 'Guarantee for the Young' – a commitment that every young person in the Leeds City Region has access to a job, training, apprenticeship, volunteering or work experience. The Leeds City Region 'Guarantee to the Young' will aim to create 20,000 new opportunities for young people in order to tackle the NEET problem.
- The Deal also gives Leeds City Region new powers over transport. Leeds City Region will establish a £1bn West Yorkshire 'plus' Transport Fund that could create a 2% uplift in Leeds City Region's economic output and 20,000 extra jobs, in return for the five authorities in West Yorkshire - Leeds, Bradford, Calderdale, Wakefield and Kirklees – moving to a Combined Authority model. The deal includes further initiatives on infrastructure investment, trade and inward investment.

2.7 Leeds City Region is the largest LEP area in the country outside of London with a population of three million and a £52bn economy. But there are challenges. Despite improvements, skills levels in the workforce remain below average, and Leeds City Region is also constrained by relatively low levels of inward investment and exporting. Of particular concern to Leeds City Region is the number of young people who are NEET (not in education, employment or training). There are 47,000 young people under the age of 25 who fall into this category. This is a serious constraint on the economic potential of the local area, with damaging impact on the aspirations and opportunities for young people in the area.

2.8 The Leeds City Deal seeks to overcome some of these long standing challenges; particularly the large number of NEETs. Critically, it will help Leeds City Region achieve its goal of accelerating economic growth to an average 2.6 per cent per year by 2030, create 60,000 new jobs by 2016 and achieve a substantial reduction in carbon emissions.

Leeds City Region has four parts to the deal:¹

1) **Skills and Worklessness:** Leeds City

Region will offer a new ‘Guarantee to Young People’ – a commitment that every young person in the Leeds City Region will have access to a job, training, apprenticeship, volunteering or work experience. This offer will be supported by a locally designed youth employment model that will create 20,000 new opportunities for young people. This will include a trail-blazing 14-24 Academy that will deliver a business led curriculum; an Apprenticeship Training Agency which will support small businesses that have traditionally shied away from apprenticeships because of costs or bureaucracy; a wider apprenticeship brokerage service to link young people and employers; and piloting a local alternative to the national youth contract for 16-17 year olds. In addition, Leeds City Region will get greater influence over the skills system through their Employment and Skills Board which will ensure that investment goes into the skills that the local economy needs.

2) Transport: Leeds City Region will establish a £1bn West Yorkshire ‘plus’ Transport Fund financed by a local levy that the Combined Authority would place on individual councils, a 10 year allocation of local major funding, and co-investment from Department for Transport on a strategic investment programme in the next spending review. This could create a 2% uplift in Leeds City

Region’s economic output and 20,000 extra jobs. Leeds City Region is also working on a joint proposal with other northern cities for devolution of the Northern Rail franchise.

3) Investment: Leeds City Region will create an investment fund backed by £200m of local resources, including pooled business rates. This will be matched by a single capital pot from central government, aligned to local investment priorities.

4) Trade and Inward Investment: Leeds City Region will commit resources to implement a delivery and investment plan for trade and inward investment. Government will support the plan and provide resource for joint project teams. The deal would seek to address the Leeds City Region trade deficit (over £1 billion a year), turning it into a trade surplus of £600m by 2015 and £1.7bn by 2018. This would raise Leeds City Region’s GVA by 1.1 per cent annually from 2015, and the city estimates that this will create at least 7,400 jobs by 2018.

Governance

As part of the Deal, the city will put in place a strong, stable and effective governance structure. Leeds City Region has committed to establish a **West Yorkshire (Leeds, Bradford, Calderdale, Wakefield and Kirklees) Combined Authority**.

¹ NB. There is also an agreement to take forward Leeds City Regions’ supplementary proposals on business friendly planning and the low carbon economy bilaterally.

Liverpool: Liverpool City Region LEP

(Halton, Knowsley, Liverpool, Sefton, St. Helens, Wirral)

Liverpool estimates that its deal will support over 35,000 people into work and create 6,000 apprenticeships through new powers over skills and employment, alongside delivering an international Business Festival which will deliver £100m return on investment.

Summary

Part 1

- Following Liverpool City Council's decision to move to a directly elected mayor, thus meeting the Government's test for strong and accountable leadership, Government announced part 1 of the Liverpool City Deal in February 2012.
- The deal included a new Enterprise Zone that buffers Liverpool Waters and will include the Central Business District; a £75m mayoral investment fund that will support economic development; and 6 new Academies Schools and a locally funded city wide school investment plan that will build 12 new schools.

Part 2

- As part of the Liverpool City Region Deal, Liverpool will put on an international Business Festival which will highlight and celebrate business opportunities to Europe and the rest of the World.
- It will also increase employment by combining public and private employment and skills investments; by empowering businesses to create more jobs, tackle skills gaps and raise productivity; supporting 17,400 people into work and creating 6,000 apprenticeships; and by creating 3000 jobs low carbon industries. The Deal also includes initiatives on transport, investment and the knowledge economy.

2.9 Liverpool City Region has a 1.5m people and £20bn economy. However whilst the Liverpool City Region has made progress over recent years it is still held back by the long term structural issues of relatively low skill levels, high levels of unemployment and an over dependency on the public sector. Skills gaps also remain amongst the most severe in the country which has a knock on effect on productivity.

2.10 The Liverpool deal is split into to two main parts. Part one: a deal with Liverpool City Council and the newly elected mayor focused

on giving the Mayor the tools to drive economic growth. The second part of the deal with the wider city region and Local Enterprise Partnership is focused on capitalising on the wider assets of the city region in the knowledge and low carbon sectors and the super port as well as reflecting on the recommendations of Lord Heseltine and Sir Terry Leahy's independent report.

There are four parts to the Liverpool City Deal (Part 1):

- 1) **Finance:** A new Enterprise Zone covering the 'City Fringe Buffer Zone and Central Business District' which will complement the existing Enterprise Zone in Liverpool and Wirral Waters and help deliver the £10bn Liverpool and Wirral Waters project.
- 2) **Economic Investment:** a Liverpool Mayoral Investment Board that will oversee the city's economic and housing strategy including the development of Home and Communities Agency's land assets. The government will also contribute £75 million endowment fund to the Mayoral Development Corporation to help the Mayor deliver critical economic development projects.
- 3) **Employment:** The city will work with Department for Work and Pensions to develop welfare pilots to deliver a localised programme of support for people leaving the Work Programme and a local alternative to the national 16-17 youth contract programme.
- 4) **Skills:** Liverpool will create 6 new academy schools and begin a Secondary School Investment Plan funded by the Council that will deliver up to twelve new build secondary schools.

And an additional six parts to the Liverpool City Region Deal (Part 2):

- 1) **Trade:** Liverpool City Region will deliver an international business festival that will facilitate new business opportunities in the city region, the Atlantic Gateway and across the UK, increasing exports with Europe, Asia and North America. The month long event that will be focused on key sectors will build on the success of the 2008 European Capital of Culture and their pavilion at the Shanghai Expo.
- 2) **Low carbon:** Liverpool City Region will run a low carbon red tape pilot that will make it easier for companies to invest in the facilities needed to compete more effectively for the multi billion pound offshore wind and civil nuclear contracts. The pilot will aim to reduce regulatory burdens and speed up local planning processes to accelerate an investment pipeline of over £100m in the next 5 years. Through this pilot Liverpool City Region hope to capture a greater share of the offshore wind market, bringing immediate jobs, open up supply chains and export opportunities.
- 3) **Skills and Employment:** combine public and private skills investments and empower businesses to create more jobs, tackle skills gaps and raise productivity. To achieve this, the Liverpool City Region will create the country's first Skills For Growth Bank - a business led mutual that unifies public and private skills investments; it will pilot a payment by results approach to adult skills with providers rewarded when their services get people into work; and set up Youth Unemployment Task Force that will aim to reduce long term youth unemployment by

half in 3 years. This package will support 17,400 new jobs in small and medium size enterprises and create 6,000 apprenticeships.

- 4) **Transport:** create a new strategic transport body across the city region that will establish a £800m 10 year transport fund. The fund will unlock investment in critical infrastructure links to the Port of Liverpool and the Northern Hub and create 15,000 jobs. This will empower local leaders to have more of a say over local transport decisions and to align these with wider economic development opportunities.
- 5) **Investment:** Liverpool City Region will create an Investment Fund that will bring together multiple public funding streams and give the city region the control to invest in local priorities.

- 6) **Knowledge Economy:** capitalise on Liverpool City Region's science and knowledge assets by attracting 'big science' to generate job growth and to fully realise the potential of the Liverpool City Region's knowledge assets.

Governance

The Liverpool City Region has demonstrated that they will put in place a strong, stable and effective governance structure with the newly elected mayor working with the LEP and the Liverpool City Region Cabinet to ensure that strategic decision making takes place at the Liverpool City Region level. Liverpool City Region has also committed to establish a single strategic transport body to ensure transport decisions are at the centre of economic development.

Newcastle: North Eastern LEP

Newcastle estimates that the deal will create around 13,000 jobs and secure £1bn of investment over the next 25 years as a result of new financial powers, alongside an additional 8,000 jobs in the marine and offshore sector in the North East, and 500 new apprenticeships in Newcastle.

Summary

- The corner stone of the deal is a commitment by Central Government to ring-fence business rate income in four growth sites in Newcastle and Gateshead, and to retain them locally. This unique arrangement will allow both Councils the financial freedom to deliver ambitious plans for private sector-led growth, initiating a £90m infrastructure programme.
- The City Deal will also create 8,000 jobs in the marine and offshore engineering sector in the North East, and position Newcastle as a pioneer in the low carbon economy. The deal also includes initiatives on transport, broadband, employment and skills, and housing.

2.11 The North Eastern LEP area has a population of around 2m and generates £32bn of economic output per year, and in the years prior to the recession, private sector employment in Newcastle and its surrounding area increased by more than in any other major city apart from London.

2.12 However the city faces a number of economic and social challenges. The labour market continues to endure the legacy of inter-generational unemployment, a disproportionate number of young people not in education, employment or training, and a workforce which does not meet all the needs of the business community, whilst there is a need to create large number of entry level jobs. Furthermore, there is a particular need for infrastructure investment across key city centre and manufacturing sites. The Newcastle City Deal will contribute to the North Eastern LEP's

priorities, and overcome these challenges to economic growth.

Newcastle City Deal has five parts:

- 1) **Accelerated Development Zone:** create a NewcastleGateshead Accelerated Development Zone (ADZ), unlocking city centre growth, which will provide a £1 billion boost to the North East economy. Newcastle and Gateshead will benefit from new tax increment financing powers, with all growth in business rate income generated within the four key development sites retained by the two Councils for 25 years. This will allow Newcastle and Gateshead Councils to immediately initiate a £92m investment programme, creating 2,000 permanent jobs within five years, and 13,000 within 25 years.
- 2) **Energy, Marine and Low Carbon:** secure £500m in private sector investment in the

next five years into the marine and offshore manufacturing sector, creating 8,000 jobs over the LEP area. Building on Newcastle's reputation for sustainability and existing expertise, establish Newcastle as a low carbon Pioneer City, and deliver a carbon reduction target of 34% by 2020.

- 3) **Employment and Skills:** Newcastle and Government will improve employment opportunities through co-location and better integration of national and local services. Newcastle will also set up a Skills Hub which will support small businesses to take on apprentices; increase apprenticeship starts by 15% (500 in Newcastle); deliver a skills system which better meets the needs of employers; and provide a model for local delivery of the Youth Contract.
- 4) **Housing:** deliver a Joint Investment Plan with the Homes and Communities Agency (HCA), using HCA resources and Newcastle's £25m Future Homes Fund, to

deliver 15,000 homes within Newcastle's urban area and to improve the housing market in Newcastle.

- 5) **Transport and Connectivity:** produce an investment programme with Government to reduce congestion on the A1 Western Bypass, to reduce journey times on one of the most congested links in the national network, as well as investing in the broadband infrastructure of the city.

Governance

Newcastle will work with other local authorities towards creating a North East Combined Authority.

Separately, in response to the governance requirements of the Accelerated Development Zone, Newcastle and Gateshead intend to further strengthen their partnership, by giving it formal decision making powers and making it subject to greater scrutiny and accountability.

Nottingham

Nottingham estimates that the deal will create 10,000 jobs and 1,000 apprenticeships in and around the Creative Quarter.

Summary

- Nottingham will turn its Creative Quarter into an incubator that will attract a cluster of high tech businesses and entrepreneurs. It will support the development of high tech firms in and around the Quarter through technology grants, a £45m venture capital fund and a ‘Generation Y’ pilot to encourage young graduates become entrepreneurs.
- The Deal will also simplify the process of connecting people to jobs, with the aim of reducing youth unemployment by 25% over 4 years, and creating 1,000 apprenticeships in and around the Creative Quarter. There are also initiatives on infrastructure investment, transport and the low carbon economy.

2.13 The City of Nottingham has a GVA of £12.1 billion. It is also the youngest core city, with 25% of the population aged between 16 and 24, and has two leading universities with over 55,000 students and 18,800 annual graduates.

2.14 However, Nottingham has suffered from a lack of private sector jobs growth. Even prior to the economic downturn, between 1998 and 2008, Nottingham experienced negative net private sector jobs growth – Nottingham lost 15,600 jobs in this period – the second worst performance of all the core cities.

2.15 The City Deal will unlock Nottingham’s economic potential, by putting in place the structure to enable enterprise to flourish, and to allow young people to better access the opportunities that will be created. The Deal is built around Nottingham’s Creative Quarter - the Nottingham Growth Plan’s flagship project – a unique enterprise environment.

Nottingham City Deal has four parts:

- 1) **Enterprise support:** Establish a large incubator in its Creative Quarter. Nottingham will trial new SME finance products to boost high tech start ups: a **£45m venture capital fund to provide equity in high tech businesses;** a **Technology Fund** to support the exploitation of intellectual property; and a **“Generation Y” fund** to encourage graduates to start businesses in Nottingham.
- 2) **Employment and Skills:** a package of measures to increase skills and reduce unemployment, including an apprenticeship hub which will create up to 1,000 apprenticeships in and around the Creative Quarter; a Youth Employment Hub which will help 16-24 year olds find jobs in Nottingham and reduce youth unemployment by 25% over 4 years; a scheme to get

businesses into schools to improve enterprise education; and a pilot for adult and community learning.

- 3) **Connectivity and Infrastructure:** deliver a package of transport measures that will improve connectivity to other cities through improvements to Midland Mainline and links to HS2 in the East Midlands; by managing congestion on key roads; and trialling innovative ways to use transport to improve access to jobs. The deal will also transform the infrastructure and transport links across the Creative Quarter through a £8m New Development Deal scheme. Finally, it will provide **super-fast broadband connectivity** to businesses in and around the Quarter through joint investment from Nottingham and commercial providers.

- 4) **Low Carbon:** put in place a Green Deal strategy to **accelerate Nottingham's move to a low carbon economy**, with assistance to secure funding to roll out an expansion of the city's district heating system.

Governance

Nottingham will put in place strong private sector led leadership to deliver the vision for its economy, by creating the Nottingham Economic Growth Board chaired by Sir John Peace (Chairman of Standard Chartered). The Board will oversee the venture Capital Fund and the entire suite of measures to deliver the Creative Quarter and the Nottingham Economic Strategy.

Sheffield City Region

(Barnsley, Bassetlaw, Bolsover, Chesterfield, Doncaster, North East Derbyshire, Rotherham, Sheffield)

The Sheffield City Deal will create over 4,000 new apprenticeships and an additional 2,000 up skilled employees over a three year period and 7,000 new jobs through a city centre development scheme.

Summary

- Sheffield City Region will work with Government to create a transformative local skills funding model to address skills gaps in key growth sectors such as advanced manufacturing. Sheffield will lever in £44.4m of local public and private sector investment in return for £27.8m of devolved funding from Central Government, to create 4,300 new apprenticeships and 2000 additional qualifications in key sectors.
- Sheffield City Region will also receive new financial powers as part of the Deal to strengthen Sheffield City Region's economic self-reliance, through a Sheffield City Region Investment Fund (SCRIF). This will provide flexible financial tools to invest in growth, develop infrastructure, create jobs and stimulate inward investment. Sheffield will also receive tax increment financing powers for a city centre development. The deal also includes new initiatives for transport and nuclear advanced manufacturing in return for strengthened governance in the form of a South Yorkshire Combined Authority.
- Sheffield will receive new powers to fund a £33m city centre regeneration scheme through tax increment financing – a New Development Deal.

2.16 Sheffield City Region generates over £25.7bn for the UK economy, and has a population of over 1.7m people with 7.6m people living within a 35 mile radius of the City of Sheffield. But Sheffield City Region has a number of challenges to address if it is to meet its full potential. These include a historical dependence on the public sector jobs and grants, educational underperformance and continuing skills gaps in key sectors, and a need for infrastructure investment, particularly for transport.

2.17 Sheffield City Region can make a significant contribution to an export-led, rebalanced UK economy by capitalising on their unique assets and heritage. It has the economic growth potential to lead a 21st century UK export boom beyond the volatile EU market with a high skilled, modern manufacturing economy, combining digital innovation and world class advanced manufacturing expertise.

2.18 The City Deal will ensure the economy is fully enabled to meet business demand by

maximising the skilled resource available and investing in essential infrastructure to accelerate growth.

Sheffield City Deal has four parts:

- 1) **Skills:** Sheffield City Region will create a local skills funding model to address skills gaps in key growth sectors such as advanced manufacturing. Sheffield will lever in £44.4m of local public and private sector investment in return for £27.8m of devolved funding from Central Government over a three year period. The city will use this budget to invest in skills and to incentivise colleges and providers to respond quickly and flexibly to emerging needs of key sectors. Sheffield City Region will create a *Skills for Growth and Employment Partnership*, enabling business leaders, skills providers and local authorities to oversee the delivery of the deal and shape skills provision. This will deliver at least 4523 additional apprenticeships and 2,000 skilled employees over three years.
- 2) **Finance:** create a Sheffield City Region Investment Fund that will give the city new freedoms and financial powers to invest in growth, develop infrastructure, create jobs and stimulate inward investment based on local priorities. The £700m Sheffield City Region Investment Fund will include an initial contribution of £30m from Sheffield, business

rate income from a city centre development scheme and public sector funding.

- 3) **Transport:** a transport package that will improve connectivity in Sheffield City Region including a 10 year allocation of devolved majors funding; devolution of Northern Rail Franchise; local management of the tram trains project; and a Better Bus Area pilot which will give Sheffield City Region the power and tools to improve the quality and access of the local bus network.
- 4) **Nuclear Advanced Manufacturing Supply Chain:** Develop a national centre for procurement based around Sheffield City Region's Advanced Manufacturing and Nuclear Research Centres. This will help improve national procurement; speed up innovation and help Sheffield City Region build up its comparative advantage in advanced manufacturing and nuclear industries.

Governance

Sheffield has recognised the need to put in place a strong, stable and effective governance structure in order to maximise local growth. They are forming a South Yorkshire Combined Authority and have a plan making clear how they intend to expand this across the entire Sheffield City Region area in the future.

 HM Government
Cabinet Office

1 Horse Guards Road
London SW1A 2HQ

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