
CITY DEAL

**Responsible Cabinet Member –
Councillor Chris McEwan, Economy and Regeneration Portfolio**

Responsible Director – Richard Alty, Director of Place

SUMMARY REPORT

Purpose of the Report

1. To consider the principles of the emerging Expression of Interest for City Deal status, agree the Council's involvement in this expression and agree the arrangements for completing the submission.

Summary

2. In December 2011, the Coalition Government launched City Deals. The Government's ambition is to create powerful, innovative cities that are able to shape their economic destinies, with civic and private sector leaders freed to look outwards to businesses and communities rather than upwards to central government for solutions. The key objectives of city deals are to:
 - (a) boost local economic growth,
 - (b) rebalance the economy spatially and
 - (c) decentralise the powers and levers cities need to drive local growth, and strengthen governance and leadership.
3. Eight "core cities" were appointed in the first wave deals and twenty "city" areas have been invited to apply in the second wave. The Tees Valley sub-region are one of those who have been asked to submit their initial proposals for the second wave decision. Within this wave there will be an element of competition, and not all cities will necessarily be awarded a deal. Each city, and their Local Enterprise Partnership, has been invited to put forward a proposal to address a significant local economic issue which requires a transformative response that is not currently possible through existing interventions.
4. The emerging Expression of Interest for City Deal status will be based around the following content:

- (a) The fundamental challenge for the area is that there are not enough jobs particularly private sector ones, with an over reliance on the public sector leading to high levels of unemployment.
- (b) The area's key sectors are important to UK economy, but involve high use/emission of CO².
- (c) There are significant strengths in exporting products, but also significant untapped potential.
- (d) Opportunities for economic growth exist in the scale and make up of industrial activity.
- (e) Opportunities exist to accelerate the pace of change through deploying green technology.
- (f) The opportunity to grow the local economy and make it much more competitive by integrating activities and supply chains.
- (g) The vision involves the nationally and internationally significant petro-chemical, bio-chemical and new renewable energy sectors to drive forward greater diversification and create opportunities in other sectors, such as advanced manufacturing, sub-sea, digital enablement.
- (h) The area's offer involves using the Investment Fund as a catalyst for private sector investment.
- (i) Local companies will lead on the integration of activities to enhance competitiveness.
- (j) The Government is being asked for a single capital pot allocation, innovative funding mechanisms and a policy approach that is cross-departmental, cohesive and comprehensive.
- (k) In addition, investment in commercialising research is sought to ensure that skill needs are met and that infrastructure provision keeps pace with the growth.

Recommendation

5. It is recommended that members agree the following delegation.

Delegation

6. It is recommended that members support the making of a bid for City Deal status and delegate the agreement on the final detailed draft of the Expression of Interest to the Chief Executive in consultation with the Leader of the Council.

Reason

7. The recommendation is supported to facilitate the preparation of the final document by the bid deadline.:-

Richard Alty, Director of Place

Background Papers

No Background papers were used in the preparation of this report.

Simon Houldsworth : Extension 2701

S17 Crime and Disorder	The City Deal application has no impact on crime and disorder.
Health and Well Being	The City Deal application if successful would mean that more local people have the opportunity to find employment. Research has indicated that general health and well can improve if people are employed.
Carbon Impact	There are no carbon impact implications in this report.
Diversity	The Expression of Interest will incorporate existing strategies and actions that have already been assessed at a high level under the Equalities Act 2010. More assessment will be carried out as part of the normal project management processes for scheme delivery.
Wards Affected	The whole Borough will be covered by the Expression of Interest.
Groups Affected	No particular parts of the community would be impacted more than any others.
Budget and Policy Framework	A City Deal should bring benefits to local people through increased economic activity and jobs. It should also mean that the Council receives more business rates as business activity increases. Further detail will need to be worked out before any indicative budgets can be included in the Medium Term Financial Plan
Key Decision	This is not a key decision
Urgent Decision	This is an urgent decision as the Expression of Interest needs to be submitted in January.
One Darlington: Perfectly Placed	Facilitating the economic growth of the Borough using freedoms and flexibilities offered through City Deal status fits within the policy context surrounding the local economy.
Efficiency	No impacts on efficiency are set out in this report, although City Deal status may enable specific opportunities to be brought forward at a later date.

MAIN REPORT

Information and Analysis

Background

8. In December 2011, the Coalition launched City Deals¹. The Government's ambition is to create powerful, innovative cities that are able to shape their economic destinies, with civic and private sector leaders freed to look outwards to businesses and communities rather than upwards to central government for solutions. The key objectives of city deals are to:
 - (a) boost local economic growth,
 - (b) rebalance the economy spatially and
 - (c) decentralise the powers and levers cities need to drive local growth, and strengthen governance and leadership.

9. In the first wave "deals" were concluded with eight "core cities": Greater Birmingham and Solihull, Bristol and the West of England, Greater Manchester, Leeds City Region, Liverpool City Region, Nottingham, Newcastle and Sheffield City Region.

10. The approach to City Deals is informed by a set of key principles:
 - (a) putting cities in the driving seat: cities, not Whitehall, are best placed to understand the economic opportunities and challenges they face.
 - (b) focusing on the wider metro area: Encouraging deals across the wider economic area has clear merits in terms of scale, geographical reach and economic governance. Deals will be negotiated with groups of authorities across a functional economic area.
 - (c) working across boundaries, sectors and professions: partnership and collaboration between Government, cities and their neighbouring authorities, and local business leaders will be critical to delivering transformative change.
 - (d) devolving real power to city authorities: cities need the right levers to drive economic growth. Where there are clear economic gains to be had the Government will look for opportunities to devolve powers and responsibilities.
 - (e) providing incentives for sustainable success: local leaders will need to redouble their efforts in creating incentives and conditions for private sector success.
 - (f) frontload political engagement: getting real political traction and buy-in within central government by frontloading ministerial engagement with cities.

¹ <http://www.dpm.cabinetoffice.gov.uk/resource-library/unlocking-growth-cities>

Tees Valley City Deal

11. In October 2012, the Government formally invited 20 “wave two”² “cities” including the Tees Valley sub-region were asked to submit their initial proposals by 15 January 2013. Within this wave there will be an element of competition, and not all cities will necessarily be awarded a deal. Each city, and their Local Enterprise Partnership, has been invited to put forward a proposal to address a significant local economic issue which requires a transformative response that is not currently possible through existing interventions
12. Tees Valley Unlimited has been preparing drafts of an Expression of Interest (EOI) for discussion with partners including partner Councils, Business Representative Organisations and the sub-region’s lead contact from the Government’s Cabinet Office.
13. The emerging Expression of Interest for City Deal status will be based around the following content:
 - (a) The fundamental challenge for the area is that there are not enough jobs particularly private sector ones, with an over reliance on the public sector leading to high levels of unemployment.
 - (b) The area’s key sectors are important to UK economy, but involve high use/emission of CO².
 - (c) There are significant strengths in exporting products, but also significant untapped potential.
 - (d) Opportunities for economic growth exist in the scale and make up of industrial activity.
 - (e) Opportunities exist to accelerate the pace of change through deploying green technology.
 - (f) The opportunity to grow the local economy and make it much more competitive by integrating activities and supply chains.
 - (g) The vision involves the nationally and internationally significant petro-chemical, bio-chemical and new renewable energy sectors to drive forward greater diversification and create opportunities in other sectors, such as advanced manufacturing, sub-sea, digital enablement.
 - (h) The area’s offer involves using the Investment Fund as a catalyst for private sector investment.
 - (i) Local companies will lead on the integration of activities to enhance competitiveness.
 - (j) The Government is being asked for a single capital pot allocation, innovative funding mechanisms and a policy approach that is cross-departmental, cohesive and comprehensive.

² The next fourteen largest cities and their wider areas and the next six with the highest population growth (between 2001 to 2010) namely: the Black Country; Bournemouth; Brighton and Hove; Greater Cambridge; Coventry and Warwickshire; Hull and Humber; Ipswich; Leicester and Leicestershire; Milton Keynes; Greater Norwich; Oxford and Central Oxfordshire; Reading; Plymouth; Preston and Lancashire; Southampton and Portsmouth; Southend; Stoke and Staffordshire; Sunderland and the North East; Swindon and Wiltshire; and Tees Valley.

- (k) In addition, investment in commercialising research is sought to ensure that skill needs are met and that infrastructure provision keeps pace with the growth.
14. The EOI has to be submitted by 15th January and the indications are that perhaps as few as 12 out of the 20 cities/areas invited to bid will be successful. Clearly the aim is to get through this competitive stage and then enter into much more detailed negotiations (8/9 months has been mentioned) with the Government to firm up the deal.
15. Given the nature of the exercise and the complex sources of input into the EOI, members are asked to support the principle of making a bid and agree that the final detail of the submission is delegated to the Chief Executive in consultation with the Leader of the Council. The lead in creating this detail will be taken by officers at Tees Valley Unlimited.

Financial Implications

16. A City Deal for the Tees Valley should mean that:
- (a) Central Government is not finding new money to hand to City Deal areas, rather it is top slicing existing budgets, and allowing decisions on how the money is spent to be taken locally, rather than in London.
 - (b) If successful, Government would intend that the Tees Valley Councils find it easier to borrow money against the future income that they (the Councils) generate from a project.
 - (c) further ways of attracting private sector investment become possible. Any growth in the local economy will be of benefit to local people through increased employment opportunities and will also bring benefits through the increased business rates being received by the Council.

Legal Implications

17. The governance arrangements for the City Deal will use those already in place for TVU who are a voluntary public/private partnership with Stockton-on-Tees Borough Council, acting as the accountable body with a legal agreement in place with the other Tees Valley Councils.

Consultation

18. An engagement process led by TVU is ongoing with business organisations.

Outcome of Consultation

19. The emerging proposals have support of the business organisations to date and the ongoing engagement process will seek to maintain that situation.