

Norwich City Council
SCRUTINY COMMITTEE

Item No 6

REPORT for meeting to be held on 28 November 2013

City deal

Summary:

At the annual work programme setting meeting earlier this year, this item was scheduled with the agreed; **purpose - to gain an overview and comment on the accountability aspects of the city deal.**

Attached to this covering report are the following documents that should assist members; the draft report for the cabinet meeting being held on 11 December 2013 and the briefing paper that was circulated to members when requesting questions. Along with some initial questions that may assist members at section 1 of this covering report.

Conclusions:

In line with the purpose of this scrutiny review, members are invited to consider any relevant lines of enquiry around arrangements for governance.

Recommendation:

That any scrutiny comments arising from this topic discussion be reported to the cabinet

Contact Officer:

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PLEASE NOTE: the response to the member questions circulated in advance of this meeting will be circulated as soon as possible prior to the meeting.

1. Questions to assist the committee;

NOTE: Most of the points below have been covered in the attached papers to this covering report. However, these questions may assist the committee for matters of clarification around gaining a general overview of the city deal and an understanding of the accountability and governance arrangements.

1.1 What is the main purpose of the city deal?

- The focus and key functions
- Provide an indication of scale in terms of its reach, size of membership and number of stakeholders
- The geographical area it serves
- The size of population it serves

How would you best categorise the 'primary' purpose of the city deal?

- Strategic
- Advisory
- Service delivery
- Coordinating or organising activity
- Other – please state;

Do the city deal partners have fully agreed aims?

What is the term of the city deal?

Is there a stated reason for why the city deal exists? And what is it?

Is it possible to briefly explain the structure(s) that will deliver the city deal?

Legal status – is the partnership required by statute, voluntary or recommended by government?

Funding – how is the city deal funded?

Source:	Amount	% of total funding
New Anglia LEP		
Norwich city council		
Broadland		
South Norfolk		
Norfolk County Council		
Other		

What is the annual total budget or funding amount?

Who has accountability and oversight of the following?

Income/funding, Allocation, Project management, Outcomes

Will funding streams remain in the future?

Powers – what does the city deal allow the partners to do that they could not do pre city deal?

Will powers taken on through the city deal remain in the future?

Who has overall accountability in terms of the powers?

Who has oversight of the above?

How will the funding arrangements and projects be monitored?

Who will be the democratically elected responsible person on the various structure arrangements for the city deal?

Is there a city deal agreement, terms of reference and constitution?

How does the city deal's aims link to the council's main objectives?

EG the aims of the corporate plan?

Would the continuation of the scrutiny and overview that takes place of the council's achievements against the corporate plan be enough to provide oversight and accountability in regard to the city deal?

If not; what would need to change?

Report to	Cabinet	Item
	11 December 2013	
Report of	Deputy Chief Executive	
Subject	City Deal for Greater Norwich	

KEY DECISION

Purpose:

The purpose of this report is to consider the current position of the negotiations for a city deal for the Greater Norwich area and the arrangements for the implementation of the deal.

Recommendation:

Cabinet is recommended to note the significant progress achieved on a City Deal for the Greater Norwich area and, subject to final Government approval, proceed with the arrangements necessary to implement the agreement.

Corporate and service priorities:

The report helps to meet the corporate priority Prosperous City.

Financial implications

Being part of the city deal process has enabled the council to secure additional funds for the area. From 2014/15 onwards financial matters will be included in the annual business plan that will require Cabinet approval.

Ward/s: All wards

Cabinet member: Councillor Brenda Arthur, Leader

Contact officers

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Background documents:

Report to Cabinet January 2013: Greater Norwich City Deal – Expression of Interest

Report to Cabinet June 2013: Greater Norwich City Deal – Negotiation document

Report to Cabinet October 2013 – Greater Norwich Growth Board

Report

Background

1. In October 2012, Government announced a second wave of 'City Deals' by inviting 20 towns and cities in England to submit an Expression of Interest to be included in the initiative. The councils forming the Greater Norwich area were invited to participate along with the New Anglia Local Enterprise Partnership (NALEP).
2. Over the past 12 months there have been extensive negotiations with Central Government over the form and nature of a deal. Throughout this period the Greater Norwich deal has retained its focus around the essential building blocks for growth – a skilled workforce, support for business enterprise and innovation and appropriate infrastructure to accommodate growth in homes and jobs. The Government is seeking a step change in the economic performance of cities and in return they are prepared to consider additional freedom and flexibilities for local authorities to ensure growth is delivered. There is no 'new' government funding specifically allocated to City deals but local authorities can seek to access or influence existing funding arrangements. Delivering the growth ambitions contained in the Joint Core strategy has been a key consideration in the formulation of a city deal for the area. All aspects of the deal are consistent with this approved land use policy framework.
3. The approval process for the Deal has followed a number of key steps. The Greater Norwich City deal is at the final stage of ministerial approval and this will be followed by the agreement of a delivery plan. The process for completing the Deal has been elongated and complicated by the fact that various components are subject to separate approval arrangements. However, the outcome to date has been positive and Greater Norwich has received considerable benefit from being engaged in the City Deal process.
4. The purpose of this report is to consider the current position of the negotiations for a city deal for the Greater Norwich area and the arrangements for the implementation of the deal.

Current proposal

5. The deal has three strands:
 - Targeted **enterprise and innovation** initiatives to help existing business to expand and enable new small and medium sized enterprises to capture and commercialise research and academic excellence in life sciences and biotechnology at the Norwich Research Park, the digital creative cluster in the city centre and the aviation cluster based around Norwich International Airport.
 - Providing essential housing, transportation and utility services necessary to meet the **infrastructure** needs of a growing and expanding local economy

- A LEP wide **skills programme** that will provide a locally responsive skills system to maximise employer involvement and investment and increase apprenticeships and graduate internships. These requirements were included in the Ipswich City Deal submission.
6. In more detail the enterprise and innovation components of the Greater Norwich city deal are as follows:

Enterprise and Innovation

- 6.1 The LEP have identified the potential to enhance business enterprise and innovation that would deliver significant growth as a key priority. The LEP have designated Greater Norwich as a key location to exploit this development potential across a number of growth sectors particularly in life sciences and biotechnology, creative and digital industries and in high-value aviation engineering.
- 6.2 However, there is concern that the Greater Norwich area is failing to capitalise on the growth potential of its knowledge base, particularly its universities and the research institutes that make up the Norwich Research Park. Consequently business start-up rates and business GVA are below regional and national averages and business death rates are rising, whilst on average they are falling nationally. At the same time the level of commercialisation from the area's research institutes could be higher.
- 6.3 In response as part of the City Deal process a Greater Norwich Business Growth Programme will introduce a suite of business support services (such as early stage grant funding and technology vouchers to access specialist expertise from local universities) and measures to ensure businesses can find the support they need. At the same time, the Business Growth Programme will raise awareness and uptake of public and private sector support available at the local and national levels by effectively guiding businesses to the most appropriate support.
- 6.4 The Business Growth Programme will be established covering the Greater Norwich and Greater Ipswich deals. This programme is being progressed through a bid to the Wave 2 Business Growth Programme developed by the Cabinet Office Cities Policy Unit, Department for Business, Innovation and Skills and Lancaster University.

Infrastructure

- 6.5 Investment in strategic infrastructure is needed across the Greater Norwich area to prevent the private sector becoming constrained and unable to deliver the housing and job growth programme. The GNDP have identified a £440m programme of essential infrastructure required to deliver the ambitious growth plans for Greater Norwich over the period to 2025.
- 6.6 The Greater Norwich Authorities have worked together to introduce a Community Infrastructure Levy. Community Infrastructure Levy income will create a substantial local growth fund for capital investment. This fund will help the area to maximise the use of future mainstream funding

and to take full advantage of new competitive bid opportunities and LEP funding. However, there is a potential funding gap over the period to 2025 estimated to be in the region of £64.5 million. The existence of such a gap is not unusual.

- 6.7 To help close this funding gap the local authorities will commit to securing additional funds and where they have the legal power to provide funding and where borrowing is necessary, underwrite the risk of the repayment required including the use of future income from Community Infrastructure Levy. To reduce the cost of borrowing City Deal partners have asked for the Public Works Loan Board project rate discount to be available on borrowing to fill the £60 million gap.
- 6.8 In addition to the need for investment in strategic infrastructure upfront funding for onsite infrastructure is seen as one of the biggest barriers to the creation of new jobs and homes. Across Greater Norwich there is planning consent for some 10,000 dwellings (July 2013) but the cost of opening up sites for development may be one of the key reasons why these consents are not always being implemented in a timely manner. To help address this, as part of the city deal it is proposed to establish a local infrastructure fund by borrowing £20 million from the Public Works Loan Board at the project rate discount. This fund will provide loans to developers for site specific help to enable housing and commercial sites to be delivered quickly. The fund will be managed on a rolling basis. The fund will be repaid over a 20 year period.

Skills

- 6.9 The City Deals process underway in both Norwich and Ipswich has provided the catalyst for the significant changes in the skills agenda which will be supported by the completion of the NALP Skills Strategy and its associated actions. Due to the nature of skills provision much of the negotiated activity will take place across the whole LEP geography although where appropriate pilots will be run in smaller areas in the first instance. The following sets out the main elements which will form the approach in Greater Norwich and Norfolk.
- 6.10 The main focus of the City Deal will be to develop a locally responsive skills system with effective careers support. At a LEP level, this will involve establishing a LEP wide skills board with private sector training providers, LEP and Local Authority representation to drive evidence based skills planning and act as a forum for increased investment in skills by employers. In addition, the county council will build on the success of the Apprenticeships Norfolk Fund to create further apprenticeship opportunities. This will involve accessing existing and additional funding streams. This will be supported by local skills intelligence to showcase Norfolk's economy and to seek to align skills training with our growth sectors. This will provide additional graduate apprenticeship opportunities.

- 6.11 There will also be a focus on increasing employer investment in skills by establishing local deals that will bring together funding available to the LEP, the Skills Funding Agency, other public bodies and the private sector. It is envisaged this will be built on a 50:50 public/private split. It is also intended to have direct employer payments to encourage employers to invest in training.

Achievements to date

7. As noted above the Government has not provided additional resources for this initiative. Instead they have directed city deal authorities to compete for existing funding opportunities including funding ring-fenced funding for city deal authorities only. The Greater Norwich authorities and LEP have made a positive response to these opportunities and have achieved considerable success. The following is an overview of the 'mosaic' of government decisions that have already been made/or are imminent around the three core components of the Greater Norwich City Deal:

- (a) **Skills:** The skills component was agreed In October 2013 as part of a LEP wide proposal contained in the Greater Ipswich City deal.
- (b) **Enterprise & Innovation:** BiS have invited wave2 city deals to submit competitive proposals for a programme of business support initiatives. A LEP wide funding proposal was submitted in November 2013 and this captures all aspects of the Greater Norwich city deal proposal. A decision is expected on this submission before the end of the calendar year.
- (c) **Infrastructure:** Approval of the infrastructure component is the most complicated and involves a number of separate decisions as follows:
 - (1) In a competitive process, open to city deal authorities only, Greater Norwich secured £3.72m for measures to promote cycling in the city.
 - (2) In a competitive process, only open to authorities who had been awarded a cycle ambition grant, Norwich secured £229k from the Department of Health to bring forward a two year programme of measures to increase the number of people walking in the city.
 - (3) Norfolk County Council has secured DfT approval for a feasibility study of the A47. The route based strategy study will, amongst other things, review the requirement to improve capacity of the Longwater and Thickthorn junctions which have been identified in the city deal as key to meeting the traffic implications of additional growth along the A11 corridor and to the south of the city generally. Only a few authorities have been invited to prepare a feasibility study and this is a precursor for any subsequent inclusion in a future Trunk Road improvement programme.
 - (4) In November 2013, following a competitive process open to Local Economic Partnerships, the Greater Norwich city deal authorities secured Treasury approval to borrow £36.7m at a discounted Public Works Loan Board rate to provide finance to help meet the infrastructure funding gap. The agreement will provide loan funding

to support investment in both strategic infrastructure (e.g. NATs) and local infrastructure (e.g. roads and services required to open up sites for housing and commercial development in the city and elsewhere). The loans will be repaid from developer and other income.

- (5) As part of the formal City Deal sign off a decision will be made on a request for a further £43.3m of discounted PWLB borrowing to provide additional support for investment in strategic and local infrastructure over the period to 2025. This investment will help ensure the timely delivery of infrastructure in advance of development being completed. As above these loans will be repaid from developer and other income. Combined with item (4) if approved this will provide the greater Norwich city deal authorities with PWLB borrowing approval at a discounted rate of £60m for strategic infrastructure and £20m for a local infrastructure fund.

Implementation

8. Various bodies will be engaged with delivering the different components of the City Deal. Following approval of the final elements of the deal the next stage will be agreement with Government on a delivery plan with agreed outcomes and commitments from both parties. A key part of managing the implementation process at a local level is the establishment of a Growth Board for Greater Norwich. In November 2013 cabinet agreed to support this initiative and it is envisaged that the board will be operational prior to 2014/15 financial year. The Board will be led by local authority and LEP representatives and will have the scope to include other key partners.
9. The constitutional arrangements for the Growth Board are still being formulated and will require cabinet approval. The remit of the board is to provide a co-ordinated approach to the delivery of jobs, homes and infrastructure across the area. The Board will also provide a link to the LEP wide work on skills and business support. For 2014/15 the local authorities and LEP will prepare an annual business plan and this will determine, amongst other things, the strategic infrastructure capital investment plan for the area. The Board will be tasked with the delivery of the business plan and will have primary responsibility for coordinating the delivery of strategic infrastructure. The Board will also oversee the management of the local infrastructure growth fund. The board will also have representation on LEP wide boards responsible for skills and business support.
10. Prior to the establishment of the growth board and agreement of the annual business plan for 2014/15 there will be a requirement to release some PWLB loan funding to support strategic infrastructure investment and to help kick start investment in homes and jobs. Norfolk County Council is the accountable body for the administration of this funding and where investment proposal impact on the City Council separate cabinet approval will be sought.
11. Next year, which will be the first year of the operation of the Greater Norwich Growth Board, the LEP will be preparing to implement the Government's decision to devolve more resources to a local level. Building

on the success of city deals the government intend to agree Local Growth Deals with each LEP. Unlike city deals the LEP Growth Deals will have dedicated funding streams (for transport schemes, economic development initiatives etc). In this context one of the benefits of having a Growth Board for the area is that Norwich will have an existing framework to respond to any investment opportunities arising from these new arrangements. Furthermore it has been recognised that some aspects of the greater Norwich and Ipswich city deals will be captured by the local growth deal for the New Anglia LEP s and for this reason both the Skills and the Enterprise and & Innovation elements have been designed to allow implementation across the New Anglia LEP area.

Greater Norwich City Deal; Background note for Scrutiny

- 1.1 The Greater Norwich City Deal covers the City of Norwich, Broadland and South Norfolk. These three district authorities together with Norfolk County Council and New Anglia LEP are the lead organisations for the City Deal. The deal has three components and over the past 12 months they have been the subject of numerous discussions and negotiations with various Government departments. The deal is close to agreement.
- 1.2 The city deal process has been challenging and complex. The Greater Norwich deal has been developed alongside a deal for Greater Ipswich and since they are part of the same Local Economic Partnership they have been closely aligned and some of the elements are the same. The Greater Norwich proposal has three strands or essential building blocks that underpin the growth of homes and jobs, as follows:
 - (a) A **skills element** that has been developed in partnership with Greater Ipswich and has LEP wide implications. This element has been agreed as part of the approval of the Ipswich deal. The new approach will seek to develop a locally responsive skills system that meets the needs of business and, amongst other things, seeks to increase apprenticeships. The skills component will be managed on a LEP wide basis (the New Anglia LEP covers Suffolk and Norfolk) but there will be operational skills & employment boards at a County level. The Greater Norwich area will have representation on these boards.
 - (b) A **business support, innovation and enterprise** element. This has grown from the commercialisation of NRP academic and research excellence to a broader package of measures that can be applied across the whole of the LEP area. It is being based on the government Growth Hub initiative and has been developed in partnership with Greater Ipswich.

This element will be the subject of a separate approval process and a formal submission has been made to BIS for £5.5m funding to support a LEP wide initiative. The outcome will be known at the end of the year. When it is agreed this element of the city deal will provide a range of measures to accelerate the growth of local business and includes new initiatives like innovation vouchers (where business can purchase advice and assistance from the three universities in the LEP area) and measures to assist access to business finance.
 - (c) An **infrastructure funding element** that is 'bespoke' to Greater Norwich and seeks to assist the delivery of the area's growth ambitions. Infrastructure investment will be managed by the Greater Norwich Growth Board and will be based on an annual business plan agreed by the constituent authorities and the LEP.

As part of the city deal process Norwich has already been awarded £3.7m to invest in cycle routes/pedal ways in the City. In addition further financial support is being sought to help ensure the timely delivery of other infrastructure. This fall into two areas:

- (i) a request to Government for the local authority partners to borrow at a reduced rate of interest to ensure the delivery of **strategic infrastructure** that supports the growth programme to 2025 (eg to assist in the financing of schools, transport/highway measures, community facilities, open space etc). This borrowing will be repaid from development income; and
- (ii) a request to government to borrow at a reduced rate of interest to establish to enable the local authorities to establish a **local infrastructure fund** to help kick start the development of new homes and jobs. This borrowing will be repaid by the developer as the scheme proceeds.

Like other parts of the city deal process the approval arrangements for the Infrastructure element is complicated. To comply with existing funding streams approval will be forthcoming in two stages. The Treasury has recently given consent for the local authorities to borrow £37m to cover a three year investment programme in both strategic infrastructure and the commencement of the local investment fund. Further approval for borrowing for projects beyond this 3 year period is under consideration and a decision is expected in the near future.