

Report to Cabinet
11 December 2013
Report of Deputy chief executive
Subject City Deal for Greater Norwich

Item

5

KEY DECISION

Purpose

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

To note the significant progress achieved, and current form of, a City Deal for the Greater Norwich area and, subject to final Government approval, to delegate authority to the Deputy chief executive in liaison with the Leader of the Council to proceed with the arrangements necessary to sign and 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

Jerry Massey, deputy chief executive (operations)

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Background documents:

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:
 - i) 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.
 - ii) Providing essential housing, transportation and utility services necessary to meet the **infrastructure** needs of a growing and expanding local economy
 - iii) 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 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 deal will be signed by all the partners and government and 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.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	11 December
Head of service:	Jerry Massey
Report subject:	City Deal for Greater Norwich
Date assessed:	December 2013
Description:	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.

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In being able to access or influence Government funding, a City Deal will help to optimise the use of public funds in Greater Norwich.
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The City Deal will leverage significant additional resource to support business growth, additional jobs and create a skills landscape which is much more responsive to the needs of local people and employers.
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	In leading to business growth, additional jobs and improving skills, a City Deal can have a direct beneficial effect on levels of financial inclusion in the city.
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	There are indirect health benefits due to the additional jobs and economic prosperity that a City Deal is intended to generate.

Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	A City Deal will help to provide a variety of transport infrastructure to support growth in jobs and homes. Such provision will be across all modes of travel and consistent with NATS.
Natural and built environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	The city deal is about promoting growth and as a consequence there will be positive and negative impacts of the natural and build environment.
Waste minimisation & resource use	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	The city deal is about promoting growth and as a consequence there will be positive and negative impacts of the pollution.
Sustainable procurement	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	The city deal is about promoting growth and as a consequence there will be positive and negative impacts on energy use and climate change.

(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The availability of additional funding options for investment in infrastructure reduces the risk of non-delivery.

Recommendations from impact assessment	
Positive	
The city deal is about promoting growth and as a consequence there will be positive and negative impacts. On balance there are significant benefits for the local community arising from the increase in employment opportunities and from the provision of new homes.	
Negative	
Neutral	
Issues	