

CABINET - 17 SEPTEMBER 2013

City Deal Strategy Overview

Report by Assistant Chief Executive and Chief Finance Officer

Context

1. The Government is negotiating with 20 cities across England to agree a 'City Deal'. In each case the city region in question has to set out its ambitions and what it will lever in as additional support and resources (the 'offer'). At the same time the city region sets out what it seeks from Government in return, in the form of greater powers and/or access to central Government funding (the 'ask').
2. Responsibility for submitting the City Deal rests with the Local Enterprise Partnership, the County Council and the City Council. However the development of the City Deal proposal has been undertaken by a broad alliance comprising all of Oxfordshire's local authorities, the wider business community including Higher Education colleges represented by the Enterprise Partnership and both Universities. In developing the proposal this alliance has worked closely with civil servants from the Cabinet Office who have provided advice and guidance.
3. The City Deal process has reached a stage where a negotiation document with proposals is being prepared, which set out the proposals. This will then be subject to challenge and change. There are likely to be a number of iterations of the proposals before we are able to conclude a deal with government, assuming that we are successful in doing so.

Overview

4. The process of developing the City Deal proposal has strengthened partnership working across Oxfordshire. This has enabled our city-region's economic narrative to be developed into a single, clear message – one that has the support of the business community, the public sector and the universities.
5. The ambition is one of:

'Economic Growth through Innovation'

To realise this ambition requires investment in our supporting infrastructure in the following areas in order to create 'an accessible workforce'.

Skills

Transport

Housing

6. The ambition is based on the common understanding that:
- Our economy has the greatest potential of any location in the UK to deliver world leading technology and business innovation building upon our academic research
 - Our central location, with transport links to London, Heathrow and the Midlands, as well as the South Coast and West Country provides us with the foundation of a transport infrastructure that enables our businesses and universities to compete in a global market
 - Our ambition is to provide further growth on top of the stable economy we have: with the right investment we believe that we can use or focus on innovation to deliver nearly 33,250 additional jobs and accelerate delivery of 7,500 homes within Districts Local Development Framework proposals.
7. The ambition set out in the City Deal is the first step in developing the Strategic Economic Plan, which will in turn form the basis of future bids to the Local Growth Fund from 2015 onwards. As such the City Deal is underpinned by the commitment of all the partners to growth, innovation, with a focus on connected communities.

The City Deal Proposal

8. The overall economic plan being developed under this innovation ambition has a total investment programme of £4.3bn. We were originally seeking a City Deal proposal, as phase 1 of our total ambition, which set out an investment programme of £1.9bn, of which around £0.8bn is public sector investment and £1.0bn is private sector investment. Taking into account investment already identified across the City Deal area, our current proposal sets out the argument for securing around an additional £115m of investment from Government. However, since the programme started the Government announced changes to the way it was planning on funding infrastructure projects, with the creation of the Local Growth Deals. We have accordingly had to separate out the City Deal proposals into two phases, one which remains part of the City Deal, and the other which will form part of the wider funding from the Local Growth Fund.
9. The first phase focuses on Innovation and Skills, with the supporting Transport to follow. We will still be seeking to accelerate our housing offer to ensure that homes are available to meet the demand created by new jobs.

Innovation

10. At the heart of the proposal is the world class Science and Innovation for which Oxfordshire is known. The ambition is to deliver a number of key innovation schemes across the City Deal area. These will enable the development of start-up business' to spin out from the Universities across a range of sectors; they will then join up those companies with other business'

who can provide them with support, enabling small companies to find the right skills to grow within the county, with differing projects each focussing on specific innovation areas.

11. With public sector investment of nearly £10m already identified, and twice as much private sector investment, the City Deal looks to secure in the order of £60m of investment from Government to enable this network of innovation hubs and the corresponding support system to be delivered.

Skills

12. In support of our ambition to deliver the network of innovation hubs, the City Deal looks to secure locally agreed priorities for how funding from the Skills Funding Agency is invested. It also looks to develop a one stop shop for information, advice and guidance on apprenticeships and education development.
13. In seeking genuine devolution of control from Whitehall to the local community, our proposal will help ensure that the investment in skills equips us to unlock the potential that exists within our economy.

Transport

14. A critical building block in seeking to deliver our ambition is investment in our transport infrastructure so that it links our innovation hubs and other centres of excellence across the City Deal area. To that end the proposal identifies a number of key schemes for delivery which join up those centres, and enable business and housing development. This will form the key element of our Growth Fund bid.
15. In addition the City Deal and Growth Fund proposals set out the commitment of the County Council to develop scheme proposals for the A40 Northern Gateway and lead the preparation of a longer term strategy for the A34 and to work with the private sector to begin delivering the Oxford Science Transit – a truly integrated multi-modal transport system that builds upon the investment in rail and bus services and delivers a high quality, high frequency service linking our core areas of economic growth.

Housing

16. Housing is the third of the building blocks that needs to be delivered if we are to realise our ambition for the City Deal area. With £0.7bn of private sector investment required, the investment in Oxfordshire is substantial, matched by a public sector investment of £0.7bn. This will deliver an acceleration of 7,500 houses within current plans and boundaries. As part of the asks for housing it includes the ability of Oxford City to utilise their Housing Revenue Account to facilitate borrowing to support the accelerated housing programme.

Governance

17. The City Deal proposal will be submitted by the Local Enterprise Partnership, the County Council and the City Council towards the end of September/beginning of October. The proposal is in effect a negotiating document that will be used as the basis for a discussion with Ministers, with an initial discussion with an Ad-hoc Ministerial Group currently scheduled for 24 October. Whilst the position is unlikely to remain unchanged, all the partners will be working hard to ensure that the best deal for Oxfordshire is achieved.
18. The Bid proposes that formal governance of the deal, once agreed, would be undertaken by a Joint Statutory Committee, a legally constituted body composed of the Leaders of the six participating local authorities, and up to five co-opted representatives of business, academia, and research institutions.

Accountable Body Status for City Deal

19. The County Council has previously agreed to act as the Accountable Body on behalf of the Local Enterprise Partnership in respect of a number of funding streams – e.g. the Growing Places Fund. It is proposed that the County Council will act as the Accountable Body for the City Deal proposal.
20. City Deal may produce more than one source of funding, and arrangements will need to reflect as appropriate the sources of funding finally agreed. As part of the discussions with other Councils it was agreed that if a scheme relates solely to one district area or partner organisation, and is being contracted by that district council or partner, then the funds could go to them directly, but the County Council will have an overarching reporting responsibility to the Local Enterprise Partnership. However, if the funds cover more than one area, or if the County is the contracting authority, then the funds will be held by the County.
21. The level of risk associated with being the Accountable Body will depend on the level and funding sources finally agreed as part of the Deal. However, it will remain with the Council to determine how that risk is managed in enabling projects to progress. Decisions on City Deal projects will be taken as part of the Council's normal financial procedures, although flagged as relating to the City Deal.

22. Bureaucracy will need to be kept to a minimum in order to avoid delaying implementation. However there will be a need to maintain an overview of progress and this will be achieved through an executive management group chaired by the Chief Executive of the Local Enterprise Partnership.

Growth Deal – Phase 2

23. A key benefit arising from the work required to prepare the City Deal proposal has been the development of a single, cogent economic narrative that has the buy-in of the local authorities, the private sector and the universities. The City Deal forms the first phase of a co-ordinated approach to investment in infrastructure that will enable us to realise the full potential of our economy to the benefit of residents and businesses alike.
24. The scale of our longer term ambition is reflected in a substantial programme of investment in infrastructure that has an estimated value of £4.2bn. The strength of the Oxfordshire economy is such that we can already identify some £1.0bn of public sector investment and £2.8bn of private sector investment that will help us realise that ambition.
25. The City Deal proposal sets out our case for the first £85m of gap funding to help us begin to realise our full potential. Phase 2 of our plans sets out the case for a further £300m of gap funding which will enable our longer term ambition be realised.

Financial and Staff Implications

26. County Council officers have played a key role in the preparation of the City Deal proposal, particularly in the areas of transport, skills and innovation. They will continue to play a key role in developing the detail of specific projects and then overseeing their implementation. Officers will continue play a leading role with the City Deal and the development of the Growth Deal Phase 2 within existing resources and those provided to the LEP.
27. Where the County Council is responsible for delivering specific projects, approval for making the capital investment will be sought in accordance with the Council's financial procedures, consistent with the agreed budget.

Engagement

28. During the development of the City Deal bid submission there has been a high level of engagement with the business community particularly through the Local Enterprise Partnership (LEP) and the Oxfordshire Skills Board. This has encompassed direct engagement with the Cabinet Office by business leaders, attendance at themed workshops, presentation and discussion at business forums and conducting business surveys. The surveys have included the LEP's 'Barriers to Growth' survey in December and the recent Withy King LEP Business Barometer survey that asked specific questions about City Deal.

29. The response to both of these surveys aligns well with the priorities of the proposed City Deal submission with access to skilled staff being cited as the main barrier to growth by the majority (37 per cent) of decision-makers who responded to the Withy King survey and one-fifth stating that improving Oxfordshire's transport infrastructure should be the number one priority.
30. With regard to the spatial planning perspective the City Deal submission builds on the proposals within the District's Local Plans which have themselves been the subject of detailed statutory consultation processes. In line with the key themes of the City Deal submission and the Government's recently published Local Growth proposals the intention is to accelerate the opportunity for investment in jobs, innovation, infrastructure and housing to provide a coordinated and collaborative approach to economic growth across Oxfordshire.

RECOMMENDATIONS

31. **Cabinet is RECOMMENDED** to approve:
 - a) The approach and overarching strategy for the City Deal proposal
 - b) The County Council to act as the accountable body for the City Deal proposal

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Assistant Chief Executive and Chief Finance Officer

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Contact: Martin Tugwell - Deputy Director (Strategy and Infrastructure Planning)
T: 01865 815113 E: Martin.Tugwell@Oxfordshire.gov.uk