

Subject:	Greater Brighton City Deal. Progress Update		
Date of Meeting:	11th July 2013		
Report of:	Executive Director, Environment, Development & Housing		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report provides an update on Greater Brighton's bid for a Wave 2 City Deal and the work taking place with partners to develop a sustainable growth strategy for a prosperous Greater Brighton City Region.
- 1.2 City Deals are bespoke agreements between cities and Government which give cities and their wider functional economic area some of the additional powers, responsibilities, flexibilities and freedoms they need to better support economic growth in their areas. Through the City Deal process, the Greater Brighton City Region is aiming to become a high performing and sustainable economy by:
 - Developing a network of growth hubs, to support high growth sectors, linked to university specialisms;
 - Developing business accommodation, and the digital infrastructure that meets the needs of the City Region's new technology businesses;
 - Building new homes to house the City Region's growing working age population; and
 - Providing access to finance to high growth potential businesses in the City Region's emerging sectors.

2. RECOMMENDATIONS:

- 2.1 That the Committee notes the progress to date and endorses the work being undertaken by officers to secure a Wave 2 City Deal for the Greater Brighton City Region.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The government has described cities as "engines of growth" that can lift the UK out of recession. Agreements known as City Deals have been introduced to unlock that potential, transferring powers, tools and support from central government to cities

- 3.2 In July 2012, Government agreed the first wave of City Deals with the eight largest cities outside London and their wider economic areas. These agreements were bespoke to reflect the different needs of individual places, but every deal aimed 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.
- 3.3 As part of the second wave of City Deals, Brighton & Hove along with nineteen other UK cities was invited in November 2012 to bring forward proposals for a second wave of City Deals. The Government have introduced an element of competition to Wave 2 process, to ensure a high level of quality, ambition and innovation and are clear that there is no guarantee of a deal.
- 3.4 Political leaders and senior officers from Brighton & Hove, Adur, Worthing and Lewes District Councils collaborated on an expression of interest which was submitted on 15th January 2013. Government announced on 18th February 2013 that Greater Brighton's expression of interest in a Wave 2 City Deal was successful in getting through to the next stage of the negotiation process.
- 3.5 The next stage of the City Deal process is the submission later in 2013 of a 'Negotiation Document' to be presented to an ad-hoc group of Cabinet Ministers, confirming the ambition and investment commitment alongside governance and delivery arrangements. The process remains competitive, with only successful proposals being developed into a final city deal.
- 3.6 The government issued details of the City Deal core package in March 2013. The package aims to address common issues that are occurring in more than one place, through a menu of proposals that avoid reinventing the wheel several times. The core package provides a suite of tools or levers and flexibilities that city regions can use to construct individual city deals. The overall city deal will include a set of policy proposals to address our single economic challenge identified in our expression of interest and a set of additional proposals drawn from the core package to address other strategic economic priorities.

4. WORKING AS THE GREATER BRIGHTON CITY REGION TO PROMOTE SUSTAINABLE ECONOMIC GROWTH

- 4.1 The work taking place through City Deal aims to strengthen the Greater Brighton city region as a strong economic centre in the south east. The City Deal process is supporting the development of the Coast to Capital LEP's 3-year Growth Strategy and is preparing the Greater Brighton city region for significant changes to government economic policy. The government is increasingly encouraging local authorities to re-engineer how they promote growth and deliver services, and come together across their functional economic area and/or the area represented by the LEP(s).
- 4.2 Following a commission from the Prime Minister, Lord Heseltine presented his review into economic growth to Government in October 2012¹. Lord Heseltine makes a series of recommendations in all aspects of government policy that affect economic growth. The core proposition of Lord Heseltine's report is a

¹ See *No Stone Unturned: in pursuit of growth*:
<https://www.gov.uk/government/publications/no-stone-untuned-in-pursuit-of-growth>

decentralised approach that empowers Local Enterprise Partnerships (LEPs) to drive forward growth in their local areas. Alongside this, Lord Heseltine makes a number of recommendations that strengthen the underpinnings of long-term growth, from changes to the way in which Whitehall supports growth, to strengthening partnerships between government and business, and business and education.

- 4.3 In implementing Lord Heseltine's proposals² the Government has said that it will apply lessons learned from the existing City Deals' process. The Government's response to the Heseltine Review outlines the approach of using the city deal process as a pre-cursor to future devolution of funds relating to economic growth. A table summarising the approach is shown at Appendix 1.

Preparing for the Single Local Growth Fund and devolution of EU Funds

- 4.4 The Government's approach to decentralisation aims to give business-led LEPs the power to make the choices that are right for their local economies. Through the Autumn Statement 2013, Budget 2013 and response to Lord Heseltine's proposals, the Government has announced that it will:
- Create a Single Local Growth Fund, allocated through a process of negotiation and using competitive tension to strengthen incentives on LEPs and their partners to generate growth. The Government will review all funding streams identified by Lord Heseltine but sees three areas in particular as critical to the success of the Fund: transport, housing and skills. The Fund will be operational by April 2015 and further details will be set out at the Spending Round in June 2013, where due consideration of the implications for the devolved administrations will also be outlined;
 - Ask LEPs to develop new strategic multi-year plans for local growth (known as Local Growth Strategies), which will be the basis for Government to negotiate deals with each LEP for levers, resources and the flexibility over them. Funding for local areas from the Single Local Growth Fund will reflect the quality of strategic proposals put forward by LEPs;
 - Streamlining the management of EU structural and investment funds, aligning priorities on the basis of plans led by LEPs. This will include European Regional Development Fund, the European Social Fund, and part of the Agricultural Fund for Rural Development

Developing stronger governance across the City Region

- 4.5 Partnership working between the city region local authorities is strongly underpinned by a robust working relationship between the local authority Leaders and Chief Executives. The City Deal process is strengthening these established working relationships. It is a catalyst for taking a more strategic and co-ordinated approach to stimulating private investment, economic growth and job opportunities across our economic area. Since the expression of interest was submitted in January 2013, East Sussex County Council and West Sussex County Council have become more involved in discussions about the potential City Deal. Mid-Sussex are currently considering their involvement.

² See Government response to the Lord Heseltine review into economic growth: <https://www.gov.uk/government/publications/governments-response-to-the-heseltine-review-into-economic-growth>

- 4.6 As part of the City Deal process, the government requires city regions to develop effective decision making across the functional economic area, a priority for government, with City Deals seen as pre-cursor to future devolutionary settlements in relation to economic policy.
- 4.7 Creating a city region governance structure would have the aim of enabling participating authorities to collaborate more closely to support sustainable economic development and growth across the city region. The benefits of forming a legally binding decision making structure at the Greater Brighton city region level could include:
- Streamlined governance arrangements;
 - Improved long-term strategic decision making;
 - A clear external voice to Government and investors, positioning the city region for emerging devolution of funding for economic growth;
 - Improved alignment, coordination and delivery of economic development and regeneration related initiatives;
 - A means by which to steer significant streams of work.
- 4.8 A high level City Deal Board, consisting of local authority leaders and the chair of the LEP was established in November 2012 as part of the first phase of the City Deal process. In January 2013, local authority members of board agreed a Memorandum of Understanding (“MoU”) to develop a formal decision making structure.
- 4.9 There are a range of functions of powers in relation to economic development that the city region governing body could oversee. Further work is required with partners before detailed proposals on function and form of governance are developed and brought to Council for consideration.

5. PROGRESS ON DEVELOPING THE CITY DEAL POLICY PROPOSALS: ECO TECH CITY REGION

- 5.1 Through City Deal and the delivery of our wider economic strategies, the Greater Brighton Eco Tech City Region aims to become a high performing economy by making better use of its natural and human capital assets, strengthening its private sector and building on its university research expertise. We aim to do this by:
- Developing a network of growth hubs, to support high growth sectors, linked to university specialisms;
 - Developing business accommodation, and the digital infrastructure that meets the needs of the City Region’s new technology businesses;
 - Making use of the City Region’s natural assets to support the development of a business focused low carbon economy;
 - Building new homes to house the City Region’s growing working age population; and
 - Providing access to finance to high growth potential businesses in the City Region’s emerging sectors.
- 5.2 Our aim is to build on our recent success and for Greater Brighton to become a high performing Eco-Technology City Region that prioritises growth in innovative low carbon, high-tech and creative businesses.
- 5.3 Brighton and Hove has a highly qualified workforce. 46% of the city’s resident workforce are qualified to NVQ4 or higher, 10% higher than the South East. Yet

despite our highly skilled workforce, the high rate of business start-ups and our existing economic development measures the city under-performs in terms of its productivity. This has led to something of a conundrum for the City Region: On paper, its human capital assets should translate into a successful and buoyant economy, but this has not traditionally been the case.

- 5.4 Brighton & Hove is successful, if its progress is analysed over the past ten years. Since 1999 the city economy has strengthened considerably, growing from £3.1bn to £5.3bn³ However, it has travelled from being a low performing economy to a moderate one. There is some evidence to suggest that the city has reached 'catch up' and now needs to find ways of moving to become a high value added sustainable economy;

Growth in knowledge intensive sectors

- 5.5 To further reach our productivity potential we need to secure higher sustainable growth in knowledge intensive sectors, increase the pipeline of new eco tech businesses and the number of high value eco tech businesses, and harness the growth potential of our small to medium sized (SMEs)
- 5.6 The eco tech city region will have a specific focus on low carbon, high tech, innovation and creative-led activities to deliver this growth. The aim is to increase the value of the economy by £1.3bn by 2024. These targets are ambitious, but realistic and achieving them will set the city region on a path to securing its position as a genuinely high performing part of the UK economy.
- 5.7 The city region's economy will be better balanced, with growth driven partly by increases in employment and partly by improvements in productivity. The aim is to ensure that the whole of the city region, not just Brighton & Hove, benefits from this City Deal agreement.

Draft Policy Proposal 1: Growth Hubs: Improved Business and Knowledge Exchange

- 5.8 Through the City Deal, Greater Brighton will aim to develop a network of Growth Hubs to create the right environment to foster a collaborative approach to business and knowledge exchange, with a central role of the universities as facilitators. This will enable it to respond to the blurring boundaries between sectors and encourage a multi-disciplinary approach to innovation that cuts across its creative, digital, environmental and health & life science sectors.
- 5.9 The success of the CDIT sector in Brighton & Hove has been based on exactly this approach. Its growth has largely been organic and based on formal and informal partnerships, knowledge exchange and developing local supply chains. There are two key challenges here:
1. Extending this "service innovation" approach beyond its core to other parts of the City Region; and
 2. Extending this approach beyond the CDIT sector, to support cross-sectoral collaboration, by developing stronger local partnerships and supply chain linkages across eco-technology activities.

³ Source: Sub National GVA Table 3.1 ONS (note: figures are at Current Basic Prices)

Draft Policy Proposal 2: Meeting employer demand for skills

- 5.10 The Greater Brighton City Deal will aim to create a skills system that is business-led and responsive to local needs to help drive economic growth. A new Greater Brighton Skills & Employment Partnership will bring together the existing successful partnerships from across the city region to create a fully integrated skills and employment pathway for people of all qualification levels.

Draft Policy Proposal 3: Infrastructure and Housing

- 5.11 The City Deal act as a catalyst to a wider city region investment plan that will aim to unlock sites and bring forward new housing and employment developments that support the growth of the city region. Many regeneration areas are vulnerable to surface water, fluvial, and tidal flooding. A clear strategy for mitigation and management is required for these new developments. Through City Deal, discussions with government will take place to seek funding certainty for flood defences to deliver a number of strategic housing and employment sites on the edge of urban areas, which are vulnerable to severe ground and surface water flooding.
- 5.12 Transport is a key enabler of growth. The Greater Brighton city region aims to deliver a transport network that enables the realisation of our growth ambitions. An infrastructure deficit causes poor connectivity across the city region, which inhibits economic growth. Through City Deal and the LEP's Local Growth Strategy greater certainty over future levels of funding could be sought to improve east-west mobility across the city region.

Draft Policy Proposal 4: City Region Investment Fund

- 5.13 A key aspect of our draft city deal proposals is establishing an innovative City Region Investment Board and Investment Programme.

The Investment Board will bring together city region public and private sector partners with the C2C LEP and national funding agencies to combine investment funds and create match funding and leveraging opportunities. The aim is to establish a revolving investment fund, drawing on local public and private funding and loan financing, LEP managed funds alongside national and EU funding streams to create a City Deal single pot.

The City Region Investment Programme would reflect agreed City Deal priorities, spending review periods and EU programme terms. We will also identify a local public sector 'venture investment package' of lending, available site and property assets, and capital and revenue investment to support a critical mass of complementary growth initiatives. We see the City Region Investment Programme as being the catalyst for retaining the energy and commitment of key public and private sector partners to the City Deal. The creation of the City Region Investment Board will also enable a broader and deeper relationship with government departments to strategically align investment to new and existing national funding streams across the city region.

By providing the right type of support a City Region Investment Fund will enable more businesses to grow creating more higher value jobs. It is likely to be

constructed as a 'fund of funds' including grant, revolving loan and equity finance.

6. TIMETABLE AND NEXT STEPS

- 6.1 The City Deal Officer Project Board and working groups are currently producing a further draft of the negotiation document as part of an interactive process with government.
- 6.2 It is anticipated that the final City Deal negotiation document will be brought to Policy & Resources Committee for approval in October 2013. The City Deal will be presented to an ad-hoc ministerial group of relevant government ministers during October or November 2013.

7. COMMUNITY ENGAGEMENT AND CONSULTATION

- 7.1 Engagement is taking place with community and business partnership groups throughout the City Process. To date engagement has taken place with the following partnerships:
- Brighton & Hove Strategic Partnership
 - Brighton & Hove Economic Partnership
 - Adur & Worthing Business Partnership
 - Brighton & Hove City Employment & Skills Steering Group
 - City Sustainability Partnership

8. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 8.1 Each core partner to the City has made a small financial contribution towards commissioning specialist and technical support with developing the City Deal proposals. As lead partner, Brighton & Hove has allocated £20,000 to date for developing the final negotiation document, which will be met from existing resources with the City Regeneration Unit.

The setting up of investment funds and the development of growth hubs will require contributions from partners including the council to support viable business cases. These contributions could take several different forms for example identifying appropriate assets such as land, capital receipts from the sale of assets, revenue contributions or borrowing under the prudential regime. Any new borrowing would only be undertaken with Member approval subject to the submission of a robust business case, carrying out due diligence and agreeing satisfactory risk and repayment terms. Under City Deal the council should have access to slightly cheaper borrowing rates from the Public Works Loans Board (PWLb). Investment funds would be set up on a revolving basis i.e. repayments from approved schemes would be paid back into the fund in order to provide funding for new schemes.

The governance arrangements will cover the financial administration of the schemes and funds which will need to be considered and approved by a future meeting of this Committee. The council may for example be asked to become the accountable body responsible primarily for:

- Receiving and dispersing funds including performance and financial management.
- Keeping auditable account records.
- Ensuring proper and effective governance is in place.

Additional resources will need to be identified to fulfil these duties.

Finance Officer Consulted: Mark Ireland

Date: 17th May 2013

Legal Implications:

- 8.2 The bid will need to propose governance arrangements .Initially as set out in a Memorandum of Understanding this will entail the setting up of a Joint Committee, but if all of the relevant parties agree the longer term arrangement is likely to be an Economic Prosperity Board set up in accordance with Part 6 of the Local Democracy Economic Development and Construction Act 2009. Governance arrangements will be the subject of future reports. .

Lawyer Consulted:

Bob Bruce

Date: 17th May 2013

Equalities Implications:

- 8.3 The City Deal forms part of the wider economic strategy which aims to tackle barriers to employment and create employment opportunities for all. An equalities impact assessment will be undertaken for both the economic strategy and final City Deal negotiation document

Sustainability Implications:

- 8.4 The aim of the City Deal is to build on our recent success and for Greater Brighton to become a high performing Eco-Technology City Region that prioritises sustainable economic growth in innovative low carbon, high-tech and creative businesses.

Crime & Disorder Implications:

- 8.5 None in relation to this report.

Risk and Opportunity Management Implications:

- 8.6 A risk register has been prepared for this project and is monitored by the Officer Project Board.

Public Health Implications:

- 8.7 None in relation to this report.

Corporate / Citywide Implications:

- 8.8 The Council has an important facilitating role to play in supporting a project that offers economic and social benefit to the city and city region.

9. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 9.1 The city council was not obliged to bid for a City Deal, but it is considered to offer the potential for considerable economic benefit to the city.

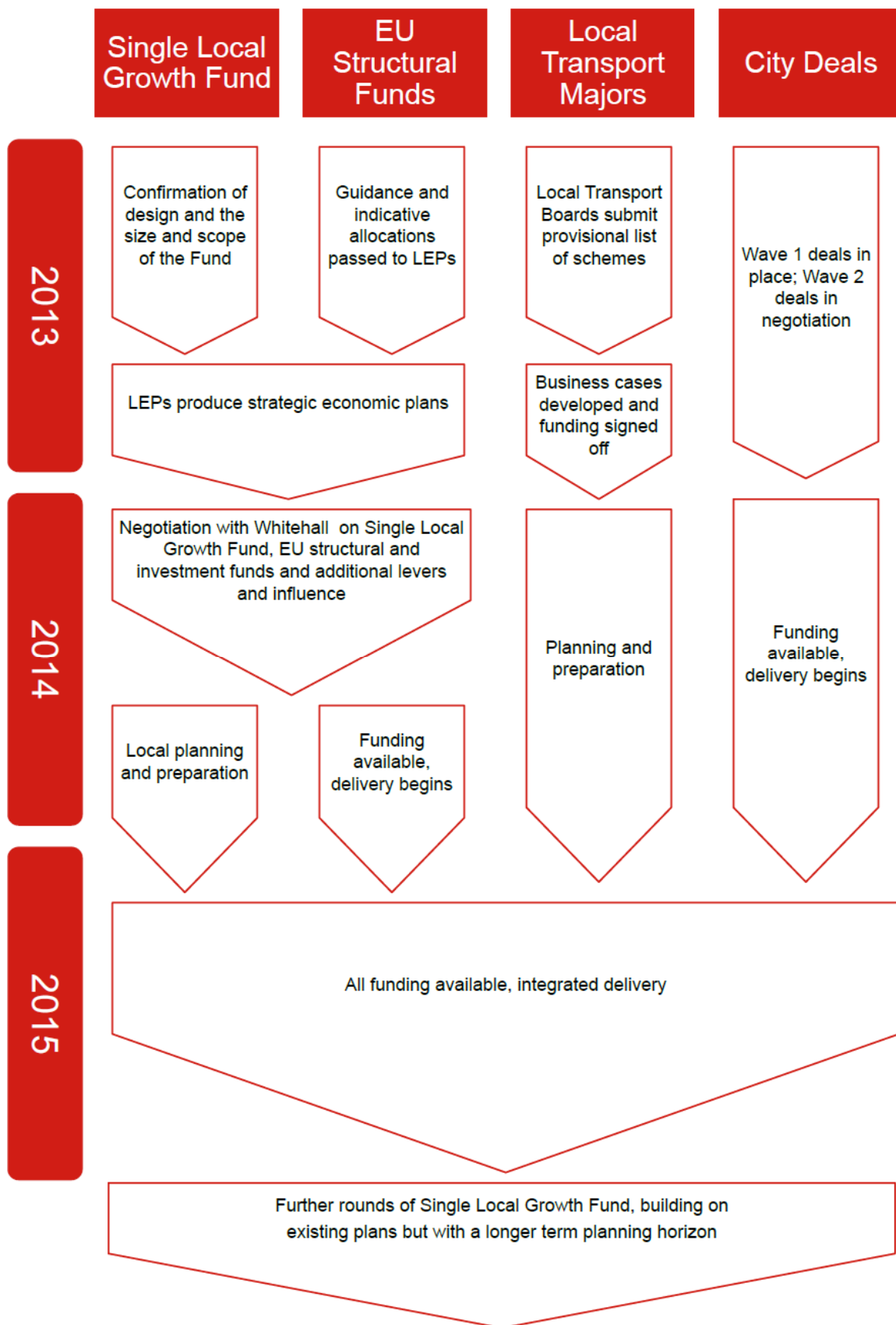
SUPPORTING DOCUMENTATION

Appendices:

1. Government timetable for future decentralisation to promote growth

Background Documents

Appendix 1. Government timetable for future decentralisation to promote growth⁴



⁴ Taken from Government response to the Lord Heseltine review into economic growth: <https://www.gov.uk/government/publications/governments-response-to-the-heseltine-review-into-economic-growth>