

Cabinet – 11 December 2013

Black Country City Deal

Portfolio: Councillor M. Bird, Leader of the Council

Related portfolios: Councillor Adrian Andrew, Regeneration and Transport

Service: Regeneration

Wards: All

Key decision: Yes

Forward plan: Yes

1. Summary

- 1.1 On 5 November 2012, Greg Clark MP announced a second wave of City Deals, inviting the Black Country Local Enterprise Partnership (LEP) to participate. A report outlining the process and the intended approach of the proposed City Deal was reported to Cabinet in March 2013 and updated in a report to Cabinet/Corporate Management Team on 26 July 2013. A further report in 11 September was approved by Cabinet establishing a Black Country Executive Joint Committee for its Governance. Being able to demonstrate strong and effective governance to joint working across the LEP area is a key request of Government. This report outlines the City Deal following a number of months of consultation and seeks Cabinet's endorsement. The same report, based on information from the Black Country Consortium, is being taken through each Black Country council's cabinet.
- 1.2 The four key elements of the deal are a package of freedoms, flexibilities and investment funding for: Sites, Skills, Welfare and funding for the development of a Growth Hub (business support). It is understood that the whole City Deal will be signed off by the Deputy Prime Minister following a sign off process on the individual elements being by the appropriate Government Departments including Business, Innovation & Skills (BIS), HM Treasury (HMT), Department for Work & Pensions (DWP) and Department for Communities & Local Government (DCLG).
- 1.3 Whilst the City Deal is yet to be signed off the Black Country is already working on the Local Enterprise Partnership's Strategic Economic Plan (SEP), which will be the basis for the Growth Deal. Growth Deals are similar to City Deals but open to all LEPs and will open the door to competitive bidding into the £2bn

Single Local Growth Fund. Further reports will be brought to cabinet in due course detailing the SEP and Growth Deal.

- 1.4 Recommendation 2.2 responds to the delegated authority the Black Country local authorities have given to the Black Country Joint Committee on matters of economic development.

2. Recommendations

- 2.1 Cabinet note and support the key priorities which relate to the submission of the Black Country City Deal Bid to Government.
- 2.2 That Cabinet endorse the draft Black Country City Deal as set out in Appendix 2 to this report and as detailed below and refer it to the Black Country Joint Committee for approval.
- 2.3 That cabinet note that the resource requirement on the Council to deliver this programme is not clear and will require a future cabinet report to be brought forward on this matter.

3 The Black Country City Deal in Detail

- 3.1 On 5th November 2012, Greg Clark MP announced a second wave of City Deals, inviting the Black Country LEP to participate. A report outlining the process and the direction of travel was reported to Cabinet in March 2013 and updated in a report to Cabinet/Corporate Management Team on 26 July 2013. A further report on 11 September was approved by Cabinet establishing a Black Country Executive Joint Committee for its governance. Being able to demonstrate strong and effective governance to joint working across the LEP area is a key request of Government. This report outlines the City Deal following a number of months of consultation and seeks Cabinet's endorsement.
- 3.2 The focus of the Black Country City Deal expression of interest submitted to Cabinet office on 15th January 2013 reflected our work with companies in the high value manufacturing sector under the theme 'Built in the Black Country: sold around the world'. It is intended to meet the needs of potential investors in this sector by ensuring the availability of an appropriately skilled workforce and suitable sites and premises. We are also determined to ensure that people living in the Black Country are well placed to benefit from the growth in this sector by developing bespoke support for the unemployed and improving business support co-ordination.
- 3.3 On the 20th May 2013, a group representing the Black Country LEP presented the City Deal Bid to the Ad Hoc Ministerial Committee of government ministers chaired by Greg Clarke. The group included Stewart Towe (Chair of the BCLEP), Cllr Roger Lawrence (Leader of Wolverhampton Council), Tim Johnson

(then Walsall Director of Regeneration), Jat Sharma (Walsall College Principal, FE LEP representative) and Sarah Middleton (BC Consortium). Initial feedback from the Cities Policy Unit indicated the Black Country bid was well received by Ministers. Many of the issues raised and their solutions are currently Government policy which is obviously supported.

- 3.4 Across the summer negotiations have been ongoing including a meeting between Stewart Towe; other LEP Chairs from the wave two cities; the Prime Minister; the Deputy PM (DPM) and Cities Minister Greg Clarke to discuss progress. Following the ad-hoc ministerial group meeting all 4 elements of the deal remain within the City Deal.
- 3.5 The four key elements of the deal are a package of freedoms, flexibilities and investment funding for: (i) Sites, (ii) Skills, (iii) Welfare and (iv) funding for the development of a Growth Hub (business support). It is understood that the whole City Deal will be signed off by the Deputy Prime Minister following a sign off process on the individual elements being by the appropriate Government Department including Business Innovation and Skills, Her Majesty's Treasury, Department for Work and Pensions and Department for Communities and Local Government.
- 3.6 Sites
- 3.7 The objective of the request to government was to generate a mechanism for bringing forward a pool of sites that are immediately available to meet the demand from the High Value Manufacturing Sector across the Black Country. There is also a shortage of major quality sites to facilitate the provision of modern premises with good access and infrastructure.
- 3.8 The mechanism put to Government to facilitate this was to be able to retain any uplift in business rates to create a fund to bring sites forward. This has not been taken up by Government but they will provide an investment of a minimum of £10m with an opportunity for £20m to be used by the council's on behalf of the LEP to loan fund developers and land owners in bringing sites forward.
- 3.9 The loan facility mechanism would last for a period of no less than 10 years, enabling recycling of early loan payback into future sites. Government is requested to fix interest at a Public Work Loan Board rate discounted at 40 percentage points over a period of 10 years, annualised at the end of each financial year. Essentially this would be an interest only loan for 10 years. A loan facility of this nature is more advantageous than identifying and costing a specific number of sites, as it provides greater flexibility and responsiveness to market forces. The draw down from the fund will trigger the 10 year period thus enabling the potential use of the facility beyond the 2014/24 period. In addition each Local Authority has agreed to create an additional fund through a £500k per annum

contribution over a five year period. The total cost to Walsall would be £2.5m providing a combined Black Country £10m pot.

- 3.10 Any project utilising this funding will need to go through a full appraisal and risk assessment, in much the same way as schemes for Growing Places funding are currently assessed (via Sandwell MBC). Sandwell MBC has agreed to take the role of Accountable body for the City Deal Investment fund.

3.11 Skills

- 3.12 The main achievement is to secure unlimited funding for apprenticeships in high value manufacturing. This will attract £10.7m of government funding towards the training cost of a minimum additional target of 1,479 HVM apprenticeships – full funding for any 16 to 18 year olds and 50% funding for 19-24 year olds. The employers will make a contribution of £18m in support of these additional jobs. The Black Country Skills Factory has a wage subsidy offer (total available £150,000) for first time apprenticeship employers and will continue to champion and provide appropriate financial support. Wage subsidy is not anticipated as being required for all 1,479 apprenticeships as some employers will expand their intake and some employers do not require the incentive. The uptake and demand for wage subsidy via the Skills Factory is being monitored. This initiative will complement the Walsall works programme, which is not replicated by the other BC councils. Making provision for all the additional apprenticeships would equate to c£94k per local authority p.a. for the next 5 years. Government will fund through existing mechanisms but data will for the first time be made available on providers' performance direct with the LEP.

3.13 Welfare

- 3.14 The request of Government was to develop an all age programme that builds on the Big Lottery Fund Talent match approach by targeting those people that are not eligible for the programme (Talent Match targets NEETS, 16-24 year olds), particularly people aged 25+. This has been rejected by Government, but they have agreed support for a minimum of £2.8m match funding over 5 years (with a potential to increase funding to £10.3m and an expansion into other areas, subject to the success of the pilot). To provide that match it is proposed to utilise and align existing resources, staff and programmes, in order to draw it down. Thus there are no direct financial resources. In addition it has been agreed to develop two pilot studies based on specific geographical areas. One of the areas chosen is Tipton and Darlaston. 2,800 residents will be targeted within a three mile radius and £2.3m of new money will be used to build capacity and build intensive support to get people into jobs. Accord Housing is leading on the implementation of this programme with the support of local authorities, other housing associations and local support agencies.

3.15 Growth Hub

- 3.16 The final element of the City Deal is the Growth Factory. This is now being picked up through a special RGF round being overseen by Lancaster University. The objective is to build on existing business relationships, focusing on manufacturing companies, to offer bespoke advice, making the most of the assets already in the Black Country and making them more accessible to Small and Medium Enterprises. It will also use its close engagement with business to plug any gaps with new offers to maximise the economic opportunities emerging from a growing supply chain and export market. The Growth Factory will be funded by a combination of local resources and Department for Business Innovation and Skills, a total of £5m, to attract £10m of match and 680 new jobs and safeguarded jobs. For Local Authorities this will require staff resource to oversee the management and performance of the Growth Factory activity. It will also see a closer working of economic development services, and an alignment of existing funding. £10k has already been committed from each LA to monitor the impact of the RGF.

4 Council priorities

- 4.1 The delivery of City Deal underpins delivery against one of the four corporate priorities in particular:
- Supporting business to thrive and supporting local people into work but will impact indirectly across the other three:
 - Improving Health and Wellbeing, including Independence for Older People
 - Creating Safe, Sustainable and Inclusive Communities
 - Improving Safeguarding, Learning and the Life Chances for Children and Young People
- 4.2 Economic development and growth assisted by the City Deal initiative are an important component of the overall regeneration strategy of the Borough set out in the Black Country Core Strategy and Walsall's individual Development Plan Documents. Economic growth will assist in achieving all of the Council's corporate priorities by improving access to facilities and services, and to jobs, improving the environment and contributing to the economic well being of the borough through improved links to national and international markets.

5 Risk management

It is not possible at this stage in the initiative to specify the risks associated with the delivery of this programme as the detail is still to be worked up. The governance arrangements identified in this report of a joint committee will, however, work to Walsall Council's constitutional arrangements and will adopt robust performance, financial, legal and risk processes, as agreed between the partners and in particular by the LAs as accountable bodies for funding.

6 Financial implications

- 6.1 The resource requirement on the Council to deliver this programme at the date of this report is still not clear and will require a future cabinet report to be brought forward on this matter.
- 6.2 **Sites:** require a £500k per annum capital contribution over a five year period, total cost to Walsall £2.5m. This will require a capital commitment to ensure delivery of the programme once the Black Country City Region has been agreed by the Secretary of State.
- 6.3 **Skills:** growth in apprenticeship and other training will require a contribution of £94k per annum for five years from Council resources. This will be taken from the Walsall Works budget which will accordingly need to adjust its programme and the outputs to be achieved.
- 6.4 **Welfare:** To provide match to government funding it is proposed to utilise and align existing resources, staff and programmes. There is no plan yet for what this might look like.
- 6.5 **Business Support:** The Hub will be funded by a combination of local resources and Department for Business Innovation and Skills' £5m. A minimum of £7.6m co-funding, raised by pooling funding from a blend of Black Country local partner organisations together with national agents in business support and innovation. For Local Authorities this will require alignment of existing funding and programmes. It will require a staff resource to oversee the management and performance of the Growth Factory activity. It will also see closer working of economic development services and an alignment of existing funding, although it is not clear yet what this will look like in detail. £10k has already been committed from each LA to monitor the impact of the RGF.
- 6.6 **Support to delivery:** In order to deliver a programme of this size and complexity (and the Growth Deal that will follow) the Council's will need to ensure that they have sufficient resource to support the delivery of the programme. Whilst this will not be a large team our experience from programmes such as the Working Neighbourhood Fund and Walsall Works has shown that resource to enable and programme manage are essential to the front end delivery of outcomes. Support delivery is also vital to bid into future funds to sustain and growth the work. As with other elements of City Deal it is not yet clear about what the requirement will be to support it and may require a further report when the details are known.
- 6.7 In terms of the skills agenda the potential to rationalise and chunk together some of the funding streams, may bring greater value for money and flexibility in terms of resources. Support for delivering the key elements may need the realignment and commitment of existing resources. The overall Deal will bring wider

prosperity and social benefit to the community of Walsall and has the potential to reduce the burden on a number of budgets through potentially fewer social costs.

7 Legal implications

- 7.1 City Deals contains a combination of new powers over the key decisions that affect the competitiveness of the city in question (paragraph 3.7 Unlocking Growth in Cities – 2011) and innovative projects to unlock growth in the local economy. The Government's paper "*Unlocking Growth in Cities*", December 2011, set out a new approach to urban policy. In an attempt to give local authorities greater freedom to act in pursuit of local growth initiatives, the Government has introduced the General Power of Competence (GPC) in the Localism Act 2011, giving local authorities the same power to act as individuals.
- 7.2 Governance arrangements will be through the newly established Black Country Joint Committee.

8 Property implications

There are no issues for the Council strategic land/property portfolio based on the information that is currently available.

9 Health and wellbeing implications

Work and income levels, socio-economic position, are the key determinants of life outcomes and health.

10 Staffing implications

- 10.1 As can be seen from the other sections in this report a combination of external and internal resources are being brought together to achieve the City Deal objectives. Some of the City Deal work packages align with existing resources whilst others are not currently supported by Council activity. Once the implications of budget reductions are clear and the programme further developed officers will advise on resource availability and agree prioritization with members as it will be difficult to support the existing work and City Deal (and Growth Deal).
- 10.2 The Black Country partners are currently developing plans on the sharing of expertise and knowledge amongst staff to benefit the whole of the sub-region and ensure the successful delivery of City Deal. The recommendations require that a further report is brought back to fully identify the resource implications.

11 Equality implications

It is considered that the citizens of the Borough will welcome and benefit from the delivery of the City Deal. However, there will need to be careful monitoring of the equalities impact. At this stage of the proposal there are no immediate equality implications. Equality analysis, legal requirements and good practice issues will be considered throughout the project, and include engagement and consultation when needed.

12 Consultation

Public and private sector partners have been engaged in the development of the City Deal proposal but due to the protracted length of time for the negotiation a lack of clarity about the final outcome there has not been an extensive consultation. The City Deal will set in place a set of principles and practical working agreements between Government and the Black Country partners. There will be opportunity to flex the detail of the deliver that arises from the programme and give apply opportunity for further consultation and engagement.

Appendices

Appendix 1 – City Deals Background Paper

Appendix 2 – Draft Black Country City Deal

Background papers

- City Deal Cabinet report - March 2013
- Cabinet/Corporate Management Team update report - 26 July 2013.
- Cabinet report establishing a Black Country Executive Joint Committee for City Deal Governance - 11 September

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Simon Neilson
Executive Director

2 December 2013



Councillor M Bird
Leader of the Council

2 December 2013

1 City Deals Background Paper

- 1.1 The Government's paper "*Unlocking Growth in Cities*", December 2011, set out a new approach to urban policy. Within it, the Government reaffirmed its commitment to devolving significant new powers and funding to cities which it recognises as major engines of growth, with a crucial role to play in delivering a more diverse, even and sustainable economy. To unlock their potential, it seeks to offer local leaders greater control over budgets and powers in areas such as transport, housing, skills and business support, to deliver ambitious innovative growth and jobs for communities. In return, the Government says it is looking for strong leadership, ambitious agendas for economic outcomes, with innovative proposals to boost private sector investment. To strengthen economic growth, cities will need to attract and nurture private sector activity. It is envisaged that the new enterprise and employment that is needed will be driven by City leaders taking decisive action to promote public-private partnerships to deliver growth. The tailored "City Deals", designed to unlock growth will emerge through negotiations with the new Cities Policy Unit, which will help cities to develop creative new ideas and to turn them into practical solutions. However, no additional resources are being made available in order to deliver this agenda.
- 1.2 In revitalising and empowering cities, through the envisaged radical shift in the balance of power, the Government says it is not looking to dismantle national policy frameworks, but to negotiate licensed exceptions. In an attempt to give local authorities greater freedom to act in pursuit of local growth initiatives, the Government has introduced the General Power of Competence (GPC) in the Localism Act 2011, giving local authorities the same power to act as individuals. The options the Government is seeking to set out for City Deals includes granting greater freedoms to invest in growth, the power to drive critical infrastructure development by putting greater funding and responsibility in the hands of cities, by devolving HCA spending and functions and giving cities more planning freedoms.
- 1.3 City Deals contains a combination of new powers over the key decisions that affect the competitiveness of the city in question (paragraph 3.7 *Unlocking Growth in Cities* – 2011) and innovative projects to unlock growth in the local economy. Cities are to be encouraged to experiment with new powers or projects, through licensed exceptions to national policy where necessary, to drive change through innovation. The Government's 2011 paper sets out a series of pre-requisites before power or resources are devolved, including a strong evidence base to back up any propositions put forward. The deals are genuine transactions that should deliver mutual benefit.
- 1.4 This agenda to give incentives to cities to take responsibility for economic growth in their areas has been initiated in eight core cities and on 5th November 2012, Greg Clark MP announced a second wave of City Deals, inviting Wolverhampton

City Council and the Black Country LEP to participate. The letter confirmed that the second wave of City Deals differs from the first in two important ways. First, each of the deals will focus on one big local economic issue that requires a transformative response. This is to be complemented by an ambitious core package that any city that agrees a deal with Government will have access to. The core package will include a suite of powers and tools that will be given to city regions in return for a set of “asks” from the Government, which will work closely with cities to develop the package.

- 1.5 The “*powers*” and “*tools*” are not specified. There is no suggestion that they will override existing legislation and even the “*licensed exceptions*” to national policy referred to in the 2011 paper, are not defined.
- 1.6 Second, an element of competition has been introduced in the second wave, so that only the places that set a high bar will negotiate a final deal with the Government. On that basis, the Government invited initial proposals to be put forward by the 15th January 2013. That initial proposal identified a single key economic growth issue, outlining how we proposed to tackle it, setting out the role for Central Government, in order to succeed, and informed the principles set out in Unlocking Growth in Cities (2011).
- 1.7 Importantly, Greg Clarke’s letter of 5th November stated that the proposal needed to have a clear economic rationale, should be backed by a strong evidence base and must deliver jobs and growth, through a transformative response to a real economic problem. It should identify strong collaborative governance in the area, the ability to significantly harness greater private sector input, expertise and resources through the proposals.
- 1.8 The objective of the City Deal is to enable increased private sector investment in high value manufacturing in the Black Country. This would provide a local platform for the implementation of the Government’s Industrial Strategy and in particular its focus on advanced manufacturing.
- 1.9 Sitting alongside this is a determination to ensure that people living in the Black Country, including those leaving full time education, are best-placed to benefit from this investment.
- 1.10 While the focus is very much on meeting the specific needs of individual businesses, we can only deliver that effectively if there is an appropriate strategic framework in place. Our core strategy, including the growth corridors provides that in relation to land and premises. But the LEPs Employment and Skills Board has been hampered in developing a similar framework for skills because government bodies such as the SFA are currently not in a position to engage with us at a Black Country level.

- 1.11 The obstacles we face in enabling the provision of sites include fragmented ownership, high remediation costs, risk adverse lending policies, a sluggish market, inflexible CPO powers and relatively low rents and yields. At the heart of the proposed City Deal is the establishment of a Black Country Land Development Fund, with government support, to enable us to overcome these obstacles.
- 1.12 In relation to education and skills our focus is on ensuring that the current investment in the area is better targeted to meet the specific needs of Black Country businesses and the workforce. This would be commissioned through a Black Country Investment Plan with a particular focus on the skills needed to support a move to higher value manufacturing. This would be complemented by a programme to improve educational performance across the area through enhanced collaboration between schools, colleges and other education institutions and providers.

Black Country City Deal

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Walsall Council



Executive Summary

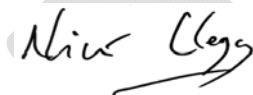
The Black Country City Deal will build on the long history and high performance of Black Country manufacturing and support the growth of high value manufacturing (HVM), particularly in the automotive and aerospace sectors. The Black Country LEP area already represents the largest concentration of high value manufacturing jobs in England and, through international recognition of this strength and local leadership, has secured key inward investments which will create opportunities for local businesses to grow.

The flagship proposal for this City Deal will support this growth and further investment by unlocking a portfolio of manufacturing sites across the Black Country. When developed these sites will provide HVM companies with the high quality, flexible space required to innovate and expand their production. This flagship proposal is supported by programmes to increase the number of young people taking up careers in HVM, to test new ways of reducing unemployment and welfare dependency in key areas of deprivation and improve the support that Black Country businesses receive.

Over its lifetime the Black Country Local Enterprise Partnership predict the City Deal will deliver:

- 80 hectares of brownfield land brought into manufacturing use within 4 years, with a further thirty sites for future development over ten years;
- The creation of 5,800 new manufacturing jobs within the first four years of the City Deal;
- An estimated £120m of private sector investment in high value manufacturing sites in the Black Country;
- At least 1,500 additional high value manufacturing apprenticeships and an investment of £18m from HVM employers in apprenticeships.
- The unlocking [£13m] of private sector investment in business support in the Black Country, creating or safeguarding over [700] jobs;
- Intensive working with 2,800 long term unemployed social housing tenants, moving at least 900 into employment, reducing welfare benefit costs by £1.1m and increasing wages by £19m.

Our signing of this document confirms our joint commitment to ensure full implementation of the Black Country City Deal proposed by: the Black Country Local Enterprise Partnership, Dudley Metropolitan Borough Council, Sandwell Borough Council, Walsall Council and Wolverhampton City Council. To ensure implementation and demonstrate success we will jointly track progress against milestones and outcomes.



.....
Rt Hon Nick Clegg MP
Deputy Prime Minister

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Rt Hon Greg Clark MP
Minister for Cities

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Stewart Towe, Chairman
Black Country LEP

.....
Cllr Mike Bird, Leader
Walsall Council

.....
Cllr Darren Cooper, Leader
Sandwell Borough Council

.....
Cllr Roger Lawrence, Leader
Wolverhampton City Council

.....
Cllr David Sparks, Leader
Dudley Metropolitan Borough
Council

Introduction

The Black Country is comprised of the four local authority areas of Dudley, Sandwell, Walsall and the City of Wolverhampton and sits in the heart of the West Midlands. It is home to over a million people and over 400,000 jobs; generating £16.2bn gross value added (GVA) per annum. The functional economic area of the Black Country is a key national manufacturing centre, forming the largest concentration of high value manufacturing jobs of any LEP area. These companies take advantage of the excellent links to motorway, rail and air transport within easy access of the Black Country, enabling local enterprises to expand into national and international markets.

Black Country businesses, local authorities and public sector partners have collaborated for over a decade to lead the growth of the local economy and have a well established vision for future growth (see below). The Black Country LEP have identified the high value manufacturing sector as a key sector for growth which will act as a stimulus for further growth across the wider economy. The sector currently employs 90,000 people and generates £3.5 billion of GVA for the UK economy. The LEP aspire to increase the number of businesses and increase the productivity of the sector underpinned by increasing the number of high value jobs and grow GVA by an additional £3 billion.

The Black Country Vision for Growth

Business Competitiveness – by 2033

- The employment rate will have risen from 66% to 80% (448,000 to 544,000)
- The number of businesses per 1000 head of population will have risen from 30 to 40

Education & Skills – by 2033

- The number of people with no qualification will have reduced to a par with the national average by upskilling 47,009 people
- The number of people with NVQ L4 will have increased to a par with national average, upskilling 80,308 people
- Pupils obtaining 5 GCSE at A*-C including maths and English will have increased

Infrastructure Development – by 2026

- 63,000 new homes, 1,000ha upgraded employment land, 880,000m² new office floor space will have been delivered, providing for 62,000 office, retail, and cultural jobs.
- Transport will be the catalyst to deliver HVM and logistics jobs in employment land led regeneration corridors.

The Black Country has seen considerable investment in recent years from major international manufacturing companies such as Pargat, CAB Automotive and most notably Jaguar Land Rover (JLR), whose UK engine centre of excellence is located in the Black Country's Enterprise Zone. JLR has announced its plans to grow from £2bn in 2013 to £2.75bn in 2014 and their commitment to just-in-time manufacturing creates a unique advantage for local, Black Country supply chain companies. The Automotive Council have estimated that 80% of automotive components for vehicle assembly could be supplied by UK companies but at present only 36% component spend is within the UK. The Black Country aerospace sector is also growing by 6.8% a year. 20% of UK aerospace output is generated by just four Black Country companies.

Nonetheless the Black Country faces key economic challenges related to the reduction in traditional heavy manufacturing and between 1995 and 2008 this sector lost 64,800 jobs. While the opportunities for growth in high value manufacturing are strong the Black Country LEP have estimated that without the action set out in this City Deal the high value manufacturing sector will lose 32,000 jobs by 2030.

Why do we need the City Deal?

The Black Country LEP has identified the shortage of sites suitable for expanding the successful high value manufacturing sector as a key barrier to local growth. There is a local market failure related to the extensive abnormal and complex ground conditions created by the Black Country's industrial legacy, unrealistic expectations and risk adversity amongst private landowners and significant under investment in site assembly and infrastructure.

Black Country employers have also reported to the LEP that they require level 3 or 4 apprenticeships, but at present 66% of apprenticeships in the Black Country are level 2 and while HVM accounts for 19% of jobs, it only accounts for 11% of apprenticeships.

The Black Country need to maximise the opportunities created by significant investments, such as that by JLR, and provide local businesses and new enterprises with the conditions to realise the Black Country's potential for high value manufacturing growth. To do this the Black Country needs to deliver three things:

- A supply of modern premises and accessible, clean well-located sites which are ready for immediate development.
- Access to a suitably skilled workforce;
- The provision of bespoke business support for existing HVM businesses and potential inward investors.

The City Deal will assist businesses to overcome these challenges and maximise their growth potential. It will also test new ways to reduce unemployment in local areas of deprivation.

The Deal

At the heart of the Black Country City Deal is an ambitious proposal to maximise the growth of high value manufacturing by unlocking key supply chain manufacturing sites across the Black Country. To deliver this flagship proposal City Deal partners will:

- Create the **Black Country Investment Fund** to stimulate the local commercial land market through the provision of finance to developers of key industrial sites. This fund will be created through the agreement of a £20m Public Works Loan Board (PWLB) project rate loan facility, with agreed flexibilities, and an investment of £10m from the four Black Country Local Authorities.

The Black Country Investment Fund (BCIF) will be complimented by skills, business support and welfare dependency reduction proposals. These proposals are designed to support high value manufacturers through increasing the supply of skilled young people taking up careers in engineering, improve the support to local businesses and encourage local unemployed people to move into manufacturing employment. To deliver this City Deal partners will:

- **Agreement to deliver at least one thousand five hundred additional high value manufacturing apprenticeships** over five years. Local partners will work to increase the number of young people taking up apprenticeships in key engineering skills and support businesses to employ apprentices.
- **Creation of the Black Country Growth Factory business support programme** that will: improve co-ordination of business support services across the Black Country; increase access and take up of national business support programmes; provide bespoke support to local businesses and act as a focal point for inward investment.
- A **demonstration project to reduce welfare dependency and increase employment** in two areas of high unemployment. This project learns from successful programmes in the USA and aligns with the Troubled Families and Help to Work programmes. It contains three core areas of work: providing intensive employment support services and repayable financial incentives to overcome costs associated with starting work.

Over its lifetime the Black Country Local Enterprise Partnership predict the City Deal will deliver:

- 80 hectares of brownfield land brought into manufacturing use within 4 years, with a further thirty sites for future development over ten years;
- The creation of 5,800 new manufacturing jobs within the first four years of the City Deal;
- An estimated £120m of private sector investment in high value manufacturing sites in the Black Country;
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- Intensive working with 2,800 long term unemployed social housing tenants, moving at least 900 into employment, reducing welfare benefit costs by £1.1m and increasing wages by £19m.

Geography

The majority of activities set out in this City Deal will be delivered across the Black Country, with sites across the region brought into productive use through the BCIF and young people across the region engaged through the increased apprenticeship programme. The project to reduce welfare dependency will be delivered in predominantly in two areas of Walsall and Sandwell but will also include some residents of Dudley and Wolverhampton.

Key Elements of the City Deal

Black Country Investment Fund

Black Country partners have an impressive record of providing a supportive environment for the development of manufacturing sites. The joint core strategy means that there is planning certainty and the business led Planning Charter means there is real commitment for planning to enable not stifle development. The Black Country enterprise zone is one of the best-performing in the country, securing £520m of anchor investments in its first year. Action by the Black Country local authorities has been critical in securing this investment by demonstrating their confidence and commitment. Wolverhampton and neighbouring Staffordshire council borrowed £36.5m for infrastructure at the i54 site.

The long industrial history of the Black Country has left the region with a large number of brownfield sites, often with excellent connections to transport links but with extensive abnormal and complex ground conditions due to previous use. These conditions, coupled with risk adverse private landowners, have led to a shortage of sites available for new or expanding HVM manufacturers. The Black Country LEP identified 145 possible HVM employment sites of which only 9 were capable of being brought forward for development within the current market conditions.

To address this market failure the Black Country LEP will create the BCIF which will enable the LEP to stimulate the local commercial land market through the provision of finance to developers of key sites. An initial portfolio of sites for the first two years of the investment fund's operation has been identified and Black Country local authorities have identified a further thirty sites which could be brought into productive manufacturing use over the duration of the fund. These and other sites will be assessed as the fund progresses and as market demand and supply develops.

The operation of the BCIF will mirror the successful Black Country Growing Places Fund, following the same tried and tested process, including independent valuation, cost analysis and technical appraisal expertise, thus ensuring robust pricing and deliverability. This process will safeguard any investment made through from the fund. The Black Country LEP will ensure compliance with State Aid regulations.

Every development will have a longstop date set at contracting stage. The purpose of the longstop date is to assess the appetite of the developer for the scheme and to ensure that each developer partner is contracted to pay back, with interest, the amount lent through the mechanism.

Funding Package for the Black Country Investment Fund

The BCIF will be created through the combination of local authority investment, totalling £10m of capital funding over five years, and the provision of a £20m loan facility from Government at the PWLB project rate. The Black Country will be able to draw down from this facility over a ten year period from 2014/15 to 2024/25, up to a limit of £20m over the period, with each drawn down allocation from the facility having a repayment term of up to ten years. The Black Country LEP estimate that the BCIF will unlock £120m of private sector investment in high value manufacturing sites.

Apprenticeships for High Value Manufacturing

Black Country employers have reported to the LEP that they require level 3 or 4 apprenticeships, yet 66% of apprenticeships in the Black Country are level 2; and while HVM accounts for 19% of jobs, it only accounts for 11% of apprenticeships. A combination of perceived risk, costs and time has discouraged small HVM businesses from taking on apprenticeships but there is wide recognition that higher levels of HVM apprenticeships will be required to ensure local companies have access to a skilled workforce in future.

The City Deal partners have therefore committed to delivering at least 1,500 additional HVM apprenticeships over the next five years. Local Black Country partners will work to increase the demand for apprenticeship places for young people aged 19+, working with local businesses and UTCs to encourage young people to take up careers in engineering and STEM sectors. Government agrees to fund the 1,500 apprenticeships in line with existing adult skills budget eligibility criteria and this is matched by a private sector investment in apprenticeships of £18m. While the focus of the City Deal is increasing apprenticeships for those aged 19+ it is expected that there will be an associated

increase in demand for apprenticeships and training opportunities amongst 16 – 19 year olds as awareness of the career opportunities in high value manufacturing increases.

Housing, Jobs and Prosperity Demonstration Project

In the Black Country there are now a total of 120,680 (17.8%)¹ people of working age currently claiming out of work benefits. The picture is even starker amongst social housing tenants where more than one in two is out of work and almost three in every four residents is in receipt of Housing Benefit. In these neighbourhoods periods of worklessness amongst residents are often longer in duration than their counterparts in other housing tenures. Moreover, even when social housing residents find work they are less likely to sustain work and more likely to make more than one repeat claim within a year. This is further compounded by behavioural factors that pass between residents and from one generation of tenants to the next where work is no longer seen as the social norm creating a culture of benefit dependency which has persisted in parts of the Black Country for more than two decades.

The Housing, Jobs and Prosperity Demonstration Project will break this culture of dependency by enabling social housing tenants in estates with high concentrations of worklessness to find work and to increase their earnings. The project will build on the UK and international evidence on what works, including the highly successful housing-based programmes in the US, most notably the American Jobs Plus Programme.

The aim is to test:

1. A geographically targeted “saturation model” of welfare to work support for claimants with the most complex needs to help them to find work *and* increase their earnings over an extended intervention period.
2. A housing-based approach that addresses community and cultural barriers to work at the neighbourhood level; and
3. Create an intrinsic link to the High Value Manufacturing sector, private sector opportunities.

The project will operate within an identified geographical area to deliver an integrated “Journey to Work” that aligns mainstream support services such as “troubled families”, the Work Programme and the “Help to Work” scheme alongside bespoke interventions tailored to maximise value added. The model has three key pillars which have been adapted and strengthened from the US approach:

- **Employment support services** including Intensive job search, Career planning, CV preparation and tailored Information Advice Guidance on jobs and benefits; pre-employment training and skills such as literacy and numeracy, employability and bespoke employer led training; Mentoring, work trials, work experience and work placements; and Post employment support and re-employment activity to aid progression.
- **Community Support** to tackle some of the social and cultural barriers to work, through the practical application of the place-based approach and targeting residents from the same household, family or peer group.
- **Financial incentives** will be a combination of a flexible support “bursary” to support with the costs associated with the transition to work which may be repayable over time once a set salary has been achieved. This will be coupled with rent freezes from housing providers. This approach will be further enhanced by the use of financial incentives for providers using performance-related payments for the staff based on job sustainability and earnings progression.

The programme will focus on increasing the employability of 2,800 long-term unemployed and economically inactive Black Country residents in “hotspot” estates with high concentrations of worklessness with the aim of helping 900 into sustained work and additionally increasing the earnings of almost 500 people by at least 10 per cent within a year.

Black Country partners have committed £2.8m to the Demonstration project and will design a robust evaluation methodology to capture the additionality of the intervention. The Government will match this investment with a contribution of £2.8m. Our modelling estimates that this project will deliver £1.1m reduction in the welfare bill associated with savings on the transition from unemployment to work and a further £19.7 million associated with earnings gains. The Black Country will work with Government to quantify the cashable savings across the public sector and seek a mechanism to share these savings with partners via the Cabinet Office’s Social Outcomes Fund.

¹ November 2012

The Black Country Growth Factory

The Black Country economy is entering a growth trajectory that could spur a step-change in output performance, fuelling robust rates of expansion for SMEs. The Black Country Growth Factory will maximize the opportunities to this growth by establishing a portal to all business support services in the region. It will coordinate and monitor the quality of all generic business support and offer a specialist package of support to HVM SME's, in recognition of their key role in growing the local economy. It will offer

- A pool of expertise, readily accessible to local businesses
- Simplified access to support from a range of national and local partners
- Links to national and local programmes and coordinated partner budgets
- A package of specialist support for HVM SME's focused on innovating

The Growth Factory will support local SMEs to overcome capacity constraints and maximize the economic opportunities resulting from global growth, through access to new markets and competitive supply chain opportunities. Support will be led by businesses, assisted through a broad partnership of local expertise working to a shared objective – To Grow the Black Country.

This will be supported by a Lancaster University RGF allocation of [£5.2m]² which will unlock a private sector investment of nearly [£13m]. This is predicted to create or safeguard nearly [700] jobs, engage with over [6,000] businesses and lead to investment in local businesses of [£3.8m].

Governance

The Black Country are proposing to establish a statutory joint committee to oversee the delivery of the City Deal. These proposals are the next stage in the development of the long-standing joint working in the Black Country through the Association of Black Country Authorities and the Black Country Consortium. The Black Country are proposing to strengthen existing arrangements in order to:

- Continue to strengthen the effectiveness and depth of the collaboration between the four councils to enable us to secure better outcomes for the Black Country in the face of continued reductions in expenditure;
- Secure even closer working between the LEP and the four councils in preparation for introduction of the local growth fund, the development of the Black Country growth plan and associated developments;
- Ensure that our arrangements are fit for purpose to provide transparent and effective government of our city deal to enable it to be delivered.

The membership of the joint committee will comprise the leaders of the four councils and each council executive will delegate to the committee the powers, including financial responsibilities, necessary to implement the City Deal. A legal agreement between the councils will set out details of the management of the committee and the scope of its delegated powers.

In order to ensure that the LEP is fully engaged in the leadership of the City Deal and Growth Plan we are proposing that the Chair of the Black Country LEP should attend meetings of the joint committee to participate in the discussion of items on the City Deal. We are also proposing to formally establish an advisory body to the Joint Committee which will be the subject of a legal agreement between the four councils. Its membership would include: relevant council officers, two representatives from the LEP, one from the Consortium and other stakeholders. The board would play a crucial role in delivering the City Deal by:

- Working with the lead or accountable body for each project within the City Deal;
- Making final recommendations to the Joint Committee for ratification;
- Overseeing the implementation of the each project of the City Deal by each delivery partner;
- Reporting to the Joint Committee on project implementation, progress and completion.

² Subject to confirmation and approval of the Black Country proposal

Summary of Commitments

Black Country Investment Fund

Central Government Commitments	Black Country Commitments
<p>Provision of a £20m PWLB project rate loan facility, starting in 2014/15, with the following flexibilities:</p> <ul style="list-style-type: none"> • The ability to manage the allocation as a programme with a portfolio of projects rather than on a project by project basis; • The ability to draw down the loan facility over ten years (2014/15 to 2024/25); and • The agreement of a repayment period of up to ten years from draw down from the facility. 	<p>Launch, manage and implement the BCIF underpinned by local and central government investment and private sector contributions with appropriate risk mitigation and monitoring in place enabling investment in a portfolio of site developments.</p> <p>Local authority capital contributions of up to £10m over 5 year.</p> <p>The development of an initial portfolio of 9 sites, expected to create an estimated 5,800 jobs and bring 80 hectares of brownfield land into productive use.</p> <p>The identification of further sites for investment to support HVM businesses.</p> <p>Black Country local authorities will continue to use publicly owned land and property to deliver new homes and create more investment opportunities, where appropriate.</p> <p>Black Country local authorities will explore engagement with the Government Property Unit to provide external support for the management of their assets and uploading local assets to the ePIMS database.</p>

Apprenticeships for High Value Manufacturing

Central Government Commitments	Black Country Commitments
<p>Provision of at least 1,500 new HVM apprenticeships in line with existing adult skills budget eligibility criteria over five years from 2014/15, subject to demand being stimulated within the city</p>	<p>HVM employers will invest £18m into providing 1,500 new HVM apprenticeships</p> <p>Black Country partners will work to secure £40m of private sector employers' resources to work with schools, colleges and UTCs to provide appropriate accessibility and pathways to HVM and set up an employer engagement partnership with schools to inspire more young people take up STEM subjects and HVM.</p>

Housing, Jobs and Prosperity Demonstration Project

Central Government Commitments	Black Country Commitments
<p>Provision of £2.8m to support the delivering of the demonstration project.</p> <p>Agreement to examine a mechanism to share the financial benefits of the programme.</p>	<p>Funding of [£2.8m] provided by local authorities and local social housing providers</p> <p>Expand and improve local partnerships between local authorities, social housing providers, skills providers and welfare benefits agencies.</p>

	Work pro-actively with DWP and local delivery partners to align with existing and future Government policies and programmes.
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Black Country Growth Factory

Central Government Commitments	Black Country Commitments
<p>Subject to a successful bid into the Wave 2 Business Growth programme, the Black Country will receive [£5.2m] of funding for a range of bespoke business and innovation schemes.</p> <p>Enhanced partnership with the Technology and Strategy Board and UKTI to support better business support co-ordination across the market.</p>	<p>Local private sector match funding of nearly [£13m]</p> <p>Improve engagement with manufacturing SMEs through diagnostic teams going into businesses, account management and referrals to national programmes.</p> <p>Create an innovation fund to help manufacturing SMEs compete for new supply chain and export opportunities. Businesses will be able to customise how this fund is spent according to their specific needs, and will contribute to the services they receive.</p> <p>Integrate European Structural Funds for 2014 – 2020 into the Growth Factory.</p>