

Cabinet
Council

29th August 2017
5th September 2017

Name of Cabinet Member:

Cabinet Member for Jobs and Regeneration – Councillor J O’Boyle
Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

All

Title:

Coventry and Warwickshire Growth Deal 3 Allocation

Is this a key decision?

Yes, as it has the potential to affect all wards within the City and expenditure is in excess of £1m.

Executive Summary:

Coventry & Warwickshire Local Enterprise Partnership (CWLEP) has been successful in negotiating and securing additional £42.44m of Growth Deal (GD) funding from central Government to add to the existing approval of £89.4m. In total, Growth Deal resources now total £131.8m which will support economic growth. By 2021 up to 7,500 jobs will be created and 3,500 homes built with a total investment of up to £240m.

The enlarged Deal remains focused on the four key areas of:

- New infrastructure that will improve connections, tackle congestion and support housing and employment sites.
- Driving innovation in Advanced Manufacturing and Engineering.
- Supporting businesses to flourish.
- Growing local skills and talent.

The Council has previously agreed to be the Accountable Body for the Coventry & Warwickshire First and Second Wave of Growth Deal funding and the Programme has been operational since 2015.

This report is seeking approval for the City Council to officially agree to accept the additional Growth Deal funding of £42.44m into its Accountable Body remit.

Recommendations:

Cabinet recommends that Council:

- 1) Authorise the City Council to accept an additional £42.44m of Growth Deal Funding in its role as Accountable Body and guarantor for the Coventry and Warwickshire Growth Deal and enter into grant aid agreements with delivery organisations.

Council is requested to:

- 1) Authorise the City Council to accept an additional £42.44m of Growth Deal Funding in its role as Accountable Body and guarantor for the Coventry and Warwickshire Growth Deal and enter into grant aid agreements with delivery organisations.

List of Appendices included:

Appendix 1: List of Growth Deal Programmes

Background Papers:

None

Other Useful Documents:

Coventry & Warwickshire Growth Deal
([Click Here to Access the C&W Growth Deal](#))

CWLEP Strategic Economic Plan
([Click here to access the Strategic Economic Plan](#))

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes – Council Meeting 5th September 2017

Context (or background)

- 1.1 In March 2013 the Coalition Government published its response to Lord Heseltine's report [No Stone Unturned](#). In its [response](#) the Government put in place a *Single Local Growth Fund* as part of its policy to restore economic stability and create the conditions for growth.
- 1.2 The Single Local Growth Fund would be allocated to Local Enterprise Partnerships (LEPs) through a process of negotiation and using a competitive tension to strengthen incentives on LEPs and their partners to generate local growth. In its first year, part of the funding allocated to each LEP would reflect existing allocations such as already approved transport schemes.
- 1.3 The Fund brings together a number of funding streams across Central Government departments, in particular transport, housing and skills, and would be operational from April 2015.
- 1.4 The basis for negotiation and the securing of funds would be through the development of a new multi-year Strategic Economic Plan (SEP) for the local area. This plan would allow the local area to negotiate with Government for the levers, resources and flexibility for its area. The Government made it clear that the allocation of funds was competitive but more importantly the allocation would reflect the quality of strategic proposals and local working arrangements put forward by the LEPs.
- 1.5 On 7th July 2014, following the process of negotiation, the Government announced the first wave of Growth Deals totalling £6bn, including £2bn from the Local Growth Fund for 2015 to 2016. CWLEP secured £74.6m from the Government's Local Growth Fund to support economic growth in the area. In 2015 CWLEP secured an additional £15.3m of Growth Deal funding.
- 1.6 As part of the process for updating the Coventry & Warwickshire SEP, CWLEP released a Transparent Open Call in July 2015 for major capital projects which aligned to CWLEP's strategic objectives that could be matched to appropriate funding opportunities as they emerge.
- 1.7 66 Expressions of Interest were received in response to the call, and at the CWLEP Board Meeting in January 2016, 51 were invited to submit full business cases. These 51 then formed the resulting pipeline used as the basis of the CWLEP's £150m GD3 bid, which was submitted to Government in July 2016.
- 1.8 In November 2016, Government gave an indicative GD3 offer of between £35m and £45m. CWLEP responded by highlighting the range of activities that would not be deliverable with an allocation of this size and submitted and pushed for a minimum of £61m GD3. Having delivered the 2016 Autumn Statement, Government offered CWLEP a final GD3 allocation of £42.44m on 1/12/2016.
- 1.9 In response, the GD3 pipeline has been further prioritised according to clear criteria and principles documented within CWLEP's Assurance Framework. This has resulted in 9 projects and schemes that have been awarded CWLEP GD3 funding.

The Table 1.0 is a summary of the funding that has been awarded under round 3 of Growth Deal (GD3).

Table 1.0 GD3 Allocations

| Strategic Area | Project | Description | 2017/18 and beyond £'m |
|----------------------------------|--|---|-------------------------------|
| Infrastructure | A452 Europa Way Corridor | Improvements to the infrastructure in a key transport corridor to the south of Warwick and Leamington Spa. | 3.60 |
| Infrastructure | Friargate and City Centre Connectivity | A package of infrastructure works to unlock further investment in Coventry City Centre. | 11.80 |
| Business & Innovation | CSW Broadband | This project will deliver a superfast broadband infrastructure to remaining properties in Coventry and Warwickshire. | 1.00 |
| Culture | Warwick Arts Centre 20:20 | Warwick Arts Centre 20:20 proposes a major extension to an existing cultural attraction. | 2.00 |
| Business & Innovation | AME Expansion | The project will build on the success of the Institute for Advanced Manufacturing and Engineering (AME) - a cooperation between Coventry University and Unipart. | 1.00 |
| Skills | WMG Apprenticeship Learning Academy | Deliver a new facility to increase capacity for higher level skills through degree apprenticeship programmes for existing employees in high growth, advanced manufacturing and engineering (AME) businesses in the CWLEP region | 10.00 |
| Skills | Rugby HE Construction and Technology College | The project will enable the creation of a 3-storey, 1800sqm GIA building that will support development of higher level technical and professional skills in construction, technology, engineering and low carbon technology. | 1.50 |
| Infrastructure | Nuneaton Town Centre Transformation | The transformation of Nuneaton Town Centre will focus on the development of the Eastern Quarter. | 7.50 |
| Transport | Rugby Parkway Station | Rugby Parkway will provide a rail station on the outskirts of Rugby. | 4.00 |
| Programme Management Team | Coventry City Council | Delivery costs for The External Funding and Business Support Team. Capitalised Salary costs. | 0.04 |
| Total | | | 42.44 |

- 1.10 The funding for the new projects is available from 2017/18 to 2020/21 and a provisional cash flow has been issued. Funding for 2017/18 has been confirmed from BEIS. However, future cash flow is subject to confirmation following the next comprehensive spending review and as such any project that is seeking to start will do so at its own risk.
- 1.11 In total, the expanded Growth Deal is anticipated to create up to 7,500 jobs, allow 3,500 homes to be built and produce a total investment of up to £240m.
- 1.12 The LEP has secured 'freedoms and flexibilities' from the Government which enables it to manage the overall Growth Deal programme locally, for example managing the cash flow within each year to meet both programme and project need. This will provide substantial scope for a flexible and responsive approach to programme management and has been utilised effectively in 2015/16 and 2016/17.

2 Options considered and recommended proposal

- 2.1 The only option considered has been for Coventry City Council to accept the additional Growth Fund resources into its role of Accountable Body.
- 2.2 It is recommended that the Council accepts the additional Growth Fund resources.

3 Results of consultation undertaken

- 3.1 The additional resources for the Growth Deal are an outcome of the SEP and its 2016 refresh. The SEP has been the result of close partnership working from a range of public and private stakeholders. This includes Local authorities, Chambers of Commerce, Federation of Small Businesses and Universities. The business groups of the LEP have also been engaged in the development of the plan and in particular this has directly resulted in the work to prioritise investment in key employment sites, transport and skill infrastructure.

4 Comments from Director of Finance and Corporate Services

4.1 Financial implications

- 4.1.1 The additional resources of £42.44m Growth Deal make the total financial package from Growth deal of £131.8m. The capital resource for 2017-18 will be added to the Capital Programme as part of the Quarter 2 Capital Reporting Process, with future years resource added via the Budget Setting Report"
- 4.1.2 An offer letter has been received for the Growth Deal funding for 2017/18 totalling £23.123m and this payment has been received. The letter also confirms the tail funding for up to 2021 with an indicative cash flow per annum. However, this cash flow is subject to final confirmation and projects will have to accept the risks associated with this if they wish to commence.
- 4.1.3 As Accountable Body, Council Officers will ensure effective governance arrangements are in place to facilitate appropriate control over the allocation of resources and spend against the approved programme. The existing External Funding and Business Support Team will use existing staff to manage the Growth Deal and deliver the Council's Accountable Body function. Any further resourcing of staff to deliver the programme management will be met by external grant funding.
- 4.1.4 Revenue costs associated with the management, delivery and monitoring of individual schemes will be addressed in the formal approval of the individual schemes through the appropriate approval channel and not in this Cabinet report.

4.2 Legal implications

4.2.1 The Council will be issued with a grant offer containing Government terms and conditions. These will be devolved across to the name scheme applicants within the Growth Deal in Grant Aid Agreements. These will ensure appropriate conditions and obligations are passed to the applicants who receive the funding for delivering projects. The City Council has power to act as guarantor under section 1 of the Localism Act 2011.

5 Other implications

5.1 **How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

5.1.1 The Growth Deal will directly deliver against the Council's Plan, in particular it will contribute to:

- Support businesses to grow.
- Create infrastructure for the City to thrive.
- Develop the city centre for the 21st century.
- Raise the profile of Coventry.
- Create jobs for local people.
- Increasing the supply, choice and quality of housing.
- Create an attractive, cleaner and greener City.

5.2 **How is risk being managed?**

5.2.1 Experienced, robust and audited arrangements are already in operation within the Place Directorate to deliver the Accountable Body function for the Council. The External Funding and Business Support Team were not only experienced in bidding for and securing funds, they also provide an extensive and recognised programme management function on behalf of the Council and CWLEP for a number of schemes, currently totalling over £194.5m.

5.2.2 As an authority we have been, and continue to be, the Accountable Body for millions of pounds worth of external funding and we have never had to repay grant back to the funder within the Place Directorate. Our reputation for delivering to time, budget, spend profile and within the rules is second to none.

5.2.3 The financial risk of the Growth Deal will sit with the Council. At this time it is anticipated that payments are made quarterly in advance but the LEP is seeking 'freedoms and flexibilities', which if successful will see the full annual amount paid up front. Government will hold a "general power of variation" over our Growth Deal Funds. This gives them the right to reduce funding or cease a programme completely if external funding is not being managed to the correct standards, or it does not appear that the employment outcomes will be met. This is the same with all our grant funded programmes from Government. This risk will be mitigated by the implementation of strict procedures for the programme management of Growth Deal-funded work, close liaison with our Government monitoring officer, and ensuring that funding contracts awarded by the Council for the completion of infrastructure works place risk on the organisations which complete the works.

5.2.4 The individual projects will each have project officers/managers in place responsible for managing compliance with the funding requirements such as publicity, procurement and for monitoring progress including making grant claims to Government. The highly experienced Planning, Transport & Highways division who have already successfully delivering Public Realm will continue to implement the Coventry Schemes within the Growth Deal.

5.2.5 Schemes delivered outside of the City Council by neighbouring authorities will enter into a standard Grant Aid Agreement (GAA) with the City Council as accountable body. It is standard practice within GAA's to transfer as much risk as possible to the successful applicant and project deliverer.

5.2.6 The External Funding and Business Support Team will have regular meetings with all the projects to review overall progress and to liaise between them and the Government co-ordinating the monitoring and evaluation of the Growth Deal on behalf of the CWLEP.

5.2.7 Performance will be monitored on a bi-monthly basis by the CWLEP's Programme Delivery Board, and reported to the Joint Committee and an annual progress report on the Growth Deal will be completed and brought back to Cabinet.

5.3 What is the impact on the organisation?

5.3.1 Human Resource Implications

There are no current staff resource implications for the External Funding and Business Support Team as an existing Growth Deal Programme Team are in place. If staffing resources are needed they will be recruited in line with the Council's current recruitment policies and procedures.

5.4 Equalities / EIA

5.4.1 It is the responsibility of each of the projects within the Growth Deal to undertake an Equality Impact Assessment as part of project development and impact. By 2021, this Deal will create at least 7,500 jobs across the City and region. The ambitions of our Strategic Economic Plan for Coventry & Warwickshire talk about the development of over 50,000 jobs. It is clear that the Growth Deal presents a positive trajectory on the availability of jobs across the sub-region.

5.5 Implications for (or impact on) the environment

5.5.1 The large scale infrastructure projects will have an impact on the environment across the city. The projects will improve the environment, public spaces and surrounding areas and will all go through the planning system via the appropriate Local Planning Authority for each project area.

5.6 Implications for partner organisations?

5.6.1 No direct implications. Some of the surrounding local authorities are likely to be the lead deliverers for some of the schemes and therefore will be contracted partners.

Appendix 1: List of Growth Deal Programmes

All capital unless specified

| Key Area | Project | Description | Status |
|-----------------------|----------------------------------|---|----------------------|
| Skills | Advice Centre | This new centre at City College Coventry will deliver: employability skills for those out of work, re-skilling employees at risk of redundancy, improving functional skills, diagnostic testing for young unemployed people, developing programmes aligned to CWLEP priority sectors. | Project delivered |
| Skills | Venture House | Converting an existing local authority building into a 'state of the art' business support facility | Project delivered |
| Infrastructure | Coventry A45 Corridor | Transport Efficiency Scheme | In development |
| Business & Innovation | R&D Steel | Creation of a new internationally competitive research & development and skills infrastructure facility that will support the development of new lightweight steel products and create the environment to develop the next generation of experts in this area. | In progress |
| Skills | Trident | This investment will enable the college to purchase new equipment and refurbish college buildings, which will provide additional apprenticeship training in advanced manufacturing and engineering. | Project delivered |
| Businesses | Duplex Fund | A loans and grants business support fund to support business growth within Coventry and Warwickshire. | In development |
| Infrastructure | A5 Corridor Project | This will enable the dualling of the A5/A47 Longshoot to Dodwells which will reduce congestion, improve journey time reliability, and support economic activity in Warwickshire and Leicestershire. | In development |
| Infrastructure | Coton Arches | Transport improvement works at Coton Arches in Nuneaton. | In progress |
| Transport | Very Light Rail | Very Light Rail scheme for Coventry. | In progress |
| Transport | Dynamic Routing | This will develop and demonstrate a new technology to use cloud-based systems to provide pre and in journey motorway and local road traffic data. | In progress |
| Infrastructure | A46 N-S Corridor (Stanks) | Transport improvements on the junction of the A46 in Warwick | In progress |
| Transport | Kenilworth Station | New train station build. | Financially complete |
| Business & Innovation | National Transport Design Centre | Creation of an international centre of design excellence for innovation and research, which develops the specialist designers, creative leaders and new products needed for business growth in the High-Value Manufacturing sector. | Project delivered |
| Infrastructure | Unlocking Development | Programme of infrastructure works within | In progress |

| Key Area | Project | Description | Status |
|-----------------------|---|---|-------------------|
| | Sites | Coventry and Warwickshire. | |
| Transport | North South Rail and Coventry Station / Coventry Station Access | Will improve passenger capacity and secure an increase in train service frequency between Coventry-Bedworth-Nuneaton and a bay platform at Coventry Station | In progress |
| Infrastructure | Connectivity To UK Central | Programme of Infrastructure | In development |
| Skills | Construction Centre Expansion | Expansion of Warwickshire College Construction Centre | Project delivered |
| Skills | Warwickshire College Science Technology Engineering Maths | Creation of a state of the art Science Technology Engineering and Maths facility for Warwickshire College | Project delivered |
| Skills | City College Science Technology Engineering Maths | Creation of a dedicated Digital Skills Science Technology Engineering and Maths Centre at City College Coventry | Project delivered |
| Skills | Warwickshire Manufacturing Group Academy Pre-Development | Academy, which will deliver degree level apprenticeships dedicated to High Value Manufacturing (Advanced Manufacturing Engineering). The Academy will address the significant under capacity in High Value Manufacturing education. | In progress |

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