

# EXETER CITY COUNCIL

**EXECUTIVE  
4 DECEMBER 2012**

## **CITY DEALS**

### **1. PURPOSE OF REPORT**

- 1.1. To obtain Members' agreement to the preparation of a City Deal prospectus.

### **2. BACKGROUND**

- 2.1. City Deals are a key part of the Government's objectives of rebalancing the economy and boosting private sector growth. They are designed to:
- give cities the powers and tools they need to drive local economic growth;
  - unlock projects or initiatives that will boost their economies; and
  - deliver a step change in governance arrangements.
- 2.2. On 5 July 2012, the Government announced a series of City Deals with the country's eight largest cities. On 29 October 2012, the Government launched the second wave of City Deals. Twenty cities (the next fourteen largest cities and their wider areas and the next six with the highest population growth between 2001 to 2010) were invited to compete for deals that would see Government devolve powers in exchange for delivering growth locally. The cities with the strongest propositions will be invited to negotiate a deal with the Government, which will be completed by November 2013.
- 2.3. The Government has emphasised that City Deals are a two-way trade with 'asks' and 'offers' from both sides. In this second round cities' bids will need to:
- i) demonstrate strong and collaborative governance across their functional economic area, so that decisions necessary for the growth of the area as a whole can be taken quickly and effectively;
  - ii) contain proposals for harnessing greater private sector input, expertise and resources, including backing from LEPs;
  - iii) demonstrate strong political commitment and readiness to put resources into delivering the deal;
  - iv) show how proposals can create new jobs and growth with the same, or fewer resources;
  - v) support the Government's objectives of reducing regulation, create well functioning markets and promote an enabling environment for business and boost private sector growth and investment.
- 2.4. In introducing an element of competition to the second wave, the Government has refined its expectations. Cities will need to have a strong appetite for doing a deal and they will need to make a convincing case for new investment and powers with a clear evidence base and a strong economic rationale. Furthermore, propositions should address a clearly defined economic problem, which requires specific empowerment from central government that cannot be achieved through existing arrangements.

### **3. PROPOSAL**

- 3.1. At present there is no indication that the Government will launch a third wave of City Deals. However, they form a key part of the Government's ambitions to rebalance the economy and boost private sector growth and it seems probable that more cities will be invited to negotiate deals in future.
- 3.2. In anticipation of a third wave, it is proposed that the Council prepares a City Deal prospectus for the Government. The Government's clarification of expectations (as set out in paragraph 2.4 above) is helpful in that it enables the Council focus its City Deal proposals on two pressing "economic problems" that are relevant to the functional economic area. These can be summarised as 'Unlocking City Centre Growth' and "Realising the Potential for Growth and Jobs in Technology, Science and Innovation".

### **4. UNLOCKING CITY CENTRE GROWTH**

- 4.1. The City Centre is the economic engine of the City's economy and redevelopment of the next phase of the city centre could be supported by a tax incremental finance scheme. A major opportunity exists at the Bus & Coach Station site where Land Securities and the Crown Estate have plans to invest some £200m to build some 30,000m<sup>2</sup> of new retail and leisure development to complement that re-developed by land Securities at the Princesshay Shopping Centre which was completed in 2007. The new development will provide jobs for over 1000 people.
- 4.2. High up front costs in terms of infrastructure make for a more challenging redevelopment programme, and forward funding is necessary to unlock the development potential of this area at the earliest opportunity. A key strand of the City Deal would be freedom and flexibility to borrow capital against predicted increases in business rates to provide £20 to £30m investment in public infrastructure as part of a £200 million private sector investment in the site.

### **5. REALISING THE POTENTIAL FOR GROWTH AND JOBS IN TECHNOLOGY, SCIENCE AND INNOVATION**

- 5.1. There has been a significant level of investment in Exeter in the technology, science and innovation, which has created a strong platform for future growth in line with the Economic Development Strategy:
  - The Met Office brought new specialisms in the fields of climate change and environmental research and is regarded as a world leader in their contribution to international research and inter-governmental conferences.
  - The University of Exeter's research is of international significance The Science Strategy is seeking to invest £230 million in key themes of activity: climate change and sustainable futures; systems biology; functional materials and translational medicine and personalised healthcare.
  - The Peninsula Medical School has nationally recognised research in neuroscience, environment and health, cardiovascular risk and ageing and diabetes; it is currently making a £20million investment in a new research facility.
  - Exeter Science Park is a prime location for successful science- based business development. The Science Park aims to drive growth in knowledge-based science, technology, engineering and medicine-related enterprise in the region and promote the region's world-leading scientific capacity and international ambition.

5.2. Against this backdrop jobs in technology, science and innovation are forecast to experience significant growth over the 20 year phasing of new developments across Exeter and the Growth Point. However, a dedicated programme of work to realise this potential is yet to be developed. This programme could include

- Encouraging inward investment, industry clusters and start-ups
- Supporting new companies/spinouts
- Enabling knowledge transfer between education and research centres and local businesses
- Increasing employment opportunities for university graduates
- Supporting recruitment, apprenticeships and training opportunities
- Building closer links with local education providers to develop skills and encourage ambition
- Steering/gaining support and input from neighbouring districts
- Accessing funding
- Aiding infrastructure, investment and support

5.3. A number of cities have sought external expertise to help them understand what the knowledge economy means for them and where they need to invest to support economic growth and to realise the potential for growth and jobs in technology, science and innovation. It is proposed that the Council seeks similar expertise to ensure that a proposed programme of work is evidence-based and also draws on workable solutions that have been implemented in other cities. The Exeter Initiative for Science and Technology (EXIST) is already pursuing some of the activity listed above and a City Deal offers an opportunity to work with its private sector members to identify appropriate expertise.

## 6. **RECOMMENDATION**

6.1 It is recommended that Executive agrees to the preparation of a City Deal prospectus that focuses in particular on the two issues identified above.

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**Local Government (Access to Information) Act 1985 (as amended)**  
**Background papers used in compiling this report:**

HM Treasury Announcement of 29 October 2012 "Bold Deals to set more cities free for growth" ([http://www.hm-treasury.gov.uk/press\\_101\\_12.htm](http://www.hm-treasury.gov.uk/press_101_12.htm) )