



To: The Leader and Executive Councillor for Strategy:
Councillor Tim Bick

Report by: Head of Corporate Strategy

Relevant scrutiny committee: Strategy & Resources 8/7/2013
Scrutiny Committee

Wards affected: All Wards

GREATER CAMBRIDGE CITY DEAL NEGOTIATION UPDATE

Not a Key Decision

1. Executive summary

The City Council was invited to submit, with local partners, an expression of interest in a City Deal in the Autumn of 2012. An expression of interest was submitted in January, and on that basis the Council and partners were invited in February to develop a proposal for negotiation with Ministers this summer.

This report describes the proposal that has been evolving, and have been submitted to Government in the form of a “Negotiation Document”. The essence of the proposal is for joint local investment in infrastructure to support sustainable economic growth in the Greater Cambridge area, underpinned by an agreement with Government that a proportion of the future tax take arising from such investment and growth will be retained locally.

And that the strategic vision for the area will be brought together and jointly decided by local partners in a City Deal Board. This would imply the pooling of some of the City Council’s current powers and anticipated funding.

2. Recommendations

The Executive Councillor is recommended:

- i. To continue negotiations for a City Deal with local partners and with central Government.

3. Background

3.1 The December 2012 Strategy & Resources Scrutiny Committee report on this issue set out some of the background to the City Deal, and this report updates on the progress made since then. As mentioned in the December report on this issue, City Deals are agreements between government and a city region that devolve greater powers and funding to the local area to promote sustainable economic growth. The first wave of City Deals were negotiated during 2012 with the Core Cities (the eight largest cities outside London). The eight existing Deals vary in their nature, but all include some element of devolution from Whitehall to the city region, and some strengthening of local governance arrangements relating to economic powers within the city region.

3.2 Following the success of this first wave, the Government announced in Autumn 2012 that they were inviting a second wave of 20 city regions to compete for a City Deal for their areas. These 20 comprise the next 14 largest cities outside of London and their wider areas and the 6 cities with the highest population growth during 2001 to 2010. It is on this latter category that the Greater Cambridge area (the combined area of Cambridge City Council and South Cambridgeshire District Council, which has a combined population of around 280,000) was invited to participate.

3.3 After the agreement to the proposals set out in the December 2012 Report, in January 2013 an Expression of Interest (EoI) was submitted to Government by the five core partners promoting the City Deal (Cambridgeshire County Council, Cambridge City Council, South Cambridgeshire District Council, the Local Enterprise Partnership and the University of Cambridge).

3.4 The expression of interest was well received by Government, and following the assessment of all 20 Expressions of Interest, Greater Cambridge was invited to progress to the next stage, as one of the first groups of the Wave 2 Cities.

3.5 The Expression of Interest made the case for the need for significant additional investment in infrastructure in the Greater Cambridge area to unlock suppressed demand, retain the quality of life that makes it an attractive place for businesses and high-skilled individuals to locate, and to deliver its full economic growth potential. It also made the point that growth in Greater Cambridge is largely net growth to the UK as a whole as Cambridge competes on the world stage with cities such as Boston and San Francisco, not with Bradford and Southampton.

3.6 The unique position of greater Cambridge is also recognised, as is the global brand value of Cambridge for the UK as a whole. The status of Cambridge University, recognised as one of the leading universities in the world, is a key part of this brand. So too is the remarkably diverse knowledge economy cluster in and around Cambridge which is of course strongly linked to the quality of the research base in our higher education institutions. There is strength in depth in sectors such as ICT, biomedical and biotech, advanced manufacturing, cleantech and creative industries, with strong links to each other and to Cambridge University and to Anglia Ruskin University. The successful translation of research ideas into commercial application has been what has underpinned the “Cambridge Phenomenon” over the past 50 years, and the EoI argues that further success can be delivered, if the city can grow sustainably and well, whilst retaining the strong networks between academia, business and the wider community that have served it well until now.

3.7 There has been substantial research into the barriers to growth in Greater Cambridge over recent years, from research work by Segal Quince Wicksteed (SQW), infrastructure assessments from Cambridgeshire Horizons, and detailed analysis to support the emerging local plans for the City and South Cambridgeshire and the transport strategy covering the same geography. The City Deal team has reviewed that information, updated where possible, and developed a strong sense of the key barriers that need to be overcome, and the opportunities that could be realised.

3.8 In particular this analysis shows that there is a significant existing infrastructure gap, and that the rate of growth over recent years has seen increasing problems through symptoms such as:

- Slow and congested roads, limited public transport provision and poor connectivity between housing areas, businesses and the city centre which is constraining existing business growth and productivity.
- Housing affordability problems, where costs of buying a home have risen significantly faster (30%) than workplace wages (9.5%), with the average house price now costing 9 times the average salary. This is further exacerbated in the lower quartile of workers where this ratio increases to 12 times, and similar problems of affordability exist in the private rental sector too.
- The problems of transport and housing constrain the flexibility of the labour market and therefore hinder commercial growth within the area – without the right people in the locality then businesses will move elsewhere
- Existing local government funding sources, including CIL/S.106, business rates etc are insufficient to meet all the infrastructure needs identified.

3.9 The issues are well-understood at the high level. The work we are now undertaking seeks to quantify the specific issues we believe we can focus on if the right City Deal can be negotiated, and what funding sources are needed to deliver particular proposals.

3.10 Following on from the positive reaction to the Expression of Interest, the joint team working on the City Deal from the three local authorities, the Local Enterprise Partnership and the University of Cambridge have developed the proposition in readiness for negotiations with Government over the summer. The key event will be a meeting between the City Deal partners and a cross-departmental Ministerial Group, chaired by the Deputy Prime Minister. This is scheduled for 4 July. There has already been a “readiness check” meeting with Lord Shipley (attended by Mark Lloyd, Chief Executive of Cambridgeshire County Council and Councillor Tim Bick on behalf of the wider team), and a “dry run” session with Cities Minister Greg Clark on 19 June.

3.11 The narrative of our outline proposition builds on the EOI, and points out that whilst Cambridge has traditionally succeeded in bringing many of the best brains in the world to come and live, study and work here, this is not guaranteed to remain the case. It also makes the case that many of our most important businesses are, because they depend on intellectual more than physical capital, extremely footloose, both nationally and internationally and so the right frameworks need to be in place to encourage them to stay and grow here, and to attract new businesses to the area.

3.12 The city-region needs to grow if it is to be able to support further business development and help the wider UK economic recover, but it needs to grow in a way that protects the quality of life for existing and new residents and business. In particular that requires a means of delivering enhanced transport infrastructure to allow people to move quickly and reliably from where they live to where they work, and for the major employment hubs to be connected to each other far more effectively than they are now. And the evidence we have put together shows that the funding for that infrastructure cannot be met from existing funding sources available locally under the current systems, even where those existing funding sources are combined more effectively under a City Deal Board where the existing authorities pool some of their current funding and powers.

3.13 The proposition we are working up to negotiate with Government therefore builds itself around a series of “offers” and “asks”.

The key “asks” of Government are that:

- a) the Greater Cambridge area is allowed to retain a share of the total tax dividends for a 30 year period that flow from the economic growth that we expect to generate, in order to cover the cost of investments we agree to put in place to improve infrastructure and support the plans for housing growth across the city deal area. Depending on the negotiation, and the strength of economic performance, this “Gain Share” mechanism could yield significant additional investment potential, and;
- b) that the Greater Cambridge area is afforded greater flexibility over borrowing, removing the Housing Debt Cap and given more ability to use future revenue streams to cover debt costs, and gains greater certainty about the longevity of key incentive-based revenue streams like the New Homes Bonus, and of related Government funding streams around transport and housing;

The key “offers” from Greater Cambridge are:

- a) to unify governance arrangements for economic growth across the City Deal area, so that the County, City and District will bring together powers on transport and strategic planning to allow for a single unified strategic plan for growth for the Greater Cambridge area.
- b) to commit to a Revolving Infrastructure Fund, expected to grow over time to around £1bn, supported by pooling a portion of the revenue streams currently held separately within each local authority potentially including a proportion of business rates, Community Infrastructure Levy, New Homes Bonus, Council Tax.
- c) to align investment from the University and LEP so that it supports the core growth aims set out in the City Deal.

3.14 If the meetings with Ministers are successful, we expect the detail of the deal to be negotiated over the summer and autumn.

3.15 It is anticipated that the bulk of this fund will be invested in transport infrastructure. This is vital to unlock the growth potential of the local economy by improving connectivity, linking more effectively the main centres where people live and work and supporting the delivery of new and more affordable housing, all of which will increase the pool of labour available to businesses in the area and improve the efficiency and reliability of business operations.

3.16 The local City Deal team is developing an indicative package of schemes that will deliver these objectives. The package is expected to be grouped into four broad categories:

- Facilitating major new developments - this would focus on infrastructure that is required to bring forward the planned new areas of housing in the draft Local Plans such as at Cambourne/Bourne and Waterbeach, and supporting the continuing development of Northstowe;

- Facilitating key labour markets - this package would improve links between substantial areas of existing population and Cambridge to increase the pool of available labour, especially along the A10 (south) and A1307 corridors to improve links to towns such as Royston and Haverhill;

- Enhancing capacity in and around Cambridge - this package would focus on the movement, particularly on key radial routes within Cambridge to ensure there is good connectivity within the city; and

- Enhancing orbital capacity - this package would aim to improve connectivity around the city to ensure efficient movement between key areas of population and key areas of employment without having to traverse the city centre. This will also improve links to the Busway, the new Science Park station, and to Addenbrookes.

This package is currently being costed and it is likely that for full delivery it will require the bulk of the potential fund that is generated by City Deal. The focus will be on early delivery, particularly in the first 10 years to accelerate growth.

3.17 In the run up to the Ministerial meeting on 4 July these offers and asks will have been refined, working closely with our local partners. There is an existing City Deal Steering Group overseeing this work, comprising the Leaders of the three local authorities, the LEP Chairman and the ProVice Chancellor of the University of Cambridge, and a joint officer team overseen by the Chief Executives that is pulling together the material to support our proposal.

3.18 For Cambridge City Council the “offer” set out above will likely involve pooling a proportion of revenue streams we currently hold, potentially including a proportion of New Homes Bonus, business rates, and Community Infrastructure Levy receipts and possibly a proportion of our council tax income. For all of these revenue streams there will need to be a negotiation as to the percentage that could be pooled and that which needs to be retained within the individual Councils for core functions. It would also involve our pooling powers, with the most significant being the strategic plan making powers. Similarly, our partners in the County Council and South Cambridgeshire District Council will be considering pooling revenue streams into the City Deal arrangements, and pooling the strategic element of those Councils’ local plan making powers and transport powers.

3.19 The precise form of this governance arrangement outlined at paragraph 3.13 above is yet to be determined, but we are exploring with Government whether a variant on the “Combined Authority” model may be the most appropriate approach.

3.20 Pending the outcome of the negotiations with Government, any emerging deal will be brought back to full Council for a decision before an implementation plan is agreed with Government. On the timeframes above this is anticipated over the Summer/Autumn of 2013. We will be able to withdraw from the process should full Council not support the proposed Deal.

3.21 It should be noted that the process of negotiating and agreeing a good City Deal for Greater Cambridge should benefit areas beyond the City/South Cambridgeshire geography, such as the rest of Cambridgeshire and the wider Local Enterprise Partnership area. Additional resources secured should increase the level of economic growth, jobs and prosperity in the City Deal geography, which would benefit residents and businesses across the County and wider LEP area.

4. Implications

(a) Financial Implications

Resources (primarily officer time, with a contribution to the cost of consultants to help with developing the financial aspects of our proposal) are being deployed from across the local partners to work up the City Deal proposal to a good standard.

If the City Deal is concluded there will be significant positive implications for the financial resources available to the area overall, and implications for the use of some anticipated City Council funding which would under the terms of the deal be invested according to the priorities agreed by the City Deal Board.

(b) Staffing Implications

If the City Deal is concluded, further consideration will need to be given to how the human resources could be brought together to make the most of any new shared governance arrangements.

(c) Equal Opportunities Implications

An Equalities Impact Assessment has been completed – officers have not identified any significant adverse impacts of the City Deal proposals at this stage – the impacts on connectivity and housing affordability should be beneficial on the less well-connected and vulnerable groups.

(d) Environmental Implications

There are no significant environmental implications of negotiating a City Deal.

If the Deal is concluded successfully, there would be implications from the infrastructure programme which would need to be assessed – the programme contains a range of mainly transport schemes which in the round aim to promote a sustainable transport solution to economic growth, but would need to be assessed more fully.

(e) Procurement

No procurement proposed in the recommendations in this report. The local partners have jointly procured consultants to help develop the details of the financial proposal to Government (procurement led and managed by South Cambridgeshire District Council).

(f) Consultation and communication

There has been no direct public consultation on the proposal to date, as it has been an evolving negotiation between the local partners and central Government, with no firm detailed proposals to consult on.

The LEP and University of Cambridge have been involved in the development of the proposals, and a number of leading business people have been consulted in broad terms (via a letter from the LEP chair) on their support for the basic analysis of the key economic challenge facing the area. This received strong support.

(g) Community Safety

No implications at this stage.

5. Background papers

These background papers were used in the preparation of this report:
Equality Impact Assessment

6. Appendices

None

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

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