

3 July 2015

Rt Hon Greg Clark MP
Secretary of State for Communities and Local Government
Department for Communities and Local Government
2 Marsham Street
London
SW1P 4DF

Dear 

LEICESTER AND LEICESTERSHIRE: DELIVERING GROWTH TOGETHER

You will remember that we last met in March to discuss our ambitions for growth in Leicester and Leicestershire. Since then we have made significant progress and we have pleasure in submitting the attached proposal for your consideration.

By working in partnership we have we have already delivered a significant number of development and growth projects across the city and county that collectively have delivered 5000 new jobs and supported 3,000 new businesses to grow within the last three years. We have developed an effective framework to manage and commission our £100m Local Growth Fund which will unlock a further £160m of investment and create at least a further 2500 jobs and 1300 homes.

All of this has been delivered through effective partnership working between the private and public sector. However we believe that we can build upon our successes by strengthening these partnerships further. In particular we want to explore actively how the local authorities in Leicester and Leicestershire can work more closely together with Government and the Leicester Leicestershire Enterprise Partnership to enhance our collective impact on economic growth.

Our key proposal is to create a combined authority for Leicester and Leicestershire. The proposed combined authority (working with the LLEP) would have responsibilities for

- Strategic land use planning
- Strategic transport planning and investment
- Setting the strategic direction for the commissioning of local skills' programmes

To enable the combined authority and LLEP to work effectively we are asking government for:

- Long term funding commitments for transport investment
- Devolution of funding and the ability to commission skills programmes locally
- Enhanced funding and finance powers through the establishment of new Enterprise Zones to help deliver priority growth areas including at Loughborough University Science and Enterprise Parks, Leicester Strategic Regeneration Area (City Centre/Waterside) and East Midlands Enterprise Gateway.

A combined authority with devolved funding would create an integrated strategic framework to enable the delivery of investment plans for planning, transport and skills, and would create a clear and effective platform for accelerating economic prosperity in Leicester and Leicestershire.

We met with all seven of the district council leaders last Thursday at the Economic Growth Board for Leicester and Leicestershire and this proposal received unanimous support. This proposal is also fully supported by the LLEP Board.

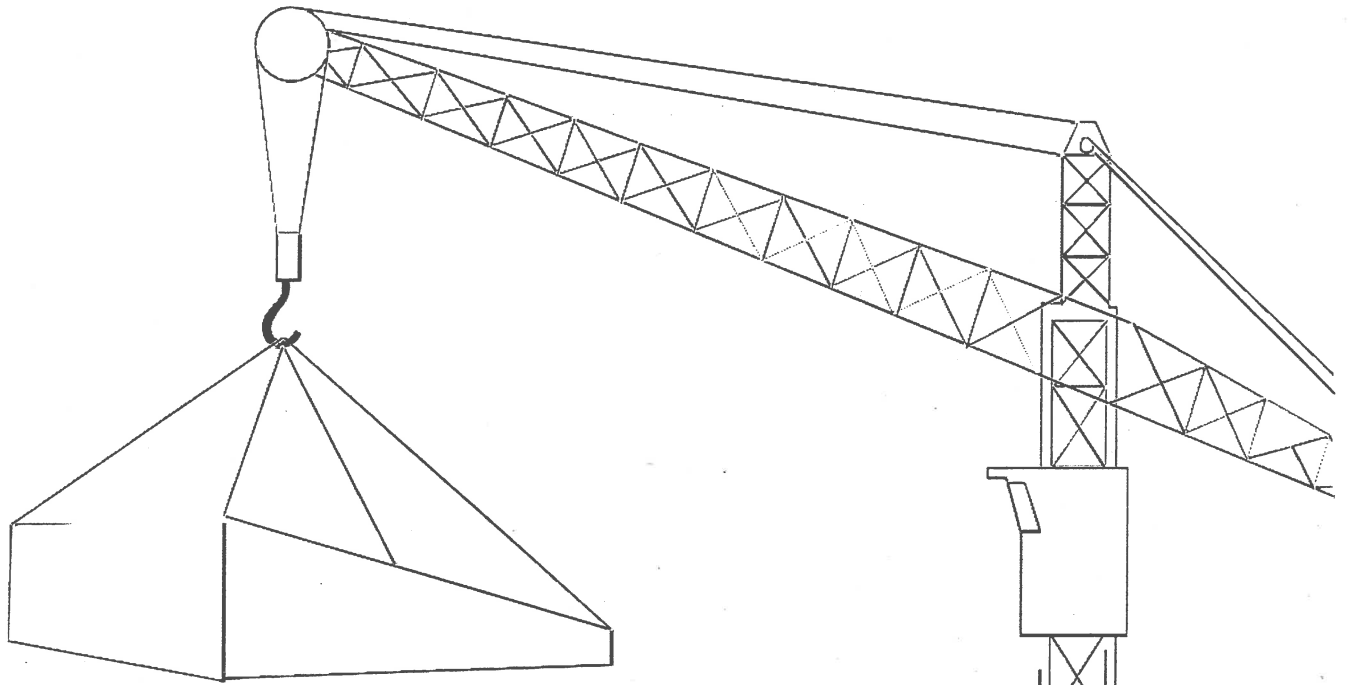
We firmly believe that we have the knowledge, confidence and expertise to deliver significant growth in Leicester and Leicestershire and we look forward to working with Government to make that happen.



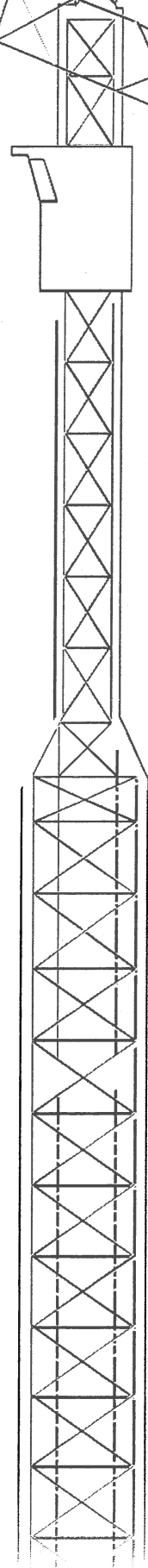
Sir Peter Soulsby, Mayor
Leicester City Council



Cllr Nick Rushton
Leader, Leicestershire County Council



Leicester
Leicestershire
Delivering Growth
Together



Executive Summary

All nine councils in Leicester and Leicestershire have a strong record of working together and with business to deliver economic growth. Our vision is to make Leicester and Leicestershire one of the top ten places to do business in the country. Strengthening our governance will enable us to better compete for inward investment and act as another enabler to make the place attractive for businesses, families and visitors.

Our Strategic Economic Plan sets out an overall ambition to create 45,000 new private sector jobs, attract £2.5bn of private sector investment and increase the GVA for the area to £23bn by 2020.

We have worked very effectively together to deliver growth. For example we have:

- Worked in partnership with the MIRA technology park to make it one of the most effective enterprise zones in the Country. The councils and LLEP have delivered core funding for key infrastructure such as improved road links and commercial premises.
- We have developed an effective framework to manage and commission our £100m Local Growth Fund which will unlock a further £160m of investment and create at least 2500 jobs and 1300 homes.
- We have collectively managed a successful RGF scheme which has created or safeguarding over 3,000 jobs.
- Our agreed business rates pooling scheme will generate additional funds for investment in economic development projects and our £111m ESIF programme is about to be launched.
- Collectively we have led the delivery of a significant number of development and growth projects across the city and county that collectively have delivered 5000 new jobs and supported 3,000 new businesses to grow. (9.1% growth compared to the England average of 8.5%)

Despite our successes, we believe that we can do even more to deliver jobs and growth. However, there are a number of significant constraints which serve to inhibit the rate and pace of delivery on the ground. Fundamentally we believe that local politicians, businesses

and partners should govern, lead and deliver the right solutions on the ground to unlock growth.

We think we should focus on four key areas to achieve this:

- Strategic Land Use Planning (including Strategic Asset Management)
- Strategic Transport
- Skills
- Funding and Finance

Our key proposal is therefore to create a combined authority for Leicester and Leicestershire. The proposed combined authority (working with the LLEP) would have responsibilities for

- Strategic land use planning
- Strategic transport planning and investment
- Setting the strategic direction for the commissioning of local skills' programmes

In particular it would

- Prepare a strategic growth plan which looks to 2050. This will be agreed by the combined authority and will identify future growth locations to set the direction and commitment for aligned Local Plans.
- Identify and manage the key strategic sites within public sector ownership that can support the delivery of long term growth.
- Prepare a joint strategic transport plan with clear investment priorities to secure long term transport funding commitments from Government (including road, rail walking and cycling) co-ordinated through the combined authority (acting as a strategic transport authority)

This would create an integrated strategic framework to enable the delivery of investment plans for planning, transport and skills, and will create a clear and effective platform for accelerating economic prosperity in Leicester and Leicestershire.

To enable the combined authority and LLEP to work effectively to deliver more growth to Leicester and Leicestershire we are asking government for:

- Long term funding commitments for transport investment
- Devolution of funding and the ability to commission skills programmes locally

- Enhanced funding and finance powers through the establishment of new Enterprise Zones to help deliver priority growth areas including at Loughborough University Science and Enterprise Parks, Leicester Strategic Regeneration Area (City Centre/Waterside), and East Midlands Enterprise Gateway.

If successful this would deliver the following:

- More local control and leadership in the delivery of economic growth.
- A framework that ensures that disciplines of planning, transport, land use, housing funding and skills development are co-ordinated in a highly effective and timely manner to give investors, developers and businesses the confidence they need to make decisions.
- A far more effective mechanism for government, business and neighbouring areas to have a strategic conversation with Leicester and Leicestershire, for example on key issues such as strategic rail investment or investment in and around East Midlands Airport.
- An accelerated rate of growth for jobs, business creation and inward investment.

1.0 Background

Leicester and Leicestershire is an area which is home to one million people. The city of Leicester sits at the heart of the county and is governed by a unitary city council which has been managed under the directly elected mayor model of governance since 2011. The city has a population of 330,000 but has a principal urban area of c600,000 which makes it comparable in size to other core cities such as Bristol and Nottingham.

The surrounding county is managed through a two-tier form of local government with a county council and seven district councils. The Local Enterprise Partnership (LEP) operates coterminously with the boundary of the county.

2.0 Proposal

As outlined previously we think the combined authority should focus on four keys areas:

- Strategic Land Use Planning and Asset Management
- Strategic Transport
- Skills
- Funding and Finance

3.0 Strategic land use planning

The delivery of long term developments to meet the required housing and employment demand in Leicester and Leicestershire will require the planning authorities to cooperate with each other. In some respects this could be delivered through the existing informal arrangements that we have already developed. However, without binding decision making in place, this co-operation could easily unravel and it does not give investors, central government and other agencies assurance and confidence in the deliverability of our plans. This will complement and reflect work being undertaken already at a national level between the LGA, PINS and DCLG.

There is therefore a strong case for the governance arrangements to be strengthened principally by creating a combined authority, which would oversee the production of a strategic growth plan to set the direction and commitment for aligned statutory Local Plans.

3.1 Progress to date

The nine local authorities in Leicester and Leicestershire have already made excellent progress in strengthening strategic planning arrangements. This includes

- The establishment of a Members Advisory Group, comprising the City Mayor, planning portfolio holders and District Leaders, to oversee strategic planning work in the sub-region. This group has ensured the fulfilment of the *Duty to Co-operate* through an agreed memorandum of understanding up to 2031. This is an informal group without any decision-making powers at this stage
- The creation of a Strategic Planning Group, chaired by a district council chief executive with senior council and HCA officer representation, to steer and manage strategic planning collaboration and co-operation across the sub-region
- Agreement to prepare a long-term Strategic Growth Plan, looking to both 2036 and 2050 to enable long term decisions on future growth locations and related infrastructure requirements
- Agreement to investigate options for better aligning local plan preparation processes and timelines
- The appointment of a Joint Strategic Planning Manager, jointly funded by the nine local authorities and the LLEP.

3.2 Benefits that a combined authority would bring

The combined authority would strengthen the governance for the establishment of a strategic growth plan. This would provide a robust, single strategic framework for the preparation of investment plans (e.g. the LLEP's Strategic Economic Plan) and Local Plans. It would enable clear and long term strategic planning decisions to be made collectively by all local authorities about the future directions of growth, including the distribution of employment and housing land in the city and county and key infrastructure investment.

A clear long term strategic growth plan will also provide greater long term certainty for developers, investors, local authorities and agencies, and thereby create a more favourable climate for economic investment and growth. Furthermore, it will facilitate the consideration of major land-use planning solutions (e.g. city expansion or new settlements) which would be difficult to develop or realise on a district by district basis or if a shorter term view is taken.

From central government's point of view this would provide a much clearer rationale and evidence base for major long term national infrastructure investments such as strategic road and rail projects. It will also facilitate the alignment of local planning activity and reduce the scope for dispute about consistency between local plans within the sub-region.

A single strategic plan/ voice will also enable more effective discussions on strategic planning and infrastructure with adjacent areas, which potentially will also have Combined Authorities.

3.3 Strategic asset management

The combined authority would also act as a mechanism to oversee the production of a joint strategic asset management plan that identifies land and assets within public sector ownership that if managed more strategically could unlock sites for growth, reduce cost or create long term revenue to support economic development and/or inward investment.

For example, the City and County Councils are working with Health in the form of University Hospital Leicester, the Leicestershire Partnership Trust (LPT), Clinical Commissioning Groups and NHS Estates participating in the identification and review of property holdings to support the Better Care Together initiative. This has so far resulted in co-location of some back office functions at County Hall with further co-locations to take place with LPT in Sept 2015 and CCGs in April 2016. In addition we are working to identify opportunities to make more effective and appropriate use of assets in localities.

3.4 Benefits that a combined authority would bring

The above successes have tended to be opportunistic rather than down to effective strategic planning. This is a very complex estate with the need to consider clinical operational requirements; the current direction of travel can continue and will evolve in an organic way. However, a combined authority would provide a focus to enable all assets to be reviewed and services planned for in a more co-ordinated way to drive out revenue savings and capital receipts and, ensuring that only those assets required for delivery of services are retained.

3.5 Key Ask

There are a group of properties that previously formed part of the PCT that are currently managed on a regional basis by NHS Property Services and it is considered that the management of these should be transferred to the proposed Combined Authority so that they can be integrated more effectively into the strategic planning and review process and contribute to the delivery of local led solutions.

4.0 Long term transport funding

Long term investment in strategic transport infrastructure is essential if we are to deliver future economic prosperity across the city and county. To be successful the economy will need investment in a range of strategic highway and public transport measures. Transport remains a priority concern for local businesses and in a 2014 LLEP Business Survey, 62% of businesses employing more than 50 staff indicated that reducing traffic congestion would be particularly beneficial to them.

The City and County Councils, as transport authorities, work closely on the development of transport strategy and the delivery of major local transport infrastructure and services. Joint working to date has included:

- A joint case for road and rail investment between Coventry, Warwickshire & Leicester, Leicestershire is preparing to make the case for investment for instance in the A5 corridor and junctions 21/ 21A/ 20 of the M1.
- Recent joint commissioning of a sub-regional rail study to identify key infrastructure investment priorities over the long term to 2043. This will highlight the economic benefits of investment in terms of GVA and jobs.
- Joint work to support and influence the development of the Midlands Connect initiative, supporting long term investment in road and rail in the East and West Midlands area. This will highlight the economic benefits of investment in terms of GVA and jobs.
- Joint development and delivery of major transport infrastructure including the A426 bus corridor initiative and currently the North West Leicester Major Transport initiative to improve the A50 and A6 corridors into the city. This is funded through Local Growth Funds and local contributions from the city and county. It is overseen by the Leicester and Leicestershire Local Transport Board.
- The coordinated preparation of Local Transport Plans covering the city and the surrounding central area of the county.
- Creation and management of a joint land use transport model for area.

- Coordination and joint delivery of Local Sustainable Transport Fund programmes to support active travel (walking and cycling) and public transport. The 2015/16 programmes were developed jointly, albeit with separate funding bids.
- Joint operation and subsidy of the Park and Ride Service for the city including three park and ride sites.

4.1 Benefits that a combined authority would bring

The combined authority would provide a better long term focus for highway and public transport investment in the city and county. This would build on the existing Local Transport Board which is led by the City Mayor and the county council's Leader, representing the two transport authorities, with LLEP and district council representation.

A single strategic transport plan and investment framework would be prepared to guide long term investment in strategic highway and public transport infrastructure. This would be developed alongside the proposed strategic growth plan and the LLEP Strategic Economic Plan to maximise the potential for economic growth in the city and county.

The transport plan will therefore provide a clear prioritised investment strategy for strategic road, rail and other public transport modes and would provide a clear evidenced basis for future long term Government and local investment and will provide greater long term certainty for business, developers, investors, local authorities and agencies, and thereby create a more favourable climate for economic investment and growth.

From central government's point of view it will enable there to be effective strategic planning for major long term national transport infrastructure investments such as HS2 and other strategic road and rail investment in the sub-region and it will provide assurance that there is alignment of major strategic transport investment with local planning activity.

Moreover, a single strategic transport plan will enable more effective discussions on strategic planning and infrastructure with adjacent areas, which potentially will also have Combined Authorities and will facilitate longer term planning and implementation of active travel programmes for cycling and walking, including Local Sustainable Transport Fund programmes and sub-regional programmes linked to the National Cycling Strategy.

It will also allow consideration of options to devolve powers to improve local bus services in the city and county.

4.2 Key asks

In return we would ask that Central Government commits to:

- A long term investment commitment in rail including investment in the midlands mainline rolling stock, improved east-west rail connections and improved connections to the north including links to HS2 (Investment priorities will be informed by the results of our detailed rail study expected in Summer 2015)
- Long term investment in major strategic road links and junctions in the County such as the A5, M1 Junctions 20, 21, 21A and consideration of a new junction 20A; improvements to M6 and M69 , improvements to links to East Midlands Airport and solutions to the A46 Leicester Western Bypass.
- Long term investment to support sustainable transport on major routes in to and within the city and significant towns- this would include opportunities for improving public transport infrastructure for buses, cycling and walking.
- Recognise the strategic infrastructure requirements that emerge from the combined authority's transport plan and allow the combined authority freedoms and flexibilities to adopt innovative funding solutions to ensure the delivery of the infrastructure that is required for growth.

5.0 Skills

Whilst our economy has many strengths we still face significant challenges in relation to employment and skills. For example there are currently 2,000 unemployed young people aged 18-24 and the number of 16-19 year olds that are not in any form of education, employment and training (NEET) currently stands at 1,316 (724 in Leicester City and 592 in Leicestershire County) . There are also challenges in relation to those furthest from the labour market who are often residents who place high demands on a range of public services. There are currently 50,820 people claiming key out-of-work benefits in the LLEP area, including 9,920 job seekers and 32,670 claiming benefits.

Furthermore our analysis illustrates how this shortage in skills amongst the local population is impacting on both local businesses' capacity to grow and on the level of inward investment into the area e.g.

- The proportion of people with NVQ level 4 and 4+ equivalent qualifications is also well below the average level (33% in the LLEP area, 30% in Leicester City compared to 36% nationally) which acts as another constraint to growth in our key sectors.
- Leicester City has a relatively low proportion of people with level 2 qualifications compared to the national average (66.8% versus 73.3%). A level 2 qualification is considered to be a prerequisite for labour market entry. Leicester also has relatively high proportions of people with either no qualifications at all (9.7%) or 'other qualifications' (9.5%).
- 50% of our local businesses had recruited in the last 12 months and 50% of these businesses reported that they have experienced difficulties in recruiting staff. This means that one in four local businesses has faced recruitment difficulties in the last 12 months. The key reason given for recruitment difficulties was the low number of applicants with the necessary skills (39%).
- 66% of local businesses identified some skills gaps in their current workforce which if unaddressed could constrain growth. Key areas identified included technical skills, job specific practical skills, marketing/sales skills, and leadership/management skills.

This situation is compounded by the current significant reductions in funding to FE colleges and the time lag between the close down of the European Social Fund programme and the start-up of the ESIF programme which means that the providers who can help address these skills shortages are having to cut their provision at a time when it should be growing.

There is also little evidence that this market failure is being addressed by businesses; our recent business survey highlighted the fact that businesses are not making the required investment in skills development, apprenticeships and work placements. In particular, over 60% of local businesses with fewer than 10 employees have not invested in any training activity for their employees in the last 12 months, and only 50% say that they plan to invest in training in the next 12 months.

5.1 Progress made to date

We have already developed very successful local solutions through a Leicester and Leicestershire to work programme. For example, the City and County Councils are taking the lead by investing their own resources to step up the number of apprenticeships and work placements being offered to local young people. In the city alone this programme has enabled the delivery of 600 new apprenticeships and 137 new graduate placements and 315 work placements. Overall this has contributed to the 48% reduction in LLEP area youth unemployment over the time period March 2014 to April 2015.

We do wish to highlight the experience of our City Deal where we did get agreement to £4m of additional funding to support skills and apprenticeship development in the City and County which provides a good example of the problems with skills commissioning. The burdensome complexity of the way the funding is controlled and managed by the centre has meant that in reality not a single penny of the £4m has been devolved or spent in Leicester or Leicestershire.

5.2 Benefits a combined authority would bring

We feel that there is strong case to make to have the commissioning for skills funding devolved to the local area. The case is based on our proven track record of understanding the needs of local businesses and being able to fast track the delivery of skills development to the local population. In particular we would want to work through the LLEP to ensure that the strategic commissioning of skills is co-ordinated between the needs of businesses, the delivery of providers including the HE and FE sectors and the specific needs of the local population.

The combined authority working with the LLEP will bring together a single strategic commissioning body that will drive and deliver locally led solutions to improve the delivery of skills training and development. The approach will bring employers, providers and the education sector around the table which will determine the best solutions for Leicester and Leicestershire.

5.1 Key asks

In return we would ask government to revisit their commitment outlined in our City Deal to truly devolve funding and commissioning responsibility for skills to the Combined Authority with the LLEP acting as the commissioner.

In particular we would want to target three main areas;

- NEET and those furthest from the labour market
- Meeting the needs of local businesses in a flexible and responsive manner to reduce recruitment difficulties, skills shortages and skills gaps in the labour market and improve local business competitiveness
- Upskilling the workforce at all skills levels and supporting progression to higher level skills to develop a highly skilled labour market

6.0 Funding and finance

The final element of the deal would relate to more powers regarding funding and finance as an enabler for growth. The LAs are currently working on a model for the investment in certain growth schemes such as the Enterprise Zone at MIRA Technology Park using local authority prudential borrowing powers using future business rate growth, future commercial returns as security for that investment. The basic case for this is that this investment will accelerate the growth plans for the enterprise zone in terms of jobs and returns.

This model could therefore be applied to other strategic growth areas such as the Waterside, the East Midlands Enterprise Gateway, and Loughborough University Science and Enterprise Parks with consideration also to be given to other significant growth areas e.g. Rural and/or Food EZs in rural Leicestershire. This would require the security for the LAs to fund this pump priming investment through enhanced business rate retention rates that are available through enterprise zones.

We have commissioned external experts to produce a detailed financial model to illustrate the level of acceleration that can be delivered by pump-priming the investment in core infrastructure, land and premises on each of these important growth sites in the City and County. This will be completed in September and can be used to inform the discussions about additional financial incentives being the combined authority could explore.

6.1 Benefits

Creating more enterprise zones and/ or allowing for a higher level of business rate retention around our growth areas will enable local government to use its borrowing powers to pump-prime the key developments that are required to drive economic growth.

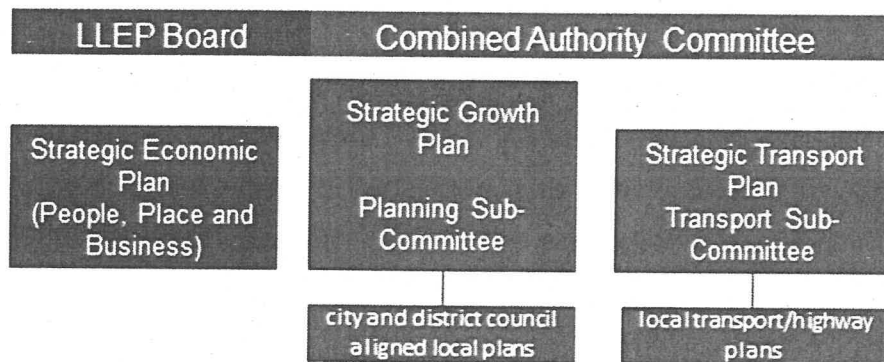
6.2 Key Asks

- Enterprise Zone Status with 100% business rate retention for the strategic growth areas in Leicester and Leicestershire (Waterside, LUSEP, East Midlands Enterprise Gateway and Rural Enterprise Zone); or
Enhance business rate retention for the LLEP area.

7.0 Governance

We are proposing revised governance arrangements as summarised below (see figure 1 below).

Figure 1: Proposed Governance Arrangements



- A combined authority (working in partnership with the LLEP) which covers the responsibilities for
 - Strategic Land Use Planning (including Strategic Asset Management)
 - Strategic transport planning and investment
- The combined authority would have two sub-committees as follows:
 - A sub-committee for planning comprising the County, City and District Councils

- A sub-committee for strategic transport planning comprising the City and County Councils only

We will undertake a full governance review during the summer and report on this to our Economic Growth Board (made up of the City Mayor, County Leader and the District Leaders) in September. This will set what we want to achieve, the evidence base to support that, and how we will deliver it most effectively in a governance model. This will include an options appraisal of the following options:

- Do nothing and keep the current informal arrangements
- Establish a joint committee or committees
- Establish an economic prosperity board
- Establish a combined authority

We will then undertake a period of consultation before a final decision is reached regarding the governance model.

8.0 Wider Geography

We believe at the current time that the proposed combined authority and LEP should be based on the Leicester and Leicestershire geography. Leicester and Leicestershire is a functional economic area serving a million people. Over the past five years the LLEP has developed a brand that has become established with local businesses, particularly with the RGF Grant Scheme, the development of the ESIF programme and the Business Gateway. Maintaining some consistency for this brand will go some way to helping local businesses become more involved in the local activity.

Leicester and Leicestershire location is such that the connections and partnerships we need to develop and sustain are equally important to South, East, West and North.

The key projects we need to deliver across our boundaries can be done without mergers or new powers. We already work actively and successfully with the D2N2 and Coventry/ Warwickshire areas without a formal structure in place. We are also working actively with other areas on strategic rail initiatives through the Midlands Connect initiative. However we propose to create a committee of the LEP chairs and Combined Authority Chairs across the D2N2/ Coventry & Warwickshire/ Leicester/ Leicestershire areas which would provide a strategic overview of major issues such as investment and the associated growth plans linked to major road, rail and airport infrastructure in the region.

Moreover, our key sectors have geography beyond our immediate neighbours and we will continue to collaborate with areas across the country. An example of this is our joint work with the Manchester Growth Hub on a major capital programme for textiles businesses and we are working with six other LEPs around the space industry that is being led by University of Leicester and the Space Agency.

9.0 Other Benefits

This proposal places most of its emphasis on the establishment of a combined authority to strengthen our governance arrangements in Leicester and Leicestershire. However the creation of a combined authority provides the mechanism and momentum for the councils to work together in interests of improving services and reducing costs. For example, the City and County are actively working together to examine the option of creating a single waste disposal arrangement in Leicester and Leicestershire. By working together we will be able to develop a solution for waste disposal that meets the requirements of the whole area which will lead to reduced costs through economies of scale and reduced duplication. However, consideration will need to be given to how the City Council's PFI contract would function within this arrangement.

We are examining how we can work in partnership on strategic asset management particularly where we can utilise our land holding to support either economic development or the delivery of strategic transport projects. In addition we are currently looking at the shared procurement of construction related services between the city and county.

We are also looking at the potential shared service for highways and traffic management to support the combined authority's focus on strategic transport issues.

10. Indicative timeframes and process

Establish an officer group to commission a case for change based on an economic and policy analysis	End of June	Officer Representatives
Seek approval to overall direction regarding devolution at the Economic Growth Board	25 th June	EGB
Informal consultation with key stakeholders regarding the proposed combined authority and devolution including the business community, MPs, members, FE, HE, LLEP	End of June	Officer Representatives and LLEP officers
Organise a press launch of the ambition and process	25 th June	
Finalise the case for change	End of July	Officer representatives
Produce a governance review for consideration at the Economic Growth Board	End of August	Office representatives
Discuss and agree the recommendations of the governance review at the Economic Growth Board including a detailed proposal for the revised governance model	September	EGB
Consultation on proposed establishment of a combined authority- 4 weeks	September/ October	
EGB to consider results of consultation	October/ November	
Submission of proposal to Sec of State	November/ December	



