

# Black Country City Deal

Black Country *LEP*



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 opening up 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 realisation of up to £13m of private sector investment in business support in the Black Country, creating or safeguarding up to 700 jobs;
- Intensive working with 2,800 long term unemployed social housing tenants, aiming to move 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.**

## 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 has 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 47,000 people
- The number of people with NVQ L4 will have increased to a par with national average, upskilling 80,000 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, 880,000m<sup>2</sup> 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 Jaguar Land Rover (JLR), whose UK engine centre of excellence is located in the Black Country's Enterprise Zone. JLR has announced plans to increase its investment in new products from £2bn in 2012/13 to £2.75bn in 2013/14 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.

## 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 particular problem related to the extensive abnormal and complex ground conditions created by the Black Country's industrial legacy.

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 those 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:

- 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 opening up 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 complemented 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:

- **Agree to deliver at least 1,500 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.
- **Create a Black Country 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.
- Set up 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 envisages that 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 realisation of up to £13m of private sector investment in business support in the Black Country, creating or safeguarding up to 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.

## 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 Black Country Investment Fund and young people across the region engaged through the increased apprenticeship programme. The project to reduce welfare dependency will be delivered 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.

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 averse 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 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 attract £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 predominantly social housing neighbourhoods in the Black Country 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, on average, to make more than one repeat benefit claim within a year.

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 assist 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 areas 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 the Government will match this investment with a contribution of £2.8m. Our modelling estimates that this project can 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.

## Business Support

The City Deal will create a dedicated package of support for growing companies will include:

- 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

This programme will support local SMEs to overcome capacity constraints and maximize the economic opportunities resulting from renewed 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 £3.1m which will grant access to private sector investment of up to £13m. This is predicted to create or safeguard up to 700 jobs, engage with up to 6,000 businesses and lead to investment in local businesses of £3.8m.

## **Governance**

The Black Country local authorities and LEP 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 local authorities 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 formally to 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.

Local authorities in the Black Country are committed to improving public services across the region. The Black Country LEP will undertake a peer review of joint working arrangements in order to inform their plans for further improvement.

## Summary of Commitments

### Black Country Investment Fund

Central Government Commitments	Black Country Commitments
<ul style="list-style-type: none"> <li>• Provision of a £20m PWLB project rate loan facility, starting in 2014/15, with the following flexibilities:               <ul style="list-style-type: none"> <li>• The ability to manage the allocation as a programme with a portfolio of projects rather than on a project by project basis;</li> <li>• The ability to draw down the loan facility over ten years (2014/15 to 2024/25); and</li> <li>• The agreement of a repayment period of up to ten years from draw down from the facility.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Local authority capital contributions of up to £10m over 5 year.</li> <li>• 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.</li> <li>• The identification of further sites for investment to support HVM businesses.</li> <li>• Black Country local authorities will continue to use publicly owned land and property to deliver new homes and create more investment opportunities, where appropriate.</li> <li>• 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.</li> </ul>

### Apprenticeships for High Value Manufacturing

Central Government Commitments	Black Country Commitments
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• HVM employers will invest £18m into providing 1,500 new HVM apprenticeships</li> <li>• 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.</li> </ul>

## Housing, Jobs and Prosperity Demonstration Project

Central Government Commitments	Black Country Commitments
<ul style="list-style-type: none"> <li>• Provision of £2.8m to support the delivery of the demonstration project.</li> <li>• Agreement to examine a mechanism to share the financial benefits of the programme.</li> </ul>	<ul style="list-style-type: none"> <li>• Funding of £2.8m provided by local authorities and local social housing providers</li> <li>• Expand and improve local partnerships between local authorities, social housing providers, skills providers and welfare benefits agencies.</li> <li>• Work with DWP and local delivery partners to align with existing and future Government policies and programmes.</li> </ul>

## Business Support

Central Government Commitments	Black Country Commitments
<ul style="list-style-type: none"> <li>• Subject to a successful bid into the Wave 2 Business Growth programme, the Black Country will receive £3.1m of funding for a range of bespoke business and innovation schemes.</li> <li>• Enhanced partnership with the Technology and Strategy Board and UKTI to support better business support co-ordination across the market.</li> </ul>	<ul style="list-style-type: none"> <li>• Local private sector match funding of up to £13m</li> <li>• Improve engagement with manufacturing SMEs through diagnostic teams going into businesses, account management and referrals to national programmes.</li> <li>• 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.</li> <li>• Integrate European Structural Funds for 2014 – 2020 into the Growth Factory.</li> </ul>