

**Report of the Director of City Development**

**Report to Executive Board**

**Date: 05 March 2014**

**Subject: Leeds City Council Input to Leeds City Region Strategic Economic Plan**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Summary of main issues**

1. The production of a Strategic Economic Plan for the Leeds City Region provides the opportunity to secure significant investment and devolution from Whitehall to support job creation and economic growth. This report sets out the recommended main proposals from Leeds City Council to be incorporated into the Leeds City Region Strategic Economic Plan.
2. A report on this topic was considered by Executive Board on 22<sup>nd</sup> January 2014. Executive Board approved the recommendation to refer the report to the relevant Scrutiny Boards. A joint meeting of the Sustainable Economy and Culture, and the Housing and Regeneration Scrutiny Board considered the report on 4<sup>th</sup> February 2014. Several changes to the report have been made as a result.
3. The Leeds economy is growing as the recovery from the recession gathers pace. Whilst it is important not to be complacent (unemployment, low pay and poverty remain significant problems), progress is encouraging. There is a need to ensure that the approach to economic growth is sustainable and inclusive with a focus on getting more people into jobs and progressing in the labour markets to address the problems of in-work poverty.
4. Around 15,000 net additional jobs were created in Leeds between 2010 and 2012. The Council has supported the delivery of major development schemes such as Trinity Leeds, the First Direct Arena, and Victoria Gate, which demonstrate

confidence and momentum in the city. Companies such as PlusNet, University of Law, and KPMG are making major new investments to create jobs in Leeds. The successes have not been confined to the City Centre. The Council have helped secure major investments from Surgical Innovations at Thorpe Park in east Leeds, and De Puy in Beeston are bolstering the city's medical technology sector. Around 325,000 square feet of commercial floorspace is under construction in the Aire Valley Leeds Enterprise Zone. Manufacturers such as Symington's in south east Leeds, or Laxtons of Guiseley have brought manufacturing production back to the UK from overseas.

5. Leeds City Council, working closely with business, has played a significant role in attracting investment and supporting development projects to stimulate economic recovery. There is now an opportunity to build on the progress to date and increase the scale and impact of our work to grow the economy, by accessing funds and securing powers being made available by Government.
6. The Strategic Economic Plan will be the Leeds City Region's submission to secure investment from the Local Growth Fund which will be worth around £2bn a year nationally from 2015-16. The allocation of the Fund will be determined by Government on the strength of the Strategic Economic Plans. It would be worth around £100m a year to Leeds City Region if allocated on a population basis. The Strategic Economic Plan will also provide a framework for European Structural Investment Funds, which will be worth around £50m a year in Leeds City Region from 2015-16. The Strategic Economic Plan will also provide the basis for Leeds putting forward propositions to Government on greater devolution from Whitehall to promote economic growth, building on the existing City Deal.
7. The Leeds City Region Local Enterprise Partnership (LEP) is producing the Strategic Economic Plan. A working draft was submitted to Government in December 2013. Following feedback from Government, a final Draft is to be submitted by the end of March 2014. The Government will then undertake negotiations with each LEP with a Local Growth Fund offer to be made in July 2014 for 2015-16 financial allocations.
8. Relevant directly to the Strategic Economic Plan is one of the six main themes of the Best Council Plan, Delivering Sustainable and Inclusive Economic Growth. Also relevant are the propositions of the Commission for the Future of Local Government on: Stimulating Jobs, Homes and Good Growth; Establishing 21<sup>st</sup> Century Infrastructure; and Solving the English Question. The proposals in the Strategic Economic Plan, including the Core Cities' proposals for devolution should fit with the Council's objective of becoming an efficient and enterprising council.
9. Significant investment is required to ensure the infrastructure to enable sustainable economic growth in the 21<sup>st</sup> Century is in place. By embracing new powers and resources, Leeds City Council and the Leeds City Region LEP can address these challenges and support good growth for the benefit of the UK as a whole. Partners have identified several area-based investment priorities that have the potential to create a significant number of new jobs, including:
  - Leeds South Bank, including maximising the benefits of HS2;
  - Aire Valley Leeds, including the Enterprise Zone;

- East Leeds Extension, including Thorpe Park;
  - West Leeds, as part of Leeds-Bradford Corridor, and an advanced manufacturing corridor that extends into Airedale in Bradford District; and
  - Access to international gateways, including Leeds-Bradford Airport.
10. There are several priorities for investment in the sectors with the greatest growth potential in Leeds:
- Health and Medical Technologies;
  - Manufacturing;
  - Creative, Digital and Information;
  - Financial and Business Services;
  - Low Carbon; and
  - Visitor economy, including culture, sport and major events.
11. Area and sector-specific priorities need to be underpinned by investment in the underlying drivers of economic growth including skills, innovation and infrastructure (transport, housing and broadband).
12. Housing growth is major priority for Leeds to support and drive the economy growth of the city. We are planning through the draft Core Strategy to build 70,000 net additional dwellings by 2028, the highest number of new homes planned of all local authorities in England. It is essential that we secure investment in infrastructure to support the delivery of this housing growth, and that we access funding and powers to enable investment in affordable housing and in improving existing housing stock.

## **Recommendations**

13. Executive Board is recommended to:
- 13.1 Endorse the main emerging priorities from Leeds, which will form the basis for Leeds City Council's submission to the Leeds City Region Strategic Economic Plan;
- 13.2 Endorse the approach of using the Core Cities "asks" of Government, as the basis for our proposals to Government, through the Strategic Economic Plan and the City Growth Deal, for greater devolution to support economic growth; and
- 13.3 Request that the Chief Economic Development Officer coordinates further work to develop the proposals from Leeds for input into the Strategic Economic Plan, and to work closely with the Leeds City Region team on the production of the Strategic Economic Plan.

## **1 Purpose of this report**

- 1.1 This report sets out the recommended main proposals from Leeds City Council to be incorporated into the Leeds City Region Strategic Economic Plan.
- 1.2 A report on this topic was considered by Executive Board on 22<sup>nd</sup> January 2014. Executive Board approved the recommendation to refer the report to the relevant Scrutiny Boards. A joint meeting of the Sustainable Economy and Culture, and the Housing and Regeneration Scrutiny Board considered the report on 4<sup>th</sup> February 2014. Several changes to the report have been made as a result.

## **2 Background information**

### **2.1 Overview**

- 2.1.1 The Strategic Economic Plan will be the Leeds City Region's submission to Government to secure investment from the Local Growth Fund and to provide a strategic framework for European Structural Investment Funds. The Strategic Economic Plan will also provide the basis for Leeds putting forward propositions to Government on greater devolution from Whitehall to promote economic growth.
- 2.1.2 The Leeds City Region Local Enterprise Partnership (LEP) is producing the Strategic Economic Plan. A working draft was submitted to Government in December 2013. Following feedback from Government, a final Draft is to be submitted by the end of March 2014. The Government will then undertake negotiations with each LEP with a Local Growth Fund offer to be made in July 2014 for 2015-16 financial allocations.
- 2.1.3 The guidance from Government has been that the focus of the Strategic Economic Plan and the Local Growth Fund should be on promoting economic growth and creating jobs. Government is looking for Strategic Economic Plans to be different from previous economic development and planning documents. Government has indicated the importance of a clear and realistic analysis of city regions' strengths, weaknesses, opportunities and threats, and setting out an ambitious long-term approach to achieve growth. The plans need to reflect and respond to the distinctive issues and opportunities in different places. The process needs to be based on genuine partnership and approach of joint working with the private sector.

### **2.2 The Local Growth Fund**

- 2.2.1 The Local Growth Fund is to start at £2bn per year nationally in 2015-16, and there is a commitment that it will remain at least at this level for the remainder of the next Parliament (to 2020-21). The allocation of the Fund will be through a bidding process. The allocations will be determined by Government on the strength of the Strategic Economic Plans and the project proposals from each LEP. It would be worth around £100m a year to Leeds City Region if allocated on a population basis.
- 2.2.2 The Local Growth Fund is a single pot of both capital and revenue finance to be made available to Local Enterprise Partnership (LEP) areas, and to be spent according to city region priorities for economic growth. LEPs will be the strategic

decision making body with financial payments made to a single council in each LEP acting as the accountable body. LEPs are required to bid into the Fund, by producing a Strategic Economic Plan. This also provides the scope for LEPs to make the case to national Government for further devolution of powers and resources, building on the existing City Deals.

## **2.3 EU Structural Investments Fund**

2.3.1 The intention is that there is alignment between the single Local Growth Fund and the 2014-20 EU Structural Investments Fund programme. This will streamline the management of EU Structural Investment Funds in England into a single EU Growth Programme together with the announcement of notional allocations at LEP level. By opting-in to a service offer from a national organisation / programme, a LEP commits part of its allocation to the programme. In return, the LEP accesses match funding and administrative support. Leeds City Region has been gathering evidence and consulting on the shape of the programme with a view to the draft strategy being submitted to Government for the 7th October 2013.

## **2.4 Leeds City Region Strategic Economic Plan**

2.4.1 The Strategic Economic Plan is the document which will set out Leeds City Region's case for investment from the Local Growth Fund, for increased devolution of powers and resources, and how other funds and assets held locally can be aligned to help deliver growth. It will comprise:

- A growth plan – setting out the strategic direction and priorities of Leeds City Region to achieve economic growth; and
- An implementation plan – details of deliverable projects and programmes, including costs, management and monitoring and evaluation arrangements.

2.4.2 A first draft of the Strategic Economic Plan was submitted to Government at the end of December 2013. Feedback from Government was received in February 2014. A final draft is to be submitted by March 2014. The Government will then undertake negotiations with each LEP, and will make in July 2014 a Local Growth Fund offer for 2015-16 financial allocations.

## **2.5 City Growth Deals**

2.5.1 The Strategic Economic Plans and the subsequent negotiations with Government also provide the opportunity for cities and city regions to develop proposals for further devolution of powers and funding from Whitehall to support growth. This package will comprise a "City Growth Deal", which will build on the existing Leeds City Region City Deal.

2.5.2 Leeds is a member of the Core Cities group, which represents the eight largest cities in England outside London. The Core Cities group are making the case for the economic importance to UK plc of the Core Cities, and for greater devolution to major cities to help accelerate their growth, and national growth. In January 2013 the Core Cities moved to a Cabinet structure comprising the Leaders / Mayors of

each city, with each Leader adopting a specific portfolio. Leeds is responsible for a portfolio on employment and skills.

- 2.5.3 The Core Cities are developing a shared package of proposals to Government for further devolution. Our work with Core Cities aligns with our Best Council Plan objectives to be a more enterprising and efficient Council, ensuring high quality public services and promoting sustainable and inclusive economic growth. It also aligns with the Commission for the Future of Local Government's goals for cultivating civic enterprise and increasing localisation of decision making.

### **3 Main Issues – Proposed Main Priorities from Leeds for the Leeds City Region Strategic Economic Plan**

#### **3.1 Leeds: driving sustainable and inclusive economic growth for the Leeds City Region**

##### **The Economic Role and Position of Leeds in the Context of the City Region**

- 3.1.1 Leeds is the largest economic driver within the Leeds City Region and Yorkshire, generating over £18 billion and employing a workforce of over 400,000. Leeds has established itself as a vibrant, diverse and dynamic city, with the largest knowledge-based economy in the North of England. The diversity of the city's economy has long been one of the major strengths of Leeds. The city is home to a range of nationally significant industries including: financial and business services; health and innovation; manufacturing; digital and information and the visitor economy.
- 3.1.2 Prior to the recession Leeds was the fastest growing of all the Core Cities and, while it was hit hard by the recession, it has since bounced back and is in a strong position to help drive the future growth of the UK economy.
- 3.1.3 Around 15,000 net additional jobs were created in Leeds between 2010 and 2012. The Council has supported the delivery of major development schemes such as Trinity Leeds, the First Direct Arena, and Victoria Gate, which demonstrate confidence and momentum in the city. Companies such as PlusNet, University of Law, and KPMG are making major new investments to create jobs in Leeds. The successes have not been confined to the City Centre. The Council have helped secure major investments from Surgical Innovations at Thorpe Park in east Leeds, and De Puy in Beeston are bolstering the city's medical technology sector. Around 325,000 square feet of commercial floorspace is under construction in the Aire Valley Leeds Enterprise Zone. Manufacturers such as Symington's in south east Leeds, or Laxtons of Guiseley have brought manufacturing production back to the UK from overseas.

##### **More Jobs, Better Jobs: the Importance of Sustainable and Inclusive Economic Growth**

- 3.1.4 Leeds has one of the highest levels of inequality among UK cities; unemployment remains above average, and problems of low pay and in-work poverty are increasing. These issues constrain the economic performance and potential of Leeds and the city region. Problems of worklessness and deprivation remain acute

and persistent in many parts of our city. Around 65,000 Leeds households (20% of the total) are living in poverty. 150,000 (20%) of the Leeds population live in wards ranked within the 10% most deprived nationally. And for those in work, low pay is an increasing problem. Around 68,000 jobs in Leeds (18%) are paid less than the living wage of £7.65 an hour. There are problems of health inequalities, with a ten year difference in life expectancy between different parts of the city.

- 3.1.5 Achieving growth and job creation is essential to addressing these issues. However this must not be growth at any cost. The Strategic Economic Plan should set out an approach to growth that is sustainable and inclusive. It is important that interventions and investment relating to business growth and employment skills are not just focused on the higher level skills but on achieving the right mix of skills including entry level and vocational skills. The approach to growth sectors should not just be about creating more jobs; it should be about creating better quality jobs, and addressing issues of low pay. Leeds City Council and Leeds City region have formed a partnership with the Joseph Rowntree Foundation to develop an evidence base to inform policies and interventions aimed at taking an integrated approach to supporting growth and tackling poverty.

### **Main Locations and Sectors for Growth**

- 3.1.6 Leeds City Council, working closely with business, has played a significant role in attracting investment and supporting development projects to stimulate economic recovery. There is now an opportunity to build on the progress to date and increase the scale and impact of our work to grow the economy, by accessing funds and securing powers being made available by Government.
- 3.1.7 The approach set out in the Strategic Economic Plan should be ambitious, focusing on interventions that are strategically significant and will really make a difference to our future ability to secure growth. The interventions across areas such as economic development, regeneration, transport, infrastructure, innovation, skills and housing should be coherent.
- 3.1.8 By securing new powers and resources, Leeds City Council and the Leeds City Region LEP can address these challenges and support good growth for the benefit of the UK as a whole.
- 3.1.9 The following area-based investment priorities that have the potential to create a significant number of new jobs, including:
- Leeds South Bank and City Centre, including maximising the benefits of HS2;
  - Aire Valley Leeds, including the Enterprise Zone;
  - East Leeds Extension, including Thorpe Park;
  - West Leeds, as part of Leeds-Bradford Corridor, and an advanced manufacturing corridor that extends into Airedale in Bradford District; and
  - Access to international gateways, including Leeds-Bradford Airport.
- 3.1.10 Combined with sector initiatives and investment in the underlying drivers of growth (skills, innovation and infrastructure), these area-specific developments will support growth in Leeds' key sectors and support economic growth over the long term.

## **3.2 Leeds South Bank and City Centre – anchoring growth in Leeds City Region and maximising the potential of HS2**

### **The Economic Role of Leeds City Centre**

- 3.2.1 Leeds city centre is the most significant location for the economy of Leeds City Region. It is the focus for the Leeds financial and business services sector, which is the second largest of any city in the UK. Leeds city centre has seen significant growth over the last decade and has bucked national trends through the recession. As a hub for financial and professional services, company headquarters, retail, culture and the visitor economy, creative and digital firms – and some of the most innovative and dynamic companies in the country – Leeds city centre is well placed to drive growth for the city region as a whole. It is also the main node of the City Region's transport network.

### **The South Bank**

- 3.2.2 The economic potential of the city will be realised through the development of South Bank and Holbeck Urban Village, creating a new business and residential district of national and international significance. There is an opportunity to create a new district of the City Centre on a scale similar to that of Edinburgh New Town. The plans for the HS2 station are an additional impetus for the growth and regeneration that is already taking place. This will build on existing locational advantages through proximity to the main city centre, railway station, waterfront and motorway network. Development of South Bank has the potential to create 120,000 square metres of additional employment space and 10,000 direct jobs, while there is an additional 101,200 square metres of land with development potential in Holbeck Urban Village.
- 3.2.3 Development of the two sites will also support more sustained growth in the Digital and Information sector. The area has become a regional hub for the sector but is constrained by poor quality of place and a lack of investment in infrastructure. The development of the new AQL Datacentre, in addition to the existing facility at Salem Chapel, expansion of superfast broadband, and investment in New Dock will help address some of these issues. There is scope to build on recent investments in the area by Leeds City College to develop the South Bank as an educational hub.
- 3.2.4 Improving the quality of place will be important to attract investment to the South Bank. The area has superb built heritage. The former Tetley headquarters building has been brought back into use as a contemporary art gallery. Tower Works has the scope for expansion as a vibrant mixed use scheme. There is also an opportunity for renewal of Temple Works, one of the most important Grade 1 listed buildings in Leeds, to be a focal point for the regeneration of Holbeck. The creation of a new city park and a network of green spaces, new pedestrian river crossings, connectivity and public realm improvements, and improvements to the waterfront will enhance the attractiveness of the area for residents, businesses, visitors and investors. There is a need to improve links between the South Bank and existing residential neighbourhoods such as Holbeck, Beeston and Hunslet.



## **Business Environment in the City Centre**

- 3.2.5 The economic position of Leeds City Centre was boosted by the completion of Trinity Leeds, the largest retail scheme in Europe to complete in 2013, and the First Direct Arena. The Victoria Gate scheme, which will complete in 2016 will improve the position of Leeds in the retail rankings further. Leeds City Council are investing £12.7 million in improving and refurbishing Leeds Kirkgate Market, which supports hundreds of businesses and thousands of jobs. The private sector, with backing from Leeds City Council, are undertaking a study into the feasibility of a Business Improvement District. This could raise £5m to £10m over a five year period for measures to improve and promote the city centre as a business destination.
- 3.2.6 However there remain problems with the quality of the business environment and visitor experience in some parts of Leeds City Centre. Investment is needed in connectivity and public realm improvements across the city centre. Investment in businesses, heritage buildings, and transport and public realm is needed for areas such as the Grand Quarter, the Quarry Hill cultural quarter, Kirkgate Quarter (including the First White Cloth Hall), George Street (between Kirkgate Market and Victoria Gate), the Arena Quarter, and Leeds Town Hall (as a major venue) to fulfil their economic potential.
- 3.2.7 There are also opportunities for investment to enable Leeds City Centre to provide a suitable supply of high quality office accommodation to help attract major investors and support business start-ups and growth. Improved public realm and local connectivity would help accelerate development of the new office quarters at Sovereign Street, and the West End.

## **Transport and Connectivity**

- 3.2.8 The development of the South Bank and city centre create long term opportunity to deliver on of Europe's largest regeneration projects centred around the HS2 station, which will form part of the largest transport interchange in the North of England. Leeds is expected to provide the largest single market for HS2 on the eastern leg of the network.
- 3.2.9 Alongside site development, a package of transport improvements will be needed to integrate the HS2 station with the local and regional transport network to spread the economic benefits of high speed rail across the city region. HS2 should be positioned as part of a coherent long-term strategy for the rail network as a whole, which should include early improvements to existing lines, and measures to exploit the benefits of capacity release on existing lines once HS2 is complete. There is a strong case for 100% retention of business rates in the area around the new HS2 station to enable Leeds City Council to capture the benefits of uplift in development values, and to create an income stream against which investment can be made in local transport and regeneration measures. The planning and design, construction and operation of HS2 will create many direct and indirect business opportunities in the supply chain, and many jobs. It will be important to put in place support for businesses and Leeds residents to exploit these opportunities.

3.2.10 A new city centre transport strategy is being produced to specify the schemes and investments needed to improve the flow of pedestrian movements, public transport and road traffic to and around the city centre. The aim is to improve the business environment, by enabling improved public realm, and to ensure that the transport system supports the wider plans for development, regeneration and HS2.

3.2.11 A priority for Leeds City Council is to roll-out superfast broadband across the City Centre, and in the Super Connected Cities Priority Area corridor stretching from the Enterprise Zone in the East to the western edge of Leeds. The Super Connected Cities business voucher scheme will help small to medium sized companies to connect to superfast broadband. However there is a need for further investment to improve connectivity for all businesses and residents.

### **3.3 Supporting business growth and attracting inward investment through the Aire Valley Enterprise Zone**

3.3.1 Development of the South Bank and Holbeck Urban Village links the city centre to the Leeds City Region Enterprise Zone. The Enterprise Zone covers 142ha of prime development land and has the potential to create 7,000 jobs. The development of the site and supporting infrastructure supports several key growth sectors including advanced manufacturing, supply chain industries, and low carbon. There is particular focus on attracting companies with significant Research and Development activities.

3.3.2 A strategic growth programme will improve infrastructure and manage flood risk to encourage new businesses to locate in the Enterprise Zone. There is a strong case for Government agreeing to ringfence and reinvest in the Enterprise Zone the planning obligation payments associated with the East Leeds Link Road, which otherwise impose additional costs on development. There is a case for the LEP reinvesting a proportion of future business rates in order to incentivise occupiers in the Enterprise Zone. There is a need for the public sector to underwrite some development risk, to give developers the confidence to build new manufacturing floorspace to increase the supply of market-ready premises. It will be important to align the proposals for innovation with those to attract investment in manufacturing in the Enterprise Zone.

3.3.3 The Aire Valley also represents a significant development opportunity to roll out Urban Eco Settlement development principles. There are a number of major development opportunity sites, including the continued delivery of Hunslet Riverside (subject to viability issues), the Copperfield College site and Skelton Gate.

3.3.4 A priority for Leeds City Council is to roll-out superfast broadband across the Enterprise Zone. There is a need to build on the Super Connected Cities project to ensure all of the Enterprise Zone businesses and sites are connected.

3.3.5 Leeds and Leeds City Region are participating currently in a large scale heat mapping exercise, funded by Department for Energy and Climate Change. Leeds is also commissioning a more detailed energy masterplan for the Aire Valley and city

centre. Assuming the initial masterplanning demonstrates that a scheme is possible, it is anticipated that one option would be to apply to the new national Heat Network Delivery Unit (HNDU) for further funding to develop and refine this in more detail in terms of financial and technical feasibility (e.g. further market engagement and understanding procurement options).

3.3.6 Assuming that a scheme is deliverable (both economically and technically) there will be several procurement options. Were a bid to HNDU be unsuccessful (their funding is limited), informal feedback from the industry suggests that it may be worth market testing the market on the potential for a district heating project between the Aire Valley and city centre with a view to potentially procuring a preferred investment partner to finance the remainder of the development funding and deliver a scheme. An initial informal conversation has already taken place with one industry partner who are known to already have had conversations with Veolia (with a view to buying heat from the RERF) and with other potential stakeholders in the city. This could be a suitable project for the Local Growth Fund.

### **3.4 Developing housing and employment land to accommodate growth in East Leeds**

3.4.1 The East Leeds Extension and related sites comprise 280 hectares of housing development and employment land. The site, at the eastern edge of built-up Leeds, has the potential to provide up to 5,000 new homes, and nearly 15,000 jobs. Through the provision of major new highways and public transport connectivity, it will improve journey times and the overall economic performance of the city region.

3.4.2 A public sector pump-priming, enabling and co-ordinating lead is required on interventions to ensure proper planning for a sustainable new urban extension. The provision of a new dual carriageway East Leeds Orbital Road (ELOR) will act as the enabling infrastructure to unlock development capacity in the East Leeds Extension. The provision of new road infrastructure through Thorpe Park, connecting the East Leeds Extension and Manston Lane area, will open up a further significant area of mixed use development (office, retail and leisure). Public transport improvements, including a new railway station to the east of Leeds, are needed to also help people access jobs.

3.4.3 There are several brownfield sites in East Leeds that have the capacity to accommodate housing growth. There is an opportunity to align investment from the Local Growth Fund with investment from the Council House Building programme, the Homes and Communities, and the private sector.

3.4.4 Thorpe Park is a major business location, home to headquarters and high-level office functions to a wide range of companies in the infrastructure, IT, and retail, and professional services sector. It will also be the new home for Surgical Innovations, who design and manufacture medical devices. This creates the opportunity to attract investment from other medical technology firms. Investment in innovation assets in this sector, including a potential surgeon training and simulation suite and a health innovation facility at Thorpe Park is one of the Leeds proposals for the Local Growth Fund.

3.4.5 Thorp Arch, on the eastern edge of Leeds District also provides a significant opportunity for housing and jobs growth. It is already an important location for around 4,000 jobs in businesses in the medical devices, furniture manufacturing and logistics sectors. The site has the capacity for 2,000 new homes. Investment in infrastructure, and site preparation and remediation would help realise this opportunity.

### **3.5 West Leeds – connecting the two largest urban areas in the Leeds City Region to deliver economic growth**

3.5.1 A programme of investment in West Leeds, including the corridor between Leeds and Bradford will help deliver housing, employment and green space projects in the area. Leeds and Bradford are the second and fifth largest cities outside London. Together they have a population of over 1.2 million people, creating one of the largest city conurbations outside London with an annual economic output of £23 billion. The corridor will also connect strategically important manufacturing sites supporting business expansion.

3.5.2 West and North West Leeds is the location for several advanced manufacturing companies, including market leading firms in sub sectors such as textiles, cooling equipment, and aviation products. It is part of a wider cluster of manufacturing firms extending into Airedale in Bradford District. Support for manufacturing firms in West and North West Leeds, including potentially supporting the development of new manufacturing sites, and potentially innovation and incubation space, will be worked up as future proposals for the Local Growth Fund.

3.5.3 Main development sites and business locations in West Leeds where there may be a case for investment to accelerate growth include: Kirkstall Forge, the new Airedale International Air Conditioning facility in Rawdon, and the office and industrial sites in Wortley. There is scope for investment in Armley Mills to strengthen its role as museum, visitor attraction, and centre of expertise in textiles.

3.5.4 Improvements to transport connectivity are required to increase the proximity between the two cities. A feasibility study is currently in progress for a Highways Efficiency and Bus Package demonstration scheme. There is a need for further investment to address pinch points on the strategic road network. There is scope to align investments with the new Highway to Health cycle route scheme to improve public realm and local connectivity.

### **3.6 Transport: improving the city's regional, national and international connectivity**

3.6.1 The modern economy needs connectivity to reach markets, support innovation and enable people to access jobs. Connectivity to and between cities is important, because it is cities where networks can generate new ideas and activities. The efficiency and effectiveness of the transport system will therefore be central to future employment and productivity in the UK. The economic geography of England

is already changing. Rebalancing the economy and reshaping the national geography requires investment in cities outside London such as Leeds.

### **High Speed 2 (HS2) and the Strategic Rail Network**

- 3.6.2 The Strategic Economic Plan should position HS2 as a project that can transform the economy of Leeds and Leeds City Region. HS2 will provide a step-change in rail capacity to Leeds, as well as faster journey times. This will support economic growth in Leeds by enabling businesses to trade with other cities in knowledge, services and goods, supporting business clustering in Leeds, and enabling more people to access jobs in Leeds. It will also bring Leeds functionally closer to the Sheffield City Region, Nottingham and Derby area, and Birmingham, creating a more coherent and powerful non-London economic zone of 8 million people and 4 million jobs within one hour of travel time.
- 3.6.3 Leeds is already the busiest station in the north of England, and together with the new HS2 station will form one of the most significant transport hubs in the UK. Investment in the existing station is essential to deliver improvements in advance of HS2. HS2 can also accelerate development and regeneration of the South Bank in Leeds. We are making the case to retain locally the benefits of development around the station, for instance through uplift in business rates, to provide an income stream which we can borrow against to invest in supporting infrastructure.
- 3.6.4 The Strategic Economic Plan should position HS2 as part of an ambitious and coherent long-term strategy for improving the strategic rail network as a whole. This should include improvements to existing rail lines and services to deliver improvements well in advance of HS2, and improvements to services to exploit the benefits of capacity release once HS2 is complete. Priority projects include the Leeds Rail Hub capacity improvements, electrification and line speed improvements to the Transpennine, Leeds-York, Sheffield, Harrogate, Calder Valley, and Hull lines.

### **Access to International Gateways**

- 3.6.5 Fast access to airports with good route networks is important to support the ability of Leeds firms to access international export markets and business networks.
- 3.6.6 Leeds Bradford Airport will play an important part in building the City Region's future economy. In 2016, the passenger throughput is expected to reach 5.1 million, support around 3,400 jobs and provide £105 million of income to the City Region. Surface access to the airport needs to be improved if the airport's capacity is to be fully utilised. It is also important that the airport has a route network with services to major European hubs, including Heathrow, and business cities. A new Airport Link Road, a single carriageway road linking to the airport with new junctions on the A65 and A658, would significantly improve access. Better public transport access to the Airport is also needed, including potentially rail / light rail access from the Leeds Harrogate Line.
- 3.6.7 It will also be important to improve links to international gateways elsewhere, particularly Manchester Airport through better transpennine rail connections.

## **City Region Transport Improvements**

- 3.6.8 The Strategic Economic Plan should set out the projects proposed for the West Yorkshire plus York Transport Fund. It should make the case to Government for the necessary freedoms and flexibilities to enable the West Yorkshire and York local authorities to raise the funding for the Transport Fund, as agreed previously by Government in the first City Deal.
- 3.6.9 The Strategic Economic Plan should set out an ambitious and compelling long-term vision of how the City Region can achieve a step-change in the quality of its transport network and services to support growth. This should look beyond the parameters of the West Yorkshire plus York Transport Fund to set out how national investments can be aligned with local priorities, and how further devolution can provide greater scope for Leeds and Leeds City Region to secure increased investment in transport.

## **3.7 Housing Growth and Infrastructure**

- 3.7.1 Significant investment is required to ensure the infrastructure to enable sustainable housing and economic growth. The population of Leeds is projected to grow by 65,971 between 2013 and 2021, with 37,650 more workers. Leeds needs 70,000 net additional new homes by 2028 in order to accommodate projected population growth, and to attract and retain the workforce required to enable economic growth. This is one of the largest housing growth projects of any city in the UK.
- 3.7.2 There is a need for significant investment in infrastructure to bring forward growth in the right way. The draft Core Strategy for Leeds sets out a balanced approach to securing development on brownfield land within existing urban areas, as well as plan-led extensions elsewhere. Public sector investment is needed to address physical and market constraints associated with many brownfield sites. New and improved transport infrastructure is needed to unlock larger development opportunities. This investment is needed to ensure that new development is of high design quality and environmental standards, and has the right mix of affordable housing and wider community infrastructure.
- 3.7.3 The Strategic Economic Plan should include initiatives for the LEP to work with private sector within the city region to identify and develop innovative financing mechanisms for infrastructure to support growth. This should include fiscal devolution so that a greater proportion of the fiscal benefits of growth are captured locally and can be used as revenue streams to finance investment.
- 3.7.4 The scale of house building proposed will also have a direct economic impact, creating jobs in the construction industry and related sectors, and contributing to economic output in Leeds. There is scope to develop initiatives to support employment, skills improvements and business supply chain opportunities to use housing growth as a means of accelerating economic and jobs growth.

### 3.8 Visitor Economy, Sport, Culture and Major Events

- 3.8.1 Developing the cultural offer, hosting major sporting and arts events, and increasing tourism spending will help grow the visitor economy, an increasingly important economic sector and source of jobs for Leeds. High quality cultural attractions and hosting major events, such as the Tour De France, Rugby World Cup, or international cricket, enhance the image of Leeds on the national and global stage as a place to invest. There is scope to improve major cultural visitor attractions in Leeds. This would strengthen the overall Leeds City Region offer, complementing attractions in other districts such as The Hepworth, and Yorkshire Sculpture Park in Wakefield, the Saltaire World Heritage Site, the National Media Museum in Bradford, the National Railway Museum and historic centre of York, the Piece Hall in Halifax, and the Yorkshire Dales National Park.
- 3.8.2 There is a strong economic case for investment in improvements to Headingley stadium, which are essential to enable Leeds, Leeds City Region and Yorkshire to continue to be able to host Test Cricket and One Day Internationals, as well as rugby internationals.
- 3.8.3 There is also a strong case for investment in existing and potentially new major arts and cultural attractions such as the West Yorkshire Playhouse, Leeds Town Hall, and Temple Works.
- 3.8.4 The Strategic Economic Plan should include proposals for investment in tourism marketing and promotion, and in major events and their legacy programme (including the Tour De France).

### 3.9 Supporting growth sectors

- 3.9.1 Alongside site-specific priorities, partners have identified several priorities for investment in the city's key sectors:
- **Health and Innovation:** work with LCR and its partners to take forward proposals for the Big Data Institute, Innovation Exchange Hub and the Clinical, Training and Simulation Centre to support growth in the health and innovation sector.
  - **Manufacturing:** support LCR and partners to consolidate a package of support for manufacturing companies; support the development of the Leeds Advanced Manufacturing Innovation Hub, creating space for the specialised manufacturing and engineering research and development and support to SME manufacturing companies and 450 jobs.
  - **Creative, Digital and Information:** build in the existing cluster of Creative, Digital and Information companies in the city centre through the development of South Bank and Holbeck Urban Village; support the development of the Big Data Institute to provide a platform to support the commercialisation of data; support the delivery of ultrafast broadband (over 30 mbps) in Leeds City Centre; and bring forward plans for new incubation space for creative industries.
  - **Financial and Business Services:** work with Leeds City Region to develop alternative routes into the professions for school leavers, through a Financial

and Professional Services apprenticeship scheme for example, to widen young people's access to employment in the city region.

- **Low Carbon:** working with Leeds City Region to develop investment proposals in district heating, and building energy efficiency retrofit schemes; and
- **Visitor economy, sport and culture:** develop a programme of investment to improve the visitor offer of Leeds and the city's ability to attract major sporting and cultural events to drive economic and jobs growth (as set out in section 3.8 of this report).

### **3.10 Employment and Skills**

3.10.1 Sector-specific interventions will be underpinned by a skills and employment system that delivers the skills employers require, while tailoring support to the individual. Leeds City Council will work with local education and training providers to ensure all individuals have at least basic numeracy, literacy and ICT skills, and to expand opportunities for vocational learning including apprenticeships.

3.10.2 Leeds City Council are working to promote demand-led skills provision by developing an adult skills action plan which will prepare people to move into the main growth sectors and job areas. Leeds City Council are also supporting the development of mid-level vocational skills through apprenticeships and encouraging entry level and mid-level progression.

3.10.3 The Strategic Economic Plan should include proposals that provide the investment and devolved powers necessary to deliver a coordinated approach to improving skills and tackling unemployment that responds to local circumstances. We have already proved through schemes such as the Devolved Youth Contract we can deliver better outcomes more efficiently than agencies of national Government. We now should make the case for further devolution, including of projects such as the Work Programme.

### **3.11 Innovation**

3.11.1 We need to strengthen our innovation networks in Leeds. The Strategic Economic Plan should include strong proposals to support innovation, focusing particularly on health and medical, advanced manufacturing (with a specific focus on the Enterprise Zone) and the information economy. These proposals need to build on key anchor institutions for innovation in Leeds, including the three universities, the NHS Teaching Hospital and companies undertaking leading-edge R&D. Proposals also need to be focused on the needs of businesses and have a strong commercial dimension. We would also want to see greater localisation of national innovation programmes, for example through the Technology Strategy Board, in line with the Core Cities proposals.

### **3.12 Devolution: enabling Leeds to invest in its strategic priorities**

3.12.1 The Local Growth Fund is an opportunity to build on the steps taken towards greater devolution in the City Deals. Leeds City Council needs greater flexibility



around business rates, the removal of borrowing caps, loan guarantees and TIF-style future value-capture finance mechanisms to enable it to invest now to support sustainable growth in the future.

3.12.2 The approach to the Local Growth Fund in Leeds City Region should be to develop that right range of funds and investment mechanisms with a suitable mix between capital, revenue, equity, and loan funds.

### 3.13 Proposals for devolution

3.13.1 A series of 'asks' of Government were prepared and agreed by the Core Cities' working groups and Cabinet, and presented in the Prospectus for Growth report launched at the Core Cities Summit on the 21<sup>st</sup> November 2013. It is proposed that these form the basis of Leeds' proposals to Government for greater devolution through the Strategic Economic Plan, Seven of the nine 'asks' centre on growth:

- **Skills and jobs:** minimum five-year Skills and Labour Market Agreement (SLMA); devolution of the Work Programme post-2016; align procurement to maximise training and employment;
- **Business and innovation:** A single Business Growth Hub in each core city area; locally sensitive support packages from UKTI; tailored innovation support with BIS and TSB, strengthening local economic engagement in the framework underpinning university and college funding;
- **Housing:** Core Cities Joint Housing Investment Board and local Single Housing Investment Plans; change tax and incentives to make urban sites more attractive to investors; reform the New Homes Bonus and lift the Housing Revenue Account borrowing cap;
- **Transport networks:** an integrated local transport fund and system connected to HS2, and a commitment to the delivery of a full high speed network; a single settlement for each Core City for ten years across the whole of public transport, with increased flexibility in the use of funds and powers to regulate networks; fast and reliable access to growth centres, including devolved rail franchises;
- **Energy efficiency:** establish a co-ordinated framework of energy service companies across the eight urban regions that will seek to obtain one or more supply and independent distribution licenses; create 'next generation' energy solutions and competitive consumer costs through arrangements such as Power Purchase Agreements linked to locally generated energy; set tariff prices on energy Cities produce and reinvest more taxes from energy production;
- **Broadband:** work with Core Cities and the European Union to influence and overcome barriers that prevent or slow down investment in broadband; support for Core Cities' research testing for ultrafast broadband by the alignment of TSB and Research funding; commission work to understand the economic benefits of the wider 'smart-city' agenda;
- **Increased investment:** Increase local control over public spending to drive reform through 'place based settlements' for revenue funds; devolved property taxes (including in relation to specific projects, such as HS2) to Core Cities with a neutral effect on the rest of local government finance; extend the Single Pot approach for capital funds.

3.13.2 The final two 'asks' are based on reform:

- **Enable cities to join up services:** place based settlements for joined-up services, viewing public spending in the round locally; integrated delivery of Health and Social Care services; link placed based budgets to Skills and Labour Market Agreements and to establish a new Constitution creating a legally binding agreement between local and national government;
- **Set cities free:** a new Constitution, a legally binding agreement between local and national government, setting out roles and responsibilities; change Parliamentary Standing Orders so ministers are not able to constantly question the decisions of local politician without good reason; dual accountability including devolving accounting officer function; new default co-design of any policy that effects a city, using Core Cities' experience to help government.

## 4. Corporate Considerations

### 4.1 Consultation and Engagement

4.1.1 The Leeds City Region is consulting on the Strategic Economic Plan.

4.1.2 The Leeds Sustainable Economy and Culture Board have commented on the Leeds priorities set out in this paper.

4.1.3 A previous draft of this paper, which was approved by Executive Board on 22<sup>nd</sup> January 2014, was considered at joint meeting of the Sustainable Economy and Culture, and the Housing and Regeneration Scrutiny Board on 4<sup>th</sup> February 2014.

4.1.4 The main points raised at Scrutiny Board, and details of how the comments have been considered and addressed are set out below.

4.1.5 Scrutiny Board felt there was a need for a greater sense of ambition, particularly on transport where we need greater powers to raise our own funds). Section 3.6 of the report has been strengthened to address this point.

4.1.6 Scrutiny Board commented that the section on West Leeds could be strengthened in terms of transport, and supporting businesses to invest and grow in West Leeds. Several changes, including identifying specific projects, have been made to the section of this report on west Leeds.

4.1.7 Scrutiny Board agreed that housing growth and supporting infrastructure should feature as a stronger theme. A new section has been included in the report setting out the economic importance and case for investment in housing delivery in Leeds. This section also sets out the importance of investigating the scope for the private sector within the city region contributing to the generation of finance and investment in infrastructure for growth in the city region. This reflects one of the comments of Scrutiny Board.

- 4.1.8 Some members of Scrutiny Board wanted to see greater specificity in terms of the actual projects we are proposing for funding from the Local Growth Fund. Greater detail and specificity on projects has been incorporated into the report.
- 4.1.9 Scrutiny Board identified the importance of tackling poverty, worklessness, low pay and health inequalities. The section of this report on ensuring sustainable and inclusive economic growth has been strengthened as a result.
- 4.1.10 Scrutiny Board indicated that the submission should include information on the SWOT analysis for Leeds. The section of this report on the role of the Leeds economy in the context of the city region has been expanded to incorporate analysis of the city's economic position.

## **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 This paper specifies that the Council's input to the Leeds City Region Strategic Economic Plan should stress the importance of a sustainable and inclusive approach to economic growth. This should include a focus on tackling unemployment, poverty and problems of low pay.

## **4.3 Council policies and City Priorities**

- 4.3.1 Relevant directly to the Strategic Economic Plan is one of the six main themes of the Best Council Plan, Promoting Sustainable and Inclusive Economic Growth. Also relevant are the propositions of the Commission for the Future of Local Government on: Stimulating Jobs, Homes and Good Growth; Establishing 21<sup>st</sup> Century Infrastructure; and Solving the English Question.

## **4.4 Resources and value for money**

- 4.4.1 An important aim of the Council's input to the Leeds City Region Strategic Economic Plan is to secure additional funding resources and powers to promote economic growth. This will create opportunities to secure income for the Council to support delivery. It will be necessary to ensure the Council and the Local Enterprise Partnership have the capacity to deliver on the proposals.

## **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 Due to the timescales for finalising the Strategic Economic Plan (the Local Enterprise Partnership Board meeting to consider the draft plan is on 17<sup>th</sup> March 2014) it is proposed that this report is exempt from call-in.
- 4.5.2 A previous draft of this report was considered by a joint session of the Sustainable Economy and Culture Scrutiny Board, and the Housing and Regeneration Scrutiny Board.

## **4.6 Risk Management**

- 4.6.1 There is a risk that the Strategic Economic Plan does not reflect the priorities of Leeds City Council. This risk will be mitigated by the setting out of the Leeds

priorities in this paper and by Leeds City Council officers working closely with the Leeds City Region Secretariat team that are supporting the LEP in the production of the Strategic Economic Plan.

## **5 Conclusion**

- 5.1 There is currently an opportunity to achieve a step-change in the scale and approach to investment, funding and powers to support economic growth in Leeds. The Leeds City Region Strategic Economic Plan will set out proposals for this investment and it will be the basis on which Government decides the level of funding the Leeds City Region will receive.
- 5.2 Leeds is the most significant place for the City Region economy with the greatest growth potential. It is therefore important that Leeds is ambitious and bold in its proposals for the Strategic Economic Plan. This will help Leeds secure the powers and resources to enable the creation of the new jobs, the building of the infrastructure and new homes, and the development of skills to that are needed for the businesses and people of Leeds to prosper. It will also help accelerate the economic growth of the Leeds City Region as a whole.

## **6 Recommendations**

Executive Board is recommended to:

- i) Endorse the main emerging priorities from Leeds, which will form the basis for Leeds City Council's submission to the Leeds City Region Strategic Economic Plan;
- ii) Endorse the approach of using the Core Cities "asks" of Government, as the basis for our proposals to Government, through the Strategic Economic Plan and the City Growth Deal, for greater devolution to support economic growth; and
- iii) Request that the Chief Economic Development Officer coordinates further work to develop the proposals from Leeds for input into the Strategic Economic Plan, and to work closely with the Leeds City Region team on the production of the Strategic Economic Plan.

## **7 Background documents<sup>1</sup>**

- 7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.