



Resources Group

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Elizabeth Cowie
Department for Communities and Local Government
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Dear Elizabeth,

Coventry and Warwickshire Pooling Expression of Interest

I am writing on behalf of the local authorities in Coventry and Warwickshire in response to your letter dated 13 August 2012.

Following the submission of the Expression of Interest, we have undertaken further financial modelling and held discussions about the governance arrangements most suitable to our local circumstances.

The outcome from these discussions is that the membership of our proposed pool will be the seven local authorities that comprise the geographic coverage of the Coventry and Warwickshire Local Enterprise Partnership (LEP). The proposed member authorities are:

- ✓ Coventry City Council
- ✓ North Warwickshire Borough Council
- ✓ Nuneaton and Bedworth Borough Council
- ✓ Rugby Borough Council
- ✓ Stratford-on-Avon District Council
- ✓ Warwick District Council
- ✓ Warwickshire County Council

As outlined in our initial Expression of Interest the aim of the Pool is to maximise the retention of locally generated business rates to further support cross-boundary economic regeneration activity across the Coventry and Warwickshire LEP region and to protect against significant volatility in the level of resource of individual pool members.

Our emerging governance arrangements do not change this approach. Our first priority will be to ensure that authorities are more financially stable and face a lower risk to their core public service offer than would otherwise be the case. However, the governance arrangements also recognise that local economic growth is key, as the

greater proportion of people in secure employment, the lower the demand for the services we provide. We envisage that over time the Pool will play an important role in reinvesting the additional local financial benefits back into the local economic environment.

We are still in the process of negotiating our detailed governance arrangements. Draft proposals, for 2013/14, covering the principles of operation of the pool, the identification of strategic priorities and approach to investment decisions, options for the use and distribution of pool resources, governance arrangements for the management of the pool and decision-making, investment procedures for cash resources, reporting requirements and processes for either dissolution of the pool, changes to membership and for an annual review of governance arrangements are in place.

These will be subject to reflection and refinement by the Chief Executives and Section 151 officers over the next three weeks before going through the formal approval processes of the individual member authorities in early October. To this end, further meetings of all pool members have been arranged, with a final sign-off meeting on 17 October 2012.

We recognise that before designation of a pool of authorities can be made, the Department will consult other parties that may be affected by our proposal. The remainder of this letter therefore provides our consideration of the impact of the Pool on neighbouring authorities. At this stage, when both the level of additional retained resource that will be generated by the Pool and the proportion of that additional resource needed to protect against increased volatility and risk to authorities core service offer is unclear, these considerations can only be very general in nature.

We believe Coventry and Warwickshire is a natural location for business growth and the Pool will enable this to be supported more effectively. Where the level of additional resources generated allow, the allocation of any benefit will be consistent with the Coventry and Warwickshire LEP's three key ambitions for the local area of: creating an environment where it is easy for businesses to start, locate and thrive; accelerating the growth of our economy through targeted support in our key strategic sectors and tackling the skills problems by aligning supply and demand.

The long term objective of the Pool will be to improve the job density of the Pool area from 0.81 (in 2010) to a job density of 1 or above. We will seek to do this by working with the direction of travel of the market and using any resource to provide the investment in infrastructure and skills needed locally. Through this approach we see the outcomes of the Pool's activity being consistent with the current functional economic geography of Coventry and Warwickshire.

The core of our Pool area is already very self-contained in terms of commuting (85% of people living in this area also work in the core area), labour movement, housing (with over 90% of house moves beginning and ending in the same area) and retail and leisure activity. The northern part of North Warwickshire and the north-western part of Stratford district have stronger connections in terms of commuting flows,

housing markets, and retail and leisure activities with the wider Birmingham sub-region.

Beyond this the consideration of economic similarities suggests that there is a much larger “area of economic interest” that the Pool area is rooted within. This wider area of economic interest extends northwards to Leicester, eastwards to Northampton and Milton Keynes, southwards to include the upper part of Oxfordshire, the eastern part of Worcestershire, Birmingham and the southern part of Staffordshire (Tamworth and Lichfield).

Whilst the Pool area does have commuting links outside of its geographical boundaries, these are perhaps not as strong as expected given our substantial boundaries with other regions. Data from the Annual Population Survey does, however, suggest that commuting distances are increasing, meaning that the Pool area is becoming less self-contained and a little more connected to surrounding areas. In particular the sub-region is seeing stronger links between North Warwickshire and Tamworth; between Nuneaton and Bedworth and south Leicestershire and between the east of the region and Northamptonshire. Anecdotally there is also evidence of stronger links with London and the south East, with train use of lines connecting the sub-region and the south east seeing increased patronage, particularly at peak times. We would expect these trends to continue and potentially accelerate if there is rapid economic growth.

Over the past 10 years the Pool area has seen much stronger employment and business growth than the regional average and particularly has seen an increase in private sector employment. The Pool area has a strong shared presence (and historical relationship) in automotive manufacturing, along with wider high and medium technology manufacturing; business and professional services; computing (particularly software development); transport and logistics and the creative/cultural sector.

However, within the Pool area there are some significant variations which largely relate to a north-south split. The south of the Pool area is more dominated by business and professional services; knowledge intensive services and occupations and cultural and creative industries. The north of the Pool area is more dominated by manufacturing industries; transport and logistics, retail and wholesale.

There are clear similarities in terms of high concentrations of employment in business services and private sector knowledge intensive industries between the Pool area and areas to the south and east (moving south through Northamptonshire to Milton Keynes).

In terms of the cultural sector employment there is a closer relationship between the south of the Pool area and northern Gloucestershire and Oxfordshire. The transport and logistics sector, as you would expect, is based around the strategic motorway network and so there is a relationship between the north of the sub-region and surrounding areas to the north and east along the M1 (particularly), M42/A42 and A38 corridors.

In terms of manufacturing generally and high and medium–high technology manufacturing more specifically there is a much less discernible relationship between the Pool area and surrounding areas. The significant concentrations of high and medium-high manufacturing include the core of the Pool area but extend northwards up to Leicester, eastwards to Northampton, westwards to Birmingham and the A38 corridor into Worcestershire and north westwards up the M6 corridor into Staffordshire. The main concentrations of manufacturing employment in the Pool area are largely located on the eastern and northern sides perhaps suggesting slightly stronger links to the north and east midlands area.

The Pool area is well located on the strategic transport network and is therefore well connected. In terms of links to major areas of employment and business activity (generally urban areas), the Pool Area is well linked to Leicester (M69); Northampton and Milton Keynes (M1); Banbury and Oxford and the wider southeast (M40) and Birmingham (M6, M40 and M42).

We believe that the Pool and the investment in economic growth as a result of retaining additional business rate resources locally is possible with no perverse incentives for neighbouring authorities. They are also accessible and buoyant areas with the potential to grow. The focus of investment will be on delivering high value added employment and business solutions which serve a much broader labour market and supply chains across the region and also deep into adjacent areas. The principles of collaboration and shared strategies, efforts and good practice to support mutual ambitions of economic growth apply equally to other parties and neighbouring authorities as to the individual members of the Pool.

Yours

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