

From the Permanent Secretary

Ged Fitzgerald
Chief Executive
Liverpool City Council
Municipal Buildings
Dale Street
Liverpool
L2 2DH

6 February 2012

Dear Ged

LIVERPOOL CITY DEAL

The Government has made clear that we are determined to work flexibly to promote growth and encourage local initiative and are willing to transfer significant powers to cities. We have considered your proposals for a 'City Deal' to meet this challenge. We recognise they represent an ambitious economic package aimed at driving growth in Liverpool, and that it is an important part of the City's response to Lord Heseltine and Sir Terry Leahy's "Rebalancing Britain" report on the Liverpool economy.

I am pleased to confirm the Government has approved the following package as part of the 'City Deal':

1. Subject to HM Treasury clearance of a business case and agreement with the Local Enterprise Partnership (LEP), **the Government will designate a new Enterprise Zone (EZ) covering the 'City Fringe Buffer Zone and Central Business District'**. The growth in Business Rates income from the EZ will go to the Liverpool City Region LEP, in line with the Government's wider EZ policy and our ambition to see a city-region wide approach to growth and regeneration. We recognise that Liverpool has ambitious plans to develop five further priority economic development areas (proposed Mayoral Development Zones) in the city, and your ambition to reinvest rates retained on this new EZ within the city. Any retention of EZ business rates by the city council will need to be negotiated between Liverpool and the LEP.
2. **The creation of what you propose to term a Liverpool Mayoral Investment Board** that will oversee the city's economic and housing strategy as well as oversight of the development of Home and Communities Agency's (HCA) land assets and other economic development priorities including those linked to the Enterprise and proposed Mayoral Development Zones. This arrangement will be based on the principle that the HCA will retain legal ownership and accountable body status for current HCA assets.

3. DWP will work with Liverpool to develop **welfare pilots to deliver a localised programme of support for people leaving the Work Programme and in particular include a 'youth contract' pathfinder**. It is expected that this will improve the benefit claims experience for customers while making efficiency savings for both the City and DWP; increase the numbers of claimants moving into work; and reduce benefit fraud and error.
4. **A Secondary School Investment Plan funded by the Council for up to twelve new build secondary schools, including at least six new academies**. These schools will be subject to the normal Academy converter application process and once in place, the Council will not be part of their ongoing governance or financial management. You have made clear your commitment to ensure that the schools in the city support the local skills agenda and the local economy. We therefore expect the Council to be proactive and work with the schools, the private sector and the universities in Liverpool to help them develop specialisms and identify and attract appropriate sponsors.
5. The Government is prepared to support initiatives that boost economic growth and development. The Department for Communities and Local Government (DCLG) already supports economic development in local authorities and is therefore prepared to **work closely with the City as Liverpool implements its vision for economic development. As part of that close working, DCLG will contribute £75 million** over the remaining years of the spending review period, subject to a strong, robust business case, to be cleared by HMT, demonstrating clear value for money.
6. The Government set out in *'Unlocking Growth in Cities'*, that where cities want to take on significant new powers and funding streams, they will need to demonstrate **strong, accountable leadership**, an ambitious agenda for the economic future of their area, effective decision-making structures, and private sector involvement and leadership. The appropriate governance structure may be different for each city, and no city deal is conditional on having any particular governance arrangement. However, the Government believes that directly elected mayors are one way of providing the strong, visible and accountable leadership so, subject to approval by the Council, we can confirm that a move towards a directly elected mayor and the creation of a Mayoral Development Corporation would satisfy our requirements as regards governance arrangements to strengthen leadership and accountability in Liverpool City Council.

As you know, the Government places great importance on Local Enterprise Partnerships to drive economic development, and therefore we would expect you to continue to work closely with the Liverpool City Region LEP and neighbouring authorities to take this 'City Deal' forward as well as future decentralisation packages covering the LEP area.

I would be grateful if you would confirm that you are content with these proposals.

A handwritten signature in black ink, appearing to read "Bob Kerlake". The signature is written in a cursive style with a large, stylized initial "B".

SIR BOB KERSLAKE

