

Summary Sheet

Report to Council 2nd March 2016

Title Sheffield City Region Devolution Deal

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Chief Executive

Report Author Steve Eling, Policy & Partnership Officer, Ext. 54419

Steve.eling@rotherham.gov.uk

Wards Affected All

Summary

Following the creation of the Sheffield City Region (SCR) Combined Authority in April 2014, work has been progressed to access the devolution advantages offered by the Government's "Northern Powerhouse" proposals. This led to the submission to Government of the City Region's devolution proposals in September 2015 and subsequent outline devolution deal being offered in October 2015. The passing of the Cities and Local Government Devolution Act 2016 (c. 1) now enables the proposed economic devolution deal to proceed.

The economic devolution deal will involve the establishment of a new, directly elected Sheffield City Region Mayor, who will act as Chair of a Sheffield City Region Mayoral Combined Authority, working alongside Local Authority Leaders in exercising the following powers and functions devolved from central Government:

- Responsibility for a consolidated, devolved transport budget, with a multi-year settlement to be agreed at the Spending Review;
- Responsibility for franchised bus services, which will support the delivery of smart and integrated ticketing across the Combined Authority's constituent councils;
- Responsibility for an identified key route network of local authority roads that will be collaboratively managed and maintained at the city region level by the Combined Authority on behalf of the Mayor; and
- Powers over strategic planning, including the responsibility to create a spatial framework for the city region and to chair the Sheffield City Region Joint Assets Board.

Devolved powers will include:

- Control of a new additional £30 million a year funding allocation over 30 years;
- Responsibility for chairing an area-based review of 16+ skills provision and devolved 19+ adult skills funding from 2018/19;
- Co-design of employment support for the harder-to-help claimants and piloting more intensive support for those furthest from the labour market;
- More effective joint working with UK Trade & Industry (UKTI) to boost trade and investment; and
- The Government will work with the Combined Authority on further funding flexibilities with an additional ambition to achieve a greater single pot to invest in economic growth.

The Combined Authority is required to make some commitments as part of the deal. These include:

- Working with the Government to develop a full implementation plan, covering each policy agreed in the deal, to be completed ahead of implementation;
- Setting out proposals to the Government for how local resources and funding will be pooled across the city region;
- Agreeing a process to manage local financial risk and accountability between local and national bodies; and
- Progressing programmes of transformation amongst authorities to streamline back office functions and share more services and data, including on assets and property.

The Combined Authority undertook a public consultation on the proposals of the devolution deal including governance, activity and fiscal measures. The consultation closed on 15th January with responses providing general support for the proposal subject to the careful management of the risks associated with devolved functions, including:

- Support for the 'principle' of devolution i.e. that decisions are better made locally than in Whitehall;
- Recognition that the Mayoral Combined Authority model gives the potential for better alignment of investment decisions; and
- The office of mayor must not create significant additional cost and be another layer of bureaucracy.

Subject to ratification of the devolution proposal by all relevant authorities and the SCR Combined Authority, and the making of an Order by Parliament, the first election of City Region Mayor will take place in 2017.

Recommendations

It is recommended that Council:

- a) Endorse the devolution agreement set out at Appendix A in order for central Government to develop the necessary legislation to put it on a statutory footing during 2016/17.

- b) Note the work that has taken place since the 'deal' was proposed in October 2015 – in particular those matters detailed in paragraphs 2.4; 2.5 and Appendix B.
- c) Note and take into account the results of the City Region's consultation exercise that has taken place between October 2015 and January 2016 – including the summary of the consultation detailed in section 5 and Appendix C.
- d) Delegate authority to the Chief Executive (in consultation with the Leader and Commissioners as appropriate) to consent to an enabling Order.

List of Appendices Included

Appendix A – Sheffield City Region Devolution Agreement

Appendix B – Summary of progress made since the Proposal was made in October

Appendix C – SCR Devolution Consultation - results summary

Background Papers

Cities and Local Government Devolution Act 2016 (c. 1)

Local Democracy, Economic Development and Construction Act 2009 (c. 20)

Rotherham Growth Plan

Sheffield City Region devolution deal proposal – September 2015

The in-principle Sheffield City Region Combined Authority devolution agreement – October 2015

Consideration by any other Council Committee, Scrutiny or Advisory Panel No

Council Approval Required Yes

Exempt from the Press and Public No

Title: Sheffield City Region Devolution Deal

1. Recommendations

- 1.1 It is recommended that Council:
- i. Endorse the devolution agreement set out at Appendix A.
 - ii. Note the work that has taken place since the 'devolution deal' was proposed in October 2015 – in particular those matters detailed in paragraphs 2.4; 2.5 and Appendix B.
 - iii. Note and take into account the consultation exercise that has taken place between October 2015 and January 2016 – including the summary of the consultation detailed in section 5 and Appendix C.
 - iv. Delegate authority to the Chief Executive (in consultation with the Leader and Commissioners as appropriate) to consent to an enabling Order.

2. Background

- 2.1 On 2 October 2015 Sheffield City Region ("SCR") political and business leaders secured an in-principle, economic devolution agreement ("the proposal") with the Chancellor of the Exchequer. This followed a set of devolution "asks" presented to Government by the City Region on 4th September 2015, which were reported to RMBC full Council on 16th September 2015. The proposal involves the significant devolution of power and funding from Whitehall to local leaders in the City Region, including the headline feature of a stable £900m investment fund over the next 30 years (£30m per annum, referred to by Government as "gainshare" funding) which would, following ratification, be made available from April 2016.
- 2.2 In addition to the £900m "gainshare" funding, further resources are due to be put at the SCR's disposal as part of the "single pot" agreed under the devolution deal. Estimates for this additional share of national funding streams to be included within the single SCR pot have been in excess of a further £1billion; however, this is still being quantified through discussions with Government Departments and cannot be accurately set out at this stage. Further detail is expected to follow in the light of ratification of the deal.
- 2.3 The proposal covers a range of economic themes including skills and employment; housing, planning and public assets; innovation, advanced manufacturing and business growth and transport. The proposal also includes elements of fiscal devolution (retained business rates) and changes to City Region-level democratic structures. Specifically, the proposal makes clear that any 'deal' is contingent upon:
- The Sheffield City Region Combined Authority adopting the model of a directly elected city region Mayor over the Combined Authority's area with the first elections in May 2017. The existing

Sheffield City Region Combined Authority will also be strengthened with additional powers.

- 2.4 The terms of the proposal require formal ratification by the SCR Combined Authority (“CA”) by the end of March 2016. Members of the SCR CA have also agreed to seek formal ratification of the proposal by all nine local authority members of the SCR prior to this date. To inform these decisions, a consultation exercise was launched on 2nd December 2015 and ran until 15th January 2016. A summary of views received by the SCR as a result of this consultation exercise is included at paragraphs 5.2 to 5.4 below and in Appendix C to the report.
- 2.5 Since the in-principal proposal was agreed in October 2015, a body of work has been undertaken by the City Region Secretariat and member authorities to take forward the different elements and commitments within it. This includes the development of a mobilisation and implementation plan to ensure that the commitments made within the proposal are realised.
- 2.6 Key elements of progress (inclusive of progress made by City Region partners and the Government) is summarised below, with additional detail included in the table at Appendix B. It should be noted that an update to RMBC elected members on this activity was also provided at an all-member seminar with the Chair of the CA, Sir Stephen Houghton, on 11th January 2016.
- **Overview - Funding confirmation:** subject to the ratification of the proposal, the SCR will receive its first £30m p.a. additional funding (“gainshare”) payment in April 2016. Further to this, through the Spending Review, the SCR has received confirmation of its £310m Growth Deal award between 2016 and 2021.
 - **Governance - Mayoral voting powers on the CA:** the Cities and Local Government Devolution Act has now been passed as new legislation. This, for example, includes provision to give greater flexibility to the five District Councils within the Sheffield City Region to become full, constituent members of the CA.
 - **Governance - Mayoral voting powers on the CA:** it has expressly been confirmed that there is no in-built ‘mayoral veto’ within the proposal. The relationship between the CA and the SCR Mayor is a matter that can be dealt with through a detailed refresh of the CA’s constitution, and these arrangements would be owned locally by the final Mayoral Combined Authority (MCA) when constituted.
 - **Skills - 19+ Adult Skills Budget:** greater understanding has been gained of the Government’s conditions for devolution, so that this can be progressed as part of the finalised deal.
 - **Skills - Area Based Review (of further education provision):** work on the review has started and this is expected to be complete in April.
 - **Housing Investment Fund:** the SCR is entering into further discussions on the development of a fund. However, it should be

noted that the SCR will not receive additional devolved powers and funding until it has ratified the proposal.

- **Devolved and consolidated transport budget:** given the confirmation of funding available nationally for transport through the Spending Review, it is expected that the SCR will negotiate and agree its budget in February/March 2016.
- **Buses Bill:** it is expected that a draft Bill will be published by the Government in February that will set out proposals to establish the primary legislation required to re-franchise bus services and make provisions to strengthen partnership working.
- **Business rates:** SCR and Government are currently agreeing a baseline against which additional growth can be calculated. It is expected that these arrangements will be in place from April 2016, enabling the City Region to share the benefits of the additional growth it creates.
- **Intermediate Body status for ESIF (European Structural and Investment Funds):** discussions have progressed and it is expected that the SCR will be able to decide in March 2016 if it wishes to become an intermediate body for the selection of ESIF projects.

3. Key Issues

3.1 Following the creation of the Sheffield City Region Combined Authority (CA) in April 2014, work has been progressed to access the devolution advantages offered by the Government's "Northern Powerhouse" proposals. The ratification recommended in this report is a critical step towards the legal and constitutional changes provided for in the new legislation and realisation of the benefits for the SCR.

3.2 For Rotherham specifically there are a range of key outcomes expected from the final deal, including:

3.3 Education & Skills Priorities:

a) Employment:

- Produce more confident and skilled residents and workforce;
- Produce enterprising young people and jobseekers (through Rotherham Youth Enterprise) to be economically self-sufficient;
- Whilst a key focus of SCR is on high skill jobs, vulnerable, unemployed and low skilled workers will also be central to the deal – ensuring that these groups are equipped with the necessary opportunities to take up further learning/employment and benefit from the entire employment and skills system;
- A greater ability to directly fund and commission local solutions to tackle unemployment for the over 25s which are both personalised and offer work experience to improve employability and enterprise – i.e. replicating 18-24 year-olds Ambition Project for over 25s; and
- Commission projects for health services and Job Centre Plus to work better together to tackle unemployment amongst those people on long-term sickness benefits.

- b) Apprenticeships and High Level Skills:
- Support the creation of a University Campus within Rotherham town centre to increase higher level skills, at level 4 and above;
 - Supporting RMBC to ensure 2.5% of its workforce are apprenticeship trained/qualified in order to meet the Government's target for public sector employers;
 - Increase the number of apprenticeships offered by Rotherham employers and suitable apprenticeship candidates seeking and completing apprenticeships; and
 - Commission projects to support school sixth forms and apprenticeship provider collaboration to support 17 and 18 year old transition into high level apprenticeships.
- c) Adult Learning:
- Adult Learning Fund (ALF) is essentially the only funding available to RMBC at present to target basic skills (literacy, numeracy, first Level 1 and 2 qualifications) – retaining the focus of ALF on issues within Rotherham when it is devolved to the City Region from 2018 will be critical in ensuring vulnerable groups can continue to benefit from economic growth and prosperity. The devolution of wider adult skills funding through the deal will, in future, present new opportunities for Rotherham to have a greater say in City Region-level decisions about investment which currently rest at the national level.
- d) Information, Advice & Guidance (IAG):
- Ensure a wide pool of job-ready people who are supported to access new and higher level job opportunities, through targeted IAG and training and employment support programmes;
 - Ensure that training provision, IAG provided by schools and employability providers is relevant to the local job market and reflects the needs of employers – requires evaluation (commissioned by SCR) on the effectiveness of IAG in schools;
 - Provide targeted, effective support to overcome barriers to employment, including provision of key workers, supporting residents to access learning to improve their chances of securing, retaining or progressing in employment;
 - Fund RYE to effectively engage business to both challenge and support schools in delivering good IAG, enterprise, employability skills and labour market intelligence; and
 - RMBC to retain its “Search and Apply” (online prospectus of all 16-18 provision and application process) and Youthi website (careers, support and vacancy information) – only universal information to young people (currently funded from Early Help).
- e) 16-18 Strategy:
- Commissioning powers to be devolved to the City Region and local authorities to appropriately plan for 16-18 provision – authorities currently receive no Government funding to fulfil its statutory duty to ensure that there is a sufficient and appropriate learning place

for all 16-18 year olds. In addition, authorities have no commissioning or quality assurance role to influence the post-16 offer in their areas; and

- Ensuring that the outcomes of the Area Based Review can support the full further education system – e.g. both colleges and school sixth forms.

3.4 Economy and Growth

- a) The devolution deal will be critical in helping us deliver Rotherham's ten year Economic Growth Plan which will deliver a range medium and long-term economic benefits, including:
 - 10,000 net new jobs for the next 10 years;
 - 750 net new businesses over the next 5 years, delivering an innovative and growing business base;
 - Increase in productivity resulting of growth of the Rotherham economy; and
 - The housing and transport infrastructure to underpin sustainable economic growth.
- b) Specifically, the Advanced Manufacturing Innovation District (AMID) provides an expanded, 2,000-acre centre of excellence in metals and materials manufacturing, spanning the Rotherham-Sheffield border. This will accelerate and enhance the economic growth potential from the existing assets of a dynamic and innovative SME base, the research and innovation capacity of Rotherham's Advanced Manufacturing Park (AMP) and the positive agglomeration of many of the UK's leading manufacturers. AMID brings together universities, local authorities and the private sector around a new vision and is a major, transformational project, rooted in Rotherham's current AMP but delivering great benefits for the entire City Region. The devolution deal and associated single pot funding will be critical in unlocking this potential and providing the investment required.
- c) By 2025 the AMID will deliver the following economic benefits:
 - Increasing R&D spending across the regional manufacturing base from 3.5% of turnover to 5% turnover. It is estimated that this will deliver £200m in productive growth through underlying productivity performance returns to firms, and up to a further £350m wider spill-over effects in the UK through local value and supply chain;
 - Doubling the current size of the advanced materials and manufacturing research campus, through the delivery of a 50-acre extension to the Advanced Manufacturing Research Centre ("AMRC2");
 - Attracting major Original Equipment Manufacturer (OEM) investment. We are working to secure OEMs and associated production capabilities – we estimate that each one could be worth up to 250 jobs and over £30million in Gross Value Added (GVA);
 - Accelerate the delivery over 110,000sqm in the first 5 years of industrial-focused development sites, accommodating an estimated 3,500 jobs and £170m GVA;

- Enable the development of a “technical services cluster”, which will strength the local value chain, and could generate up to 2,700 jobs and £135m GVA (based on the development of new 62,000sqm development);
 - Deliver a new mass transit transport network to the Innovation District, and other enabling infrastructure to bring forward and accelerate new development opportunities; and
 - Create a high quality of place, which offers mixed used development, encouraging networking and open innovation and creating green routes and an environment where people can live, work and relax.
- d) Rotherham MBC are also a consortium member of the Launch Pad ESIF project delivering a £3.9m programme of business support across the City Region, with £350k match-funding from the CA. The ESIF project will provide funding for business advisors directly delivering in Rotherham to help entrepreneurs start businesses directly impacting on our economic growth. There is also an ESIF Growth Hub Enhancement project that Rotherham will also be a part of which will support existing businesses to grow and inward investment. The outputs for the Start-up ESIF programme have yet to be fully confirmed but as a minimum is expected to deliver:
- 200 Jobs;
 - 550 enterprises supported;
 - 200 new enterprises supported;
 - 1480 entrepreneurs assisted; and
 - 650 enterprises receiving information advice and guidance.
- e) The devolution deal will enable further investments of this nature and enable the SCR Growth Hub to deliver the products and services in partnership with Rotherham that will enable us to achieve the targets in the Rotherham Growth Plan. These contracts are just the beginning, additional activity is being investigated around investing in the “Yaccelerator”, delivered through Rotherham’s incubation centres; and once the deal is ratified and the Single Pot and gainshare funding comes on-stream the SCR will be able to more fully engage with partners in identifying investment opportunities in the Region.
- f) Rotherham also stands to benefit from the impacts of the Regional Growth Fund, which is due to support 130 companies across the SCR to March 2017, providing grants of between £25,000 and £2million. In total this will mean funding of £30.6million unlocking private sector investment of £208m, creating 2,400 jobs and safeguarding a further 350.
- g) There will also be new opportunities to benefit from a new Housing Investment Fund which will allows for more homes, including more affordable homes, to be built across the City Region; as well as continuing benefits through the focus on new broadband infrastructure.

4. Options considered and recommended proposal

- 4.1 On the basis of the consultation and in support of the matters set out in this report, it is recommended that the Council formally ratifies the devolution deal proposal set out at Appendix A.
- 4.2 It is also recommended that Council delegate authority to the Chief Executive to consent to an enabling order (i.e. an Order which provides for the MCA to exist – but does not confer upon it any functions) in consultation with the Leader and Commissioners as appropriate.
- 4.3 The reason for this recommendation is that, although the Order will be modest in scope, the legislation does specifically require each Constituent Council within the SCR to consent to the making of the Order, and this must be done by May 2016. From a practical point of view, it would be difficult to arrange a further Council meeting to approve the Order when the final text is issued. All SCR member authorities, as part of the local ratification process, are therefore being asked to agree to delegate authority to their Chief Executives to provide the required consent to the enabling order, in due course.
- 4.4 The more significant matters of detail with regard to functions, governance, finance and electoral arrangements will be contained in later legislative orders which will also require formal consent. These must be approved by the end of June to meet the Parliamentary timetable.
- 4.5 The justification for the recommendation to agree the overall ratification of the devolution deal is that it is believed that the proposal will support the City Region, and Rotherham's role within it, to:
- Improve transport within the City Region and join up our transport connections with other parts of the country;
 - Deliver major regeneration schemes and secure more private sector investment, with more localised decision-making around public sector investment;
 - Help more of our businesses boost trade, export their goods and services and promote our region around the world;
 - Deliver significant improvements to the skills and training system;
 - Design and deliver a careers service to get young people and adults the information they need;
 - Deliver the UK's first "Advanced Manufacturing Innovation District"
 - Deliver 100% ultrafast broadband coverage for all of the Sheffield City Region;
 - Boost and expand the City Region's successful "Enterprise Zones" (including the Advanced Manufacturing Park within Rotherham); and
 - Control of the powers and resources for the bus network and develop an "Oyster card" type system for public transport.
- 4.6 In summary, the proposal will place more powers (and funding) in the hands of local leaders:
- Giving them more tools with which to develop our economy;

- Create sustainable high-quality employment; and
 - Fund public services in the future.
- 4.7 The alternative would be to do nothing, in which case the existing Combined Authority would remain unchanged, and without the range of devolved functions and resources on offer.

5. Consultation

- 5.1 Within the Council, a report on the SCR devolution “asks” went to members as part of the full Council meeting on 16th September 2015. Following publication of the in-principle devolution deal in October 2015 a further seminar for all RMBC elected members was held with the Chair of the CA, Sir Stephen Houghton, on 11th January 2016.
- 5.2 The Sheffield City Region undertook a public consultation on the proposals of the devolution deal, including governance, activity and fiscal measures, from 2nd December 2015. The consultation closed on 15th January 2016, with responses summarised as follows:
- Support for the principle of devolution - i.e. that decisions are better made locally than in Whitehall;
 - Support for additional funding through the deal;
 - That the deal compares favourably with other areas;
 - Support for direct accountability with regard to decisions made;
 - Recognition that the Mayoral Combined Authority (MCA) model gives the potential for better alignment of investment decisions; and
 - Recognition that the proposal would deliver benefits across the City Region.
- 5.3. However, other comments included that:
- The office of Mayor must not create significant additional cost and be another layer of bureaucracy;
 - There could be some confusion between the role of local civic mayors, the mayor in Doncaster and a new ‘metro’ (SCR) mayor.
 - The MCA model must seek to reflect the full economic geography of the city region;
 - That devolution brings with it risks, as well as potential rewards;
 - There must be an alignment between the functions of the Mayor and their electoral mandate;
 - That the relationship between the CA and the mayor must be both clear and constructive; and
 - That the quality of mayoral candidates is critical to the success of the proposal/the MCA.
- 5.4. Overall, the consultation exercise revealed general support for the proposal, subject to the careful management of the risks associated with devolved functions. A key factor was the additional resources associated with the proposal (both now and in the future). A full overview of the SCR consultation responses is attached at Appendix C to the report.

6. Timetable and Accountability for Implementing this Decision

6.1 If the Proposal is ratified by all relevant SCR local authorities the key milestones between now and any election in May 2017 are as follows:

- March 2016 - Sheffield City Region CA ratifies proposal in full, following individual member local authorities' ratification;
- March 2016 – Sheffield City Region agrees the assurance and accountability framework that sets out how the first £30m “gainshare” payment will be managed;
- April 2016 – first instalment of £30m “gainshare” paid in line with the proposal;
- April to June 2016 – detail of legislative Order agreed with the Department for Communities and Local Government (CLG);
- Early June 2016 – Draft legislative Order endorsed by individual SCR member local authorities and the CA;
- End of June 2016 – Secretary of State (CLG) lays an Order in both Houses of Parliament for the SCR, Greater Manchester and (potentially) other areas;
- June - October 2016 – Order ratified by both Houses of Parliament;
- By January 2017 (but likely before), Mayoral candidates come forward;
- May 2017 – Mayoral election takes place; and
- May 2020 – second Mayoral election takes place (and every 4 years thereafter).

7. Financial and Procurement Implications

7.1 There are no direct financial implications from this report: there is no net ‘cost’ associated with the ratification of this proposal. The costs of, for example, any future Mayoral election would be met from future devolved funds.

7.2 The constitutional arrangements of any MCA (including revenue raising powers and the use of retained business rates) will, however, have a significant impact on both the finances of the CA and of its Members and this will need to be monitored closely through the authorities role in the MCA at all levels.

8. Legal Implications

8.1 There are no direct legal implications for the Council arising from this paper. However, the MCA would reflect a considerable constitutional change to the CA and its members' roles.

9. Human Resources Implications

9.1 There are no direct human resource implications for the Council.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 Whilst there may be the potential for social care functions, aligned to devolution of health functions, to be vested in a Mayoral Combined Authority, there are no proposals at present to include these functions in the Sheffield City Region deal, which focuses exclusively on the economy. Any such proposals would need to be the subject of a revised devolution deal should they be pursued at any future date. Section 16 of the Cities and Local Government Devolution Act 2016 (c. 1) makes provision for the transfer of public authority functions to certain local authorities.
- 10.2 There are, nevertheless, expected to be beneficial outcomes for young people arising from the skills packages included in the deal, as set out in this report, and enhanced employment prospects as a result.

11 Equalities and Human Rights Implications

- 11.1 There are no direct equalities or diversity implications arising from this report.

12. Implications for Partners and Other Directorates

- 12.1 There is a key relationship between the Council as a member of the SCR Combined Authority and associated devolution deal, and the priorities for the Borough being progressed through partnership working. The proposals in the devolution deal are projected to significantly enhance the realisation of the objectives of the Rotherham Growth Plan for example, and therefore have key linkages to the work of the Business Growth Board, as well as the over-arching Rotherham Together Partnership.

13. Risks and Mitigation

- 13.1 There are no identifiable risks associated with the ratification of the devolution deal proposal. It is not envisaged that any of the relevant SCR authorities will decline to ratify the proposal, or that there would be opposition to approval of the Order in Parliament.
- 13.3 Members will wish to note that, subject to this initial ratification, further detail of the final legislative order which will formally enact the deal is also due to be subject to individual local authority agreement/ratification, prior to the order being placed before Parliament. This will ensure further member consideration in due course (expected in June 2016).

14. Accountable Officers

Sharon Kemp, Chief Executive, 01709 822771
Sharon.kemp@rotherham.gov.uk

Justin Homer, Head of Policy, Improvement & Partnerships, 01709 823618,
Justin.homer@rotherham.gov.uk