

**Sheffield
City Region**

**LOCAL ENTERPRISE
PARTNERSHIP**

**Sheffield
City Region**

**COMBINED
AUTHORITY**

**An Economic Devolution Deal for
Sheffield City Region**

Delivering for the Northern Powerhouse



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Document verification:

Produced By:	Reviewed by:	Approved by:
FB, AG	Andrew Gates	Ben Still

Version number:	SCR Devolution Ambition Submission
File location:	N:\SHEFFIELD CITY REGION FOLDER\LEP FOLDER\Economic Strategy\SEP Workstreams\J Devolution Deal\2015 Deal\Ambition doc\V14\SCR Devolution AmbitionSubmission.docx

1. Executive Summary

1.1. The scale of our ambitions

Sheffield City Region is the **advanced manufacturing, logistics and engineering heart of the Northern Powerhouse** and is critical to the UK's future international competitiveness.

This deal heralds a new settlement for SCR by delivering strong, democratically elected leadership for the City Region with the powers and funding to deliver: 70,000 new jobs, £3.1bn additional GVA and 6,000 new businesses in partnership with the private sector. Sustained private sector growth and increased productivity alongside high-quality, locally-focused public services will be at the heart of everything the SCR does.

The Sheffield City Region's devolution proposals will deliver:

- **A game-changing Single Pot** of investment to deliver 70,000 jobs over the next 10 years
- **England's first fully localised Business Rates model**, ending SCR's dependence on Whitehall and rebalancing powers over decision-making to rival those of other international competitor cities
- a **long term Housing Investment Fund**, so that the City Region can deliver at least 7,000 new homes a year
- the potential to re-franchise the **bus network** with multi-modal smart ticketing creating the modern transport network that a big city region needs and expects
- a single **fully localised post-16 vocational skills and careers system** with extended influence over local education to create a skilled and productive workforce
- Unlocking business and housing development with the ability to create **Development Zones** and **Development Corporations** and a suite of powers to unblock obstacles to infrastructure development.
- **The UK's first Advanced Manufacturing Innovation District** with a £250m investment in world leading R&D and tech transfer to transform and create new industries, catalyse supply chains and drive exports
- **Responsibility to create an 'at work' City Region** – with full devolved responsibility and funding to help those who are furthest from the labour market, reducing dependency and increasing employment
- **A super-connected City Region** with modern, high speed and high quality transport and digital infrastructure, creating an economy of global scale and fulfilling its role in the Northern Powerhouse.

1.2. Our Proposals

This agreement sets out the powers and budgets with which the SCR will be empowered by Government to drive these aspirations, and the commitments which Sheffield City Region will deliver to transform the City Region's economy and its public services. **As a result, SCR will achieve our productivity potential and make a greater contribution to the national economy.**

Our proposals are focused on accelerating the implementation of our Strategic Economic Plan (SEP)¹ and building upon the powers the City Region has already secured through its existing City, Growth and Devolution Deals. It is critical that these previous commitments are realised, including the devolution of the Business Growth Service funding from 2017 and the £21.6m allocated over the next six years for the SCR's innovative Skills Bank.

Our 30 proposals span the following six key themes:

1. An integrated 21st Century Transport Network with greater intra-city region and pan-City Region connectivity.
2. A world leading area for innovation, advanced manufacturing and business growth.
3. More people learning, earning, in apprenticeships and higher skilled employment in the Sheffield City Region.
4. Better use of publicly owned assets and increased planning capacity and powers to double our housing delivery (to 7,000 homes per annum) and increase commercial development.
5. A stable, long term financial settlement that puts the SCR in control of its own destiny.
6. Greater accountability of national programmes to the Sheffield City Region.

Our first and overarching proposal that spans these themes is the creation of a Sheffield City Region single pot. Epitomising the spirit of devolution rather than decentralisation, this will enable the Sheffield City Region to control its own destiny to deliver the growth and change required.

The SCR expects that the Government will make appropriate revenue resource allocations, or ensure freedoms within funding settlements, to enable effective delivery and programme management of devolved funds and responsibilities.

Our proposals are summarised in table 1 below.

¹ Sheffield City Region (2014) *Strategic Economic Plan: A focused 10 Year Plan for Private Sector Growth 2015 – 2025*, <http://sheffieldcityregion.org.uk/wp-content/uploads/2014/03/SCR-Growth-Plan-March-2014.pdf>

Table 1: The Sheffield City Region's devolution proposals

<p>Accelerating the delivery of our SEP to create:</p> <ul style="list-style-type: none"> • 70,000 new jobs, with 30,000 to be in highly skilled occupations; • £3.1bn additional GVA; and • 6,000 new businesses. 	<p>A single pot to drive growth</p>	<ul style="list-style-type: none"> • A multi-year single pot, with no ring-fencing to enable us to deliver our economic growth ambitions (proposal 1)
	<p>1. An integrated 21st century transport network</p>	<ul style="list-style-type: none"> • Control of the powers and resources for the bus network in SCR – delivering the network a modern metro area expects (proposal 2) • A single smart ticketing system for the City Region's public transport network (proposal 2) • The ability to make decisions on major transport schemes in the SCR, including extending the Super Tram network (proposal 2d) • SCR responsibility for improving air quality in SCR (proposal 3)
	<p>2. A world leading area for innovation, advanced manufacturing and business growth</p>	<ul style="list-style-type: none"> • A single, tailored business support model for SCR with devolved funding & aligned national programmes (proposal 5) • Support for the UK's first Advanced Manufacturing Innovation District including a Light Weighting research facility at the AMRC and in Care2050 – using advanced manufacturing ideas to transform health and care services (proposal 4) • Driving exports and inward investment with UKTI direct accountability to the SCR (proposal 7) • Act as a pilot area in the completion of the Government's new Science and Innovation Audits (proposal 4) • 100% ultrafast broadband coverage for all of SCR with devolved DCMS/BDUK resources (proposal 6)
	<p>3. More people learning, earning, in apprenticeships and higher skilled employment in the Sheffield City Region.</p>	<ul style="list-style-type: none"> • Establishing an end-to-end post-16 vocational skills system in SCR with fully devolved responsibility and funding for adult skills and co-commissioning of post-16 programmes to ensure school leavers and employees are equipped with the skills they and our businesses need (proposals 10, 11, 12, 15, 17). • Power and funding to design and deliver a Careers Service for SCR to get young people and adults the information they need to find high quality work and progress in the local economy (proposal 18). • The power to shape an education system that puts children and young people in the best position to fulfil their potential with an enhanced local curriculum and a single commissioner for schools and Further Education accountable to the SCR (proposal 13 and 14). • Full devolution of powers and funding to support those furthest from the work to get back into the labour market, getting people the right support they need and reducing the cost of welfare (proposal 19) • Co-commissioning the next phase of the Work Programme to deliver an integrated local employment offer for SCR alongside a co-commissioned in-work progression pilot (proposal 20)
	<p>4. Better use of publicly owned assets and planning powers to double housing delivery.</p>	<ul style="list-style-type: none"> • Building 7,000 new homes a year through a flexible Housing Investment Fund and by making the best use of all public assets (proposals 21 & 22). • The powers to plan for growth and establish Development Corporations and Development Zones to streamline and incentivise major development in the City Region (proposals 23 and 24). • To further develop and expand our successful Enterprise Zone that has already created 1,100 jobs (proposal 25).
	<p>5. A stable, long term financial settlement that puts the SCR in control of its own destiny</p>	<ul style="list-style-type: none"> • Full localisation of Business Rates and Business Rate growth putting SCR in charge of investing the money raised locally and enabling long-term investment in growth (proposal 26a). • A payment by results model to enable the City Region to deliver the critical infrastructure it needs to grow (proposal 26b). • Review the Housing Revenue Account Borrowing cap to increase public sector delivered / enabled house building (proposal 26g) • Precept and Community Infrastructure Levy powers for the SCR (proposal 26C) • Intermediate Body Status for SCR – putting SCR in control of its EU Structural Investment Funds (proposal 27). • Changes to the Combined Authority legislation to deliver a Sheffield City Region deal (proposal 29)
<p>6. Greater accountability of national programmes to SCR</p>	<ul style="list-style-type: none"> • SCR will have formalised call-in powers to challenge Government departments and agencies to ensure national programmes are aligned to local ambitions and expectations (proposal 30). 	

2. Investing in the North and addressing our Productivity Challenge

2.1. Kickstarting the Northern Powerhouse

The City Regions of the North can and must collaborate more and the SCR will play a full part in this. The Northern Powerhouse is a proposition that will seek to enhance productivity across the North, covering innovation, skills, trade and investment and transport. This will include Government maintaining its commitment to the Northern Powerhouse, particularly fast-tracking the delivery of key Northern Powerhouse interventions and realising its commitment to HS3 and HS2. The Government must also *bring together the decision making processes on TransNorth and HS2* to ensure that the full **economic** benefits of both are realised, integrated and maximised across the North, transforming east-west and north-south connectivity.

We also expect the Government to develop spending plans that shift the historic imbalance of investment in infrastructure from an overheated South East to one that unlocks growth in the North.

2.2. The business case: a productive SCR means a productive UK

The challenges facing the SCR encapsulate those facing the UK: the SCR economy needs to be more productive; it needs more people working in higher skilled, higher income jobs; it needs to rebalance its economy towards GVA- and export-driving sectors; it needs to be a stronger city region punching its weight as part of a highly interconnected Northern economy with Leeds and Manchester; and it needs affordable public services that are more effective at enabling people to contribute productively to the economy and share in its success.

It is clear that the SCR economy has turned the corner but challenges remain. The SCR needs to deliver private sector led growth to accelerate the realisation of its Strategic Economic Plan and play a greater role in the Northern Powerhouse. The main challenges are twofold:

1. SCR has underused comparative and competitive advantage

The indigenous business base of 40,000+ SMEs is a critical asset to SCR. We need to fully exploit our comparative advantage in advanced manufacturing and engineering to lock-in major economic investment and Tier 1 OEMs, building on existing assets and investments such as our Advanced Manufacturing Park and the National College for High Speed Rail. This will provide the demand to drive innovation, enhance supply chain capacity and create

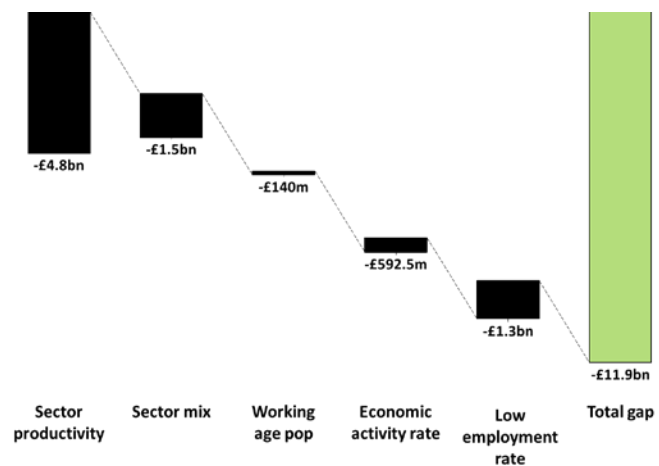
higher skilled jobs, driving demand in vital productivity sectors such as business, professional and financial services. By fully exploiting our competitive advantage the SCR will be able to maximise its strategic position, capitalising on our 360⁰, multi-modal connectivity including road, rail and Robin Hood Airport Doncaster Sheffield, power and land supply.

2. SCR's productivity is below the national average (along with other northern economies)

SCR has a £11.9bn productivity gap – 29% below the national average and the largest gap of all ten of the UK Core Cities.

Recent analysis suggests that around £4.8bn of this gap is due to low productivity in the SCR economy's sectors, with £1.5bn due to the sectoral mix in the economy².

Around £2bn of SCR's productivity gap is down to labour market factors, particularly lower employment rates (£1.3bn) and lower economic activity (£600m). The SCR needs more and



better private sector jobs and public services that are locally designed to tackle the specific challenges SCR faces, reducing our over dependency on low wage low skill employment.

² New Economy Manchester and Core Cities (2015) *Understanding Core Cities' Productivity Gaps* (NB: numbers do not sum due to differing data sources used in the calculations for the Productivity Gap)

3. Our devolution proposals

3.1. 30 proposals across six themes

Our devolution proposals are structured across six themes; all underpinned by the creation of a single-pot (section 4). The six themes are:

1. An integrated 21st Century Transport Network with greater intra-city region and pan-City Region connectivity.
2. A world leading area for innovation, advanced manufacturing and business growth.
3. More people learning, earning, in apprenticeships and higher skilled employment in the Sheffield City Region.
4. Better use of publicly owned assets and increased planning capacity and powers to double our housing delivery (to 7,000 homes per annum) and increase commercial development.
5. A stable, long term financial settlement that puts the SCR in control of its own destiny.
6. Greater accountability of national programmes to the Sheffield City Region.

Our first and overarching proposal (discussed in greater detail in section 4) is to create a single pot for the City Region so that it can deliver its growth ambitions in as cost effective and flexible way as possible.

A single pot for the Sheffield City Region to drive growth

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| 1. | The allocation of Government funding to the SCR direct from HMT as a flexible, multi-year, single pot, on the basis of jointly developed performance targets. |
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3.2. An integrated 21st Century Transport Network

An integrated 21st Century Transport Network with greater intra-city region and pan-City Region connectivity

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| 2. | Sheffield City Region will be given the responsibility, freedom and funding to design a sustainable, integrated transport network for the City Region that is fully aligned to the economic requirements of the area. This will include: <ol style="list-style-type: none"> a) Devolving the Bus Service Operators Grant (BSOG) to the CA for at least |
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	<p>10 years as part of the Single Pot, allowing the SCR to align this with other transport spending, including spending on the statutory concessionary travel scheme.</p> <p>b) Devolving the funding and powers to control the bus network, including the ability to reinvest profits back into the network and deploy the smart ticketing solution being developed as part of the Transport for the North proposal.</p> <p>c) Government underwriting of the risk during transition to the franchise model in the forthcoming Bus legislation.</p> <p>d) HM Government will devolve to the Sheffield City Region the power to extend the existing Supertram network or construct other mass transit systems in the City Region.</p> <p>e) Government to maintain and realise its commitment to the Northern Powerhouse by fast-tracking the delivery of HS3 and HS2, improving east-west and north-south connectivity.</p>
<p>3.</p>	<p>Sheffield City Region will be given responsibility for improving air quality in the City Region, including devolution of the large number of disparate Government funding streams as part of the single pot. This will include funding from DfT, Defra, DH and the Office for Low Emission Vehicles. The full list of funds is included in Table 2 section 4.</p>

3.3. Business Growth, Innovation and Exports

A world leading area for innovation, advanced manufacturing and business growth

<p>4.</p>	<p>Sheffield City Region will strengthen its position as a world leading area for innovation and advanced manufacturing, adding significant added value to the local and national economy, by having control of the key levers to promote business investment in these high value sectors.</p> <p>Our priorities include:</p> <p>a) The designation of the pioneering ‘Advanced Manufacturing Innovation District’, building on our Enterprise Zone, as the UK’s primary location for advanced manufacturing. This will include the transfer of the AMP Technology Centre, as part of the AMID site from Government ownership to the SCR, inclusion within UKTI’s GREAT campaign and exploring University Enterprise Zone status for the Innovation District.</p>
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	<p>b) £250million commitment to SCR as a national demonstrator for place based innovation programmes with LEPs. Government investment will be matched by company investment at 50% and further leveraged through local resources to deliver a £600 million science and innovation programme over 5 years. The following two projects are critical to kick start the AMID and have full business cases attached. We expect commitment to deliver a:</p> <ul style="list-style-type: none"> i) A ‘light weighting’ centre – focused on the development of manufacturing techniques that will make use of materials with exceptional strength to weight properties more cost effective. The project will deliver a new 3,800m2 capital build and equipment. ii) Care Innovation centre, including Hospital 2050 – this will deliver a step change in our CARE2050 programme of activities to deliver on the UK’s Long Term Health Revolution. Its primary purpose will be to accelerate the development of healthcare products by providing a bridge between industry, the university sector and the NHS. The project will attract a further private sector and NHS match funding. <p>c) The SCR will lead a pilot of the Science and Innovation Audits – this audit will build on existing local evidence and it will work with the SCR Innovation Centre of excellence (as part of the Growth Hub), BIS and Innovate UK. The audit will: help channel innovation spend into our priority sectors; shape the pipeline of projects in the SCR place based innovation programme; identify nationally relevant programmes to be devolved and design new products to be co-commissioned. It will also explore a SCR demonstrator programme for the Long Term Health Care revolution, with commitment to the Care2050 programme.</p> <p>d) Through the SCR proposal for a single pot for infrastructure funding, we will bring forward a series of schemes against the AMID spatial plan (when complete in Dec 2015), including the exploration of a mass transit connection for the Innovation District.</p>
<p>5.</p>	<p>Businesses operating in Sheffield City Region will have access to high quality, tailored and locally appropriate business support through the devolution of funding streams to the SCR and alignment with national business support products. This will include:</p> <ul style="list-style-type: none"> a) Confirmation of the long term revenue funding profile for the (previously agreed) devolved SCR Business Growth Service and b) Agreement of a memorandum of understanding between the SCR and HM Government that ensures any new InnovateUK and Business Growth related products developed nationally are consistent with and complementary to locally developed business support products.

<p>6.</p>	<p>Sheffield City Region to spearhead an expanded roll-out of ultrafast broadband across the SCR through:</p> <ol style="list-style-type: none"> 1) Confirmation from HMG of any future phases of BDUK investment and agreement of funding settlement over a 3 year period to increase our take up of superfast broadband, in line with the Government’s 50% target. 2) Development with the Sheffield City Region of a reward based model for performance against higher level take up objectives and the securing of increased private sector levels of investment in infrastructure.
<p>7.</p>	<p>Sheffield City Region to secure direct accountability of UKTI and agreed contributions to nationally-led trade missions so that the City Region benefits from more locally tailored inward investment and exporting support. This will include oversight of contracted provision, and will ensure that UKTI is fully responsive to the opportunities within the Sheffield City Region. The SCR will work directly with UKTI and SCR partners on the development and delivery of a joint strategy with joint targets for both inward investment and export activity.</p>
<p>8.</p>	<p>Joint commitment from HMG and SCR to develop an SCR business growth intelligence and data centre - which will bring together national and local intelligence to drive policy and investment decisions. This will include export intelligence data at SCR level to benchmark against and help us identify key export markets and to target our promotion activity more effectively.</p>
<p>9.</p>	<p>Permanent devolution of RGF budgets (or equivalent) to the SCR (as part of the single pot), weighted in accordance with the usual RGF principles (e.g. deprivation / % public sector employment) enabling HMT to ‘bank’ the savings in departmental overheads as a contribution to fiscal consolidation.</p>

3.4. Skills, employment and education

More people learning, earning, in apprenticeships and higher skilled employment in the Sheffield City Region	
10.	Sheffield City Region to have fully devolved responsibility, freedom and funding for post-19 vocational education . To be deployed through an outcome based agreement focusing on progression to work, progression within employment and business productivity, helping to create the highly skilled workforce the City Region needs for the future.
11.	Sheffield City Region to have joint influence over the use of funding for 16-18 year olds , co-commissioning programmes with DfE and the Education Funding Agency deployed through an outcome based agreement, ensuring the young people leave school with the skills they need to make an impact in the City Region economy
12.	Sheffield City Region to have full devolution of traineeship funding to SCR, in order that SCR can work with businesses and colleges and providers to commission funding in order to reduce unfilled apprenticeship vacancies and to target programmes which equip learners with the transitional skills to participate in an apprenticeship in a priority sector e.g. engineering
13.	Sheffield City Region is seeking to work with BIS and DfE to ensure that there is a single Regional Commissioner for schools and FE . The Commissioner having direct responsibility and accountability to SCR and DfE for the way schools are inspected and judged, the prioritisation and deployment of bursaries and retention budgets and responsibility for a Teaching and Learning Workforce strategy for schools and further education that devolves resources and responsibilities of the National College to a SCR virtual college.
14.	Sheffield City Region to have the power to enhance the national curriculum for local authority controlled secondary schools to ensure that schools are preparing young people with the skills they need to succeed in the City Region economy. There will be a parallel requirement for Ofsted to inspect and assess schools against these enhanced elements, and to report this to SCR on an annual basis . Academies and free schools would be encouraged to also include these elements in their curricula.
15.	Sheffield City Region ask that Government honour its Growth Deal commitment to SCR in devolving £21.6 million over a six year term to deliver the flagship Skills Bank programme in order to lever £30 million of private sector investment to further invest in skills.

16.	Sheffield City Region ask that DWP commit to co-commissioning an In-Work Progression Pilot in SCR, and that SCR is enabled to pilot its Disadvantaged Learner Pilot to test an approach to deploying funding flexibly to secure greater learning progression outcomes for disadvantaged cohorts.
17.	Sheffield City Region to have fully devolved responsibility and freedom to incentivise take up of Apprenticeships . These incentives could include brokerage activity and other financial incentives, on the basis that we will do this on a fiscally neutral model by driving greater economic return through greater employer take-up and higher level Apprenticeships in high value sectors.
18.	Sheffield City Region to have fully devolved responsibility, funding and freedom to design and commission a Careers Service that provides young people and adults with the information they need to make the right decisions to secure high quality work in the City Region. This funding (including re-commissioning of National Careers Service and national Careers and Enterprise Company funding) will be pooled and commissioned at City Region level, with local level service delivery and a commitment to leverage investment from the private sector
19.	Sheffield City Region to have fully devolved responsibility and funding for programmes targeting those groups of unemployed people who are furthest from the labour market/least able to access mainstream provision . This will enable the City Region to put in place locally appropriate interventions to support these people back to the labour market.
20.	Sheffield City Region to work with DWP to co-design and co-commission support to unemployed people who are closer to the labour market, including future Work Programme replacements . Whilst remaining a national service, all JCP and remaining nationally commissioned employment programmes will form an integral part of a local employment offer, focused at supporting people into sustainable, high quality work.

3.5. Public assets, planning and housing and commercial development

Better use of publicly owned assets and increased planning capacity and powers to double our housing delivery (to 7,000 homes per annum) and increase commercial development

21.	The SCR and Government will jointly agree to develop a pioneering approach to
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	<p>unlock for development, and make much better use of the totality of public assets across the City Region, as part of the One Public Estate programme, to help provide the land for homes delivery, support the development of new infrastructure to help economic growth, and allow the delivery of better public services. More detail is provided in our initial OPE bid. This will include a mix of:</p> <ul style="list-style-type: none"> a) The transfer of Government assets into the SCR Combined Authority or its constituent members (including the Technology Centre at the AMP to support our 'AMID') for control or disposal. b) A right of 'first refusal of purchase' for the SCR within the Sheffield City Region on any Government asset disposal programme. c) Agreement for a share of benefits secured from the receipts of any HMG disposal of Government owned assets within the Sheffield City Region to be retained with the SCR for the purpose of driving economic growth and house building. These assets include those currently held by the HCA, DWP/JCP, Department of Health, Network Rail, Highways England, NHS, MoD; and other Public Assets not currently controlled by the HCA. Therefore it is vital that relevant Government departments are fully engaged in the SCR assets approach, empowered with the mandate to make decisions. d) Explore increased opportunities for generating low carbon energy through greater utilisation of the public estate, supported by improved energy infrastructure for the City Region.
<p>22.</p>	<p>HM Government to devolve to the Sheffield City Region, as part of the single pot (see section 3), the key capital grant and loan programmes that currently sit within the Housing and Communities Agency and provide long term funding certainty. A breakdown of each funding stream is set out in Table 1 section 3. For use within the Housing theme of the Single Pot, HM Government to provide funding of £43m between 2016 and 2020 for the delivery of a programme of already identified 'quick win' housing sites (annex B) where there is a clear funding viability gap.</p>
<p>23.</p>	<p>Building on the development of an SCR strategic infrastructure plan the SCR will secure <i>the powers to plan for growth and to tackle housing quality issues</i> including;</p> <ul style="list-style-type: none"> a) Statutory consultee status on strategic planning applications (defined in relation to the strategic infrastructure plan) to ensure that the economic benefit to the City Region of applications is being given due prominence and weight, helping to ensure that the right development takes place to boost economic growth. b) Providing powers to produce Supplementary Planning Documents, which all City Region authorities with planning powers (except the Peak District National Park Authority) would have to give weight to when making planning decisions.

	<p>c) Where planning permission is refused by a constituent local authority or is granted contrary to the City Region strategic infrastructure plan, for there to be a power of call-in to review the decision.</p> <p>d) Devolve to the SCR powers to drive up the standards of private rented sector housing by approving Selective Licensing applications (this would only apply where the Selective Licensing application covered more than 20% of the stock or geographical area of the housing authority)</p>
<p>24.</p>	<p>Give the SCR powers to expedite delivery on strategic sites through:</p> <ul style="list-style-type: none"> a) Powers to create Development Zones in defined areas of the City Region. These will have ‘Enterprise Zone’-like powers to speed up land acquisition and assembly, infrastructure development, housing, commercial and industrial development, and to incentivise jobs growth. With the approval of the SCR, and with the agreement of the Cabinet(s) of the affected local authorities, the SCR may also establish Development Corporations, which can be designated with some or all of the following powers: b) Offer up to 100% business rate discounts to new developments for a fixed period; c) Ability to award Enhanced Capital Allowances on a case by case basis within the agreed Treasury threshold; d) Ability to develop a single masterplan for a DC area; e) Ability to assume planning powers for the DC area, and to vary planning fees; and f) Compulsory Purchase Order powers.
<p>25.</p>	<p>Further development of the Sheffield City Region EZ offer. Particularly (and reflecting our bids into the CLG EZ ‘competition’):</p> <ul style="list-style-type: none"> a) An extension of the Markham Vale Enterprise Zone to incorporate 31ha of the ex-Coalite coking works located adjacent to the existing Enterprise Zone at Buttermilk Lane Bolsover. The new Enterprise Zone will focus on smaller start-up units and incubator units to larger manufacturing and distribution facilities building on the existing logistics industry existing at Markham Vale. b) A new Enterprise Zone of up to 54ha at Carcroft Common in the rural north of Doncaster, in close proximity to the thriving A1(M) Business Park at Red House and Carcroft Industrial Estate next to the A19. The sector focus will be low carbon and manufacturing sectors. c) Confirmation of the permanent extension of the current temporary 60ha extension granted to the EZ and confirmation of the SCR’s ability to retain business rates generated on this 60ha extension.

	<p>d) Freedom for the SCR to award Enhanced Capital Allowances on a case by case basis within the agreed Treasury threshold (the ‘movable pot to a limit’ model as opposed to tying the ECAs to particular sites) and a review of the mix of rate relief and ECA offer to the SCR EZs on the basis of take-up to date.</p> <p>e) Enter into discussions with the SCR on the development of EZs focused around some of the SCR’s rural areas – that recognise the different requirements and flexibilities necessary to deliver growth in rural areas.</p>
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3.6. Financial settlement

A stable, long term financial settlement that puts the SCR in control of its own destiny

<p>26.</p>	<p>To secure sustainable finances and long-term certainty to support economic growth the SCR has an ambitious set of financial proposals that incentivise economic growth. By securing these proposals the SCR will be able to create a multi-year flexible budget that enables long term financial investment. The proposals are:</p> <ul style="list-style-type: none"> a) Empower SCR to be more self-sufficient with examination of full localisation of Business Rates and Business Rate growth. Full control of business rates would incentivise and empower SCR to invest in the long-term prosperity of our economy and drive the reform of public services, complementing our Single Pot and pioneering a radical approach to place budgeting. b) An agreement to provide the SCR with an allocation of £25m p/a capital funds on a Payment by Results model. The Government will support the establishment of a Single Pot with the upfront payment of £100m based on activity underway within the existing SCR Investment Fund (see chapter 4). This will drive the delivery of infrastructure investment needed to drive growth, as defined through our Integrated Infrastructure Plan. c) The SCR will have the power to introduce a Community Infrastructure Levy (CIL) that can require contributions from certain size and type of developments within the region. Any revenue from CIL will be invested as part of the single pot and used to fund infrastructure that supports the economic growth of the City Region; d) An upfront payment to SCR councils of New Homes Bonus (NHB) for new properties; e) Enabling the City Region to retain Stamp Duty Land Tax (SDLT) revenues
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	<p>and freedoms to enable the SCR to target SDLT relief/discounts at key housing development sites where viability is low;</p> <ul style="list-style-type: none"> f) Freedom to remove the cap on Council Tax increases to support the delivery of economic growth projects; g) A review of the Housing Revenue Account borrowing cap in the SCR with the cap being linked to any uprating of the value of the asset base rather than a fixed value in order to increase the volume of public sector delivered/enabled house building; h) Deregulation of planning fees and charges to enable members of the SCR Combined Authority to vary the fees and charges that councils apply and to vary how revenue from these is invested, such as the fast-tracking of planning developments and premium planning services; i) Fully devolved decision making over Council Tax discounts to SCR councils to support housing growth and enhance local self-sustainability; j) Powers to require landlords who own student premises converted from business premises in a defined city centre geography to pay Business Rates.
<p>27.</p>	<p>The Sheffield City Region to take responsibility for European Structural and Investment Funds through the extension to the Sheffield City Region of Intermediate Body status (limited to the selection of activities) for the whole of the SCR allocation of the 2014/20 European Structural and Investment Funds programme (ESIF).</p>
<p>28.</p>	<p>Priority access to any under-spend in national investment programmes, such as the Local Growth Fund, to deliver our £70m prioritised pipeline of 15 infrastructure schemes in the City Region that have already been appraised and which could deliver between 2015 and 2018.</p>
<p>29</p>	<p>In the spirit of localism and to enable the SCR’s Combined Authority to reflect real economic geography – we request that the Cities and Local Government Devolution Bill is amended so as to:</p> <ul style="list-style-type: none"> a) remove or amend s.103(5) of the Local Democracy, Economic Development and Construction Act 2009 so as to enable a lower-tier authority to be a constituent member of more than one Combined Authority where this better reflects functional economic geography. b) remove s.109(5)(a) of the Local Democracy, Economic Development and Construction Act 2009. 3 This would enable lower-tier authorities to “upgrade” their membership from non-constituent to constituent members of the SCR CA should they wish to do so.

3.7. Greater accountability of national programmes to the SCR

Greater accountability of national programmes to the Sheffield City Region

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The SCR will have **formalised powers to call-in Government Departments, Non-Departmental Public Bodies and funding agencies** to ensure that national provision is aligned to the City Region’s bold and ambitious plans for economic growth; to challenge if this is not happening and to support delivery with local integration. The agencies / bodies included in this are parts of Government which have the greatest role to play in supporting our economic ambitions:

- The Schools Commissioner;
- The Further Education Commissioner;
- Chief Executive of the Skills Funding Agency and Education Funding Agency;
- OFSTED;
- DEFRA;
- Environment Agency;
- Department for Education;
- Network Rail / Highways England / Transport for the North / DfT / HS2 Ltd;
- The Homes and Communities Agency;
- HM Treasury;
- The Planning Inspectorate;
- Department for Work and Pensions and contracted providers delivering employment programmes; and
- BIS / Innovate UK/ UKTI.

The SCR will also have the power to establish specific ‘SCR Commissions’ to be supported by Government Departments to develop ‘whole-system’ solutions to intractable problems.

In addition, we want to develop with Government a parallel programme of Public Service Reform that will contribute to a more productive and prosperous SCR, underpinned by a sustainable public sector.

4. A plan underpinned by a single pot for economic development in the Sheffield City Region

4.1. A single pot for the Sheffield City Region to drive growth

Delivering the outcomes of our ambitious SEP will be dependent on the SCR's ability to control and invest in its own economic future. This requires a single budget and the powers set out in the preceding section. Effectively this translates into a multi-year, un-ringfenced dedicated Sheffield City Region single pot, free from departmental constraints and with full flexibility.

Through the Sheffield City Region Investment Fund (SCRIF) we have already demonstrated our competence at prioritisation across our geography through our focus on delivering the best projects to secure economic growth and private sector investment through utilisation of Local Growth Fund and European monies. This has been achieved by developing consensus between the nine local authorities and strong private sector commercial input.

Our expectation is that the SCR will control a pot that builds on the approach to date, is long-term in nature and ultimately sustained by the proceeds of economic growth from within the Sheffield City Region. This will represent a natural evolution from the flexibilities agreed between the City Region and Government through its existing City, Growth and Devolution Deals and specifically:

- The ability to spend devolved Department for Transport major investment on wider (non-transport) infrastructure schemes, as part of our SCRIF programme, secured in our City Deal;
- The maximum level of flexibility on our Local Growth Fund allocation whereby the SCR only has to notify, rather than agree, any changes to its investment profile with Government as agreed in our Growth Deal; and
- The flexibility to deliver local priorities by agreeing a capital revenue swop through our Devolution Deal.

The operation of the single pot, and the flexibilities inherent within it, will enable the SCR to plan and then deliver:

- a) major future infrastructure programmes across transport, housing and innovation assets through more effective phasing of investment, provision of long-term certainty and the development of packages of finance investment that leverage private sector investment. This will be driven by our emerging Integrated Infrastructure Plan.

- b) revenue programmes, specifically an end-to-end employment and skills system, business growth programmes, and sustainable transport programmes with alignment driven by a focus on outcomes.

The SCR will direct the allocation of funding within the single pot within a jointly agreed outcomes framework.

4.2. The key principles of the single pot:

- a) It is developed in agreement with HMT rather than individual Departments and that the SCR secures a single line in the Spending Review and future Budgets. We anticipate that in the first instance particular and appropriate departmental budgets will be identified for inclusion in the SCR single pot. We set out what some of these are in the table below.
- b) It is focused purely on the delivery of economic growth, including inward investment, infrastructure, capital and revenue funding for innovation, exports / trade promotion, business growth and skills and employment activity.
- c) It will be capable of being matched with international / European funding streams and will include as much recyclable investment vehicles within it (for example our current JESSICA fund).
- d) It has no departmental ring-fencing attached – with departmental influence exercised via the agreement of outcome targets rather than piecemeal reporting of outputs and expenditure.
- e) It is long-term in nature, and by that we mean over the course of more than one Parliament.
- f) It can be used to build packages of funding to deliver major schemes with the ability to phase investment in line with operational delivery.
- g) It does not preclude our eligibility to bid for existing or future competitive funds that the Government may create in the future.
- h) That it operates on the presumption that future funds and awards would accrue into this pot.
- i) It encompasses both capital and revenue and includes **some** freedom to capitalise programme spend to generate revenue to support development costs as well as other business growth revenue schemes.

4.3. Pump priming the single-pot – what would it comprise?

The composition of the single pot will require considerable design and development between the Sheffield City Region and Government. We expect that Government will support the initial sustainability of the SCR single pot through the allocation of £25m p/a capital funds on a Payment by Results model - with funding tied to the delivery of the outputs of our existing SCR Investment Fund, already secured through our Growth Deal, and those of future packages from our pioneering Integrated Infrastructure Plan (IIP). This IIP defines a series of critical infrastructure investments and underpins future investment via the single pot in schemes spanning housing, transport and utilities.

30,000 of the SCR’s proposed jobs growth are in seven key areas within the SCR, including the Advanced Manufacturing Innovation District (AMID), Sheffield City Centre, Barnsley Town Centre and the Airport Logistics Hub.

The Government will support the establishment of a Single Pot with the upfront payment of a Payment by Results of £100m based on activity underway within the existing SCR Investment Fund.

We expect the single pot to be comprised of funding currently allocated to Government departments and their delivery agencies. These are set out in Table 2 below.

The single pot will also be supported by receipts from asset disposal, revenues generated through localised business rates and SCR investment in income-generating schemes and other non-capital funding streams which includes the potential for some DWP activity targeting the unemployed, BIS vocational education skills funding and careers services. It will be deployed according to need, and not allocated pro-rata between partners.

Table 2 – the proposed national funding elements of an SCR single pot

Source of funding	Funding stream / programme / project
Department for Transport	<ul style="list-style-type: none"> - Local Sustainable Transport Fund (capital and revenue) - Local Transport Plan Integrated Transport Block (ITB) - Bus Operator Service Grant - HS2 Connectivity Funding - Cycle Ambition Grant - Highway Maintenance Challenge Fund - Better Bus Area Fund - Clean Vehicle Technology Fund (CVTF) (formerly Clean Bus Technology Fund - CBTF) - Low Carbon Vehicle Payment
Department for Business Innovation	<ul style="list-style-type: none"> - Business Growth Service funding - Adult Skills Budget (including Adult Community Learning and

and Skills	<p>Apprenticeships Funding)</p> <ul style="list-style-type: none"> - FE/Skills Capital - RGF or successor - National Careers Service funding (and other national contributions to this service from departments such as DfE, Ministry of Justice and DwP) - Resources targeting capital and revenue innovation projects
Department for Work and Pensions	<p>To be determined subject to detailed discussions with HMT and DWP.</p>
Department for Communities and Local Government	<p>Homes and Communities Agency capital and investment programme which would include:</p> <ul style="list-style-type: none"> - An SCR allocation of the Large Sites Infrastructure Fund - An SCR allocation of the Local Infrastructure Fund - Build to Rent - Builders Finance Fund - Elements of the Affordable Homes Programme 2015 – 2018 - Care & Support - Custom Build - Homelessness Change <p>To include an initial allocation of £43m to deliver a programme of identified ‘quick win’ housing sites where there is a clear funding viability gap.</p>
HMT / CLG	<p>Funding to support the creation of a Sheffield City Region Housing Investment Fund (on a non-fully recoverable basis) to expedite the delivery of housing growth on unviable sites.</p>
Office for Low Emission Vehicles (OLEV)	<ul style="list-style-type: none"> • Low Emission Bus Fund (LEB) • Consumer Grant Scheme to support ULEVs • Cities Bid • Taxis Fund • Gas Refuelling Infrastructure Fund • Hydrogen Refuelling Infrastructure Fund
DEFRA	<ul style="list-style-type: none"> • Air Quality Grant
Department for Culture, Media and	<ul style="list-style-type: none"> • BroadbandUK allocations

Sport (DCMS)	
Department for Education	<ul style="list-style-type: none"> <li data-bbox="491 333 890 367">• National Careers Company

4.4. How would the Pot be delivered?

It is envisaged that the Sheffield City Region would receive a long term allocation to our Single Pot, encapsulated in a single line in the Spending Review. As set out in the preceding section this would be negotiated and agreed with HMT rather than individual departments. Based on this total allocation the City Region would determine how this would be phased across the spending period.

Building upon the approach currently used for our Local Growth Fund allocation, this would subsequently be paid to the City Region annually, upfront in advance as two Section 31 grants, for the capital and resource elements respectively.

The SCR would then utilise its governance arrangements to deliver this investment. Its success in delivering this investment would be monitored and evaluated against a set of mutually developed and agreed targets between the City Region and HMT.

5. How an SCR Mayoral Combined Authority and Local Enterprise Partnership would operate

5.1. Utilising our existing arrangements

The SCR has been at the forefront of developing strong, stable governance structures which:

- combine the ‘best of’ the public and private sector;
- cut-across old administrative boundaries and reflect the ‘real’ economy of the SCR;
- reflect a real partnership between the public and private sector – with the LEP private sector ‘hardwired’ into decision making – an arrangement unique to SCR; and
- lay the foundations for a new constitutional settlement with Central Government.

The SCR LEP was part of the first ‘wave’ of LEPs established in 2010 – and has been one of the strongest performing LEPs thereafter.

In April 2013, we made the case to Government that we had “*outgrown*” our existing informal structures. We felt that the “*time was right... to put into legislation that which we have been doing by consent for some time*”.³ The SCR was the first area under the coalition government to submit plans to form a Combined Authority (‘CA’) – and our CA was established in April 2014.

In recent months the SCR has taken further steps to strengthen these governance arrangements by formally establishing five Executive Boards that have delegated decisions making powers from the CA. The Boards hardwire the collaboration between the public and private sectors in the decision making process to deliver the vision of our SEP.

The Sheffield City Region is clear that their agreed geography for devolution is the City Region. **Our first preference would be for a deal based on our Combined Authority that utilises our revised governance arrangements that have recently been put in place, without the need for a metro mayor. These arrangements provide accountability whilst also making decisions efficiently and effectively.**

³ Sheffield City Region Governance Review: April 2013.

5.2. A Mayoral Combined Authority

However, we understand that the Government's position is predicated on any further devolution of powers requiring the adoption of an elected metro mayor model. **As such, our second preference would be for a Mayor of the Sheffield City Region.** At a minimum this would require two amendments to the Cities and Local Government Devolution Bill to make this possible. Specifically the SCR is proposing the following two changes to (proposal 29):

- remove or amend s.103(5) of the Local Democracy, Economic Development and Construction Act 2009 so as to enable a lower-tier authority to be a constituent member of more than one Combined Authority where this better reflects functional economic geography.
- remove s.109(5)(a) of the Local Democracy, Economic Development and Construction Act 2009. This would enable lower-tier authorities to "upgrade" their membership from non-constituent to constituent members of the SCR CA should they wish to do so.

Given that there is a current legislative window to make amendments, we believe these changes would unlock an approach to governance that can work not just in the SCR, but in other areas around the country where authorities are being constrained from playing a full part in partnerships that match their functional economic geography. If it is not possible to make legislative changes to allow this, then we would still wish to find a solution that can work for the whole of the City Region.

Such a solution could be a Mayor whose constituent authorities are South Yorkshire and like the current CA has a power of competence on economic matters across the City Region. Such a model means it is imperative for the CA and Mayor to make decisions together, as accountability is exercised through the CA. We therefore consider this to be a Mayoral CA Model, where the Mayor would act as the Chair of the CA. The Mayor would also be on the LEP (which would require an additional private sector member to be appointed).

In order for the Mayoral CA to operate effectively it will be critical that the existing 50/50 funding split for the five districts with D2N2 is maintained and continued for the model to operate successfully.

5.3. Features of the Mayoral Combined Authority

As a starting point, a metro mayor would have power/responsibilities for: *economic development, transport and housing/infrastructure*. Our expectation is that the Mayor would operate within the current support structure for the CA and LEP, for example, the Mayor would not have a separate accountable body structure or office support function.

We propose that Mayoral Combined Authority and LEP would comprise:

- The Mayor is chair of the SCR Combined Authority;
- That the Mayor’s Cabinet would comprise the CA and the (Chair of the LEP);
- The Mayor would be a member of the LEP, alongside members of the CA;
- The Mayoral CA would have responsibilities which include:
 - setting an annual budget for SCR-level activity;
 - approval of high-level plans or strategic (i.e. the SEP and its successor(s)) / medium term financial strategy;
 - preparation of an annual report.
- The Mayoral CA would have powers including:
 - levying / borrowing powers;
 - general power of competence;
 - planning powers;
 - power to establish mayoral development corporation;
 - other specific functions as part of the negotiated devolution settlement;
 - the power to appoint deputy mayor(s) / other members of the Mayor’s Cabinet;
 - to make executive decisions on behalf of the SCR.

The Mayoral CA would be responsible for the operation of:

- the PTE/ Transport for SCR (including powers to commission the bus network – Bus Bill⁴);
- Joint Assets Board; and
- Other e.g. SCR Executive (the officer body for the CA/LEP – in conjunction with the LEP Chair).

Under this model the Mayor’s Cabinet would be the members of the CA who would include the Chair of the LEP. The role of the members of the CA would include the ability to:

- “veto” the budget and / or major strategies (e.g. 2/3 majority);

⁴ The Bus Bill is yet to be published but features in the Government’s legislative agenda for the Parliament. The Bill will “provide the option for combined authority areas with directly elected Mayors to be responsible for the running of their local bus services”.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/430149/QS_lobby_pack_FINAL_NEW_2.pdf

- scrutinise mayoral decisions (including formal scrutiny and / or mayoral “question time” – with public access); and
- undertake delegated functions ie functions delegated from the Mayor to them as members of the Cabinet either collectively or individually.

Our CA model has already “locked in” the role of the private sector in SCR-level decision making. Accordingly, under this model, the role of the LEP would be:

- to be a member of the Mayor’s cabinet (Chair of the LEP);
- to coordinate and focus the voice, influence and perspective of the private sector;
- to continue to actively lead certain initiatives on behalf of the Mayor / CA (bringing relevant skills and experience to ensure the ‘commerciality’ of SCR-level decisions;
- to provide the forum for debate on strategic economic issues between the private and public sector and Mayor.

We also strongly support the ‘devolution principle’ set out in Section 2 of the Cities and Local Government Devolution Bill.

5.4. Relationship between the Mayor and the Local Enterprise Partnership

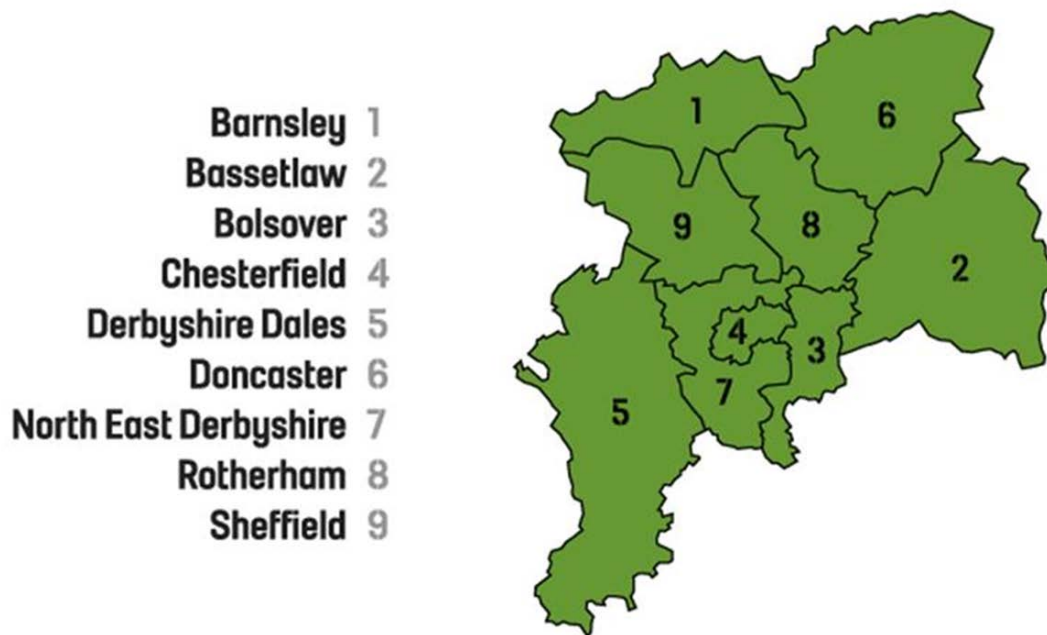
There is a risk that in some Mayoral models, the private sector voice is reduced to that of an advisory or consultative function. The Sheffield City Region Combined Authority and the Local Enterprise Partnership have worked hard to ensure that this did not happen in the SCR. The development of our economic policy and strategy, the strategic allocation of resources and the accountability of commissioned activity, and that of other stakeholders, has private sector engagement locked in. This has been achieved through a delegated board structure and it is expected that the will fit into and adopt this structure and delegation of powers. It is not expected that the mayoral model proposed will lessen the role of the LEP and the private sector.

Without private sector challenge and focus, SCR’s economic strategy, plans and the strong partnership arrangements would not succeed.

5.5. The Geography

The nine local authorities that make up the Sheffield City Region (SCR) have a long history of collaboration at a scale that reflects the natural economic geography of the region (see *figure 1*). This collaboration dates back to the 2007 SCR Forum, which evolved into the SCR LEP in 2010 and, latterly, the LEP working in partnership with a CA from 2014.

Figure 1 – the SCR



All significant economic activity operates on a “City Region by default” basis – and have numerous schemes and initiatives that have been highly successful over this footprint. This footprint reflects economic reality e.g. that every morning ~21,000 people commute between Sheffield and the districts of Chesterfield, Bolsover and North East Derbyshire.

However, not all functions need to be delivered at the city region scale. It is recognised that collaboration with other LEPs and the development of the Northern Powerhouse concept will play an increasing part in our activities. The SCR already collaborates on a:

- ‘Northern’ footprint e.g. Transport for the North / the Northern Powerhouse;
- Yorkshire and Humber footprint e.g. the creation of a new JEREMIE fund;
- With individual LEPs e.g. with Leeds City Region on inward investment into Yorkshire and in particular sectors such as healthcare.

However, it is also important to note that many functions are best delivered on a LA or even ward-level e.g. public sector reform / or specific initiatives in relation to ‘troubled families’.

For such functions the practicalities of delivery rather than labour market patterns are the most appropriate factors to consider.

The Cities and Local Government Devolution Bill 2015 is the key piece of enabling legislation but one size cannot fit all city regions.

To deliver a Mayoral Combined Authority specifically for the Sheffield City Region the legislation and Government policy must enable:

- An SCR Mayor to be able to act across the 'real' economic geography;
- An appropriate level of democratic accountability across this footprint;
- The five SCR District Councils to self-determine how and where functions are delivered.

With the five Derbyshire and Nottinghamshire districts that sit in an overlapping geography with the D2N2 LEP / Counties there is a clear need for joint-working and collaboration across local and national government on the design of a model that works.

On that basis, the SCR CA is committed to working with the D2 and N2 Counties to co-design a structural solution that works within the emerging statutory framework of the Cities and Local Government Bill, enables delivery of SCR's economic ambitions, and optimises the economic potential and performance of the 5 districts that make up the overlapping geography.

6. Public Service Reform

We know that high quality public services need sustainable economies to finance them and good public services enable people to be productive and prosperous. It is a virtuous circle. Public spending in the SCR is around £15.1bn a year but we only generate around £8.8bn in tax revenue. We want to change this by designing and delivering – which includes working on a programme of public service reform that cuts through the organisational and departmental barriers which fragment service delivery, confuses service users, reduces efficiencies and compromises positive outcomes.

The Government have raised with us the inclusion of proposals on public sector reform (PSR) within this document. In a challenging climate of continued public spending reductions the local authorities in the City Region are keen to consider how by working with Government we can strengthen the work on PSR undertaken to date and deliver meaningful and scalable change.

Local authorities in the SCR will develop public service reform with Government based on innovative approaches that incentivise local engagement and enable each member of the CA to design and be involved in the PSR agenda in line with their key challenges and opportunities for their 'place'. This could include the creation of a Public Service Reform Transformation Fund. This fund could be sized based on a percentage of 'investment under influence' per annum. So, for example, if the percentage level is set at 1%, and we are influencing the total ~£15 billion of public money spent in the City Region, the fund would be sized at £150 million per annum.

We recognise the importance of Public Service Reform. This should be taken forward in parallel with, but not necessarily connected to, the current economic devolution mayoral CA deal. It is expected that any Public Service Reform deal would be with the Combined Authority.