

**To the Chair and Members of FULL COUNCIL**

**Sheffield City Region Devolution Agreement: RATIFICATION OF THE PROPOSAL**

<b>Relevant Cabinet Member(s)</b>	<b>Wards Affected</b>	<b>Key Decision</b>
Mayor Ros Jones	All	Yes

**EXECUTIVE SUMMARY**

1. This report will seek Full Council approval of the Sheffield City Region “SCR” Devolution Agreement and will detail the proposed terms of the agreement and the implications for Doncaster.

**EXEMPT REPORT**

2. This report is not exempt.

**RECOMMENDATIONS**

3. It is recommended that Council:
  - a) Note the work that has taken place since the ‘proposal’ was put forward in October 2015 – in particular those matters detailed in Appendix B.
  - b) Note and take into account that an online consultation exercise took place from the 2nd December to the 15th January– including the summary of this consultation detailed Appendix C.
  - c) Endorse the devolution agreement set out at Appendix A.
  - d) Delegate authority to the Chief Executive (in consultation with the Mayor) to consent to the enabling Orders required.

**WHAT DOES THIS MEAN FOR THE CITIZENS OF DONCASTER?**

4. The Devolution deal provides the City Region with additional powers, resources and responsibilities to improve the economic well-being of its local authorities. The deal will help the City Region deliver its ambition to create 70,000 additional jobs and 6,000 new businesses in the next ten years, provide better alignment between post 19 training and education and the economy and see the establishment of a National Institute for Infrastructure in Doncaster. All of this combined, along with capital infrastructure investment provide the foundation of opportunity for all residents in Doncaster.

## BACKGROUND

5. On 2 October 2015, Sheffield City Region (“SCR”) political and business leaders secured an *in-principle* Devolution Agreement (“the Proposal”) with the Chancellor of the Exchequer. The Proposal involves the significant devolution of power and funding from Whitehall to local leaders in the City Region including £900m of additional funding which would, if the proposal is ratified, be made available from April 2016.
6. The Proposal covers a range of themes including skills and employment; housing, planning and public assets; innovation, advanced manufacturing and business growth and transport.
7. 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:
8. 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<sup>1</sup>.
9. 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 at local authority-level prior to this date. To inform these decisions, a consultation exercise was undertaken. A summary of this consultation exercise is included below.

### **Work undertaken since the deal was signed**

10. Since signing the Proposal, a body of work has been undertaken to take forward the different elements and commitments within this document. This includes the development of a mobilisation / implementation plan to ensure that the commitments made within the Proposal are realised.
11. Key elements of this progress are summarised in below, with additional detail included in the table at Appendix B. Included within this is progress made by City Region partners and Government:-
  - Overview - Funding confirmation: subject to the ratification of the Proposal, the SCR will receive its first £30m ‘gain-share’ payment in April 2016; part of the £30m over 30 years funding agreement (£900m in total). Furthermore, through the Spending Review the SCR has received indicative confirmation of its £310m Growth Deal award between 2016 and 2021.
  - Governance - legislation: the Cities and Local Government Devolution Act 2016 (“the 2016 Act”) received Royal Assent on 28 January 2016. The 2016 Act provides significant additional flexibility, particularly for the five district councils of the SCR.
  - Skills - Area Based Review: work on the Review has progressed and

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<sup>1</sup> <http://sheffieldcityregion.org.uk/wp-content/uploads/2015/10/SCR-Devolution-Agreement-2015.pdf>

this is expected to be complete in April.

- Employment - DWP: the SCR has written to Government seeking clarification over co-design and co-commissioning of the Work and Health Programme which Government have positively responded to.
- 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 current proposed Devolution Deal.
- 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 shortly.
- Buses Bill: it is expected that the Draft Bill will be introduced to Parliament in 2016 with Royal Assent achieved early in 2017. This Bill will establish the primary legislation required to re-franchise bus services and make provisions to strengthen partnership working.
- Business rates: SCR and Government currently agreeing a baseline against which additional growth will be calculated. It is expected that up to £19m of additional income (2016/17) may be secured by SCR councils as a result of the retention of business rate growth. It is expected that these arrangements will be in place after April 2016, enabling the City Region to share the benefits of the additional growth it creates.
- Intermediate Body status for ESIF: discussions have progressed and it is expected that the SCR will be able to make a decision in March 2016 on if it wishes to become an Intermediate Body for the selection of ESIF Projects and create an ESIF Executive Board.

## **OPTIONS CONSIDERED**

12. Council has two options to consider:-

- i. Endorse the devolution proposal set out at Appendix A and delegate authority to the Chief Executive, in consultation with the Mayor, to consent to an enabling order; and
- ii. Do not endorse the devolution proposal. If this option is taken, Doncaster will have no access to any of the devolution deal as set out in Appendix A.

## **REASONS FOR RECOMMENDED OPTION**

13. On the basis of this consultation and for the matters set out below, it is recommended that Council formally endorse the devolution Proposal set out at Appendix A.

14. It is also recommended that Council delegate authority to the Chief Executive to consent to an enabling order (i.e. an order which forms provides for the Mayoral Combined Authority (“MCA”) to exist – but does not confer upon it any functions) in consultation with the Mayor.
15. The reason for this recommendation is that, although the order will be modest in scope, the legislation does specifically require each Constituent Council to consent to the making of the Order and this must be done by May 2016.
16. The more significant matters of detail with regard to functions, governance finance and electoral arrangements will be contained in later Orders which will also require formal consent. These must be approved by the end of June to meet the Parliamentary timetable.
17. The justification for this recommendation is that we believe the proposal will support the City Region to: -
  - improve transport and join up our transport connections with other parts of the country;
  - deliver major regeneration schemes and secure more private sector investment;
  - help more of our businesses 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 and National Institute for Infrastructure;
  - deliver 100% ultrafast broadband coverage for all of the Sheffield City Region;
  - boost and expand our successful Enterprise Zones; and
  - control of the powers and resources for the bus network and develop an ‘Oyster card’ type system for public transport.
18. In summary, the proposal will place more powers (and funds) in the hands of local leaders:-
  - giving them more tools with which to develop our economy;
  - create sustainable high-quality employment and; and
  - fund public services in the future.

### **Devolution – what does this mean for Doncaster?**

19. As well as all the benefits that the wider deal will bring, the specific implications for Doncaster are:-

- A new National Institute for Infrastructure, Construction and Engineering to be built in Doncaster (building on the new National College for High Speed Rail);
- A share of £900m over the next 30 years to spend on important economic regeneration projects to improve the borough and create jobs. Our current and future plans include:-
- Completing phase 2 of the airport link road and seeking to build an airport railway station;
- An opportunity to seek funding for key infrastructure projects (road and rail) in the north of the borough, improving access to existing communities and enabling more land to be used for employment and housing;
- A new M18 link road at junction 5, improving access to Hatfield/Stainforth (project will enable significant economic growth through new business parks and housing with the opportunity to secure new education, health facilities and improvements to the Hatfield and Stainforth railway station);
- A Town Centre Gateway with regeneration improvements at and around the railway station and making improvements to the town centre and markets;
- Supporting new developments around the town centre's Civic and Cultural Quarter which is home to Cast theatre and Doncaster Council's Civic Office;
- Developments around the Waterfront, Marshgate and Lakeside areas. We will also produce additional economic development projects to put forward for the Sheffield City Region Investment Fund;
- The ability to control buses in Doncaster and a regional 'oyster card' style smart ticket which will mean that people will be able to use the same ticket between different buses, trams and trains.

## **NEXT STEPS**

20. If the Proposal is ratified by all relevant 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.
  - March 2016 – Sheffield City Region agrees a revised Assurance and Accountability Framework that sets out how the process by which the first £30m payment will be managed.
  - April 2016 – first instalment of paid £30m in line with the Proposal.
  - April to June 2016 – detail of Order agreed with CLG.
  - May 2016 – enabling Order laid by government
  - May to June 2016 – development of further orders detailing the functions of the MCA / further constitutional principles.
  - November 2016 – latest date by which the Secretary of state (CLG) could lay an order relating to any MCA.
  - <January 2017 – mayoral candidates come forward.
  - May 2017 – election takes place.
  - May 2020 – second election takes place (and every 4 year

thereafter).

## IMPACT ON THE COUNCIL'S KEY OUTCOMES

21. The proposed devolution deal will have an impact across the whole borough and all outcomes and priorities:

	<b>Outcomes</b>	<b>Implications</b>
	<p>All people in Doncaster benefit from a thriving and resilient economy.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Creating Jobs and Housing</i></li> <li>• <i>Mayoral Priority: Be a strong voice for our veterans</i></li> <li>• <i>Mayoral Priority: Protecting Doncaster's vital services</i></li> </ul>	<p>The proposed deal is focused solely on providing the tools to improve the local economy. Resource for infrastructure, a National Institute for Infrastructure and revised skills delivery aligned to the economy will help create jobs, increase housing demand and help new and existing business grow and develop.</p>
	<p>People live safe, healthy, active and independent lives.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Safeguarding our Communities</i></li> <li>• <i>Mayoral Priority: Bringing down the cost of living</i></li> </ul>	
	<p>People in Doncaster benefit from a high quality built and natural environment.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Creating Jobs and Housing</i></li> <li>• <i>Mayoral Priority: Safeguarding our Communities</i></li> <li>• <i>Mayoral Priority: Bringing down the cost of living</i></li> </ul>	
	<p>All families thrive.</p> <ul style="list-style-type: none"> <li>• <i>Mayoral Priority: Protecting Doncaster's vital services</i></li> </ul>	
	<p>Council services are modern and value for money.</p>	
	<p>Working with our partners we will provide strong leadership and governance.</p>	

## **RISKS AND ASSUMPTIONS**

22. Government is working with City Regions, not individual local authorities, to devolve powers and freedoms. The biggest risk would be not to endorse the devolution deal as Doncaster would have no access to additional resources currently proposed in the deal, or any future rounds of devolution.

## **LEGAL IMPLICATIONS**

23. The legal powers surrounding devolution are set out in the Cities and Local Government Devolution Act 2016. The Act sets out a framework for devolution with further detail to be enacted by Secretary of State Regulation.
24. The details of the Sheffield City Region Combined Authority's deal are set out in the "Sheffield City Region Devolution Agreement" which is annexed to this report.
25. The Devolution proposal has been subject to a public consultation exercise which is detailed in the Consultation Summary Report annexed to this report.
26. Further legal advice will be required as the Council progresses along this process towards devolution, particularly in relation to the Constitutional arrangements of the Sheffield City Region Combined Authority and its interactions with the Council.
27. The projects detailed within paragraph 19 of this report will be subject to further approval processes and will require procurement processes in line with EU Procurement Regulations and further bespoke legal advice.

## **FINANCIAL IMPLICATIONS**

28. In many areas details have yet to be finalised due to Local leaders and Council officers continuing to work with SCR in finalising the detail. The deal will have wide reaching financial implications for the Council but these can only be fully assessed as more detail emerges.
29. In most respects, devolution is not just about how much money is available but having greater control at a local level to decide how it is spent. It should also lead to more allocations being given to the SCR over multi-year periods to provide stability and certainty in planning over longer periods of time.
30. It should be noted that a number of the outcomes are likely to involve the use of the Council's other resources either directly, as contributions, or as match funding. Any consideration should be mindful of the Council's need to deliver savings in 2016/17 and meet a budget gap of £25.7m in 2017/18. It is anticipated that the flexibilities offered by the devolution deal would provide the Council with greater opportunities for doing so.

### **£30m gain-share payment**

31. The SCR will receive a £30m gain-share payment each year starting from April 2016. The SCR are in the process of looking at options as to how this will spent. These options include major infrastructure projects. This funding

is understood to be new money to the region that would not be received without the devolution deal. The costs of an elected city region Mayor will be met from the gain-share money.

### **Growth Deal**

32. The SCR has received indicative confirmation of its £310m Growth Deal award between 2016 and 2021. Ongoing projects utilising this funding include Skills Bank and Growth Hub development. The SCR theme boards are currently considering how the balance of the money will be allocated.

### **Skills – Area Based Review, Employment – DWP & Housing Investment Fund**

33. As stated above discussions are ongoing around these aspects of the deal.

### **Buses Bill**

34. The devolution deal does not commit the SCR to re-franchising but, once legislation is introduced, this could be an option. The SCR would need to consider in detail the risks and rewards of re-franchising compared with other options such as a bus partnership or maintaining the status quo.

### **Business Rates**

35. Under the existing Business Rates Retention scheme, Doncaster retains 49% of Business Rates income including any growth. Under the proposals, from April 2016, Doncaster Council and the rest of the SCR will retain 99% of Business Rates growth above an agreed baseline (including the 50% of growth ordinarily payable to DCLG).
36. The SCR are in negotiations with DCLG regarding how the new model will work. Doncaster continues to work with the other SCR councils on a number of options to ensure that the SCR gets the best deal possible. The options range from £8m to £19m of growth being retained by the SCR in 2016/17 dependent on the baseline and stretch targets agreed with DCLG.
37. Each individual council would initially retain their element of growth. There are on-going discussions within the SCR around how this growth could be distributed across the SCR. Any proposal to share growth across the SCR would need to be approved by the individual councils.
38. From 2020, Government has proposed that all Business Rates income should be retained locally rather than sharing with Government. DCLG have indicated that they may choose the SCR to pilot a scheme for the retention of all Business Rates income before 2020. No further details are available yet but this could be a significant change to the council's funding.

### **Intermediate Body status for ESIF**

39. The devolution deal does not commit the SCR to becoming an intermediate body for ESIF. The SCR is considering whether to do so. By becoming an intermediate body the SCR has a greater say on how European grants are spent in the region.



## **PROCUREMENT IMPLICATIONS**

40. The delivery of the proposed devolution deal and aspirations within it shall be, where commissioning and procurement activities are engaged, adhere to the Public Contract Regulations 2015, EU Procurement Legislation and contract law.
41. Consideration is to be given towards the agreeing and implementation of a SCR Commissioning and Procurement strategy, action plan and more importantly a common Contract Procedure Rules (CPR's), which govern all purchasing activities but also set a benchmark for all practitioners to follow in pursuit of their duties under a SCR entity.

## **HUMAN RESOURCES IMPLICATIONS**

42. There are no direct HR implications arising from the recommendations in the report. Devolution will however require HR engagement in the process at the appropriate time, so that there is sufficient focus on HR issues particularly in terms of resource deployment, workforce and organisational development and building the principles of devolution into current roles.

## **TECHNOLOGY IMPLICATIONS**

43. Doncaster Council is represented on the Superfast South Yorkshire Management Board with the aspiration to achieve 100% superfast broadband across the region, therefore the implications of this are already being managed for the authority. There are no other obvious direct technology implications at this stage to deliver the devolution deal but there will almost certainly be some requirements and/or implications such as the spatial data requirement that will need to be considered and potentially implemented without conflict with the Council's technical infrastructure or compromising the security of network, systems and data. The ICT service should be informed as soon as a requirement is predicted or known at the initial early stages to ensure an effective response to any matter no matter how complex both for the Council and across partners.

## **EQUALITY IMPLICATIONS**

44. Decision makers must consider the Council's duties under the Public Sector Equality Duty at s149 of the Equality Act 2010. The duty requires the Council, when exercising its functions, to have 'due regard' to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic. This report is the ratification of the proposal and due regard will be considered as part of the implementation of the proposal.

## **CONSULTATION**

45. The SCR has been consulting on the Proposal since it was made. This has included:

- consultation through the local media – including interviews on BBC ‘Look North’ and articles in both the Star and the Yorkshire Post;
- consultation with the business community through the LEP and through a Chamber Business Insider Event in December 2015 (with around 150 business representatives in attendance);
- consultation through social media (including Twitter);
- attendance at formal council Overview and Scrutiny meeting in Doncaster on 12 January 2016. The proposed devolution deal was considered by OSMC, and there was unanimous support for the proposed agreement. The Outcome of OSMC’s consideration and the response from Mayor Jones is attached at Appendices D and E;
- a formal online consultation exercise and survey see: [www.sheffieldcityregiondevolution.org.uk](http://www.sheffieldcityregiondevolution.org.uk);
- The Mayor and Chief Executive discussed devolution with residents during sessions held in the Frenchgate Centre.

46. A detailed report is included at Appendix C which sets out further details of the online consultation process undertaken and the main issues identified. The key trends and perspectives from the responses were:-

- Positive support throughout for principle of stronger local control of decision-making
- Recognition of the impact that specific policy areas could have on SCR and the local economy
- Negative perceptions of the need for an elected mayor – mainly due to creation of additional bureaucracy; complexity with existing arrangements; outcome of 2012 city mayor referenda
- Real need for clarity about the geographical scope of the mayoral arrangement and powers, particularly for East Midlands districts
- Positive about potential for more devolution, particularly once the current set of proposals have been implemented. Suggestions are ambitious and radical including tax raising powers, all skills, public transport, education and health.

## **BACKGROUND PAPERS**

There are no background papers.

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