

**31<sup>st</sup> March 2016**

**Combined Authority Ratification of the Sheffield City Region Devolution Agreement**

**Summary**

This paper seeks Combined Authority ratification of the Sheffield City Region “SCR” Devolution Agreement (“the in-principle deal”). It provides an update to the Combined Authority regarding: local council ratification; progress made regarding the in-principle deal; a summary of the public consultation process and detail on the potential changes to the Combined Authority geography as a result of clauses within the Cities and Local Government Act 2016.

**1. Issue**

1.1 The purpose of this report is to seek Combined Authority ratification of the Sheffield City Region “SCR” Devolution Agreement (“the in-principle deal”). To provide an update to the Combined Authority regarding: local council ratification; progress on and securing important improvements to the in-principle deal; a summary of the public consultation findings and detail on the potential changes to the Combined Authority geography as a result of clauses within the Cities and Local Government Act 2016.

**2. Recommendations**

**2.1 It is recommended that the Combined Authority:**

- a) Note the progress that has been made since the in-principle deal was agreed in October 2016 – in particular those matters detailed in section 4 relating to geography, the relationship between any future mayor and the Combined Authority and future constitutional changes.

- b) Note and take into account that an online consultation exercise took place from the 2<sup>nd</sup> December to the 15<sup>th</sup> January– including the summary of this consultation detailed in section 5.
- c) Note that all nine of the councils within the Sheffield City Region have endorsed and where required approved formal ratification of the devolution deal.
- d) Note that Bassetlaw District Council and Chesterfield Borough Council have indicated their intention to pursue “constituent” membership status of the SCR Combined Authority and Bolsover, North East Derbyshire and Derbyshire Dales District Councils have indicated their intention to be “constituent” members of any North Midlands Combined Authority that may be created.
- e) Ratify the devolution agreement set out at Appendix A and consent to a future ‘enabling order’ being laid which provides that a mayoral election will take place in May 2017.
- f) Give delegated authority to the Clerk of the Combined Authority to be authorised to consent to the ‘enabling order’ being laid which provides for a Mayoral election to take place in May 2017.

### **3. Introduction**

3.1 On 2 October 2015, Sheffield City Region (“SCR”) political and business leaders secured an *in-principle* Devolution Agreement with the Chancellor of the Exchequer. The in-principle deal 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 deal is ratified, have the first £30m available from the financial year 2016-17.

3.2 The Proposal covers a range of themes including skills and employment; housing, planning and public assets; innovation, advanced manufacturing and business growth and transport. The deal 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:

3.2.1 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>i</sup>

3.2.2 The terms of the deal require formal ratification by the SCR Combined Authority (“CA”) by the end of March 2016. The in-principle deal was also clear that formal approval was subject to constituent members of the SCR CA providing formal ratification of the deal at local authority-level. To inform these decisions, a consultation exercise was undertaken. A summary of this consultation exercise is included at paragraphs 5.1 to 5.2 below.

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

4.1 Since signing the Proposal, a body of work has been undertaken to take forward the different elements and commitments within this document. There are four key areas where progress has been made:

- Geography;
- the relationship between any future mayor and the Combined Authority;
- the ability of the SCR to determine future constitutional changes;
- progress on the policy content of the deal.

##### Geography

4.2 The Cities and Local Government Act received Royal Assent in January 2016. The Act provides greater flexibility to combined authorities and greater autonomy to lower-tier councils, enabling combined authorities to better reflect their functional economic areas. From a SCR-perspective, these changes will provide greater autonomy for non-constituent councils.

4.3 Two (Chesterfield and Bassetlaw) of the five District councils that make up the Sheffield City Region geography have indicated their intention to pursue constituent membership status of the Combined Authority. Bolsover, North East Derbyshire and the Derbyshire Dales District Councils have indicated their intention to retain non-constituent CA membership status of the Sheffield City Region and to take constituent membership of any North Midlands Combined Authority.

4.4 These changes will enable a far closer alignment between the CA and the LEP “functional economic area” – which evidence suggests will be beneficial to the economic performance of the city region.

##### The relationship between the CA and any future mayor

4.5 Concerns were raised by the CA that the in-principle deal included the potential for the Mayor to be able to exercise a veto over all Combined Authority decisions. Clarification was sought from Ministers. The Combined Authority received assurance that the decision-making process between the Mayor and the Combined Authority could, and should be resolved through the Mayoral Combined Authorities own constitution.

4.6 A draft 'Scheme' document detailing these constitutional changes will be prepared over the coming months. This will inform a future order to be prepared by autumn 2016. Accordingly, the SCR must consent, consult upon and formally ratify any future constitutional changes over the coming months

The ability of the SCR to determine future constitutional changes

4.7 Accordingly, and as detailed above, each council must formally consent to any future changes to the constitution of the CA. This will be achieved through member councils of the CA giving their consent to draft orders prior to these being laid in Parliament.

Progress on the policy content of the deal

4.8 Key elements of this progress are summarised 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 the financial year 2016/17. 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 February 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 this is expected to be complete in April.
- **Employment - DWP:** this area of the proposed Deal is where the City Region currently has the greatest concerns in terms of implementation. This issue is being escalated with HM Government.
- **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 February 2016.
- **Buses Bill:** it is expected that the Draft Bill will be published by Government in later in the year and receive Royal Assent in early 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 (in 2016/17) will 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 from 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 April 2016 on if it wishes to become an Intermediate Body for the selection of ESIF Projects and create an ESIF Executive Board.

## **5. The consultation process**

5.1 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 e.g. in Doncaster on 12 January 2016;
- a formal online consultation exercise and survey see: [www.sheffieldcityregiondevolution.org.uk](http://www.sheffieldcityregiondevolution.org.uk);
- other local consultation

5.2 A detailed report is included at Appendix C which sets out further details of the 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.

## **6. Local council ratification**

6.1 Barnsley, Rotherham and Doncaster Metropolitan Borough Councils and Sheffield City Council have fully ratified the in-principle devolution deal with further support for the deal provided by the non-constituent members in Chesterfield Borough Council, Bolsover District Council, North East Derbyshire District Council and Derbyshire Dales District Council.

## **7. Proposal and justification**

7.1 On the basis of this consultation, the progress made on the issues of geography, the relationship between any future mayor and the Combined Authority and future constitutional changes that the recommendation for the Combined Authority to formally ratify the devolution Proposal and consent to an enabling order being laid which provides for a Mayoral election in May 2017 is made.

7.2 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;
- control of the powers and resources for the bus network and develop an 'Oyster card' type system for public transport.

7.3 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;
- fund public services in the future.

## 8. Next steps

8.1 If the Proposal is ratified by the Combined Authority – the key milestones between now and any election in May 2017 would be as follows. It should be noted that there may be some minor changes to these timescales over the coming months.

<u>When</u>	<u>What</u>
< March 2016	Agreement ratified by each LA plus the CA Each area must 'consent' to the enabling order (see below)
01 March 2016	Begin drafting MCA 'Scheme' document
'Early April' 2016	Enabling order (to provide for election May 17) agreed between SCR and CLG
'early' May 2016	Individual LAs consent to the MCA Scheme / specific changes to the SCR constitution contained within – subject to consultation.
31 May 2016	END – Scheme drafting and negotiations
20 June 2016	CA - approval of draft Scheme – for consultation.
25 June 2016	START – statutory consultation period.
29 July 2016	END – statutory consultation period.
August 2016	Special CA formal approval of scheme – post

	consultation.
01 September 2016	SCR submits: Final Scheme and summary of consultation to CLG.
'Mid' October 2016	Formal consent to order(s) detailing constitutional changes
31 December 2016	Completion of parliamentary process
May 2017	Election of mayor

## **9. Financial implications**

- 9.1 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.
- 9.2 However, the constitutional arrangements of any MCA (including revenue raising powers and the use of retained business rates) will have a significant impact on both the finances of the CA and of its Members.

## **10. Legal implications**

- 10.1 There are no direct legal implications of this paper. However, the MCA would reflect a considerable constitutional change to the CA and its members. As above, these changes will be subject to consultation with and the consent of members of the CA.

## **11. Diversity implications**

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

## **12. List of appendices**

- 12.1 Appendix A - Sheffield City Region Proposed Devolution Deal Agreement.
- 12.2 Appendix B – Summary of progress made since the proposed Deal was signed in October.
- 12.3 Appendix C – Summary of Consultation.

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<sup>i</sup> <http://sheffieldcityregion.org.uk/wp-content/uploads/2015/10/SCR-Devolution-Agreement-2015.pdf> at p. 5.