

Overview and Scrutiny Management Committee (Special)

Thursday 10 December 2015 at 4.00 pm

To be held at the Town Hall, Pinstone
Street, Sheffield, S1 2HH

The Press and Public are Welcome to Attend

Membership

Councillors Cate McDonald (Chair), Sue Alston, Steve Ayris, John Booker, Tony Damms, Denise Fox, Bob Johnson, Pat Midgley, Chris Rosling-Josephs, Jack Scott, Sarah Jane Smalley and Geoff Smith

Substitute Members

In accordance with the Constitution, Substitute Members may be provided for the above Committee Members as and when required.

PUBLIC ACCESS TO THE MEETING

The Overview and Scrutiny Management Committee comprises the Chairs and Deputy Chairs of the four Scrutiny Committees. Councillor Cate McDonald Chairs this Committee.

Remit of the Committee

- Effective use of internal and external resources
- Performance against Corporate Plan Priorities
- Risk management
- Budget monitoring
- Strategic management and development of the scrutiny programme and process
- Identifying and co-ordinating cross scrutiny issues

A copy of the agenda and reports is available on the Council's website at www.sheffield.gov.uk. You can also see the reports to be discussed at the meeting if you call at the First Point Reception, Town Hall, Pinstone Street entrance. The Reception is open between 9.00 am and 5.00 pm, Monday to Thursday and between 9.00 am and 4.45 pm. on Friday. You may not be allowed to see some reports because they contain confidential information. These items are usually marked * on the agenda.

Members of the public have the right to ask questions or submit petitions to Scrutiny Committee meetings and recording is allowed under the direction of the Chair. Please see the website or contact Democratic Services for further information regarding public questions and petitions and details of the Council's protocol on audio/visual recording and photography at council meetings.

Scrutiny Committee meetings are normally open to the public but sometimes the Committee may have to discuss an item in private. If this happens, you will be asked to leave. Any private items are normally left until last. If you would like to attend the meeting please report to the First Point Reception desk where you will be directed to the meeting room.

If you require any further information about this Scrutiny Committee, please contact Emily Standbrook-Shaw, Policy and Improvement Officer, on 0114 27 35065 or email emily.standbrook-shaw@sheffield.gov.uk.

FACILITIES

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall. Induction loop facilities are available in meeting rooms.

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

**OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE AGENDA
10 DECEMBER 2015**

Order of Business

- 1. Welcome and Housekeeping Arrangements**
- 2. Apologies for Absence**
- 3. Exclusion of Public and Press**
To identify items where resolutions may be moved to exclude the press and public
- 4. Declarations of Interest**
Members to declare any interests they have in the business to be considered at the meeting
- 5. Public Questions and Petitions**
To receive any questions or petitions from members of the public
- 6. Sheffield City Region's Proposed Devolution Agreement**
This meeting of the Overview and Scrutiny Management Committee is being held to consider the Sheffield City Region's proposed devolution agreement. It will do this through two broad questions:-
 - a) What are the potential benefits of the proposed devolution agreement for Sheffield and the City Region?
 - b) What additional powers are required from Government to generate the economic impact we are seeking?

Background Information and Evidence

To inform the Committee's discussion, the following documents are attached:-

- a) Overview – Sheffield City Region's Proposed Devolution report of Sheffield City Council's Director of Policy, Performance and Communications
 - b) The Sheffield City Region's Proposed Devolution Agreement
 - c) A summary of the IPPR North (Institute for Public Policy Research) document "The State of the North 2015: Four tests for the Northern Powerhouse"
- 7. Date of Next Meeting**
The next meeting of the Committee will be held on a date to be arranged

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ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

New standards arrangements were introduced by the Localism Act 2011. The new regime made changes to the way that members' interests are registered and declared.

If you are present at a meeting of the Council, of its executive or any committee of the executive, or of any committee, sub-committee, joint committee, or joint sub-committee of the authority, and you have a **Disclosable Pecuniary Interest** (DPI) relating to any business that will be considered at the meeting, you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business, or
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

You **must**:

- leave the room (in accordance with the Members' Code of Conduct)
- make a verbal declaration of the existence and nature of any DPI at any meeting at which you are present at which an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.
- declare it to the meeting and notify the Council's Monitoring Officer within 28 days, if the DPI is not already registered.

If you have any of the following pecuniary interests, they are your **disclosable pecuniary interests** under the new national rules. You have a pecuniary interest if you, or your spouse or civil partner, have a pecuniary interest.

- Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.
- Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period* in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

*The relevant period is the 12 months ending on the day when you tell the Monitoring Officer about your disclosable pecuniary interests.

- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -
 - under which goods or services are to be provided or works are to be executed; and
 - which has not been fully discharged.
- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.
- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.
- Any tenancy where (to your knowledge) -
 - the landlord is your council or authority; and
 - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.
- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -
 - (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and
 - (b) either -
 - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
 - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

If you attend a meeting at which any item of business is to be considered and you are aware that you have a **personal interest** in the matter which does not amount to a DPI, you must make verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent. You should leave the room if your continued presence is incompatible with the 7 Principles of Public Life (selflessness; integrity; objectivity; accountability; openness; honesty; and leadership).

You have a personal interest where –

- a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in

land and easements over land) of you or a member of your family or a person or an organisation with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the Authority's administrative area, or

- it relates to or is likely to affect any of the interests that are defined as DPIs but are in respect of a member of your family (other than a partner) or a person with whom you have a close association.

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously, and has been published on the Council's website as a downloadable document at -<http://councillors.sheffield.gov.uk/councillors/register-of-councillors-interests>

You should identify any potential interest you may have relating to business to be considered at the meeting. This will help you and anyone that you ask for advice to fully consider all the circumstances before deciding what action you should take.

In certain circumstances the Council may grant a **dispensation** to permit a Member to take part in the business of the Authority even if the member has a Disclosable Pecuniary Interest relating to that business.

To obtain a dispensation, you must write to the Monitoring Officer at least 48 hours before the meeting in question, explaining why a dispensation is sought and desirable, and specifying the period of time for which it is sought. The Monitoring Officer may consult with the Independent Person or the Council's Standards Committee in relation to a request for dispensation.

Further advice can be obtained from Gillian Duckworth, Director of Legal Services on 0114 2734018 or email gillian.duckworth@sheffield.gov.uk

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Overview & Scrutiny Management Committee

10th December 2015

Subject: Sheffield City Region's Proposed Devolution Agreement

Officer Contact: Matthew Borland, Policy & Improvement Officer
Matthew.Borland@Sheffield.gov.uk

Emily Standbrook-Shaw, Policy & Improvement Officer
Emily.Standbrook-Shaw@Sheffield.gov.uk

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Purpose of the meeting

This meeting of the Overview and Scrutiny Management Committee is being held to consider the Sheffield City Region's proposed devolution agreement. It will do this through two broad questions:

- What are the potential benefits of the proposed devolution agreement for Sheffield and the City Region?
- What additional powers are required from Government to generate the economic impact we are seeking?

Background Information & Evidence

To inform the Committee's discussion the following documents are attached:

- Overview: Sheffield City Region's Proposed Devolution Agreement Report of Sheffield City Council's Director of Policy, Performance & Communications
- The Sheffield City Region's Proposed Devolution Agreement
- A summary of the IPPR North document 'The State of the North 2015: Four tests for the Northern Powerhouse' (full report available [here](#))

The Committee will hear from several witnesses giving a range of perspectives on the proposed devolution agreement including:

- The Sheffield Perspective: Cllr Julie Dore, Sheffield City Council Leader and John Mothersole, Sheffield City Council Chief Executive
- The City Region Perspective: Cllr Sir Steve Houghton CBE, Chair, Sheffield City Region Combined Authority and Martin McKervey, Local Enterprise Partnership Board Member

The Scrutiny Committee is being asked to:

Use the information attached and evidence from witnesses at the meeting to consider and discuss Sheffield City Region's proposed devolution agreement.

The Committee's discussion will be summarised alongside any recommendations and will feed into the Full Council debate on the proposed devolution agreement.

Category of Report: OPEN

Background Papers:

The full IPPR North 'State of the North 2015' report is available at <http://www.ippr.org/publications/the-state-of-the-north-2015>



Report to Overview & Scrutiny Management Committee 10th December 2015

Report of: Director of Policy, Performance and Communications

Subject: Overview: Sheffield City Region's Proposed Devolution Agreement

Author of Report: Laurie Brennan
Policy and Improvement Officer
laurie.brennan@sheffield.gov.uk

Summary:

This paper provides an overview to the proposed Devolution Agreement that Sheffield City Region (SCR) has recently reached with Government.

The paper outlines:

- [Background evidence: cities and metros driving national economies](#) – the important role that cities play in the national and global economies
- [Sheffield City Region: leading the push for more power to places](#) – the strategic underpinning to devolution in SCR and the steps that have been taken by SCR to secure more local control of powers and resources to support local growth
- [Sheffield City Region Proposed Devolution Agreement 2015](#) – an overview of the initial proposals, how the proposed Agreement was negotiated and what is in the proposed Agreement
- [Next Steps: opportunities, challenges and consultation](#) – an outline of the areas in which SCR believe that we should pursue further devolution in the short term and local consultation activity on the proposed agreement

Type of item: the report author should tick the appropriate box

Reviewing of existing policy	
Informing the development of new policy	
Statutory consultation	
Performance / budget monitoring report	
Cabinet request for scrutiny	
Full Council request for scrutiny	
Call-in of Cabinet decision	
Briefing paper for the Scrutiny Committee	X
Other	

The Overview & Scrutiny Management Committee is being asked to consider:

- What are the potential benefits of the deal for Sheffield?
 - What additional powers are required from Government to generate the economic impact we are seeking?
-

Category of Report: OPEN

Sheffield City Region Proposed Devolution Agreement

overview and scrutiny management committee

Purpose

1. This paper provides a summary of the recent proposed Devolution Agreement that was reached between Sheffield City Region (SCR) and the Government which will see a number of additional powers and budgets for economic development move from central government control to SCR.
2. The paper is intended to support an Overview and Scrutiny Management Committee discussion on the proposed Devolution Agreement, considering specifically:
 - What are the potential benefits of the deal for Sheffield?
 - What additional powers are required from Government to generate the economic impact we are seeking?

Background evidence: cities and metros driving national economies

3. The world is experiencing a significant period of urbanisation with more and more people living and working in cities and their surrounding metropolitan (metro) areas. Today, around 54% of the world's population live in cities but according to UN population studies, this is expected to reach nearly 70% by 2050¹.
4. The global economy is also becoming increasingly driven by cities, with 62% of global GDP growth over the next decade expected to come from cities², with high concentrations of people and businesses creating new ideas, products, businesses and services, benefitting from the physical closeness of dense urban areas but also the transport and technological connectivity that cities offer.
5. In the UK, cities only account for around 9% of the landmass but are responsible for³:
 - **54%** of businesses
 - **54%** of the population
 - **59%** of jobs
 - **63%** of economic output (Gross Value Added or GVA)
 - **72%** of high skilled jobs
6. For some time and particularly since the economic crash in 2008, it has been argued and increasingly evidenced that the UK economy is too dependent on London and a small number of economic sectors for economic growth and jobs. Of the eight English Core Cities, only Bristol regularly performs at the national average for economic growth. In 2013, the Core Cities estimated that if all eight cities performed at the national average, it would add an extra £1.3bn to the national economy every year⁴.

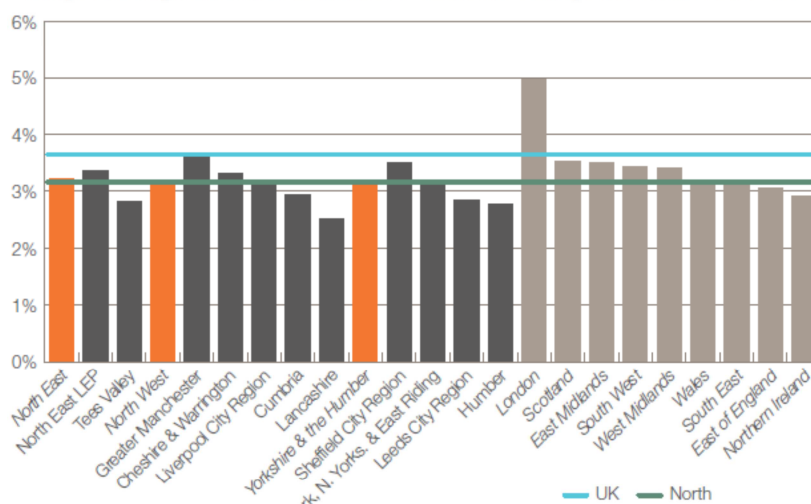
¹ UN (2014) *World Urbanization Prospects 2014 Revision*, <http://esa.un.org/unpd/wup/highlights/wup2014-highlights.pdf>

² RSA City Growth Commission (2014) *Metro Growth: the UK's Economic Opportunity*, <http://www.citygrowthcommission.com/wp-content/uploads/2014/02/Metro-Growth-February-2014.pdf>

³ Centre for Cities (2015) *Cities Outlook 2015*, http://www.centreforcities.org/wp-content/uploads/2015/01/Cities_Outlook_2015.pdf

⁴ Core Cities (2013) *Core Cities Growth Prospectus: Competitive Cities, Prosperous People*, http://www.corecities.com/sites/default/files/images/publications/Competitive%20Cities%2C%20Prosperous%20People_%20Final%20Draft.pdf

Figure 1.1
Average annual growth rate in northern LEP areas and UK regions/nations, 2003–2013



Source: ONS 2014 and 2015a
Note: Here, and in figures 1.2–1.5, x-axis labels in italics denote UK regions/nations; those in roman denote LEP areas. 5

7. It is regularly cited that the UK is the ‘*most centralised country in the OECD*’ due to the economic dominance of the capital city and the centralisation of decision-making in Whitehall. Compared to other major competitor cities in the OECD, UK cities have comparatively less control over decision making and significantly less control over how locally raised money is used: for example, local authorities in England currently only control around 5% of the money from local taxation compared to cities in Canada (10 times more control of local tax revenues); the USA (7.5 times more); and Germany (6 times more). This will change slightly with the proposed full localisation of Business Rates in 2020⁶.
8. Further, leading academic studies have demonstrated that the scale of centralisation in the UK is holding both our local economies and national economy back. Considering the role of cities in both current and future global economic trends, UK cities have comparatively less freedom and capacity to make the most of their specific economic strengths, invest in locally important infrastructure and deliver the locally-tailored training and public services which enable people benefit from stronger local economies. A list of some key evidence sources is available in [Appendix 1](#).
9. Prof. Michael Parkinson has argued that ultimately, countries in which cities have more devolved control tend to perform better economically:

The logic of over investment in the capitals and under investment in second tier cities has been shown to be too strong in too many countries in this study. There are three simple policy messages for governments. The first is for regional and city region leaders. City regions which strategically mobilised and exploited their assets flourished more in the boom years and are more likely to do better in the economic crisis. Increasing strategic governance capacity to deliver economic place-based policies at city region level must be a key target for all partners. The second message is for national governments. If they strategically invest in second tier cities they are more likely to maximise the economic potential of the national economy than if they concentrate all resources in the capital. This means that explicit territorial policies should be concerned with second tier cities. But also the different territorial impact of national policies and resources for example on innovation, research and development, education and skills, transport and connectivity and infrastructure investment on capital and second tier cities should be a crucial concern. Governments’ territorial investment strategies should be made much more explicit in future⁷.
10. Over the last decade, the [Core Cities](#) (including Sheffield) have developed evidence-based arguments for the need to devolve more control to cities in the UK to enable those cities to make decisions on economic policy and strategic investment in order to deliver more local growth and facilitate the creation of local jobs.

⁵ IPPR (2015) *The State of the North: Four Tests for the Northern Powerhouse*, http://www.ippr.org/files/publications/pdf/state-of-the-north-2015_Oct2015.pdf?noredirect=1

⁶ OECD (2011) *Revenue Statistics taxes by level of government*, <http://www.oecd.org/ctp/tax-policy/revenue-statistics-levels-of-government.htm>

⁷ Parkinson, M. et al (2012) *European Second Tier Cities in Austerity: Why Invest Beyond the Capital?*, https://ijmu.ac.uk/EIUA/EIUA_Docs/Second_Tier_Cities.pdf

11. During the last Parliament (2010-15), a number of influential studies looked at the role of cities and the potential impact of devolution to cities in the UK. The most influential was the [City Growth Commission](#) which was co-ordinated by the Royal Society for the encouragement of Arts, Manufactures and Commerce (RSA) and chaired by the former Goldman Sachs economist Jim (*now Lord*) O'Neill. The RSA Growth Commission argued for a 'significant shift' of power from the centre to metro areas in England 'in the design, delivery and decision-making of policy and finance', fiscal powers and a range of 'supply-side' (eg. local skills and training) to 'unleash' the potential of cities⁸.
12. The RSA Growth Commission's findings have been particularly influential on the Government's policy since the 2015 General Election and are reflected in the *Cities and Local Government Devolution Bill* and the Chancellor's 'Northern Powerhouse' agenda.

Sheffield City Region: leading the push for more power to places

13. The proposed Devolution Agreement is the latest advance in Sheffield City Region's (SCR) ambitions to gain local control of the powers necessary to deliver the [Strategic Economic Plan](#) (SEP). The SEP outlined SCR's ambition for 70,000 additional jobs, 6,000 new businesses, higher skilled jobs and increased productivity.
14. Since 2012, SCR have made a series of agreements with Government which has brought some devolution of power and resource to the City Region. An overview of these agreements can be found in the table below.

Agreement	Brief description	Main policy areas
City Deal (2012) (Wave 1)	Deals agreed (initially) with the eight English Core Cities and (in most cases) with their surrounding city region areas. The content of the Deals was led by cities/city regions and negotiated with the relevant departments with the support of the Cabinet Office. Sheffield's City Deal was recognised for first real devolution of a small proportion of the Adult Skills Budget and through the Deal, SCR established a joint funding approach to focus investment at the City Region level on the projects which best deliver growth and jobs. Whilst considered piecemeal, the City Deals are considered to have let the 'genie out of the bottle', initiating small steps towards devolution to major English cities.	Skills Transport Finance Business Support
Growth Deal (2014)	Growth Deals were agreed with all 39 Local Enterprise Partnership (LEP) areas in England, devolving some power and sharing a £2bn funding pot amongst those LEP areas. Sheffield City Region, along with Greater Manchester and Leeds City Region were recognised for agreeing the most far-reaching deals, particularly for the amount of financial flexibility that those three city regions were given over their ability to invest in local infrastructure projects.	Skills Financial investment Transport Business Support
Devolution Deal (2014)	Only three with Greater Manchester, Sheffield City Region and Leeds City Region. Made a significant commitment to fully devolve adult skills to Sheffield City Region in the longer term with additional commitments around transport (eg. smart ticketing) and business support devolution to SCR's Growth Hub.	Skills Business Support Transport Public Assets/Housing

15. To provide joint leadership for Sheffield City Region, a Combined Authority was established in April 2014. Combined Authorities are statutory (ie. legal⁹) bodies which enable partnerships of councils in an economic area (ie. a functioning economic area) to work together on a legal basis, meaning they can exercise certain powers and hold budgets. By being legal bodies, Combined Authorities can have powers, functions transferred

⁸ RSA City Growth Commission (2014) *Unleashing Metro Growth Final Recommendations Of The City Growth Commission*, <http://www.citygrowthcommission.com/wp-content/uploads/2014/10/City-Growth-Commission-Final-Report.pdf>

⁹ Created in the [Local Democracy Economic Development and Construction Act 2009](#)

to them by Central Government or councils (*if those councils involved wish to do so*) and be held to account for using those powers.

16. There are currently five Combined Authorities in England - Greater Manchester; Merseyside; North East; Leeds City Region; and Sheffield City Region. The West Midlands and the Tees Valley have also recently agreed to set up Combined Authorities in the future.
17. Therefore, from a position of relative centralisation, there has been some gradual momentum towards greater devolved power to local areas in the UK. Within this context, Sheffield City Region has been a leading City Region and has been successful in negotiating the devolution of some key powers and resources to support the achievement of ambitions set out in the Strategic Economic Plan.
18. SCR have made it clear that the devolution to date (including the proposed Devolution Agreement) are steps in the right direction but further devolution and targeted investment will be needed to enable the SCR to achieve its economic potential.
19. Further, Sheffield City Council is committed to pursuing further devolution. In the Corporate Plan 2015-18, Sheffield City Council has made it clear that it will pursue further devolution to the city and the City Region where those devolved powers support the delivery of the city's ambitions.

We know what to do to fulfil our potential, but we need more tools to achieve our ambitions. Therefore we will continue to work with Government to devolve powers to Sheffield so we can shape our own future and fulfil the city's huge potential.¹⁰

Sheffield City Region Proposed Devolution Agreement 2015

20. On 2nd October 2015, Sheffield City Region (SCR) agreed a proposed devolution deal which heralds a major transfer of power and long-term funding to the SCR Combined Authority. At the time, SCR was only the second economic area in the UK to secure a deal on this scale, unlocking a range of powers and resource to invest in the economic transformation the SCR needs.

How did we get to the proposed agreement: initial submission

21. Initial conversations with Government about an additional package of devolution to Sheffield City Region started shortly after the General Election in May 2015. This was predominantly driven by a combination of SCR's explicit ambition for more devolved power; the existing Combined Authority governance arrangements; SCR's track record for delivery with the devolved powers accessed since the City Deal; and the new Government's policy agenda around devolution and the 'Northern Powerhouse'.
22. On the 4th September 2015 the Council Leaders of the nine councils in [Sheffield City Region Combined Authority](#) submitted a set of proposals to Government. These proposals were developed by the nine councils together and focused on getting greater control over powers and budgets which help to deliver the aims and objectives as set out in the SCR [Strategic Economic Plan](#).
23. These initial proposals largely focused on:
 - **Transport** – the ability to control the buses in the area and giving SCR one transport budget that covers several years, so that we can fund big transport projects which take time to build (eg. major roads) .
 - **Business growth** – getting the businesses in Sheffield City Region the right support to help them grow and create jobs, and supporting the growth of advanced manufacturing in the area.

¹⁰ Sheffield City Council (2015) *Corporate Plan 2015-18*, <https://www.sheffield.gov.uk/your-city-council/policy--performance/what-we-want-to-achieve/corporate-plan.html>

- **Skills and training** – getting the right skills, training and apprenticeship courses in Sheffield City Region that will get people into good local jobs, and help businesses become bigger and more successful.
- **Housing and land** – building more homes in Sheffield City Region to help people who want to live and work in the area find a good home that meets their needs
- **Funding/finance** – guaranteed long-term funding for Sheffield City Region, so that we can invest in the things that will make a real difference both in the coming years and for future generations
- **Accountability to local people** – making bodies and agencies that national government control more accountable to Sheffield City Region’s elected politicians (eg. Highways England, Network Rail).

24. In line with the SEP (and Sheffield’s Corporate Plan), we asked for power over the areas above because we often find is that we can’t make the decisions that the people and businesses in Sheffield City Region want us to make because those decisions are the responsibility of nationally elected politicians rather than locally elected ones.

How did we get to the proposed agreement: negotiations

25. Following the submission of the initial proposals, a series of meetings took place at both political and officer levels between SCR and Government (HM Treasury) to work towards areas of agreement. The negotiations took place at three levels:

- **Political** – negotiations between the political leaders on the Combined Authority and senior Government Ministers, most commonly with [Lord O’Neill](#) (Commercial Secretary to the Treasury). Delegations of Leaders from SCR met in London with Treasury Ministers and reported back to full meetings of the Combined Authority throughout the negotiations.
- **Senior executives** – Chief Executives from SCR councils developing working with senior Treasury officials on the proposed devolution agreement, supporting the political leadership
- **Senior officers** – officers from SCR council working with Whitehall officials on specific areas of policy (eg. skills and training policy experts from SCR working with skills and training experts from Whitehall to push for devolution of skills powers and budgets).

26. The conversations continued up until the announcement of the proposed agreement on the 2nd October 2015.

What is in the proposed devolution agreement?

27. The proposed devolution agreement focuses solely on issues and policy areas linked to Sheffield City Region’s economic growth ambitions, building on both the priorities in SCR’s Strategic Economic Plan and on the previous devolution agreements made with Government.

28. The published Agreement is ‘*proposed*’ as it is subject to consultation with local residents and businesses in SCR and the ratification by the nine local authorities’ Full Councils. The proposed Agreement will also be subject to the [Cities and Local Government Devolution Bill](#) achieving Royal Assent along with the as-yet unpublished Buses Bill (a *short summary of which is available on p100 of the 2015 Queen’s Speech [here](#)*). If the proposed Agreement is taken forward, Government will need to submit a specific Order for SCR’s devolution agreement for Parliamentary approval.

29. The full proposed Devolution Agreement is available on the Government’s website and can be downloaded at the following link:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466616/Sheffield_devolution_deal_October_2015_with_signatures.pdf

30. The table below provides a brief overview of the content of the deal by policy area.

Policy theme	What is in the proposed Devolution Agreement?	What does this mean?
Finance / fiscal	<ul style="list-style-type: none"> • An investment fund worth £30m a year guaranteed for 30 years to SCR (ie. worth £900m over the 30 years) • New funding flexibilities to create a 'single pot' to invest in growth (ie. one budget) • Ability to retain 100% of the growth in Business Rates across council areas in the SCR from April 2016 	<p>The elected leaders of Sheffield City Region will control over the money available to invest in the local economy. Most of the things our economy needs – better transport, business growth, better housing and training – need funding committed to them for long periods to deliver results. Most of this money is currently controlled by central government and often hasn't been guaranteed for the long-term and is not always spent on the things that matter most to places in Sheffield City Region.</p> <p>As part of the Devolution Deal, the elected leaders of Sheffield City Region's Combined Authority will have control of a £30 million per year fund from Government committed for the next 30 years totalling £900 million of guaranteed funding. We can use it to invest in the big projects and developments that take time to build or need money committing for a long period of time.</p> <p>We will also keep the money raised from any growth in Business Rates over the coming years. This means that when businesses grow or new businesses come into Sheffield City Region, the money they pay in Business Rates will be spent on local services, more growth and more jobs in Sheffield City Region rather than going straight back to central government.</p> <p>Other Government money given to Sheffield City Region (eg. for transport or housing) will be given to us in one budget so that we're not told how to spend it by the different Government departments. We will also have greater control over the money Sheffield City Region gets from the European Union. This means we can invest the money we get from Government and the EU in the things that matter most to our local economy.</p>
Skills 19+	Full devolution of the Adult Skills Budget to Sheffield City Region	<p>Sheffield City Region will fully control the money for all adult skills and training. This money is currently controlled by Government through the Department for Business, Innovation and Skills and the Skills Funding Agency based on national skills policies.</p> <p>This means that training for people aged over 19 in Sheffield City Region will be co-ordinated in Sheffield City Region based on the particular needs of our people that live and work here and the needs of local businesses. People in Sheffield City Region will be able to access the type of training they need to get jobs, further their careers and increase their incomes. Businesses will have access to the training programmes and people with the skills they need to grow their business and create more jobs.</p>
Skills 16-18	SCR will chair the 'Area-based Review' of post-16 education in line with the ambitions of the City Region.	As part of the proposed agreement, Sheffield City Region will also work with Government and local colleges to improve local education, skills and training for 16-18 year olds so that the skills and training available in SCR meets the needs of the local economy and local businesses. SCR will also improve local careers advice so that it better reflects the education, training and job opportunities available here..
Transport	<ul style="list-style-type: none"> • One multi-year strategic transport budget for SCR • Power to re-regulate local bus service • Smart ticketing between different modes of transport 	<p>Transport is vital for local economies – it connects people to their jobs and to public services; it enables businesses to move and export their goods and services; and it connects economies to other economies (for example, Sheffield City Region to Leeds City Region or to London).</p> <p>Sheffield City Region will have more power and control of money to create a better transport system for the area, connecting up the places in the City Region. This includes a transport budget which is 'multi-year'; this means the funding will cover several years and allow</p>

	across the north	<p>us to spend it on big projects (such as roads or tram extensions) which take time to build.</p> <p>We will also be able to '<i>franchise</i>' local bus services. At the moment, the bus services in places outside of London are 'deregulated' which means private companies run local bus services and locally elected politicians have very little power to influence where buses run to and from. '<i>Franchising</i>' means that the proposed elected mayor would be responsible for setting out the bus services that best meet the needs of local people and the economy. Bus companies would then provide services to meet the plan set out by the elected mayor. This will also include a London 'oyster card' style smart ticket which will mean that people will be able to use the same ticket between different buses, trams and trains</p>
Employment	<ul style="list-style-type: none"> Decide how employment support for those people in SCR who need the most support to get back into work with the Department for Work and Pensions (DWP) This will involve finding the right solutions for individuals from public services in SCR This will also involve 'co-commissioning' of the next version of the Work Programme with DWP A dedicated pilot approach to support people who are 'hardest to help' get back into work. 	<p>When people are out of work, it is vital that they get the right support to get them back into employment. Many people who find themselves out of work get back into jobs quickly with support from Jobcentre Plus. Other people need more support which might mean re-training but it also might mean support with health problems which may be preventing them from working.</p> <p>At the moment, employment support services are designed nationally by Government. The proposal means that Sheffield City Region will design local employment support with Government so that it meets the needs of people in Sheffield City Region.</p> <p>This will make sure that individuals get the right health, education and training support to get back into work.</p>
Housing and planning	<ul style="list-style-type: none"> Creating a spatial framework for the City Region Strategic planning powers for the Mayor including the ability to set up Mayoral Development Corporations Further discussions with Government on a Housing Investment Fund for SCR A Joint Assets Board for the City Region to better co-ordinate the sale of public buildings and land to create opportunities for housing and business growth 	<p>The councils and businesses in Sheffield City Region will work together to create a single spatial plan for the City Region's area. This means we will have a single approach across the city region to planning where we need things like new transport links, new housing and how we create places for businesses to grow and invest. Some of this will include co-ordinating the Local Plans of councils in Sheffield City Region.</p> <p>This approach will give us a clear plan for the spatial growth of the City Region but also act as a prospectus of businesses upon which they can make decisions to grow, invest and create new jobs. It will not reduce or remove the planning powers of individual local councils.</p> <p>We will also work with Government on creating a 'Housing Investment Fund' for Sheffield City Region. This will be a single fund so that we can work with house builders to build thousands more homes across the Sheffield City Region. By supporting big and small developers, this means we will be able to tackle some of the problems in Sheffield City Region which limit the amount of new housing that is built, including affordable housing.</p>
Business growth; trade and investment; innovation	<ul style="list-style-type: none"> Devolved business support services (building on previous deals) Dedicated support from UKTI on trade and investment to support SCR businesses to 	<p>Local economies all have different strengths and unique areas of expertise. We know that Sheffield City Region has real strengths in advanced manufacturing, engineering and logistics. These are not just important to the local economy, they are important to the national economy too.</p> <p>New and existing businesses need support and advice that is tailored</p>

	<p>export</p> <ul style="list-style-type: none"> • Working with Government on the rollout of ultrafast broadband in SCR • Expert advice to support the development of the Advanced Manufacturing Innovation District • Work with Government to establish the National Institute for Infrastructure in Doncaster. 	<p>to their needs, helping them to grow, export the goods they produce, and create new higher skilled jobs. We are setting up business support tailored to our local economy's needs and this section of the proposed Agreement means that we will have dedicated support for Sheffield City Region's economy from Government's trade and investment services, to put Sheffield City Region's businesses on the map around the world.</p> <p>The proposal supports the real areas of economic strength in Sheffield City Region, giving national recognition to the developing Advanced Manufacturing Innovation District in Sheffield/Rotherham and a National Institute for Infrastructure in Doncaster, both of which will bring economic growth and more jobs.</p> <p>We will also work with Government to make ultrafast broadband more available in Sheffield City Region as part of the proposed agreement</p>
<p>Governance</p>	<ul style="list-style-type: none"> • An elected city region mayor for the economic geography. The proposed elected mayor will predominantly be responsible for transport and strategic planning. • A stronger Combined Authority model with the majority of the new devolved powers being the responsibility of the Combined Authority together 	<p>The nine councils in Sheffield City Region have been working together for a long time and, in 2014, set up a Combined Authority for the City Region. The Combined Authority is made up of the nine elected leaders of the councils in Sheffield City Region. The Combined Authority is a legal body which means Government can devolve powers and money to it.</p> <p>Government have said that if Sheffield City Region is to have more power for the economic area, voters in Sheffield City Region need to be able to hold someone to account for those new powers. Government's preferred way of getting this direct accountability to voters in England's big economic areas is through the election of City Region Mayors.</p> <p>This is different to the local council Mayors in places like Bristol, Liverpool and Doncaster. In those places, the elected mayor has similar powers and responsibilities to a council leader, overseeing council services for one place. City Region Mayors will be responsible for things that are important to local economies but cut across council boundaries – things like bus services or the training and jobs market.</p> <p>Sheffield City Region's proposed Devolution Agreement includes a proposal for a directly elected City Region Mayor for the economic area. The proposed Mayor will be responsible for the City Region's transport budget, for the bus network and spatial planning for the City Region.</p> <p>The Combined Authority will be responsible for all the other powers in the proposed Devolution Agreement and the Mayor will be one member of the Combined Authority. The Combined Authority will be able to amend or where necessary, veto the City Region Mayor's plans, strategies and budgets.</p> <p>If the proposed Devolution Agreement is agreed, it is likely that the first election for a Sheffield City Region Mayor will take place in 2017. It will be the residents of South Yorkshire (Doncaster, Sheffield, Rotherham and Barnsley) who get to vote for the Mayor. This is quite simply because the other the five district councils that are within the counties of Derbyshire and Nottinghamshire are not currently able to be full constituent members of the Combined Authority and so their residents will not take part in the Mayoral elections.</p>

Next steps: opportunities, challenges and consultation

31. SCR has always made clear that this proposed agreement is the 'next step' towards more comprehensive devolution to the City Region so that the people and businesses of the area can have a greater say over the issues which matter to SCR's economy, jobs and transport systems.
32. The Combined Authority and Sheffield City Council are committed to pursuing further the devolution of powers where those powers will support the delivery of our local priorities.
33. Within the proposed Devolution Agreement, there are a number of 'hooks' which are opportunities for further discussions with Government in the short term. These are:
 - **Housing and planning** – future development of a single Housing Investment Fund with Government
 - **Transport** – continued push on HS2 and Transport for the North ('HS3') to maximise the positive economic impact on Sheffield and City Region
 - **Innovation** – maximising the opportunity of support from HMT on Science and Innovation Audits and Smart Specialisation
 - **Business Rates** – building on the 100% localisation of growth and working with Government to shape how the full localisation of Business Rates could work for SCR from 2020¹¹.
34. Further, it is recognised that there are a number of challenges which Sheffield and SCR are keen pursue further with Government. These include:
 - **Geography** – at present, the only the voters of South Yorkshire council areas in SCR will be able to vote in the proposed Mayoral election. This is because the district councils from Nottinghamshire and Derbyshire are 'two-tier' councils and part of county councils who are currently *non-constituent* members of SCR. We are clear that the full SCR area is not only our *preferred geography, it is the City Region's functioning economic geography* and we will continue to push for changes to enable those districts in the East Midlands to join the SCR Combined Authority as full constituent members *if they should wish to do so*.
 - **Governance arrangements** – we are keen to further develop the proposed governance arrangements in the Agreement, particularly in relation to the role of the City Region Mayor in any majority votes at the Combined Authority level. As it stands, the Government have set out that the mayor would essentially have veto over decisions at the Combined Authority. We would like to see this removed in favour of a "*Manchester model*" where the mayor's powers are more proportionate and two thirds of local council leaders can override the mayor. We believe that this is important to protect the City Region from a position where all power is placed in the hands of one individual and avoid the situation whereby nothing can happen in the City Region without the support of the mayor.
 - **16-18 vocational skills** – this is a policy area on which we are keen to go much further and have a vision for a single, coherent pathway in SCR for vocational skills and training to enable young people to get the right training needed for local job opportunities. We have not managed to secure this through our devolution agreements with Government to date but have made some initial steps in the proposed Agreement. We therefore will continue to make the case to establish a coherent post-16 skills and training system in SCR.
 - **Housing** – housing remains a largely centralised policy area that has huge implications for the local economy and local communities. We are keen to pursue further devolution.
35. In addition to the above areas for further work with Government, councils in SCR will launch a public consultation to enable people and businesses from across the area the opportunity to have their say on the proposed Agreement. The consultation will be based around an online questionnaire which is predominantly

¹¹ Osborne, G. (2015) *Chancellor unveils 'devolution revolution'*, <https://www.gov.uk/government/news/chancellor-unveils-devolution-revolution>

made up of open questions, enabling people to give views, comments and ask questions about the proposed Agreement.

36. The consultation will be supported by a website with access to all the necessary information about the proposed Agreement with clear FAQs. The consultation period will run from early December 2015 until the mid-January 2016.
37. This will be followed by discussion and debate at each SCR council's Full Council meeting. It is currently scheduled for Sheffield's Full Council on 3rd February 2016.

Appendix 1: additional evidence sources

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Core Cities (2013) *Competitive Cities, Prosperous People: A Core Cities Prospectus for Growth*

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IPPR (2012) *Northern prosperity is national prosperity: A strategy for revitalising the UK economy*

http://www.ippr.org/images/media/files/publication/2012/12/northern-prosperity_NEFC-final_Nov2012_9949.pdf

IPPR (2013) *Rebalancing the Books: how to make the 2015 Spending Review work for all of Britain*,

http://www.ippr.org/images/media/files/publication/2014/01/rebalancing-the-books_spending-review-north_Jan2014_11674.pdf

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http://www.london.gov.uk/sites/default/files/Raising%20the%20capital_0.pdf

OECD (2006) *OECD Territorial Reviews: Competitive Cities in the Global Economy*, <http://www.oecd.org/regional/regional-policy/oecdterritorialreviewscompetitivecitiesintheglobaleconomy.htm>

Parkinson, M. et al (2013) *Second Tier Cities in Europe: in an age of austerity why invest beyond the capitals?*

http://www.ljmu.ac.uk/EIUA/EIUA_Docs/Second_Tier_Cities.pdf

Parkinson, M. (2013) *No Cities, No Civilisation* (an essay for Core Cities)

http://www.corecities.com/sites/default/files/images/publications/77651%20Core%20Cities%20M%20Parkinson%20Essay_WEB.pdf

ResPublica (2015) *Restoring Britain's City States: Devolution, public service reform and local economic growth*

<http://www.respublica.org.uk/wp-content/uploads/2015/02/Restoring-Britains-City-States.pdf>

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HM Treasury



SHEFFIELD CITY
REGION DEVOLUTION
AGREEMENT



HM Treasury



The Rt Hon George Osborne
Chancellor of the Exchequer

Cllr Sir Stephen Houghton CBE
Chair of Sheffield City Region
Combined Authority and Leader of
Barnsley Metropolitan Borough
Council

Cllr Julie Dore
Leader of Sheffield City Council

James Newman
Chair of Sheffield City Region
Combined Authority Local Enterprise
Partnership



HM Treasury



.....
Lord Jim O'Neill
Commercial Secretary

.....
Cllr Chris Read
Leader of Rotherham Metropolitan
Borough Council

.....
Deputy Mayor Glyn Jones
On behalf of Mayor of Doncaster
Metropolitan
Borough Council

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Sheffield City Region Combined Authority Devolution Deal

This document sets out the terms of a proposed agreement between Government and the leaders of the Sheffield City Region to devolve a range of powers and responsibilities to the Sheffield City Region Combined Authority and a new directly elected mayor. Building on the City Deal, agreed in 2012, the Growth Deals, agreed in July 2014 and January 2015 and initial Devolution Agreement, agreed in December 2014, this Devolution Deal marks the next step in the transfer of resources and powers from central Government to the Sheffield City Region.

The devolution proposal and all levels of funding are subject to the Spending Review and Sheffield City Region consulting on the proposals and ratification from the local authorities. This agreement is subject to the enactment of the necessary legislation (The Cities and Local Government Devolution Bill and the Buses Bill), and to parliamentary approval of the secondary legislation implementing the provisions of this agreement.

This agreement will enable Sheffield City Region to accelerate the delivery of its Strategic Economic Plan, strengthening its position as a world class centre for advanced manufacturing and engineering.

Summary of the proposed Devolution Deal agreed by the Government and the Sheffield City Region Combined Authority with the support of the Local Enterprise Partnership

A new, directly elected Sheffield City Region Mayor will act as Chair to the Sheffield City Region Combined Authority and will exercise the following powers and functions devolved from central Government:

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

The Sheffield City Region Combined Authority (SCR CA), working with the Mayor, will receive the following powers:

- Control of a new additional £30 million a year funding allocation over 30 years, to be invested to boost growth.
- Responsibility for chairing an area-based review of 16+ skills provision, the outcomes of which will be taken forward in line with the principles of the devolved arrangements, and devolved 19+ adult skills funding from 2018/19.
- Joint responsibility with Government to co-design employment support for the harder-to-help claimants, many of whom are currently referred to the Work Programme and Work Choice. SCR will also bring forward a proposal to pilot more intensive support for those furthest from the labour market.
- More effective joint working with UKTI to boost trade and investment, and responsibility to work with Government to develop and implement a devolved approach to the delivery of national business support programmes from 2017.

In addition:

- To support the development of the SCR Advanced Manufacturing Innovation District, the Government will offer the Sheffield City Region expert advice and support to ensure they are able to put forward a City Region led proposal to undertake a Science and Innovation audit.
- The Sheffield City Region will work with HM Government to achieve their ambitions for a national Institute for Infrastructure within Doncaster.
- HM Government will work with the Sheffield City Region Combined Authority to agree specific funding flexibilities to a Spending Review timetable. The joint ambition will be to give Sheffield City Region Combined Authority a single pot to invest in its economic growth.

Further powers may be agreed over time and included in future legislation.

Governance

1. Sheffield City Region (SCR) has taken bold steps in securing effective and accountable governance arrangements. The SCR Local Enterprise Partnership (LEP) was part of the first wave of LEPs established in 2010 and has been one of the strongest performers since then. The SCR was the first to submit plans for its Combined Authority under the Coalition Government, which was established in April 2014. The Combined Authority enables decisions on economic growth and development to be taken in an open and transparent way in one place for the whole of the SCR.
2. As part of this proposed agreement, the Sheffield City Region Combined Authority will adopt a model of a directly elected city region Mayor over the Combined Authority's area with the first elections in May 2017¹. The existing Sheffield City Region Combined Authority will also be strengthened with additional powers. This takes the next step in transferring resources and powers from central Government to the Sheffield City Region. There is no intention to take existing powers from local authorities without agreement. The agreement will protect the integrity of local authorities in the Sheffield City Region.
3. The directly elected Mayor for Sheffield City Region Combined Authority will autonomously exercise new powers. The Mayor will chair the Sheffield City Region Combined Authority, the members of which will serve as the Mayor's Cabinet. The Mayor and the Sheffield City Region Combined Authority will be scrutinised and held to account by the SCR Overview and Scrutiny committee(s). The SCR Mayor will also be required to consult the SCR CA Cabinet on his/her strategies, which it may reject if two-thirds of the members agree to do so. The SCR Cabinet will also examine the Mayor's spending plans and will be able to amend his/her plans, if two-thirds of the members who have been appointed by constituent councils agree to do so.
4. Proposals for decision by the Combined Authority may be put forward by the Mayor or any Cabinet Member. The Mayor will have one vote as will other voting members. Any questions that are to be decided by the Combined Authority are to be decided by a majority of the members present and voting, subject to that majority including the vote of the Mayor, unless otherwise set out in legislation, or specifically delegated through the Authority's Constitution.
5. The Sheffield City Region Mayor and the other members of the Sheffield City Region Combined Authority will be required to work closely together. Specifically:
 - a. the Mayor will provide overall leadership and chair Combined Authority meetings; and
 - b. the SCR Cabinet Model, where the leaders have a clear portfolio of responsibilities, will act as a supporting and advisory function to the Mayor and Combined Authority in respective policy areas.

¹ This will be based on the constituent members of the Combined Authority but can be extended to include any other members of the Combined Authority that change their member status from non-constituent to constituent.

- c. The Mayor will also be a member of the LEP, alongside the other members of the Combined Authority, recognising the importance of the private sector in any growth strategies or delivery.
6. The recent changes to strengthen the governance arrangements in the Sheffield City Region by formally establishing five Executive Boards that have delegated decision making powers from the Combined Authority, are expected to continue as part of this agreement.
 7. Economic growth is a shared endeavour and is vital in delivering the Northern Powerhouse ambitions. The Mayoral Combined Authority will continue to work very closely with HM Government for the benefit of the public.
 8. Sheffield City Region Combined Authority and Local Enterprise Partnership commits to work with partners across the North of England to promote opportunities for pan-Northern collaboration, including Transport for the North, to drive northern productivity and build the Northern Powerhouse.

Skills (19+)

9. The Government will enable local commissioning of outcomes to be achieved from the 19+ adult skills budget starting in academic year 2016/17; and will fully devolve budgets to the Sheffield City Region Combined Authority from academic year 2018/19 (subject to readiness conditions). These arrangements do not cover apprenticeships.
10. Devolution will proceed in three stages, across the next three academic years:
 - a. Starting now, the SCR Combined Authority will begin to prepare for local commissioning. It will develop a series of outcome agreements with providers about what should be delivered in return for allocations in the 2016/17 academic year. This will replace the current system of funding by qualifications as providers will receive their total 19+ skills funding as a single block allocation. This new arrangement will allow the SCR Combined Authority to agree with providers the mix and balance of provision that will be delivered in return for the block funding, and to define how success will be assessed.
 - b. For the 2017/18 academic year, and following the area review, Government will work with the SCR Combined Authority to vary the block grant allocations made to providers, within an agreed framework
 - c. From 2018/19, there will be full devolution of funding. The SCR Combined Authority will be responsible for allocations to providers and the outcomes to be achieved, consistent with statutory entitlements. Government will not seek to second guess these decisions, but it will set proportionate requirements about outcome information to be collected in order to allow students to make informed choices. A funding formula for calculating the size of the

grant to local / combined authorities will need to take into account a range of demographic, educational and labour market factors.

11. The readiness conditions for full devolution are that:

- a. Parliament has legislated to enable transfer to local authorities of the current statutory duties on the Secretary of State to secure appropriate facilities for further education for adults from this budget and for provision to be free in certain circumstances
- b. Completion of the Area Review process leading to a sustainable provider base
- c. After the area-reviews are complete, agreed arrangements are in place between central government and the Combined Authority to ensure that devolved funding decisions take account of the need to maintain a sustainable and financially viable 16+ provider base
- d. Clear principles and arrangements have been agreed between central government and the Combined Authority for sharing financial risk and managing failure of 16+ providers, reflecting the balance of devolved and national interest and protecting the taxpayer from unnecessary expenditure and liabilities
- e. Learner protection and minimum standards arrangements are agreed
- f. Funding and provider management arrangements, including securing financial assurance, are agreed in a way that minimises costs and maximises consistency and transparency.

Skills (16-18)

12. HM Government commits to an Area Based Review of post-16 education and training leading to agreed recommendations by February 2016. The outcomes of the Area Based Review will be taken forward in line with the principles of the devolved arrangements. The review will be chaired by the Combined Authority and will include all post-16 education and training provision in the initial analysis phase. Recommendations will be focused on General FE and Sixth Form Colleges, however the Regional Schools Commissioner and the relevant local authorities will consider any specific issues arising from the reviews for school sixth form provision.

13. To ensure continued local collaboration following the Area Based Review, the Sheffield City Region Combined Authority will work in partnership with local colleges and providers to publish a local skills strategy. This will aim to help ensure that post-16 providers are delivering the skills that local employers require. It is expected that the Combined Authority will then collaborate with colleges and providers, with appropriate support from EFA, to work towards that plan.

14. Following the Area Based Review, HM Government would expect the Regional Schools Commissioner to continue to engage with the Sheffield City Region Combined Authority to ensure local links and working are maintained.

15. HM Government will work with Sheffield City Region Combined Authority to ensure that local priorities are fed into the provision of careers advice, such that it is employer-led, integrated and meets local needs. In particular, the Sheffield City Region Combined Authority will ensure that local priorities are fed into provision through direct involvement and collaboration with HMG in the design of careers and enterprise provision for all ages, including collaboration on the work of the Careers and Enterprise Company and the National Careers Service.

Employment

16. Sheffield City Region Combined Authority will work with DWP to co-design the future employment support, from April 2017, for harder-to-help claimants, many of whom are currently referred to the Work Programme and Work Choice.
17. The respective roles of DWP and Sheffield City Region Combined Authority in the co-design will include:
 - a. DWP sets the funding envelope, Sheffield City Region Combined Authority can top up if they wish to, but are not required to.
 - b. Sheffield City Region Combined Authority will set out how they will join up local public services in order to improve outcomes for this group, particularly how they will work with the Clinical Commissioning Groups/third sector to enable timely health-based support.
 - c. DWP set the high-level performance framework and will ensure the support appropriately reflects labour market issues. The primary outcomes will be to reduce unemployment and move people into sustained employment. Sheffield City Region Combined Authority will have some flexibility to determine specific local outcomes that reflect local labour market priorities, these outcomes should be complementary to the ultimate employment outcome (for example in-work wage progression). In determining the local outcome(s) Sheffield City Region Combined Authority should work with DWP to take account of the labour market evidence base and articulate how the additional outcome(s) will fit within the wider strategic and economic context and deliver value for money.
 - d. Before delivery commences, DWP and Sheffield City Region Combined Authority will set out an agreement covering the respective roles of each party in the delivery and monitoring of the support, including a mechanism by which each party can raise and resolve any concern that arise.
18. In addition, in the event employment support for this group is delivered through a contracted-out programme, Sheffield City Region Combined Authority will co-commission the programme with DWP. the respective roles of DWP and Sheffield City Region Combined Authority will include:

- a. DWP sets the contracting arrangements, including contract package areas, but should consider any proposals from Sheffield City Region Combined Authority on contract package area geography.
 - b. Sheffield City Region Combined Authority will be involved in tender evaluation.
 - c. Providers will be solely accountable to DWP, but DWP and Sheffield City Region Combined Authority's above-mentioned agreement will include a mechanism by which Sheffield City Region Combined Authority can escalate to DWP any concerns about provider performance/breaching local agreements and require DWP to take formal contract action where appropriate.
19. In the event that alternative delivery mechanisms are put in place, comparable arrangements will be put in place.
20. Sheffield City Region will develop a business case for an innovative pilot to support those who are hardest to help. The business case should set out the evidence to support the proposed pilot, cost and benefits and robust evaluation plans, to enable the proposal to be taken forward as part of the delivery of this agreement, subject to Ministerial approval.

Housing and planning

21. The Sheffield City Region Combined Authority Mayor will also exercise strategic planning powers to support and accelerate these ambitions. This will include the power to:
- a. Create a spatial framework, which will act as the framework for managing planning across the Sheffield City Region, and with which all Local Development Plans will be in strategic alignment. The spatial framework will need to be approved by unanimous vote of the members appointed by constituent councils of the Mayoral Combined Authority. This approach must not delay any Local Development Plans, and will build upon the local plans being developed.
 - b. Create supplementary planning documents, subject to approval processes in paragraph 21a.
 - c. Create Mayoral Development Corporations, which will support delivery on strategic sites in the Sheffield City Region. This power will be exercised with the consent of the Cabinet member in which the Development Corporation is to be used.
 - d. Be consulted on and/or call-in planning applications of strategic importance to the City Region.
22. Sheffield City Region and HMG will continue to discuss the devolution of housing loan funds to a Spending Review timetable. Sheffield City Region intends to develop

further a proposition on a Housing Investment Fund, for discussion and development with HM Government.

23. HMG will work with Sheffield City Region to support the operation of the Joint Assets Board, and support better coordination on asset sales. This will include ensuring the representation of senior HMG officials on the Joint Assets Board, using that Board to develop as far as possible and consistent with the government's overall public sector land target, a joint programme of asset disposal using a portfolio approach, and to explore whether a right of first refusal for 28 days on all central government land and assets due for disposal can be developed that accelerates the pace of disposal. Through the Joint Assets Board, SCR and HMG will explore increased opportunities for using the public estate to generate low carbon energy.

Transport

24. The directly elected Mayor of the Sheffield City Region Combined Authority will be responsible for a devolved and consolidated local transport budget for the area of the Combined Authority (i.e. the areas of the constituent councils), including all relevant devolved highways funding, with a multi-year settlement to be agreed at the Spending Review. Functions will be devolved to the Sheffield City Region Combined Authority accordingly, to be exercised by the Mayor.
25. The directly elected Mayor of the Sheffield City Region Combined Authority will by 2017 exercise functions, devolved to the Combined Authority, for the franchising of bus services in the area of the Combined Authority, subject to local consultation. This will be enabled through a specific Buses Bill, to be introduced during the first Parliamentary session, which will provide for the necessary functions to be devolved.
26. This will help to facilitate the delivery of integrated smart ticketing across all local modes of transport in the city region, working as part of Transport for the North on their plans for smart ticketing across the North. This includes the production of a regional implementation plan for smart ticketing which Transport for the North will put forward to government by Budget 2016.
27. Government remains committed to the development of Phase Two of the HS2 network and will announce the way forward on Phase Two later this year.
28. Government is committed to building a Northern Powerhouse and remains strongly committed to the work by Transport for the North to identify and present to government a prioritised list of scheme options for the TransNorth rail enhancement programme and options for strategic road investment, including options for a new TransPennine Road Tunnel, by Budget 2016.
29. Government, in consultation with Sheffield City Region, will continue to explore options to give Sheffield City Region Combined Authority more control over the planning and delivery of local transport schemes, particularly in preparation for HS2. This could include changes to the way that Transport and Works Act Orders are

granted, if practical proposals for improving and speeding up the process are identified.

30. The directly elected Mayor of the Sheffield City Region Combined Authority will take responsibility for an identified Key Route Network of local authority roads that will be collaboratively managed and maintained at a city region level by the Sheffield City Region Combined Authority across the areas of the constituent councils.

Trade and investment

31. HM Government commits to strengthening support available for both trade and investment in the Sheffield City Region.
32. On co-location, HM Government will review the Inward Investment resource location of regional (IST) staff across the three levels of: Partnership Managers; Business development and Key Account Management teams, currently in 8 locations nationally. HM Government will also look at options for co-location, under UKTI/IST management, without harming the overall efficiency of the working of the investment model.
33. On governance, HM Government will set up a joint governance structure (or join an existing one), with quarterly meetings attended by a Director level representative from both UKTI investment and Sheffield City Region Combined Authority. These will provide a forum to discuss progress on co-location, and on account management activity by both parties in the region. HM Government will wherever possible also use this structure to review key decisions and initiatives planned and/or implemented by both parties, including building a better shared understanding of the inward investment opportunities available in the region.
34. On international links, HM Government will provide a strengthened partnership between locally delivered services and embassy/consulate contacts through project Matchmaker.
35. On the Great campaign, HM Government will explore what options exist for using a portion of GREAT campaign budget for overseas based activity aligned to Sheffield City Region sector strengths with delivery managed by UKTI Marketing teams with input and influence from Sheffield City Region Combined Authority. This activity should be supported by sector based resource in overseas posts who have been specially briefed to have a strong understanding of Northern Powerhouse and Posts who are Matchmaker partners for Sheffield City Region sector strengths.
36. HM Government will also work with Sheffield City Region to build attractive regeneration/ investment propositions.
37. On trade: HM Government will ring-fence trade services resource within Sheffield City Region, develop an agreed export plan with a dual key approach to activities and reporting on outputs and outcomes to Sheffield City Region. Ring fenced resource remains subject to departmental budget changes.

38. An export plan will be agreed between SCR and UKTI HQ which will allow SCR flexibility, such as a specific local sectoral focus for Passport to Export and mid-sized business schemes or a different mix of products.
39. HMRC will work with the Sheffield City Region Combined Authority to provide relevant trade statistics data, within existing data protection assurance frameworks and policies, to assist with understanding the City Region's export market.

Innovation

40. The Advanced Manufacturing Innovation District, centred around the Advanced Manufacturing Park is a nationally important asset and already delivers growth through innovation, productivity and high value employment. The City Region has an ambition to make the District world-leading – attracting investment and major industry to the area.
41. To support this HM Government will offer the Sheffield City Region expert advice and support to ensure they are able to put forward a City Region led proposal to undertake a Science and Innovation audit. This work will enable an evidence based approach to deepen the understanding of the City Region's Science and Innovation strengths and provide a new and powerful way to understand how to maximise the economic impact from the UK's research and innovation investment nationally. They will, for example, provide government with part of the evidence base on which to make decisions on catapults and could be used to explore how to further the Sheffield City Region's advantage in advanced manufacturing.
42. HM Government will also offer Sheffield City Region Combined Authority dedicated workshops with the Smart Specialisation Advisory Hub to help areas identify their innovation strengths.
43. Through utilisation of the additional resources in the single pot it is expected that Sheffield City Region Combined Authority will bring forward a set of ambitious proposals to enhance the Advanced Manufacturing Innovation District.
44. The Sheffield City Region will work with HM Government to achieve their ambitions for a National Institute for Infrastructure within Doncaster. The Sheffield City Region will take forward discussions with HM Government to explore the potential for alignment of the new National College for High Speed Rail (NCHSR) based in Doncaster with the new Institutes of Technology to help meet a wider set of national infrastructure challenges.

Business growth and support

45. HM Government agrees to continue to work with the Sheffield City Region to develop and implement proposals for a devolved approach to the delivery of national business support programmes from April 2017 onwards, subject to the

outcomes of the Spending Review, and in line with the Devolution Deal agreed in December 2014.

46. Government and the Sheffield City Region Combined Authority will agree a joint programme to create the right environment to drive the commercial rollout of ultrafast broadband. Government will also support the SCR Combined Authority to reinvest funds into creative solutions to supplying superfast broadband to the last 5%.
47. Building on the currently agreed Enterprise Zone geography, Sheffield City Region will receive additional Enterprise Zones and/or extension of existing zones, subject to the current bidding round for further Enterprise Zones.
48. The Sheffield City Region LEP has requested additional flexibility on the use of Enhanced Capital Allowances within its Enterprise Zones. The government is open to further discussion on this providing proposals are compliant with State Aid rules and are fiscally neutral.

Fiscal

49. HM Government is committed to working with the Sheffield City Region Combined Authority to achieve Intermediate Body status for ERDF and ESF for the Combined Authority. HM Government will work with Sheffield City Region Combined Authority to test whether it will be possible to implement and if so, HMG and SCR will work together to agree a timetable to put this in place.
50. HM Government agrees to allocate an additional £30m per annum of capital and revenue funding for 30 years, which will form part of and capitalise the Sheffield City Region Combined Authority single pot. This will fund key City Region priorities and will be composed of 60% capital and 40% revenue. The fund will be subject to 5-yearly gateway assessments to confirm the spend has contributed to national growth.
51. HM Government will work with the Sheffield City Region Combined Authority to agree specific funding flexibilities to a Spending Review timetable. The joint ambition will be to give Sheffield City Region Combined Authority a single pot to invest in its economic growth. This pot will comprise a flexible, multi-year settlement providing the freedom to deliver its growth priorities, including the ability to re-direct funding to reflect changing priorities, whilst upholding their statutory duties. This local freedom will be over a range of budgets to be determined by SCR and HMG in the run-up to and beyond the Spending Review, including as requested the Regional Growth Fund or its equivalent successor. HM Government expects to disburse this agreed settlement to the Sheffield City Region annually in advance.
52. The Cities and Local Government Devolution bill currently in parliament will establish the principles which will govern further prudential borrowing for combined authorities. Following Royal Assent, central government will consider how these powers could apply whilst ensuring no fiscal impact.

53. HM Government will pilot a scheme in Sheffield City Region Combined Authority which will enable the area to retain 100% of any additional business rate growth beyond expected forecasts. These pilots will begin in April 2016, subject to further detailed discussions between the Combined Authority and HM Government. HM Government will also discuss wider localisation of business rates with the Sheffield City Region Combined Authority.

Under this geography:

54. The Mayor for the Sheffield City Region will be elected by the local government electors for the areas of the constituent councils of the Sheffield City Region Combined Authority. The Mayor and Sheffield City Region Combined Authority will exercise the powers and responsibilities described in this document in relation to its area, i.e. the area of the constituent councils of the Sheffield City Region Combined Authority.

55. Funding that is allocated to the SCR LEP, now and in the future, will continue to be allocated on the basis of the existing overlap formula.

56. Additional funding or budgets that are devolved as a result of this agreement will go to the SCR Combined Authority.

57. The Sheffield City Region Combined Authority must exercise functions in relation to its geographical area. Accordingly, if any of the Combined Authority spend is on activities of projects outside of its area, those activities or projects must in some way relate to the area – for example, be for the benefit of the area; they may also relate to some other area. The Cities and Local Government Devolution Bill, subject to parliamentary approval, can enable combined authorities such as the Sheffield City Region Combined Authority to take on a broader set of functions than economic development, regeneration and transport, dependent on secondary legislation.

58. Under the Mayor model, it is not expected that the role of the LEP or private sector be lessened.

Sheffield City Region Combined Authority commitments

59. The Sheffield City Region Combined Authority is accountable to local people for the successful implementation of the Devolution Deal; consequently, HM Government expects Sheffield City Region to monitor and evaluate their Deal in order to demonstrate and report on progress. The Cities and Local Growth Unit will work with the Sheffield City Region to agree a monitoring and evaluation framework that meets local needs and helps to support future learning.

60. Sheffield City Region Combined Authority will work with HM Government to develop a full implementation plan, covering each policy agreed in this Deal, to be completed ahead of implementation. This plan will include the timing and proposed

approach for monitoring and evaluation of each policy and should be approved by the DCLG Accounting Officer.

61. The Sheffield City Region Combined Authority will continue to set out their proposals to HM Government for how local resources and funding will be pooled across the city region.
62. The Sheffield City Region Combined Authority will agree overall borrowing limits with HM Government and have formal agreement to engage on forecasting. Sheffield City Region Combined Authority will also provide information, explanation and assistance to the Office for Budget Responsibility where such information would assist in meeting their duty to produce economic and fiscal forecasts for the UK economy.
63. The Sheffield City Region Combined Authority will agree a process to manage local financial risk relevant to these proposals and will jointly develop written agreements with HM Government on every devolved power or fund to agree accountability between local and national bodies on the basis of the principles set out in this document.
64. The Sheffield City Region Combined Authority will continue to progress programmes of transformation amongst authorities to streamline back office functions and share more services and data, including on assets and property.
65. The Sheffield City Region Combined Authority will continue to adhere to their public sector equality duties, for both existing and newly devolved responsibilities.

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IPPR
NORTH

REPORT

THE
STATE
OF THE
NORTH
2015

FOUR TESTS FOR
THE NORTHERN
POWERHOUSE

Ed Cox
and Luke Raikes

October 2015
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ABOUT IPPR NORTH

IPPR North is IPPR's dedicated thinktank for the North of England. With its head office in Manchester and representatives in Newcastle, IPPR North's research, together with our stimulating and varied events programme, seeks to produce innovative policy ideas for fair, democratic and sustainable communities across the North of England.

IPPR North specialises in regional economics, localism and community policy. Our approach is collaborative and we benefit from extensive sub-national networks, regional associates, and a strong track record of engaging with policymakers at regional, sub-regional and local levels.

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SUMMARY

Since last year's first *State of the North* report (Cox and Raikes 2014), a particular term has very quickly become part of the English lexicon, and played a part in the Conservative victory at the 2015 general election.⁴ That term is the 'northern powerhouse'.

The government has excelled in being largely unspecific as to what exactly the northern powerhouse is – indeed, ministers have been criticised for not being able even to define its boundaries. However, issues of definition seem not to have halted the general enthusiasm for thinking and talking about the northern economy – and the great northern cities in particular – in very much more positive terms than have hitherto been used.

The chancellor has made clear that he sees the combined economic weight of the northern cities adding up to more than the sum of their parts, but that in order to achieve their potential they need much greater levels of autonomy in order to shape and drive local economic growth. So, as we publish this *State of the North 2015* report, the government is in the midst of negotiating as many as 38 'devolution deals' with city- and county-regions across the country, including 12 within (or which include parts of) the north of England.

Despite its general salience, the northern powerhouse narrative is not without its critics, not least those who fear that the economics of the powerhouse depend too heavily on wealth trickling down from the core cities. Others argue that public service reform – and health devolution in particular – is simply a smokescreen for privatisation and further public spending cuts. Furthermore, many consider the apparent imposition of directly elected mayors to be entirely undemocratic.

It is in this contested context, then, that this report asks a simple question:

How will we know whether the northern powerhouse is working?

In simple terms, standard economic metrics such as levels of economic growth and productivity paint an important picture. Yet they don't necessarily paint the full picture; neither are they always entirely helpful in planning for the future. For this reason, this *State of the North 2015* report is framed around four tests – prosperity for all, education and skills, investing in the future, and tackling the democratic deficit – alongside 11 unashamedly ambitious benchmarks, against which the success of the northern powerhouse agenda should be judged. Through them, it provides a vision for policymakers and practitioners of the kind of economy and society that the north of England is capable of becoming.

Test 1: Prosperity for all

The chancellor, in discussing the northern powerhouse, recognises not only the region's scale and potential but also its weaknesses. In terms of size alone, the north of England is indeed a powerhouse. Its economy is worth £289 billion – making it more than twice the size of Scotland's. Its population is 15.1 million, and its cities are growing faster than anywhere else in the UK outside London. It is home to one million businesses and 29 universities, and exports goods worth more than £55 billion each year.

⁴ <http://labourlist.org/2015/05/the-election-result-is-not-as-simple-as-a-north-south-divide/>

Beyond these facts, a fresh analysis of the data shows that the North's recent economic growth compares reasonably well to that of the UK as a whole, when London is excluded, and that despite an overall picture of low productivity, many parts of the North – both within and outside its major cities – are actually thriving.

However, too much of the region's potential is wasted. It has some of the lowest levels of productivity in the whole of Europe. An average worker in the North would, in effect, have to work more than 24 additional 35-hour weeks each year in order to generate as much economic growth as an average worker in London. Too much of its labour is underutilised, and the low incomes that result lead to high levels of poverty and disadvantage.

If the northern powerhouse is to be successful, economic powers must be devolved to allow northern businesses and policymakers to develop an economic model that supports more productive, resilient and sustainable growth: jobs that pay well, prosperity that is shared, and opportunities for all. This does not mean simply adopting the 'London model' in northern cities, which would be unlikely to build the prosperity that the North needs – and indeed would be likely to lead to widening inequalities. Instead, it means finding a more equitable balance between productivity, employment rates and wages. Evidence suggests that raising productivity and employment simultaneously can be challenging, and that in most situations the two are antagonistic. However, this has been achieved in recent periods of UK history. In order to stand the best chance of achieving this ambitious goal, significant initiatives to raise skill levels, and investment in infrastructure and research and development, are needed.

For this reason, our first test can be articulated as follows.

The northern powerhouse must generate a better type of economic growth which combines rising productivity with more jobs and higher wages for all.

We will know that we are making progress towards this goal when three related conditions are met.

First, we need to **halve the productivity gap between the North and the UK as a whole**. If the national rate of productivity growth to 2020 continues up to 2025, to achieve this the North will need to increase labour productivity by £8.50 per hour by that point, which would mean an annual increase of 2.3 per cent each year. Increased productivity is a necessary precondition, albeit not a sufficient basis, for northern prosperity.

Second, we need to **reach an employment rate of 75 per cent, and halve the gap with the national 'full employment' rate**. This will require 600,000 new, good quality jobs.⁵ Dolphin and Lawton (2013) propose that the UK should target an employment rate of 80 per cent, a figure that is more in line with the performance of comparable economies. While ideally this would mean all regions of the UK attaining this rate, we suggest the more realistic goal of halving the gap between the North's current rate and the desired 80 per cent rate.

However, job creation alone will not be enough. Given the entrenched worklessness that has persisted over the long term, and the more recent epidemic of low pay and underemployment, policymakers must do everything within their power to ensure that jobs are of sufficient quality, and are accessible to those who need them.

So, third, we need to **reduce the proportion of people on low pay⁶ in the North to at least the national average**. Two very clear lessons that emerge from the experience of recent years are that work is no longer a route out of poverty, and

⁵ These figures use the working-age population forecast for 2025 as their basis.

⁶ Defined as less than two-thirds of gross median hourly pay for all workers.

that rising productivity and economic growth do not automatically feed through into higher pay. Furthermore, high wages can, in the right circumstances, feed through to better progression for employees and higher productivity for employers. While interventions by policymakers, at both the local and national levels, have made a difference at the margins – through living wage policies, for example – devolution offers opportunities to grapple with some of the structural issues around the ‘low-skill equilibrium’, which acts as a drag on pay and progression.

Test 2: From early years to higher skills

It may be a cliché to say that any economy’s greatest ‘asset’ is its people, yet it is also very true. We know that a workforce’s skills are the most critical factor in raising economic productivity – more so than transport and other forms of infrastructure. Yet a highly skilled workforce must be built on firm foundations. For the northern powerhouse to succeed, it must sow the seeds of its future sustainability and success by ‘starting young’.

Therefore, a key test of the northern powerhouse must be the extent to which it invests in the skills of the region’s population. This means taking a long-term view by prioritising early years provision, and working constantly to align labour supply and demand in a complex and dynamic labour market.

From the original analysis of data presented in this report, three distinct points stand out.

- **Social and economic ends are inseparable** – providing citizens with a high standard of education is a good in its own right, but it is also an essential means of ensuring that the current and potential labour force has the ‘human capital’ and skills that the economy needs in order to grow.
- **London’s early years and broader education attainment shows what can be achieved with investment and targeted public policy** – especially for the most deprived. There is an 12-percentage-point ‘early years gap’ between the performance of the poorest children under the age of five in London and those in the North.
- Alongside investing in the skills of the current and potential workforce within the North, **the economy will need to continue attracting migrants from inside and outside of the UK if it is to prosper.**

Much needs to be done in order to meet our ambitions in the area of education and skills, but the northern powerhouse’s success in this area can be judged against our second test, which is as follows.

The northern powerhouse must liberate the potential of its greatest asset – its people – through huge improvements to the development of skills, starting with the very youngest.

We will know that we are making progress when the following benchmarks are reached.

First, the North must **catch up with the national rate of early years attainment for under-5s, with a focus on the most deprived**. The North’s relatively poor attainment in early years stands in stark contrast to attainment nationally. Furthermore, the very poorest children in London outperform even those in the North who are far less deprived. While poverty is an important factor, this gap serves to highlight the potential for policy to make a difference. The North is lagging behind, and it must improve faster – closing the gap with the country as a whole – if it is to embed prosperity for future generations.

Second, we must **close the gap in GCSE attainment, in terms of the number of pupils achieving five or more GCSEs including English and maths, focussing particularly on deprived young people**. The North's poor performance at GCSEs (1.9 percentage points worse than England as a whole) is driven by poor attainment among its most deprived young people (3.1 percentage points worse).

And third, the North needs to **meet the projected demand from employers for skilled workers qualified to QCF level 3 and above**. Projections indicate that there will be demand for more than 2.4 million people qualified to QCF level 3 or higher by 2022.

Test 3: Investing in the future

The northern powerhouse not only needs investment in its people, it also needs investment in innovation, in research and development, and in its creaking infrastructure. Decades of underinvestment have left the North's economy failing to meet its potential – and, as a consequence, fewer skilled people are attracted to and stay in the region.

The original One North plans for improving transport connections between and within the great northern cities, now being developed under the auspices of the new Transport for the North body, have galvanised action across the north of England, and represent the most visible manifestation of a fresh commitment on the part of policymakers and political leaders to collaborate in order to bring about change.

However, as our new analysis of the data shows, actual investment in the northern powerhouse falls a long way short of the rhetoric, and there is little sign that this is about to change. The relationship between public and private investment is critical in this context.

Government very often makes the case that to invest in certain areas or industries would be to interfere with, or prop up, a failing market. However, when it comes to investment in research and development in the North, the government is failing to keep pace with both the market and the rate at which it itself is investing public funds in the North's assets and its economic future. Alongside this, it is evident from big infrastructure projects like Crossrail that private investment is unlikely to be made unless and until government has committed large sums of public finance to getting such schemes off the ground. In the case of the northern powerhouse, high-profile trips to Malaysia and China have their place, but to unlock inward investment of this nature, the government itself must invest in – or at least provide guarantees for – major infrastructure projects.

In 2015, IPPR North argued that we need to see a doubling of government investment in research and development activity in the north of England, to the point where the proportion of government investment in research and development in the North matches that made by the private sector. Furthermore, starting with the spending review in November, the chancellor must make a step-change commitment to large-scale capital investment in infrastructure in the North, such that by the beginning of (rail) control period 6 and roads investment strategy 2, the government will be committed to at least £50 billion of public investment in northern infrastructure which can be used to leverage greater private investment.

Our third test is, then, as follows.

The northern powerhouse must involve investment in future success, particularly in terms of enabling innovation and building the infrastructure we need for the 21st century and beyond.

We will know that we are making progress towards this goal when we achieve two further benchmarks.

First, levels of investment in research and development in the North should match those of the very best regions in Europe. Research and development intensity – measured as a proportion of GDP – is currently at around 1 per cent in the north of England. In order for it to enter the top quartile of European regions, this would need to rise to around 1.3 per cent.

Second, levels of commuter travel between the major cities of the north of England should reach the levels we would expect to see in similar metro-regions in Europe. It has been estimated that, as things stand, levels of commuter travel between Manchester and Leeds are 40 per cent less than might reasonably be expected. The plans currently being developed by Transport for the North are expected to be transformational in this regard, creating a much broader labour market geography than we have currently.

Test 4: Tackling the democratic deficit

The devolution of powers is a key plank of the thinking behind the northern powerhouse. Devolution deals have recently been negotiated with a number of the North's biggest city-regions, with the intention of providing them with the powers and freedoms to enable more localised approaches to driving economic growth and making public services more efficient and effective. The northern powerhouse agenda has, however, also become synonymous with the government's attempts to coerce big cities into adopting directly elected metro mayors. The thinking behind these moves is that as powers are devolved, so too must local political leadership be exposed to greater transparency and accountability, and also that metro mayors often exemplify strong civic leadership in driving transformation and change.

What seems to be less recognised or explicit is the potential for devolution to stimulate democratic engagement and innovation from the bottom up. The apparent imposition of metro-mayors, and the manner in which devolution and deal-making has been conducted, is considered by some to be an affront to the democratic process, and has clearly soured rather than stimulated and renewed the relationship between citizens and their representatives. Yet establishing a new democratic settlement appears critical to the long-term success and sustainability of the northern powerhouse project.

In the general election of 2015, voter turnout across the whole of the North was 64.4 per cent – slightly less than the overall rate of 66.9 per cent.⁷ However, this turnout was far from uniform across the region, ranging from a low of 53.6 per cent in one constituency in the North East to a high of 77.0 per cent in one constituency in Yorkshire and the Humber. One of the reasons why people don't vote is that they feel their vote won't change anything. Polling on this issue shows that the North East and Yorkshire and the Humber fare very badly compared with other regions: it found that around 80 per cent of people in both regions felt that people like them had no say over what the UK government does.

However, perhaps more significant for the northern powerhouse is the fact that a greater proportion of people in the North East and Yorkshire and the Humber, relative to the national average, felt that they had little say over what *local* government does either. Furthermore, in those same regions, people are more unhappy about the power imbalance between central and local government than the national average. Even in the North West, where people are less concerned about the issue, still one in three feel that the split between central and local powers is imbalanced.

⁷ Total vote turnout (including postal votes rejected and votes rejected at count).

If the northern powerhouse is to come to be considered a democratic success, we would expect to see growing satisfaction with the balance of power between central and local government, as well as rising levels of public efficacy and turnout in both national and local elections. Our fourth, democratic test is as follows.

The northern powerhouse must rejuvenate local democracy by giving people a genuine involvement in the way the north of England is run.

Our democratic benchmarks for the northern powerhouse can, therefore, be framed as follows.

The proportion of people who feel that the balance of power between central and local government is 'about right' should increase to at least the national average in every northern region. Given the recent Scottish experience, this will require not only the ongoing devolution of powers but also a much greater sense of local political leadership and autonomy without the interference of Westminster.

Levels of public influence and efficacy in the northern regions, particularly at the local level, should rise above the national average, such that more than a third of people feel that they have a real say over what their local authority does. Once again, this will involve the government returning powers over the economy and public services to local and combined authorities, and the roles and responsibilities of their city leaders and metro mayors becoming much more visible and transparent to the public.

At least half of the electorate should exercise their right to vote in mayoral elections in northern cities. There has been considerable debate about the necessity and merits of directly elected mayors for the newly-formed combined authorities, and the growing number of devolution deals that have been wedded to them. However, if they are to garner the mandate and authority that government believes they should, then high turnout will be an absolute prerequisite.



At the beginning of this new parliament, and with the northern powerhouse in the ascendancy, our ambition for this report is not so much to provide detailed policy prescription as it is to set out something of a vision for what could be achieved for and by the people of the North. Many of the policy prescriptions necessary to achieve these benchmarks are set out in IPPR North's back-catalogue of work – and we will continue to identify more and better ideas for the future. We offer them, in a spirit of optimism and ambition, to stoke new thinking within the burgeoning northern powerhouse debate.