

SHEFFIELD CITY COUNCIL

Overview and Scrutiny Management Committee

Meeting held 10 December 2015

PRESENT: Councillors Cate McDonald (Chair), Sue Alston, Steve Ayris, Tony Damms, Pat Midgley, Chris Rosling-Josephs, Jack Scott, Geoff Smith, Keith Davis and Aodan Marken

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received and substitutes attended the meeting as follows:-

Apology

Substitute

Councillor John Booker
Councillor Sarah Jane Smalley

Councillor Keith Davis
Councillor Aodan Marken

2. EXCLUSION OF PUBLIC AND PRESS

2.1 No items were identified where resolutions may be moved to exclude the public and press.

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. PUBLIC QUESTIONS AND PETITIONS

4.1 Members of the public raised questions and the following responses were provided:-

4.1.1 Nigel Slack

- (a) Can this Committee reasonably be expected to pass judgement on a deal that is still under negotiation?
- (b) Can this Committee reasonably be expected to pass judgement on a deal without evidence from the public consultation?

The Chair stated that the discussion and debate at the Committee meeting was an important democratic part of the Council's local consultation activity on the proposed agreement. The role of the Committee was to scrutinise proposals, and the Committee would be able to do this by listening to the comments and view of the independent witnesses. The Committee would not be making a decision on this issue, but would be asking challenging questions of the witnesses. The comments, views and thoughts of local people offered through the consultation would be included when the proposed Devolution Agreement was discussed at full Council.

4.1.2 Alan Kewley

(a) Election Process

(i) Who decides the election process – Local or Central Government?

The Chair stated that the proposed election process for the City Region Mayor would be decided by Central Government. The details of the proposed elections were set out in the Cities and Local Government Devolution Bill, which was currently moving through Parliament. It was expected to receive Royal Assent early in 2016. Amendments to the Bill were still being considered by Government and therefore, some of the proposals may be subject to change.

(ii) 'First past the post' or 'transferable votes' until the winner has 50%?

The Chair stated that again, this was set out in the originally tabled version of the Bill, which suggests – First Past the Post Voting - if there are two or fewer candidates and people would have one vote and Supplementary Vote System – if there were three or more candidates with voters given a first and second preference vote.

(ii) Term of office – how many years?

The Chair stated that, as set out in the Bill, the Secretary of State would introduce an Order to Parliament defining the terms of office of a Mayor, along with the dates of elections and the intervals between elections.

(b) During Term of Office

(i) How would the Mayor be held accountable?

The Chair stated that this was set out in the Sheffield City Region Devolution Agreement and the Cities and Local Government Devolution Bill, and stated that there would be direct elections, the City Region Overview and Scrutiny Committee would oversee the role, the Mayor's strategy would be to be subject to consultation with the Sheffield City Region Combined Authority (SCRCA) and the SCRCA could reject the strategies with a two thirds majority, and the Mayor's budget could be amended with a two thirds majority of the SCRCA.

(ii) Call-in procedure – e.g. could 'no confidence' vote by a SCR Scrutiny Committee?

The Chair stated that the Sheffield City Region had existing scrutiny arrangements, but the Cities and Local Government Devolution Bill would set specific requirements. There were no formal powers to hold a "no confidence" vote, including for local government scrutiny. However, this would not necessarily prevent a scrutiny function from making a statement indicating "no confidence" in a decision or people making that decision, but this would not result in any formal process.

4.1.3 Martin Brighton

Is it not the issue that, in keeping with the majority that voted for no elected Mayor, we should not be discussing the terms and remit of an elected Executive Mayor that the people have rejected?

The Chair stated that she was confident that this issue would be addressed in the course of the meeting, through the contributions of witnesses. Mr Brighton indicated that he was satisfied with this approach.

4.1.4 Peter Hartley

- (a) Who is the head or acting head of the Sheffield Benefits Service, what is their e-mail address and do the employees of the Service work for, or get paid by, Capita or Sheffield City Council?
- (b) Why are members of the public no longer able to follow Parliament in public libraries?

The Chair stated that she would refer the above questions to relevant Council officers and ensure that a written response was sent to Mr Hartley.

5. SHEFFIELD CITY REGION'S PROPOSED DEVOLUTION AGREEMENT

5.1 The Committee received a report of the Policy and Improvement Officer setting out details of the reasons behind, and the plans in respect of, this meeting, which was being held to consider the Sheffield City Region's Proposed Devolution Agreement, and would do so by looking at 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?

5.2 The report contained background information and evidence comprising a report of the Council's Director of Policy, Performance and Communications, providing an overview on the proposed Devolution Agreement, the Sheffield City Region's Proposed Devolution Agreement and a summary of the IPPR North (Institute for Public Policy Research) document "The State of the North 2015: Four Tests for the Northern Powerhouse". As part of the meeting, the Committee would hear from a number of witnesses, giving a range of perspectives on the proposed Agreement, including:-

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

- External Perspective – Ben Harrison (Director of Partnerships, Centre for Cities)

5.3 The Chair reported on the format for the meeting, stating that this Committee would not be making a decision for or against the proposed Devolution Agreement, but that details of the comments and views arising from the meeting would be taken into consideration by the Council, who would make a decision at its meeting to be held on 3rd February, 2016.

5.4 The Committee received comments from the following witnesses:-

5.4.1 The Sheffield City Council Perspective

(a) Councillor Julie Dore

Councillor Dore stressed that it was only a proposed deal at the present time and nothing had been agreed or signed with the Government. A copy of the proposed Sheffield City Region (SCR) Devolution Agreement had been circulated to all Members of the Council, together with a summary briefing paper, providing an explanation as to what the Agreement would mean for the SCR. The proposed Agreement was the result of negotiations between SCR and the Government, based upon an initial request from SCR for new economic powers to be devolved to the City Region. SCR have argued that local politicians were better placed to understand the opportunities and challenges of the local economy than Ministers and civil servants in Whitehall. SCR made important initial steps under the last Government, agreeing some devolved powers through a City Deal, a Growth Deal and a 'mini' Devolution Deal. These marked the start of a process whereby more and more powers were devolved to local places. Councillor Dore stated that the latest proposed Devolution Agreement would lead to a continuous programme of devolution, which would hopefully deliver huge benefits for the City Region's economy. In terms of the proposed Agreement, she stated that the present terms offered SCR the best possible deal it could achieve at this time. However, SCR would continue to push for further devolution, where it would deliver better results for the local economy. Councillor Dore stressed the importance of the consultation, indicating that it needed to be meaningful and well-informed, and there was a need for clarity in terms of how the feedback from this meeting, and with regard to the whole consultation, was used in connection with the final decision taken on residents' behalf.

(b) John Mothersole

Mr Mothersole stated that whilst the content of the proposed Agreement had to be right for the City, and that what SCR was asking for needed to be fair and realistic, it was more important, at the present time, to focus on the concept of the Agreement. He stressed the importance of reaching the proposed Agreement, which would then provide opportunity for the City Region to further develop the existing contents and push for more devolved powers in future. SCR had been successful in securing long-term funding for economic growth and transport, the offer in the proposed Agreement on housing was not as much as the City Region

would like, and the offer regarding 16-18 vocational skills was not sufficient. If the proposed Agreement was signed, the City Region intended to push for further powers and funding in these two areas with the Government. The City Region had every confidence in being successful in these two areas on the basis that there was proof that there was an inadequate number of houses in the Region, and that employers were not satisfied in terms of the offer made with regard to 16-18 vocational skills. SCR would continue to push for further powers and funding, but the content of the Agreement, as it stood at the present time, would benefit the City Region hugely. Mr Mothersole concluded by stating that the Government had made it clear that it wanted economic growth in the North and also wanted a City Region Mayor.

(c) Members of the Committee raised questions on the Sheffield City Council perspective, and the following responses were provided:-

- The two-tier nature of the proposed Agreement in terms of the District Councils in Nottinghamshire and Derbyshire, had been identified as a potential issue. The full SCR area was not only the preferred geography, but was also the City Region's functioning economic geography, and SCR would continue to push for changes to enable those districts in the East Midlands to join SCR Combined Authority as full constituent members if they should wish to do so. There had been excellent relationships between all of the Councils during the last four to five years. A recent Government-backed amendment to the Cities and Local Government Devolution Bill would enable the District Councils in the East Midlands to become full members of the SCR Combined Authority without the need for agreement from their respective County Councils. The main focus of Sheffield City Council was to secure membership that represented the full functioning economic geography of the City Region.
- The content of the proposed Agreement was very clear, and all the details contained therein, relating to all the component parts, were publically accessible. The SCR was happy to back the proposed Agreement as it provided an opportunity to 'lock down' a deal ahead of the Government's Autumn Statement. The proposed Agreement was considered to be the best offer available to SCR at this time, accepting that there were some areas that needed further work, such as housing, 16-18 skills and governance arrangements. The Government had listened to the City Region's views regarding geographical issues, ie amendments to the Cities Bill, and SCR would continue to make the case to establish a coherent post-16 skills and training system in the City Region.
- If the elected Mayor model was agreed, it was likely that an allowance, which would comprise a revenue element of the £30m, would be made for the Mayor's office and operating costs, in addition to the current costs of operating Sheffield City Region.
- The veto issue regarding the elected Mayor was being worked on and, with Government agreement, could be considered as part of the SCR's development of a new Constitution.

- Any strategic planning issues taken by the SCR would be done so on a unanimous basis.
- The location of the HS2 station was not a strategic planning issue. It was fundamentally about maximising economic benefits, growth and jobs for the City Region.
- With regard to an amendment to the Government's Bill on the geography of their own regions, all the Authorities would be involved in the discussions regarding future plans for SCR. All the District Councils in SCR have indicated that they fundamentally wish to remain in the City Region.
- There had been consultation on devolution for the last few years and most people had made it clear that there has to be clarity with regard to the individual authority's powers and accountability.
- Whilst the SCR could request more funding and pursue further negotiations for devolved power, the ultimate power remained with the Government. The Government had invited devolution proposals from authorities all over the country, and had struggled to re-engage with the SCR until recently. Officers in the SCR and Whitehall need to continue to develop the detail that underpins the proposed "heads of terms" Agreement. It was very likely that a decision on the Agreement would be made, in February 2016, prior to all the detail being agreed.
- The initial funding of £30m would be additional money for the SCR, and the Region would have to be mindful that they should not be expected to take on any further powers without receiving the relevant funding to allow them to do so.

5.4.2 The City Region Perspective

(a) Councillor Sir Steve Houghton CBE

Councillor Houghton stated that, whilst there were a number of issues that needed resolving, the proposed Agreement provided a good opportunity for the SCR. The SCR had put forward an argument for devolution several years ago, so it was considered important to accept the current offer, and work to resolve any outstanding issues. He considered that this was the start of a long journey, with a considerable amount of work still to do, and hoped that there would be further stages in the future, whereby the SCR would receive further funding from the Government.

He believed that the offer on the table at the present time builds upon the progress made in the City Deal in 2012, Growth Deal in 2014 and the Devolution Deal in 2014. The proposed Agreement puts the SCR in a very advanced position, with access to long-term economic investment, which would be a first for the City Region. In the past, the SCR had only agreed short-term deals, between two and five years, but this Agreement would not only result in the Region receiving an initial £30m, but would provide an opportunity for further funding in the future.

Councillor Houghton stated that the proposed Agreement was particularly important following the announcement by the Chancellor of the Exchequer relating to the possibility of local authorities being funded in future by Business Rates and Council Tax, emphasising why it was vitally important to grow the City Region's economy.

(b) Martin McKervey

Mr McKervey reported on the benefits of the proposed Devolution Agreement from a private sector perspective, indicating that there was a strong feeling in the sector that such an Agreement would have huge benefits to the SCR, and that it has come at a crucial time. At the present time, SCR has a population of approximately 1.8 million and there were approximately 700,000 jobs. The Agreement would provide the SCR with the tools to improve the local economy, which was critical as SCR needs around 70,000 more jobs, 6,000 more businesses and needs to grow its Gross Added Value (GVA) by £1.3 billion over the next 10 years. The Agreement provides an excellent opportunity for the City Region to be able to achieve this.

Mr McKervey stated that it was vital that every young person was given the best opportunity to succeed in terms of education and employment, and stressed the need for all parties and sectors to be confident in terms of achieving economic success. He also stressed the need for the private sector to work closely with the public sector to achieve this, and reiterated a strong belief that decisions were better when made locally, and that the Government did not always make decisions with the best interest of localities at heart. The Agreement would provide an excellent opportunity for the SCR to change the dynamic in terms of local decision-making, and provide the chance to shape and control the City Region's future direction, particularly with regard to skills, business growth and transport, which were major drivers in terms of economic growth. In terms of the proposed Elected Mayor model, Mr McKervey stated that this would provide a framework within which all partners must work together.

(c) Members of the Committee raised questions on the City Region perspective, and the following responses were provided:-

- Previous regional arrangements, such as Yorkshire Forward, did not provide the SCR with the same level of powers that the proposed Devolution Agreement would. The proposed Agreement would result in much wider decision-making and investment control locally. The Agreement would also provide an opportunity for joining up a number of different programmes across the Region.
- As regards the non-constituent members of the SCR Combined Authority, ie the East Midlands districts, whilst not being able to speak on their behalf at this meeting, the Government's amendments to the Cities and Local Government Devolution Bill would give them the power to decide whether to become full or "constituent" members, which must be a positive step.
- There were arguments for and against the model of the elected Mayor, and it

was considered that if the Government was not going to move on this issue, it was more important that SCR received the investment, and the accompanying devolution powers.

- There was a desire, on the part of the private sector, for a strong business community, business growth and improved transport links, and it was considered that by signing the proposed Agreement, this would provide an opportunity for SCR to achieve these goals in the future.
- The view of the private sector was against having an elected Mayor, but it was appreciated that the most important thing was to make the most of this opportunity and move on.
- Whilst it was accepted that the investment and heads of terms in respect of a number of the policy themes were fairly modest, it was not considered that SCR was being set up to fail as it was just as much in the Government's interest for the devolution proposals to be successful. This was considered as the starting point, and further negotiation could result in improved investment for the SCR.
- Whilst it was accepted that the promised investment in terms of infrastructure was not proportionately as much as provided in London, again, it was considered as a good start, and further negotiations could result in additional funding in this area. 40% of the funding allocation was revenue funding, and efforts were being made to see if this could be used for borrowing and leveraging additional funding. There was a need to be creative and inventive in terms of how the funding was invested. The view of the private sector was that it does not consider that SCR was being set up to fail by the Government, and again, whilst it was accepted that £30m a year was not enough to deal with all the issues, it was a start, and the SCR could build on this momentum.
- It was very important that young people had the necessary skills when entering the job market, and if they had the relevant skills, this would have huge benefits for economic growth in the SCR. There was a huge desire within the business community to help deal with the skills shortage. The proposed Agreement would provide an opportunity for people in the SCR to be able to access the type of training they need to get jobs, further their careers and increase their incomes. There were positive signs in terms of how the business community and the universities were working together, particularly in connection with the retention of graduates in the city and engagement in the management sector in connection with the importance of apprenticeships and the creation of opportunities for children leaving school. It was acknowledged that the city was not going to attract inward investment unless there was a good skills base.

5.4.3 An External Perspective

(a) Ben Harrison

Mr Harrison stated that he had been a keen supporter of devolution over the last few years, as well as being an advocate for the benefits of City Region Elected mayors. The proposed Agreement had provided an opportunity for locally elected representatives to respond to the Government and it was a good base on which to build on. Although not all senior Government figures were in favour of the devolution proposals, a number had championed the proposed Agreement. The direct accountability of a City Region elected Mayor was considered very important, as it provides direct accountability, and the ability to champion a given area.

Most importantly, the proposed Agreement focuses on the main economic drivers of the Combined Region, and will be important for the national economy, as well as at a local level. In terms of future local government funding, it was becoming ever more important for city regions to have control of the drivers of growth and be able to invest in local economic priorities. The ability to invest for the long-term was a very important step in terms of delivering long-term change, and the proposed Agreement should be viewed as the next step in a long journey. Mr Harrison referred to the Greater London Authority (GLA), indicating that the functions included as part of the present Agreement were very different to how it was when the GLA was first established, and that the GLA was able to take on strategic functions, such as housing.

He concluded by stating that if all the authorities signed up to the Agreement, there would be a need for comprehensive discussions in terms of future funding, as well as on geographical and governance issues.

(b) Members of the Committee raised questions, and the following responses were provided:-

- As part of future negotiations, there were likely to be changes and more detail developed underneath the heads of terms in the proposed Agreement, as well as the need to resolve the outstanding issues regarding geography and governance. It was also important for SCR to ensure that the Government did not retract on any of the promises it had made as part of the Agreement. It was acknowledged that there would be a need for a degree of equalisation to address imbalances across the country as fully localised Business Rates become a major part of local government funding in the future.
- There was a need to be able to pool resources across the SCR and push for further fiscal devolution.
- Whilst SCR was not the biggest city region, it was an important part of the northern and wider UK economy. Improved links to London remain important, as well as fast connections to other cities.
- Cities are the driving force of the national and global economy and therefore, the different areas of SCR would play different roles within the success of the local economy. As the big city in the City Region, a thriving Sheffield would result in benefits for the other places.

5.5 In conclusion, the Chair confirmed that a decision on the proposed Agreement would be made by the Council at its meeting to be held on 3rd February 2016.

5.6 RESOLVED: That the Committee:-

- (a) noted the contents of the background information and evidence submitted at the meeting, together with the comments made by the five witnesses and the responses to the questions raised;
- (b) expressed its thanks and appreciation to the five witnesses for attending the meeting; and
- (c) requests the Policy and Improvement Officer, in consultation with the Chair, to draft a brief note of the discussion, to feed into the February, 2016 Council meeting and to circulate the note to members of the Committee.

(NOTE: Further to the resolution, the draft briefing note drawn up by the Policy and Improvement Officer, in consultation with the Chair, is set out below:-

The Overview and Scrutiny Management Committee met on 10th December 2015 to scrutinise the proposed Devolution Agreement between Sheffield City Region (SCR) and Government. It approached this through two broad questions:-

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

The Committee took evidence from the following five witnesses:

- The Sheffield Perspective:
 - (1) Cllr Julie Dore, Sheffield City Council Leader
 - (2) John Mothersole, Sheffield City Council Chief Executive
- The Sheffield City Region Perspective:
 - (3) Cllr Sir Steve Houghton CBE, Chair, Sheffield City Region Combined Authority
 - (4) Martin McKervey, Local Enterprise Partnership Board Member
- The National Perspective
 - (5) Ben Harrison, Director of Partnerships, Centre for Cities

Following questions and discussions with the witnesses the Committee drew out the key themes of what it had heard and made conclusions.

Key Messages

Below are the key messages that the Committee heard from each witness.

Cllr Julie Dore stated that negotiations are still taking place with government and she believed the 'offer' put by government was the best that could have been achieved at that point in time. Devolution is not 'new' and the Core Cities have been asking for devolution of powers for a number of years. Councillor Dore also stated her concerns about the proposed governance arrangements. Progress had been made in removing the veto of County Councils, thus enabling district councils to become full constituent members of city regions. However, it was not yet clear how many of the current district council members of Sheffield City Region would commit themselves to this option. She also expressed concerns about the proposed powers of an elected SCR Mayor. In her view, the current proposal to give the Mayor a veto was unacceptable and little progress had been made in resolving this issue with Government.

John Mothersole suggested the Committee could think of the proposed deal as concept and a step towards broader devolution. The proposed deal will help give the Sheffield City Region the 'tools to do the job.' It is primarily an economic deal based on the Sheffield City Region's Strategic Economic Plan, which was widely consulted 18 months ago as it was developed. Housing and skills for 16-18 year olds were identified as two 'missing areas' on which the Sheffield City Region needs to go back to government with requests on. The timetable for the proposed deal was driven by central government and it should not be viewed as a 'pick and mix' package.

Cllr Sir Steve Houghton reiterated the point that the proposed deal was an amazing opportunity for Sheffield City Region, assuming that the remaining issues can be sorted out, and that the proposed deal should be viewed as part of a devolution journey. The Sheffield City Region has expressed a desire for devolution in principle, and the proposed deal keeps the Sheffield City Region at the forefront of change. The proposed deal would involve Sheffield City Region controlling long term investment for the first time ever, and enable Sheffield City Region to borrow for infrastructure investment against the funding it would receive as part of a deal. It would also enable Sheffield City Region to grow business in the area to generate income for services.

Martin McKervey outlined that the deal creates an environment for success to happen. He went on to say he believed that the deal is important for the business community and comes at a crucial time. Mr McKervey expressed optimism about the collective ability of Sheffield City Region to shape and control its future.

Ben Harrison explained that Centre for Cities are keen supporters of devolution and of the benefits an elected mayor can bring. He felt the response in a limited time to get to a Heads of Terms document is impressive, but also noted that it needs to be recognised that not all central government departments are on board with devolution. The point that the deal should be viewed as a step on a devolution journey was reiterated. Mr Harrison also suggested identifying bigger conversation

that would need to take place, including pooling business rates across Sheffield City Region and which other economic taxes could be devolved to Sheffield City Region.

Key Themes

- There is little political or public support for an elected mayor for SCR per se, but it needs to be seen as part of a deal with Government ;
- There is strong support for devolution and greater autonomy for city regions
- The proposed deal is part of a devolution journey and is not an end point in itself.
- There remain significant unresolved issues:
 - o Governance, particularly the powers that an Elected Mayor would have
 - o Geography, particularly on whether all authorities in Sheffield City Region would opt to become full constituent members of Sheffield City Region

Conclusions

1. In order for Full Council to have an informed debate on the proposed devolution deal at its 3rd February meeting the Committee:
 - a. Seeks a satisfactory response from Government about the powers of an SCR Elected Mayor. In particular, the removal of the veto contained in the current proposal. This could be done by adopting the Manchester model, or by giving Sheffield City Region the power to write its own constitution.
 - b. Requests clarification on the geographical membership issue and specifically that:
 - (i) Uniform arrangements for constituent membership of the Sheffield City Region
 - (ii) Membership of the Sheffield City Region is clarified, i.e. 'which councils are in?'
 - c. Requests further pressure on government to make progress on the other areas identified in the proposed deal document as requiring further clarification.
 - d. Requests that arrangement are put in place to communicate to councillors and the public on the progress of discussions with government.
2. As a consequence of the areas requiring clarification the Committee agreed that it was not, at the time of the meeting, in a position to recommend to Full Council whether to approve the proposed devolution deal or not.
3. The Committee requests that there be further discussions within Sheffield City Region on additional powers that should be sought in the future.

6. DATE OF NEXT MEETING

- 6.1 It was noted that the next meeting of the Committee will be held on Thursday, 28th January, 2016, at 2.00 pm, in the Town Hall.