

# Strengthening Governance in the Sheffield City Region



January 2013

**Consultation**

1.

# **Part 1**

# **The Governance Review**

## 1. About this document

- 1.1. This document has been prepared by the Sheffield City Region Executive Team, on behalf of the local authorities that form the Sheffield City Region (SCR). This document details the findings of the governance review that has been undertaken under Section 108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA)<sup>1</sup> and Section 82 of the Local Transport Act 2008.
- 1.2. Section 108 of LDEDCA provides that relevant authorities may undertake a review of the effectiveness and efficiency of transport within the area covered by the review and of the effectiveness and efficiency of arrangements to promote economic development and regeneration within the area covered by the review.
- 1.3. This review may recommend that a new legal body should be established if the creation of one of these bodies would be likely to improve:
  - the exercise of statutory functions relating to economic development, regeneration and transport in the area i.e. the SCR;
  - (for combined authorities) the effectiveness and efficiency of transport in the area;
  - and the economic conditions in the area.
- 1.4. This document is issued for consultation to all stakeholders including proposed members of the Combined Authority (henceforth called the “SCR Authority”); the South Yorkshire Integrated Transport Authority (SYITA); neighbouring authorities; the Local Enterprise Partnership and neighbouring LEPs; Sheffield City Region MPs; other City Region public bodies; the Chambers of Commerce; the Company of Cutlers and other private sector bodies; regulatory bodies; third sector bodies as well as all relevant government departments.
- 1.5. This document is issued as part of an iterative process of consultation. The findings of this governance review and the ‘scheme’ for the SCR Authority (included in Part 2 of this document) will be considered at a Full Council meeting of each of the constituent local authorities in March or April 2013. Following this, the Department for Communities and Local Government will launch a further consultation exercise between March and June 2013.

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<sup>1</sup> See draft statutory guidance <http://www.communities.gov.uk/documents/regeneration/pdf/1457197.pdf>

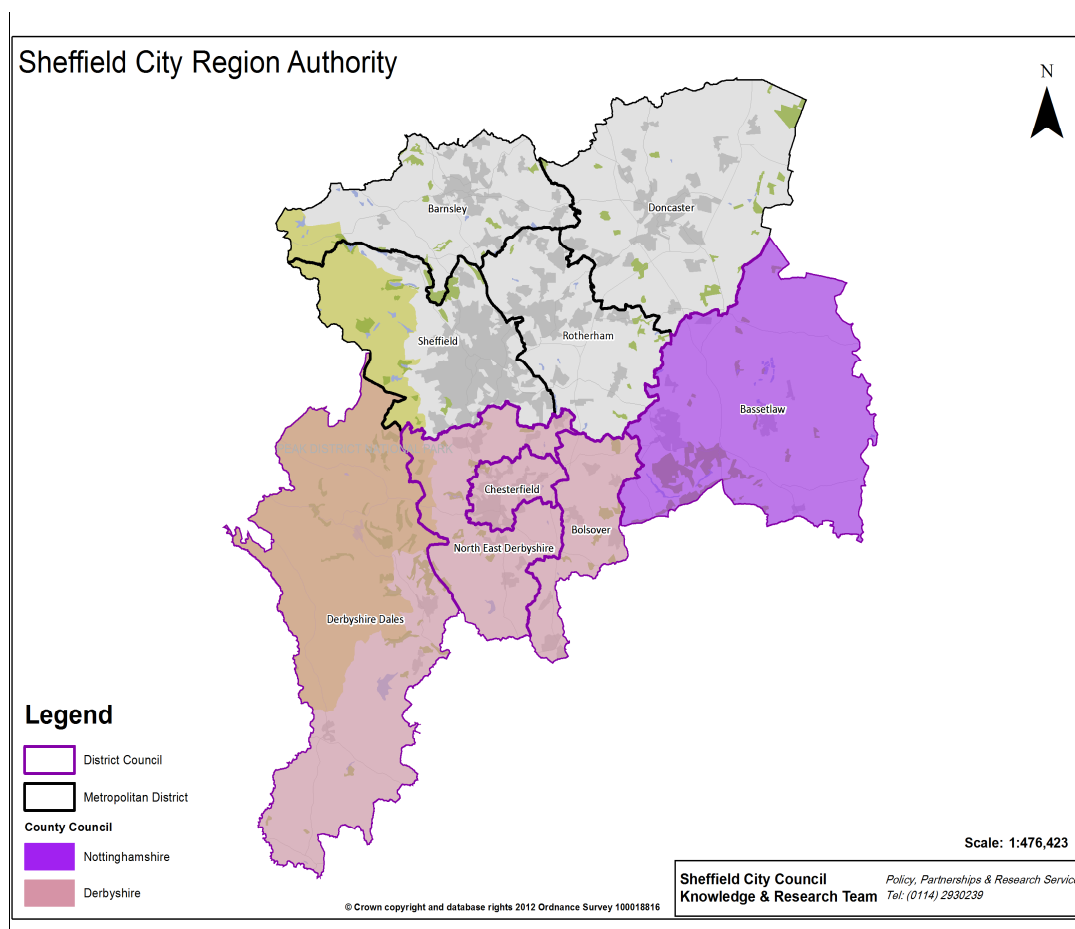
- 1.6. Comments on this document should be made, in writing, no later than 31<sup>st</sup> March 2013 to:

David Hewitt  
Sheffield City Region Executive Team  
AMP Technology Centre  
Advanced Manufacturing Park  
Brunel Way  
Rotherham, S60 5TZ  
Telephone: 0114 2541335  
Email: [david.hewitt@sheffieldcityregion.org.uk](mailto:david.hewitt@sheffieldcityregion.org.uk)

## 2. Executive Summary

- 2.1. The nine local authorities that make up the Sheffield City Region (SCR) have a long history of collaboration at a scale that reflects the natural economic geography of the region (see *figure 1*). The original impetus for this collaboration was the Northern Way agenda, which was designed to unlock the potential for faster economic growth and to bridge the £30 billion output gap between the North and the rest of the United Kingdom.
- 2.2. This collaboration was formalised through the SCR Forum and, most recently, has taken the form of the Sheffield City Region Local Enterprise Partnership (SCR LEP) and SCR Leaders Group. The tangible benefits of this collaboration can now be seen in, for example, the SCR securing an advanced manufacturing and technology focussed Enterprise Zone (only one of seven with business rate relief and enhanced capital allowances), successfully negotiating a City Region Deal and making prudent investment decisions in relation to the Growing Places Fund.

**Figure 1 – the Sheffield City Region**



- 2.3. Whilst increased coordination and collaboration is undoubtedly a “good thing”, leading to tangible benefits for all partners, it has led to the governance structures of the SCR being subject to increased local and national scrutiny. There is a general consensus that the SCR is beginning to outgrow its existing governance structures and arrangements – which have always been based on informal, voluntary partnerships without any independent legal status. Accordingly, SCR Leaders have recognised that the time is right to take SCR governance to the “next level” (i.e. from informal collaboration to joint decision making) and “put into legislation that which we [the SCR] have been doing by consent for some time”.<sup>2</sup>
- 2.4. To this end, it was agreed at the SCR Leaders’ Group on 9<sup>th</sup> May and the SCR LEP Board on the 10<sup>th</sup> May 2012 that the SCR should undertake a Governance Review under s.108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA) and under the 2008 Transport Act. In accordance with statutory guidance<sup>3</sup> the purpose of this Governance Review has been to:
- evaluate the effectiveness and efficiency of existing governance arrangements for economic development, regeneration and transport across the SCR;
  - consider the options available for making changes to these governance structures and arrangements – such as leaving existing governance unchanged, strengthening or restructuring existing governance arrangements, establishing an Economic Prosperity Board (EPB), and establishing a Combined Authority;
  - recommend which option is likely to be most beneficial to the SCR.
- 2.5. The SCR Governance Review has been undertaken in the context of an evolving (and overwhelmingly productive) relationship between the SCR and Government. Accordingly, the question for the SCR governance review has not just been “are SCR governance arrangements sufficient today?” – rather – “will SCR governance structures and arrangements be sufficient to deliver the SCR’s medium to long-term ambitions?”
- 2.6. This document sets out the conclusions of the SCR Governance Review – most notably the headline conclusion that establishing a SCR Combined Authority (the “SCR Authority”) **would improve the exercise of statutory functions in relation to economic development, regeneration and transport in the SCR leading to an enhancement of the economic conditions and performance of the SCR.**

### **3. This conclusion is based on three key findings explored in the remainder of this document**

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<sup>2</sup> SCR Governance Review Workshop 1 - 20<sup>th</sup> July 2012

<sup>3</sup> <http://www.communities.gov.uk/documents/regeneration/pdf/1457197.pdf>

- 3.1. The rationale for the SCR Authority is based on **three key findings** of the SCR Governance Review:
- the SCR is an ambitious City Region with **untapped economic potential** and robust plans for growth;
  - there is **the potential to strengthen SCR governance** both in term of the efficacy of decision making and in terms of transparency and accountability;
  - having considered the various options available (including the “do nothing” option) - establishing the SCR Authority is the option **most likely to deliver sustained economic and social benefits** to the SCR.
- 3.2. Specific detail relating to the SCR Authority including: the area it will cover; its membership; voting and any executive arrangements; it’s functions and the way in which it will be funded will be set out in the ‘scheme’ included in Part 2 of this document. As detailed in the scheme, the recommendation of the SCR Governance Review is that the SCR Authority should be established according to the following principles:
- The SCR Authority should be **lean, streamlined and focussed**. The purpose of the CA will be to provide strong, stable governance and support the SCR to fulfil its huge potential. The delivery of this vision will be facilitated by attracting new powers, duties and funding to the SCR.
  - In addition to this, the CA will be a mechanism by which the SCR is able to formalise areas where there is already effective collaboration (e.g. skills and inward investment). **Decisions on these matters will be made in one place, by elected Leaders** who are responsible for strategic direction and underwriting any risks.
  - The SCR Authority will, so far as is practicable, reflect the functional economic area or “real economy” of the Sheffield City Region although, technically, the *area* of the SCR Authority will be South Yorkshire.<sup>4</sup> This is the optimal deliverable solution for the SCR.
  - The SCR Authority will have nine members – the four South Yorkshire local authorities plus Bassetlaw District Council, Bolsover District Council, Chesterfield Borough Council and North East Derbyshire District Council. The voting rights of all members will be defined in the “scheme” which accompanies this Governance Review document. Derbyshire Dales District Council will be a non-voting member of the SCR Authority.

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<sup>4</sup> Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and Sheffield City Council.

- Although only elected Leaders will have voting rights on the SCR Authority – an active role for the private sector will be maintained (including through the private sector-led SCR LEP).
- 3.3. As detailed in the ‘scheme’ the CA shall, like the current SYITA, have the power to issue a levy to its constituent councils in respect of the expenses and liabilities of the CA which are reasonably attributable to the exercise of its functions relating to transport. The amount to be raised by the levy shall be apportioned between the constituent councils on a per capita basis. Non-transport functions will be funded from a budget agreed annually by CA members and apportioned as above.
  - 3.4. The SCR Authority will need support from a small executive function. At present within the city region there are several reviews underway looking at policy and delivery functions, particularly in South Yorkshire. These studies should be mindful of this requirement from this Governance Review, ensuring that linkages are made where appropriate, but also of the principle around driving out efficiencies in the delivery of officer functions.
  - 3.5. As detailed in the scheme which accompanies this document, the SCR Authority will have powers in relation to *strategic* Economic Development and Transport. As noted above, it is the intention of all partners that the SCR Authority remains a streamlined and focussed strategic commissioning body. Accordingly, only powers and duties that are immediately necessary have been outlined in the scheme in Part 2 of this document.
  - 3.6. Strategic Economic Development will include collaboration around functions such as SCR-level economic policy and strategy, skills, inward investment, SCR-level investment decisions (e.g. decisions relating to the Sheffield City Region Investment Fund) and decisions relating to other shared economic assets e.g. Enterprise Zone policy.
  - 3.7. In time, and by local resolution, partners may chose to transfer additional powers to the SCR Authority. This could either be through a further Governance Review and the publication of a scheme and statutory order or by virtue of Section 107 of the Local Government Act 1972. In all cases, the transfer of such powers would require a full Council Decision from each constituent local authority.
- 4. The SCR is an ambitious City Region with untapped economic potential and robust plans for growth**



- 4.1. As set out in the City Region Deal (MADE in Sheffield – a deal for growth)<sup>5</sup> SCR has a proud history being at the very forefront of the UK’s industrial and entrepreneurial development, starting with the industrial revolution and continuing to the present time. The SCR grew on the back of the steel and coal industries and, whilst manufacturing still accounts for £3.5m GVA, the SCR now has a vibrant and diverse economy with major employers including HSBC, Boeing, Rolls Royce, Forgemasters, TATA Steel, Sky, Siemens, Outokumpo, BT and many more.
- 4.2. The SCR also has a number of unique economic assets. The world leading Advanced Manufacturing Research Centre (AMRC) and Nuclear Research Centre (NAMRC) is the future of advanced manufacturing and nuclear manufacturing industry in the UK. Driven by Boeing, Rolls-Royce and the University of Sheffield, the AMRC/NAMRC is already having a major impact on UK manufacturing, including producing parts for the new Boeing 787 Dreamliner aircraft and for Formula One racing.
- 4.3. SCR is home to two world class universities bringing over 58,000 students into the City Region each year. The University of Sheffield is a world leading research university, one of the UK’s Russell Group and the best performing university in Yorkshire.<sup>6</sup> Sheffield Hallam University is the fourth largest university in the UK and its business-focused approach means it works with major industry leaders such as Sony, Microsoft, Cisco and BP.
- 4.4. With a population of over 1.7 million people (with 7.6 million people living within a 35 mile radius of the City of Sheffield) and a GVA contribution of over £25.7 billion – the **SCR is evidently already an area of national economic significance**. However, independent economic forecasts suggest that there is untapped potential in the SCR which *could* deliver an extra 68,000 jobs and GVA of over £29.7bn by 2022. This would mean an additional net contribution to the Exchequer of £1,464m by 2022 and £2,924m by 2030.<sup>7</sup>
- 4.5. The public and private sectors in the SCR have forged a strong, progressive partnership focused on a shared vision of how to achieve the economic transformation SCR needs. Greater decentralisation and autonomy or “earned devolution” is central to this vision. Public and private sector leaders have a detailed understanding of the SCR economy, where it is strong and sustainable and where there are challenges that hold the SCR back.
- 4.6. SCR leaders recognise that in order to deliver the SCR economic strategy and to secure greater devolution and autonomy - strong stable, visible and accountable governance will be essential. The question for the SCR governance review has

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<sup>5</sup> <http://www.dpm.cabinetoffice.gov.uk/resource-library/wave-1-city-deals>

<sup>6</sup> Sunday Times University Guide 2013

<sup>7</sup> Oxford Economics (2011) Economic Projections for Core Cities (October 2011)

therefore not just been “are SCR governance arrangements sufficient today?” – rather – “will SCR governance structures and arrangements be sufficient to deliver the SCR’s medium to long-term ambitions?”

## 5. There is the potential to strengthen SCR governance

- 5.1. The Northern Way agenda was the original impetus for SCR-level collaboration. Based on informal, voluntary partnerships, this collaboration developed incrementally into the SCR Forum, which became the SCR Leaders’ Group and SCR LEP. Today, the SCR Leaders’ Group is the joint committee responsible for coordinating and progressing issues where City Region-level collaboration adds value. Sub-regional Economic Development matters are, principally, managed by the SCR LEP.
- 5.2. All SCR local authority leaders are members of the SCR LEP Board. A partnership between the public and private sector in the City Region, the LEP’s vision is for the SCR to make a greater contribution to the UK economy by having a local economy less dependent on the public sector and providing the right conditions for businesses to grow.
- 5.3. Beneath the LEP, a number of substructures have been established to progress specific LEP priorities and initiatives. For example, seven Sector Groups<sup>8</sup> represent the voice of different industry sectors and an Enterprise Zone Governance Board oversees the management of the SCR’s modern manufacturing and technology focused Enterprise Zone. Sub-groups have also been set up to provide advice to the SCR LEP and Leaders’ Group in relation to Regional Growth Fund applications and the allocation of the Growing Places Fund.
- 5.4. South Yorkshire Integrated Transport Authority is the locally accountable body responsible for the strategic direction of transport planning and delivery in South Yorkshire and the body responsible for the Sheffield City Region Transport Strategy and South Yorkshire Local Transport Plan. This work is carried out by the South Yorkshire Passenger Transport Executive, Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council and Sheffield City Council and the South Yorkshire Local Transport Plan Partnership. For the non-South Yorkshire Districts – two County Councils (Derbyshire County Council and Nottinghamshire County Council) act as the Transport Authorities.
- 5.5. Although the South Yorkshire ITA has no formal relationship with the SCR Leaders’ Group and SCR LEP, it regularly consults with them on matters of strategic

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<sup>8</sup> <http://www.sheffieldcityregion.org.uk/about/sector-groups/>

significance. For example – the SCR’s consultation response for the proposed devolution of funding for major transport schemes was a joint SCR LEP and ITA response.

- 5.6. This coordination and collaboration has conferred significant benefits to all SCR partners. For example, the SCR has been able to:
- Secure an advanced manufacturing and technology focussed Enterprise Zone – one of only nine sites nationally to benefit from business rate relief *and* enhanced capital allowances (recognised as the number-one Enterprise Zone in the UK).<sup>9</sup>
  - Make prudent investment decisions regarding the SCR’s Growing Places Fund allocations.
  - Develop a coordinated sub-regional approach to attracting inward investment.
  - Work collaboratively to develop strong sub-regional proposals and propositions e.g. our ambitious Regional Growth Fund programme bid “Unlocking Business Investment”.
  - Secure a *City Region Deal* which will result in the devolution of greater powers (and with it control over funding) in relation to skills, transport and financial tools for growth. The *City Region Deal*, predicated on formalising SCR governance, represents the beginning of a sustained dialogue with Government.
- 5.7. Whilst increased coordination and collaboration is undoubtedly a “good thing”, leading to tangible benefits for all partners, it has led to the governance structures and arrangements of the SCR being placed under increased local and national scrutiny (internal and external drivers of the SCR Governance Review). In terms of internal drivers for change, it is recognised that the SCR is close to the limit of what can be achieved through a voluntary, non-statutory partnership for the following reasons:
- As a non statutory body – the SCR Leaders’ Group or the SCR LEP are dependent on agreements by or delegations from its constituent authorities. This slows down the implementation of board decisions and could create ambiguity as to when a decision is a decision (or merely an agreement in principle, which is subject to further ratification).
  - There is currently no formal link between decision making in relation to economic development (including inward investment, skills and spatial planning), regeneration and transport. Hence, it is more challenging for decisions to be aligned in a way that secures maximum economic and social benefit.

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<sup>9</sup> <http://www.sheffieldcityregion.org.uk/2012/07/1-ranking-for-enterprise-zone/>

- There is some ambiguity and overlap between the roles and functions of various sub-regional bodies e.g. the distinction between the SCR Leaders' Group and the LEP or between the LEP and its substructures. Strengthening and clarifying these relationships would also have the desirable effect of increasing the transparency and accountability of local decision making.
  - The voluntary partnership between local authorities is not sufficient to underpin the SCR's medium to long-term ambitions. The SCR requires a single, stable, democratically accountable body able to take a strategic, City Region view of an issue.
- 5.8. In terms of external drivers of the SCR governance review - the devolution of funding for major transport schemes, the SCR City Region Deal and Northern Rail Devolution are all predicated on the strengthening of SCR governance. It is recognised that more formal and robust arrangements will lead to a process of "earned devolution" – where greater local autonomy will follow strengthened governance and a track record of local competence.
- 5.9. The absence of more formal arrangements therefore compromise the SCR's medium to long-term ambition of greater autonomy and "earned devolution" – which is unacceptable given our local ambitions and capacity to deliver.

## **6. Establishing the SCR Authority is the legal option most likely to deliver lasting economic and social benefits**





- 6.1. As noted in the IPPR North Report: Governance and Leadership<sup>10</sup> - good governance matters for two key reasons. The first relates to the need to manage and support economic development in an effective way. Collaboration across boundaries helps to ensure that maximum return on investment is being achieved, and that public policy has a keen impact (OECD 2009). The second reason relates to questions of transparency and accountability for decisions taken. This includes having the mechanisms in place to make tough, binding decisions at a level that reflects the functional economic geography of an area.
- 6.2. Having established that there is a compelling case to strengthen SCR governance – the SCR Governance Review has considered the pros and cons of the various models of governance that could be implemented in the SCR. The four options considered in detail have been (1) "do nothing" (2) undertake an informal restructure (3) create an Economic Prosperity Board (4) establish a SCR Combined Authority (in some form).

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<sup>10</sup> [http://www.ippr.org/images/media/files/publication/2012/06/governance-leaderships\\_June2012\\_9338.pdf](http://www.ippr.org/images/media/files/publication/2012/06/governance-leaderships_June2012_9338.pdf)

6.3. **The headline recommendation of the SCR Governance Review is that establishing the SCR Authority is the optimal solution to the issues and opportunities set out in this document.** A summary of the rationale for this strong recommendation is summarised *figure 1* below and in the remainder of this document.

**Figure 1 – Summary of options considered in detail**

Option	Evaluation	Discussion
“Do nothing”		<ul style="list-style-type: none"> <li>• Fails to address issues raised during the Governance Review. (Section 4).</li> <li>• Limits longer-term ambitions of SCR.</li> </ul>
Informal restructure		<ul style="list-style-type: none"> <li>• SCR already stretching boundaries of an informal, non-statutory partnership.</li> <li>• Still dependent on agreement / delegations from constituent authorities i.e. eight decisions rather than one. Creates unnecessary ambiguity and delay.</li> <li>• Not sufficient to meet SCR’s longer-term ambitions e.g. in relation to the SCR Investment Fund.</li> </ul>
EPB		<ul style="list-style-type: none"> <li>• Economic Prosperity Board – more limited version of the Combined Authority.</li> <li>• Fails to align decision making around <i>strategic</i> economic development and transport.</li> </ul>
Combined Authority		<ul style="list-style-type: none"> <li>• Optimal legal model for the SCR.</li> <li>• Flexible – can be tailored to meet local requirements.</li> <li>• Option best suited to underpin the medium to long-term ambitions of the SCR.</li> </ul>

6.4. The “do nothing” option was discounted on the basis of the reasons set out in section five above. Failure to strengthen SCR governance will compromise the medium to long-term ambitions of the SCR and therefore be detrimental to the future economic performance of the region. Specifically, failure to formalise SCR governance will mean that the region will not be able access ~£10 million of devolved transport funding per annum or manage ~£29 million of devolved skills funding agreed as part of our City Region Deal. The “do nothing” option would also be a missed opportunity to better align decision making around strategic economic development, transport and regeneration.

6.5. The second option (informal restructure) has also been discounted. This is on the grounds that, like the Manchester City Region prior to the development of the Greater Manchester Combined Authority,<sup>11</sup> the SCR is already stretching the boundaries of which can be achieved through an informal non-statutory partnership. Under this model, Leaders would still have to re-agree decisions at a local level – a

<sup>11</sup> <http://www.agma.gov.uk/gmca/index.html>

process which is cumbersome and sometimes unclear. A legal, corporate body will allow the SCR to make a shared binding decision once, rather than one decision nine times.

- 6.6. SCR Leaders' recognise that only a statutory body with a legal personality in its own right will be strong enough to lead the collaboration between SCR local authorities and form the necessary legal relationships required going forward.
- 6.7. Similar to the "do nothing" option, an informal restructure is also unlikely meet the expectations of Government – both now and as the SCR seeks further devolution and autonomy. A statutory partnership will also provide the necessary certainty, stability and democratic accountability to allow for long-term strategic decisions to be made at an SCR level. This includes supporting the SCR to make decisions that whilst "tough" - are in the long-term interests of the region. A statutory partnership also has the added advantage of being able to enshrine certain principles into the governance structures of the SCR e.g. an active role for the private sector.
- 6.8. Having considered the tests set out in LEDEDCA, a Combined Authority is deemed to be the optimal legal model for the SCR. The Combined Authority model has been preferred to an Economic Prosperity Board because of the **overwhelming benefits of aligning decision making in relation to strategic economic development and transport under one strategic body**. The Combined Authority model is also the preferred option of Government – hence, the likely shared benefits of "earned devolution" going forward.
- 6.9. As set out above, this legally independent body should act as the accountable decision making body for matters of SCR significance (and where SCR-level collaboration is desirable and adds value) delegating powers and duties sub-committees as is appropriate. The SCR Authority should also act as the Accountable Body for SCR funds and investments – a far more efficient process than one local authority acting as Accountable Body for the whole City Region and relying on secondary agreements and guarantees.
- 6.10. It will be for constituent local authorities to determine the small number of areas (relating to economic development, transport and regeneration) where the SCR Authority will have jurisdiction – with the overwhelming majority of decisions continuing to be made at a local authority level.

**Sheffield City Region Executive Team**  
**January 2013**