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3 April 2019

To: Members of the Sheffield City Region Mayoral Combined Authority Appropriate Officers

NOTICE OF MEETING

You are hereby summoned to a meeting of the Sheffield City Regional Mayoral Combined Authority to be held at **Meeting Room 14, Barnsley Town Hall, Church Street, Barnsley**, on: **Thursday, 11 April 2019** at **1.00 pm** for the purpose of transacting the business set out in the agenda.

Diana Terris

Diana Terris
Clerk to the Mayoral Combined Authority

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Member Distribution

Councillor Chris Furness (Chair)	Derbyshire Dales District Council
Councillor Allan Jones (Vice-Chair)	Doncaster Metropolitan Borough Council
Councillor Penny Baker	Sheffield City Council
Councillor Jeff Ennis	Barnsley Metropolitan Borough Council
Councillor Peter Innes	Chesterfield Metropolitan Borough Council
Councillor Shaffaq Mohammed	Sheffield City Council
Councillor Geoff Morley	North East Derbyshire District Council
Councillor Zahira Naz	Sheffield City Council
Councillor Sandra Peake	Bolsover District Council
Councillor Ken Richardson	Barnsley Metropolitan Borough Council
Councillor Ian Saunders	Sheffield City Council
Councillor John Shephard	Bassetlaw District Council
Councillor Peter Short	Rotherham Metropolitan Borough Council
Councillor Brian Steele	Rotherham Metropolitan Borough Council
Councillor Austen White	Doncaster Metropolitan Borough Council
Councillor Duncan Anderson	Doncaster Metropolitan Borough Council
Mayor Dan Jarvis	Sheffield City Region Mayoral Combined Authority
Dr Dave Smith	Sheffield City Region

SCR - Overview and Scrutiny Committee

11 April 2019 at 1.00 pm

Venue: Meeting Room 14, Barnsley Town Hall, Church Street, Barnsley

Sheffield City Region MAYORAL COMBINED AUTHORITY

Agenda

Agenda Ref No	Subject	Lead	Page
1	Welcome and Apologies		
2	Voting Rights for Non-Constituent Members		
3	Urgent Items/Announcements		
4	Items to be Considered in the Absence of Public and Press		
5	Declarations of Interest by any Members		
6	Reports from and Questions by Members		
7	Questions from Members of the Public		
8	Minutes of the Previous Meeting Held on 17 January 2019	Chair	5 - 20
9	**Matters Arising** a. Including Community Transport Services in South Yorkshire Report – supplementary information as requested by members. b. Working Win – Response to scrutiny questions	Cllr Chris Furness	21 - 40
10	Mayor's Report including Bus Review	Mayor Dan Jarvis	41 - 48
11	Potential Effects of Brexit on the Sheffield City Region	Helen Lazarus	49 - 84
12	**SCR Budget** • 2019/20 Budget • Budget Setting Process	Mike Thomas	85 - 106
13	**Scrutiny Work Programme** • Referrals received since last formal meeting • Reviews – updates and proposals	Christine Marriott	

	• Matters to raise at the Mayoral Combined Authority		

Date of next meeting: Thursday, 18 July 2019 at 1.00 pm
At: Ground Floor, 11 Broad Street West, Sheffield, S1 2BQ

OVERVIEW AND SCRUTINY COMMITTEE

17 JANUARY 2019

TOWN HALL - BARNSLEY

PRESENT Councillor C Furness (Chair)

Councillors: P Baker, J Ennis, P Innes, A Jones, S Mohammed, S Peake, K Richardson, I Saunders, P Short, C Smith, B Steele and A White

Observers: Councillors: K Reid and K Sarvent

Mayor D Jarvis MBE

Officers: R Adams, C Blackburn, A Frosdick, S Edwards, A Shirt, C Marriott, D Smith, S Sykes, A Wright and K Wooffinden

Apologies for absence were received from Councillors Z Naz, G Morley and J Shephard

1 WELCOME AND APOLOGIES

Councillor Furness welcomed Members' and Mayor Jarvis to the meeting.

Apologies from Members' were noted as above.

2 VOTING RIGHTS FOR NON-CONSTITUENT MEMBERS

It was agreed that there were no items of business for which the non-Constituent Members should not have full voting rights.

3 URGENT ITEMS / ANNOUNCEMENTS

None.

4 ITEMS TO BE CONSIDERED IN THE ABSENCE OF PUBLIC AND PRESS

None.

5 DECLARATIONS OF INTEREST BY ANY MEMBERS

None received.

6 REPORTS FROM AND QUESTIONS BY MEMBERS

Following a request from Councillor Baker, officers present introduced themselves to Members and their job role.

7 QUESTIONS FROM MEMBERS OF THE PUBLIC

None.

8 MINUTES OF THE PREVIOUS MEETING HELD ON 18TH OCTOBER 2018

Councillor Saunders requested that the minutes be amended to include a fourth resolution at minute 10 (‘Co-ordination of Road Works and Public Transport Diversions’) to state ‘the Committee requests that the matter be referred to the Sheffield City Council’s Scrutiny system and any other interested councils’.

RESOLVED – That the minutes of the meeting of the SCR Overview and Scrutiny Committee held on 18th October 2018 are agreed to be an accurate record of the meeting, subject to the inclusion of the above resolution at minute 10.

9 MATTERS ARISING INCLUDING COMMUNITY TRANSPORT FOLLOW UP REPORT.

A report was presented to provide Members with an update on matters arising from the previous meeting held on 18 October 2018.

As requested at the previous meeting, Members were provided with answers to their queries with regards to the community transport (CT) budget and co-ordination of roadworks and public transport diversions.

Councillor Steele recalled that Members had highlighted at the previous meeting that, access to CT in rural villages and information available to people was very limited. Additionally, he highlighted that not all residents had access to the internet to be able to obtain information regarding CT services.

S Edwards replied that information provision regarding CT was provided through a number of sources (and not just via SYPTE’s website). Information was delivered through a number of organisations in each of the four local authority areas that provide CT services. Additionally, CT information was also provided to local councillors and MPs with regards to the services that are available.

S Edwards acknowledged that communications could be improved to raise the awareness of CT, the routes available and how people can access CT services. In terms of CT information available in doctors' surgeries it was highlighted by a Member that they had not seen any information in their local surgery. S Edwards agreed to check the information provided in doctors surgeries. **Action: S Edwards**

Councillor Ennis highlighted that CT usage in the Barnsley area had declined by over 30% in the last 5 years, making it the most disadvantaged area in South Yorkshire. He asked if analysis had been undertaken to understand why Barnsley residents were so adversely affected. Additionally, he had raised this issue with the Leader of Barnsley MBC, who would be raising this issue at a future MCA meeting.

S Edwards replied that he did not have any specific information as to what was driving the difference in Barnsley's usage in comparison to the usage in Doncaster, Rotherham and Sheffield. He suggested that, this may due to the awareness of CT available in the area. S Edwards agreed to discuss this with Barnsley's CT provider. **Action: S Edwards**

Councillor Furness asked if Members could be provided with a list of the geographical areas served by CT, particularly in rural areas. **Action: S Edwards**

Councillor Furness asked Members if there was still a requirement for a CT Task and Finish Group.

Following discussion, it was agreed that the action to establish a CT Task and Finish Group could be discharged following the update provided at today's meeting.

RESOLVED – That the Committee noted the report.

10 MAYOR'S REPORT TO OSC

Mayor Jarvis thanked the Committee for the opportunity to join them at today's meeting. He recalled that he was last with Members in July and was subsequently asked by Councillor Furness to attend OSC meetings regularly, which he had committed to do so.

Mayor Jarvis commented that it had been a busy six months since he last met with Members and therefore, he wished to provide the Committee with a short summary of the progress that he had been making.

In relation to Brexit, Mayor Jarvis commented that, whatever happens in Parliament over the coming weeks, months and years it was his responsibility to make sure that we do everything we can to prepare as a City Region.

That involves making sure the Government understands the challenges we face, and the interventions they can make to help grow our economy.

With that in mind, last week Mayor Jarvis had met with the Chancellor to follow up an exchange in the Commons about the Government's approach to underinvestment in the North. Next week, Mayor Jarvis would be joining other

Metro Mayors to meet Ministers in the Department of Exiting the European Union to press the case for further levels of investment in the North.

At the regional level, he was now looking at how he could help businesses prepare.

The Local Enterprise Partnership had discussed this in detail earlier this week and would be working with business groups to help businesses prepare as best they can.

Mayor Jarvis reported that, since he had last met Members he had agreed a new and robust governance model for the Mayoral Combined Authority and Local Enterprise Partnership. All the South Yorkshire council leaders had supported the new model and he believed that this would strengthen the accountability and transparency of its decision making – as well as enabling robust debate and discussion to take place.

Mayor Jarvis had also secured Living Wage accreditation for the Mayoral Combined Authority and published the first Mayoral Combined Authority Gender Pay Gap report.

Working with the Local Enterprise Partnership and the Mayoral Combined Authority, Mayor Jarvis had continued to approve investment in projects across the region. Since May last year, 14 projects across the region had been approved totalling up to £42m, by the end of March this could rise to £86m of investment. Of which, £2.9m had been approved to develop employment sites in Rotherham and Bassetlaw to help create more than 1,000 jobs. £5.3m had been approved to support the regeneration of South Yorkshire's town and city centres including Sheffield City Council's 'Grey to Green' project and Doncaster MBC's 'Quality Streets' project.

In December, Mayor Jarvis launched a new Transport Vision for the Sheffield City Region. The region had never had a statement of intent of this scale and ambition. To make the region's transport system fit for the 21st century there was much more work we need to do to make it work.

The launch of the Vision was the first step in that process.

Central to the Vision was a focus on active travel; investing in the physical infrastructure that will enable people to walk, cycle or take public transport across the region.

The SCR would launching its search for an Active Travel Commissioner to lead this work in the next few days.

The Working Win pilot programme continued to support those out of work, or struggling in their current job due to a physical or mental health condition, with 2,000 referrals being made.

In November 2018, working with partners across the City Region, the first ever Sheffield City Region Homelessness Summit had been held. This important work aimed to end homelessness in the Region would continue throughout the year.

Mayor Jarvis concluded his update by sharing with Members the positive news that he was establishing a Youth Combined Authority. He had met with a number of youth groups to develop the plans and was delighted that the Board would be holding its first meeting mid-February.

Councillor Furness thanked Mayor Jarvis for his update and asked him to address a number of questions grouped into the following themes:

Mayoral Combined Authority
Devolution
Future Investment in transport
SCR Website

Mayoral Combined Authority Meetings

Question 1
In terms of access to MCA meetings, does the Mayor believe that equal opportunities are extended to members of the public who would like to attend meetings held in public, but are prohibited in doing so due to a disability and/or are reliant on public transport, particularly in view of the lack of webcasting facilities at AMP?
Additional context information provided One member of the OSC would like to attend the MCA meeting as an observer; the member is reliant on public transport and has a visual impairment. He has planned his journey to AMP from his home; he found that he would need to change bus 4 times and would need to set off from his home at approximately 7.30 am to reach the AMP by the 11.00 am meeting start time.
Mayor's Response
Mayoral Combined Authority meetings must be accessible to all members of the public. And I am committed to making sure that they are. At the 11th June meeting of the MCA, my first meeting as Mayor, the MCA approved the plans and budgets to reconfigure the ground floor of the MCA owned Broad Street West building. Improving accessibility, webcasting and better transport connections were all central to that decision being made. Works have now started to deliver this and should be ready to host meetings from April 2019.

Question 2
Does the Mayor agree that, in the interests of openness and transparency, it would be useful to explain to the public and observers present at the Mayoral Combined Authority public meeting (or meeting held in public) how decisions have been made/reached at the private pre-meeting?

Additional context information provided

Members of the OSC have attended the MCA pre-meeting and observed the discussions and decision-making process which takes place. The members have then attended the public meeting immediately afterwards where proceedings are completed within approximately 30-40 minutes with no reference as to how the decisions were made or the rationale behind the decision-making process.

Mayor's Response

Can I assure Members that no decisions are taken in private pre-meetings or other informal meetings. It is entirely proper that members of the Mayoral Combined Authority have an opportunity to debate issues in a private setting before any public decision.

It is clearly in the public interest that all decisions are made in an open and transparent way and I am confident that all decisions made by the Mayoral Combined Authority are done in public, with detailed papers setting out the rationale for any decision and that these decisions are made recorded and reported appropriately.

I can also remind Members that all key decisions are logged on a publicly available Forward Plan.

Question 3

In view of the above, does the Mayor believe that the MCA meetings are accessible to the public and, therefore, operate at an optimum level of openness and transparency? If not, how does he plan to remedy this?

Mayor's Response

I believe we have made significant improvements in making the Mayoral Combined Authority accessible to the public since I became Mayor. These improvements are in 3 particular areas:
Governance
Conduct of Meetings
Physical Location

<u>Governance</u>

As the business of the MCA has increased and become more complex the means by which we make decisions also has to evolve.

This has led me to put forward and reach agreement with the Mayoral Combined Authority on a new governance model.

This new model requires wider representation from Local Authority Elected Members in decision making and introduces further requirements on the publication of papers, minutes and decisions in a consistent and timely way.

I have also committed to reviewing the arrangements for public questions.

Conduct of Meetings

I have developed my contribution at the beginning of Mayoral Combined Authority meetings to provide a comprehensive update on activity and key issues.

I have also ensured that officers reports are timely and focussed, providing better and more concise evidence and information. I continue to encourage questions from the public and seek to address them at the meeting.

Physical Location

As I outlined in my answer to an earlier question, I have recognised the need to improve the physical accessibility of meetings. The work referred to earlier will provide improved meeting rooms, improved physical access and webcasting. These are all measures intended to encourage greater levels of awareness and involvement in the work of the Mayoral Combined Authority.

The Future

Over time as we find the strengths and areas for development from these new arrangements I am confident there will be more for us to do to improve openness and transparency.

Question 4
Does the Mayor believe the alternative options, put forward to the MCA, when considering programmes, projects and strategy/policy present a robust evidence base for leaders to consider, supporting them to make informed decisions about the best option for the City Region?
Additional context information provided In relation to the reports submitted to MCA, presently, alternative options are not presented in a way in which members can make their own judgement regarding cost implications and the impact they will have on the region. There also appears to be a lack of information in terms of equality impact assessments for the options put forward.
Mayor’s Response
As part of the review of governance I have previously outlined in response to question 3 I have asked officers to review systems and controls supporting decision making. I am assured that the controls detailed within the strategic risk management framework clarify that arrangements are in place to ensure that the decisions made regarding the investment of Local Growth Fund are made using relevant, clear, objective analysis. Arrangements include the use of strategic, outline and full business cases, and information is assessed using the Treasury Green Book methodology.

I am aware that some Members of this Committee have participated in a workshop with Officers to look in depth at the processes and approaches deployed during assurance and contracting.

In addition, SCR Officers have recently worked with HM Treasury and the Welsh Government to host the inaugural Better Business Case Northern Network conference. All relevant staff are being supported to receive accredited business case training, in line with new government expectations, by the end of March 2019. Members of our Appraisal Panel will also attend a Business Case Reviewers Masterclass delivered by HM Treasury. We are also working with partner local authorities in this regard. The aim is to improve the project development process and thereby the quality of schemes and the value for money we derive from our investment.

MCA Members, in line with the observation of the Scrutiny Committee, have also requested that the information captured in the formal report, including the options analysis should be reviewed to ensure sufficiency of information is provided, in the right format and at the right time for decision makers.

Officers have added the options appraisal assessment as an adequacy concern in the strategic risk register with an associated action that part of the work to implement the new governance arrangements will include a review of the role, membership and responsibilities of the Assurance Panel and the reporting template provided to the MCA, LEP and the new Executive Boards.

Question from Councillor Steele

Councillor Steele asked for assurances that the eight Protected Characteristics of the Equality Act were taken account of when building projects commenced in relation to the building's accessibility.

Mayor's Response

Mayor Jarvis replied that he would confirm in writing back to the Committee.
Action: Mayor Jarvis

Devolution

Question 5

Can the Mayor give an account as to where the City Region is in terms of agreeing the devolution deal?

Mayor's Response

Devolution remains my most important priority and I am working as hard as I possibly can to bring this issue to a successful conclusion.

I want to see powers agreed and funding released so that we can drive our economy forward and improve the lives of our residents. It is deeply frustrating that we have not secured more progress on this matter.

But progress is dependent on the Government as well as the Local Authorities recognizing, respecting and working with the views and aspirations for devolution.

To this end I have had a series of meetings with Government Ministers, most recently including James Brokenshire, Secretary of State in the Ministry of Housing, Communities and Local Government and the Chancellor of the Exchequer. I am continuing to hold discussion with Leaders in South Yorkshire and I am contributing to discussions in wider Yorkshire.
Question from Councillor Jones
Could the Mayor please tell the Committee was the obstacles are with regards to progressing a Devolution Deal for the SCR?
Mayor's Response
In order to resolve the mater there needs to be a coming together of all parties, of which, Mayor Jarvis had been working incredibly hard to make that happen. National Government had been in receipt of very detailed proposal which was fundamental to locking this arrangement.
Question from Councillor Jones
Councillor Jones asked if there was anything the Committee could do to assist the process. He suggested that the four South Yorkshire Leaders be invited to attend a future OSC. Councillor Furness highlighted that the Committee could invite the Leaders to attend a meeting, but not compel them to attend. He also reminded Members that, presently there was no substantive decision available to scrutinise by the Committee. After discussion, all Members voted in favour of extending an invitation from the Committee to the four South Yorkshire Leaders to attend a future OSC meeting to discuss Devolution. **Action: C Marriott**
Question from Councillor Mohammed
Councillor Mohammed asked if a deadline could be set to resolve this issue?
Mayor's Response
A judgement would have to be made whether this would help or hinder the process. He was not convinced in the end that it would help the process, but he did accept that the status quo was not acceptable and that it could not be allowed to run-on for a long period of time.

Future Investment in Transport Infrastructure

Question 6
Will the MCA undertake a feasibility study and explore the funding opportunities for re-establishing a rail or tram-train link between Barnsley and Doncaster to improve journey times between the two principle towns in the region not currently service by South Yorkshire Supertram system?
Additional context information provided Currently the South Yorkshire Supertram does not serve the whole of South

Yorkshire and has only just ventured out of Sheffield. Already, vast amounts of capital are said to be required for track renewal and replacement of the original fleet. There is a major transport disconnect between Barnsley and Doncaster – a major rail hub for access to the East Coast Mainline. Existing rail passengers have to change at Meadowhall adding to the journey time between two of the four major population centres in the City Region. Reinstatement of the former rail link, using Tram-Trains to circumvent post-Beeching development would greatly enhance connectivity between these two principle towns as well as opening new opportunities for stops not previously served by rail … thanks to the flexibility of the Tram-Train.
Mayor's Response
This is a really important point and I have spoken to many people who find it infuriating that they have to change at Meadowhall to travel between Doncaster and Barnsley. Early 2018 the Sheffield City Region Integrated Public Transport (SCRIPT) study was commissioned to identify the key current and future travel flows across the region, in order to focus future transport investment to improve intra-city region connectivity. This work identified 4 strategic transit corridors, including the Dearne Valley corridor which picks up travel flows in this area between Barnsley, Doncaster and Rotherham. My Vision for Transport, as approved (17.12.18) and the Sheffield City Region Transport Strategy, due for consideration at the MCA in January, both have the ambition to improve how people move around the City Region as key priorities. The next stage of work, just underway, is to identify specific interventions within each of these corridors which can have the greatest impact on improving travel flow. It will consider a range of types of interventions, including public transport, highways, active travel along with rail or light rail (i.e. Tram).

Question 7
Will the MCA use its influence (or powers) and funds to encourage bus operators to re-examine their route planning to promote services between adjacent communities rather than having a network that is radial in nature and thus incurs extra travelling time and cost to passengers wishing to make relatively short journeys?
Additional context information provided Using Barnsley as an example, the overwhelming majority of bus routes in Barnsley are radial, ie, they connect villages and districts with the Town Centre. Often, to travel by bus from one village or centre to another even when they are only a couple of miles apart, it is necessary to travel into the town centre and then back out again.

Mayor's Response
You used the example of Barnsley and it is such a frustrating situation for people living at the edges of the town – as it is for many people across the region too. My Vision for Transport, announces the intention to undertake a review of the bus network in South Yorkshire. The intention is that this review will seek to identify improvements that can be made to the bus network to improve patronage levels and in doing so will include examining current routes, demand for routes and the experiences of passengers. Bus operators will be involved in this review as well as user groups. I hope to make further announcements of this in the next month.

Question 8
How will the MCA ensure that the public are consulted properly to ensure that services are fit for purpose and offer an attractive, reliable, viable, affordable alternative to private transport methods and entice customers back to using public transport? **How will the MCA measure the performance of public transport operators to ensure services are being run effectively and efficiently?** **What will the consequences for public transport operators if they fail to provide reliable and affordable services? What measures will be put in place to ensure quality services are provided on a continuing basis?**
Additional context information provided Public transport across the region doesn't offer any connectivity at the times they are required to places of employment, education and leisure. Services are unreliable and unattractive and customers are now choosing to use their own transport as public transport is seen to be unfit for purpose (source: social media, First Bus customer forum, comments on local newspaper websites). The negative consequences of this are considerable and include creating inequality in opportunities for numerous cohorts of the population, generating further road congestion leading to poor air quality and pollution.
Mayor's Response
I agree it is essential that the services offered ensure people are connected via public transport to current and future sites of employment, education and leisure. As noted in my response to the previous question, the intention is to undertake a review of the bus network in South Yorkshire. This review will seek to gather evidence on current patronage levels as well as the current routes serviced. User groups and non-users will be consulted to understand the reasons why they use or do not utilise the current services. The outcome of the review will be to identify the way public transport should operate across South Yorkshire in the future, with all options having been considered.

Question 9
What are the plans to modernise public transport and routes across the region to ensure that they serve rural areas and attract people back to using public transport as an alternative to using private transport methods?
Mayor's Response
As with my previous responses, I am planning to launch a Bus Review in the coming weeks and patronage and routes will be in scope for review. We have also been successful in being shortlisted for Transforming Cities Fund resources. We're developing a detailed submission to the Department for Transport which we will submit in the summer. I expect that resources unlocked through this process will enable us to deliver significant improvements to our transport infrastructure.

SCR Website

Question 10
Does the Mayor agree that the Sheffield City Region website needs improvements in order for it to answer the questions businesses and public have, and be an attractive, effective and useful "shop window to the world"?
Additional context information provided OSC Members and their associates have been trying to use the SCR website to find information relating to Sheffield City Region. For example, one member was trying to find information on how to apply for a housing grant but could not find the information on the website. The information available on the website was felt to be generic and on the whole, not very helpful.
Mayor's Response
Clearly the website is an important communication tool for businesses and the public and for transparency. Feedback is always welcome from members of the public on its attractiveness and accessibility. I can confirm that the website had a major overhaul in 2018 and continues to be renewed. Since this point usage of the website has increased by 62%. With regard to accessibility, a Deep Dive Audit conducted in 2018 found the website to be fully compliant with transparency arrangements for governance and promotion of funded schemes. One of the planned developments to be implemented by April 2019 is the investing in Modern.Gov tool to further improve the accessibility of information related to papers and key decisions. The context to question made a specific reference to housing grants. Regarding the LGF housing fund application process, Officers have advised that the scheme was closed to new applications late in 2018 due to the pipeline of schemes being oversubscribed. Following approval of the recommendation to increase the value of the Housing Fund a revised prospectus and application process was launched with information available through the search function.

This may explain why Members were unable to find detail on this issue as at the time of the search there was no housing grant programme live.

11 UPDATE ON THE HOUSING FUND

A report was submitted to provide Members with feedback on how the Sheffield City Region Housing Fund schemes had progressed since the update provided to Members on 26th July 2018.

Members noted that the pilot Housing Fund continued to move schemes forward, but not at the pace originally envisaged. The report set out a number of learning points from the Pilot which were noted by Members.

The target remained to progress schemes up to the original HF allocation of £10m for approval by the end of the current Financial Year. The SCR continued to progress schemes through the due diligence / appraisal process towards funding approval as quickly as possible, to accelerate 'additional' new housing development.

Annex A to the report set out details of the housing schemes progressed / progressing to Approval / Full Business Case.

Councillor Saunders referred to Annex A, he asked if Members could receive details of the site addresses of the schemes which were being progressed / progressing to Approval / Full Business Case.

C Blackburn explained that due to commercial sensitivities etc. the SCR were unable to release details of the schemes until they had been approved and the information was in the public domain.

D Smith added that the Combined Authority's role was to make an assessment on whether the schemes were viable and whether they represent value for money. The information on the sites were released at the point of allocation of resources.

A Frosdick added that the Committee's role was to make an assessment on how the housing fund was performing and how the strategic functions of the Combined Authority are being discharged.

Councillor Saunders and Steele were both of the opinion that this information should be provided to Members.

A Frosdick stated that we would produce a note for the Committee to help provide clarity on the approach being taken by the SCR. **Action: A Frosdick**

In response to a question from Councillor Saunders, C Blackburn provided further details regarding the work taking place onsite at the Former Park Gardeners site.

Members were informed that, on 17th December 2018 the Mayoral Combined Authority (MCA) approved the allocation of up to £15m from the Local Enterprise

Partnership (LEP) Local Growth Fund (LGF) brining the maximum Housing Fund total up to £25m.

Following the original call to submit Expressions of Interest (EoI) to the fund (which closed on 15th November 2017), a further 'Open Call' for EoI's for additional housing schemes had been advertised on the MCA/LEPs website since September 2018.

The Open Call had elicited:

- 9 new enquiries – 6 submitted EoIs with 3 EoIs still pending;
- The 6 EoIs received requested a total of £11.3m; and
- Enquiries received from a range of scheme promotors including Housing Associations, Private Sector, Local Authorities and Partnerships.

Members were informed that the HF Prospectus had been updated and relaunched. The SCR continued to actively promote the HF and engage with partners.

RESOLVED – That the Committee reviewed the current progress and performance of the Housing Fund.

12 HEALTH LED EMPLOYMENT TRIAL

A report was received to brief the Committee on the progress of the Health Led Employment Trial in the Sheffield City Region.

In 2016, Sheffield City Region had put forward a successful proposal to Government to design and deliver a cutting-edge research trial to establish what could be done to help people who have a mild-moderate mental health and/or a physical health condition which is an obstacle to them working.

Members noted that, to provide a robust evidence base, the Health Led Employment Trial was a randomised control trial, meaning people who take part were randomly placed into one of two research groups. One group were provided with information about new services, and the other provided with information about existing services in their area.

The SCR Health Led Employment Trial had been designed and commissioned by the Combined Authority involving the active representation from health and local authority stakeholders.

A publicity campaign was currently active to raise awareness of the trial to residents and to start conversations with employers across the City Region.

The Committee received a presentation on the early impacts achieved from the trial. In summary, the following key points were noted:-

- 1,759 participants in the trial (May-November 2018).
- 877 are receiving the service being tested (remained in 'Control').
- 60% of participants are out of work, 40% are in work and struggling.

- 117 participants previously out of work have been supported into paid employment to date.
- 33 participants who were off sick have returned to work.
- 43 participants who were at work and struggling have retained their job.

Members noted the next steps involved in the trial.

Councillor Ennis queried why the number of participants in the trial from the Barnsley area was low, in comparison to Doncaster, Rotherham and Sheffield.

K Wooffinden replied that this gap had been recognised; analysis was being undertaken to identify the cause.

RESOLVED – That the Committee noted the update.

At this point in the meeting Councillor Furness left the meeting to attend another meeting. In the absence of the Chair, Councillor Jones (Vice-Chair) assumed the Chair for the remainder of the meeting.

13 UPDATED TERMS OF REFERENCE FOR OSC

A report was received to inform Members of minor changes made to the SCR Overview and Scrutiny Committee Terms of Reference to reflect the introduction of the substitute system and to formalise the remit of the substitute Members.

RESOLVED – That the Committee approve the updated Terms of Reference.

14 SCRUTINY WORK PROGRAMME

Members were reminded that the next informal meeting of the OSC would be held on 14 February 2019 to set the Scrutiny Work Programme for the next quarter.

Members were requested to notify C Marriott of any topics for inclusion within the Scrutiny Work Programme.

It was noted that there had been no key decisions for call in and no reviews currently on going.

The key decisions document would be circulated to Members' on a monthly basis, when the Forward Plan had been updated.

RESOLVED – That the Committee:-

1) Noted the update.

2) Notify C Marriott of any topics for inclusion within the Scrutiny Work Programme.

CHAIR

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Sheffield City Region MAYORAL COMBINED AUTHORITY

Sheffield City Region Mayoral Combined Authority
11 Broad Street West
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S1 2BQ

27 February 2019

SCR Overview and Scrutiny Committee members
Sent by Email

Dear Committee members,

Further to the Overview and Scrutiny Committee meeting on 17th January we agreed to write to Committee members with our response to the two questions raised regarding Equality Impact Assessments and devolution funding. Please find below my response to these two issues.

1. **Members of the Overview and Scrutiny Committee asked for information regarding how if the SCR is investing in buildings does it ensure they are fit for the modern world in respect of the protected characteristics?**

In developing policy and projects for which the Mayoral Combined Authority(MCA) is the scheme sponsor the SCR undertakes Equality Impact Assessments as relevant to the initiative. For example, a full assessment was undertaken for the Working Win programme to support people back into employment. In addition, in considering the management of its own assets the City Region considers how to ensure that these meet the needs of all communities and people. For example, the improvements being made to its Broad Street West building are in part designed to create an accessible suite of meetings rooms that are tailored to the different needs of those with protected characteristics.

However, for those schemes where the Sheffield City Region MCA is the funder of building improvements, rather than the delivery agent or sponsor it does not currently undertake Equality Impact Assessments. Instead all delivery agents who the MCA enters into contracts with are obliged to conform with our standard clauses on ensuring equality and diversity in accordance with all applicable equality laws (whether in relation to age, race, disability, gender, religion, sexual orientation and gender reassignment).

In regards to the MCAs investment in buildings, the Building Regulations cover physical disability characteristics in commercial and residential buildings, and visual and auditory impairment for buildings that are accessed by the public. Our assurance that buildings partly funded by the SCR are fit for purpose is provided by the Building Inspector's sign-off on the building.

There is currently no statutory requirement for buildings to accommodate other protected characteristics such as gender neutral or unisex toilets or the installation of a Prayer Room. These provisions are at the discretion of the building owner and/or tenant.

2. **Members of the Overview and Scrutiny Committee asked for information on any funding SCR had missed out on to date as a result of the devolution deal not being concluded.**

The 2015 SCR Devolution Deal poses an opportunity for the City Region to benefit from additional funds, which it has not been able to access to date. These are:

- Unlocking an additional £900m of funding for economic development, over a 30-year period – the Gainshare pot. Decisions on what this money should be invested in will be made by the MCA.
- Enabling the area to retain 100% of all business rate growth experienced, above the forecast baseline.
- Accessing £5m for the Early intervention pilot to help those that are not currently in work, but who are seeking to access to employment.

In addition, a number of other sources of powers and influence have been made available since the deal was agreed with Government in 2015. These are:

- The SCR MCA could benefit from wider borrowing powers than just for transport schemes as currently; representing a significant opportunity to successfully manage the area's investment profile.
- Gain control over the 19+ adult education budget, equating to c.£35m per annum, note this is not new money to the City Region but would see the MCA establishing the strategy for this funding as opposed to the Education and Skills Funding Agency. Whilst this was part of the 2015 Deal, all MCAs are not receiving control of this funding until the 2019/20 academic year.
- Provide the City Region with 'as of right' access to the additional resources being made available to other metro mayors, for example, the Transforming Cities Fund. If the SCR received the same per capita allocation as other MCAs this would equate to a £155m of funding.
- Enable the City Region to enter into discussions with Government regarding the devolution of additional powers and resources, as has taken place in other MCAs.

I hope you find this information helpful in respect of these questions.

Yours sincerely,

D. Smith.

Dr Dave Smith

Managing Director

OVERVIEW & SCRUTINY COMMITTEE

COMMUNITY TRANSPORT SERVICES IN SOUTH YORKSHIRE – SUPPLEMENTARY INFORMATION AS REQUESTED BY MEMBERS

Key Decision? ☐ Yes ☒ No

If this is a Key Decision, please state which category …

☐ Expenditure/Saving of +£250k ☐ Affects two or more districts

Strategic Priority (tick all relevant boxes)		
☐ Business and Innovation	☐ Place	☐ Research and Innovation
☐ Skills	☒ Transport	☐ Cross Cutting

Purpose of Paper

At the last OSC meeting in January 2019, SYPTE Officers were asked to provide further information following a number of questions raised by Members in the meeting, namely:

1) Reasons for a greater decline in Community Transport usage in Barnsley compared to the rest of the Region;

2) Areas where Community Transport services are provided;

3) Promotion of Community Transport services across the Region.

Freedom of Information and Schedule 12A of the Local Government Act 1972

A – the paper will be available under the Combined Authority Publication Scheme

Recommendations

This report constitutes follow-up information to a previous report to the Overview and Scrutiny Committee and is presented to give further information.

Responses to questions raised by Members at 17 January 2019 OSC Meeting

Q1 Reasons for a greater decline in Community Transport usage in Barnsley compared to the rest of the Region

1 SYPTE was requested by SCR Scrutiny Committee to look at the decline in Community Transport (CT) usage in Barnsley. Whilst it is difficult to identify reasons for a decline in the number of CT journeys, this paper sets out national and local factors which potentially have influenced usage of CT in Barnsley.

2 **Increase in Older Drivers**

An increase in the number of people in older age groups holding driving licences means that more people are likely to be able to drive into old age. The number of people over 90 holding a driving licence in Britain has been on the rise - it recently topped 100,000. The number of over 70s holding a driving licence exceeded five million for the first time in 2018.

2018 data from the DfT's National Travel Survey shows that the overall number of people holding driving licences went up from 19.4 million in 1975 to 32.9 million in 2017, a 70% increase. Particularly notable was the 160% increase in women licence holders. Historically, women outnumbered men as users of CT.

Between 1975 and 2017, the percentage of drivers in the over 70 age group rose from 19.4% to 32.9% of people. When we look at the statistics for women only, this rise in the licence holders over 70 goes from 15% of women in 1975 to 50% of women in 2017.

Although older users of community transport may have disabilities (either age related or existing) which mean they may not have the option of personally being car drivers, there may still be an impact caused by the increased percentage of older (50+) carers able to drive their elderly parents or partners, rather than rely on options such as CT.

As public transport has become more accessible to people with disabilities, and private vehicle adaptions have become more affordable, passengers with disabilities are no longer as reliant on CT services as they once were (feedback from SCT would support this).

They report a reduction in the numbers of passengers, however, their needs are generally more complex. This has resulted in an overall increase in average journey time.

Additionally, a parallel rise in car ownership means that households are more likely to have a car available during the daytime to drive around older family members for appointments, shopping and so on. By 2005 only 25% of households had no car – less than the number of two-car households.

3 **Improved Accessibility to the Public Transport Network**

Improved provision of accessible infrastructure (dropped kerbs on footways/raised kerbs at bus stops) and level-entrance buses, has enabled many more elderly and disabled wheelchair users and people with their own approved mobility scooters to access mainstream local bus services.

There has been an increase in the ownership of mobility scooters, and the Confederation of Passenger Transport (CPT)'s National Mobility Scooter Permit Scheme (introduced in 2012) has given passengers clarity on being able to access mainstream bus services with their scooter, as permits show both the passenger and details of their individual approved eligible scooter.

4 **Shopping Trends**

Online shopping is on the rise. December 2018 saw High Street footfall nationally drop by 2%, compared to an online sales increase of 12%. However, we do not have data to relate this to the target demographic.

5 **Information for Users**

For the years 2011 to 2014 (the period when CT district timetables and promotional leaflets were produced by SYPTE), the usage of Group Travel in Barnsley almost doubled (approximately 98% increase over three years). When looked at in this light, the decline over subsequent years can be seen as more of a return to pre-promotional activity levels of usage.

At the end of the 2013/14 financial year and linked to SYPTE's Medium Term Financial Strategy as agreed with the Districts, SYPTE reduced the volume of printed products it provided, including stopping production of Community Transport publicity leaflets. These had provided a summary of the services available in each Local Authority area, including timetables for the Shopper Bus routes. They had been displayed in libraries, GP surgeries, hospital departments, rural community centres and SYPTE Interchange sites, and were used by the operators and SYPTE staff to publicise the services to local groups and meetings.

An analysis of the variation in the number of trips following the withdrawal of the promotional products has been undertaken[1]. This shows that Barnsley had a 22% decrease in patronage in the two years after leaflet production ended, double the 11% decrease for the other three districts, as shown in **Appendix A.**

6 **Staff Resources**

Until 2016, SCT employed a Community Links Co-ordinator on behalf of the four main CT operators (SCT/DCT/BDaR/RCT) to raise awareness of Community Transport throughout the Districts. This officer assisted small groups to develop structures and Terms of Reference, and to apply for grants which was then spent on booking Group Travel. The post was funded through a proportion of SYPTE's grant payment to the operators. The Co-ordinator was based at the Barnsley DaR offices but was available to promote CT through disability and community groups and local clubs in all districts. However, Barnsley was the operator who chose to use the resource most: the other operators did not support retention of the post and it was made redundant in 2016 as BDaR could not sustain the full cost of the position alone.

Whilst the impact of the loss of the role was subsequently felt across all operators, it was more acute in Barnsley, at 13% (4,798 journeys) for the two year period, 2016/17 and 2017/18 after the Co-ordinator role was made redundant, and 4% (9,822 journeys) across the other three main operators, as detailed in Appendix A**.**

However, as the role had also provided additional back office support (eg as lunch cover for other staff) as well as undertaking bespoke promotion to Black and Minority Ethnic (BAME) groups in the District, in 2015/16, the last year of the Co-ordinator's employment,

[1] Data from MCT and T17 is not included in this analysis as their service share is less than 4% each and is restricted to groups such as lunch clubs in very small geographic areas

the role had achieved a 20% increase in Group Travel in Barnsley mainly through engagement with BAME groups. An analysis in the variations in passenger numbers by service type after the loss of the Co-ordinator's post shows that a significant reduction in group travel journeys occurred in Barnsley of 341 journeys (6.18%) in 2016/17 and a further decrease of 1,271 journeys (24.54%) in 2017/18.

7 **Changes in Shopmobility provision**

In 2014 Barnsley Dial-a-Ride lost the Shopmobility scooter hire contract from BMBC. Previously passengers had been able to book a scooter and transport into the town at the same time. The organisation (a subsidiary of a care home company) which took over the scooter hire contract proved to be uncooperative with BDaR and SYPTE on co-ordinating CT bookings, and whilst this improved when the contract subsequently passed to another provider, the ongoing lack of a seamless booking facility for both the CT journey and scooter hire is likely to have had some impact on usage.

It should also be noted that as the customer base in Barnsley has traditionally been smaller than in other areas (Barnsley's journeys currently only account for 13% of the overall journeys made in South Yorkshire each year), a small variation in the number of journeys presents as a larger percentile swing than in other Districts.

Q2 Areas where Community Transport services are provided

1 Community Transport services are provided across the whole of South Yorkshire and are available across all geographies. **Appendix B** contains details of the schemes in each of the Local Authority areas which was recently circulated to all Local Councillors in February 2019.

Q3 Promotion of Community Transport services across the Region

1 As mentioned in response to Q2, SYPTE have circulated details of the Community Transport schemes in operation across South Yorkshire.

Separately, SYPTE will be launching a promotional campaign to raise awareness of Community Transport services with key stakeholders. The campaign will begin in Quarter 1 of the 2019/20 financial year.

Renewed publicity of the services to potential users - including elderly people, people with disabilities and a proportionally larger number of women than men – will ensure that there is a better awareness of the CT services currently on offer.

Appendices

Appendix A – Summary of Community Transport Patronage 2013/14 -2017/18

Appendix B – SYPTE Communications – Community Transport Services in South Yorkshire

Report Author:	Stephen Edwards
Job Title:	Executive Director
Organisation:	SYPTE
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Telephone:	0114 2211201

Appendix A: Summary of Community Transport

		Dial-a-Ride			Shopper			Group			All services						
	Year	DaR Journeys	Change (number)	Change (%)	Shopper Journeys	Change (number)	Change (%)	Group Journeys	Change (number)	Change (%)	Total all services Journeys	Change (number)	Change (%)	Change in two years after leaflets removed.	Percentage Change in two years after leaflets removed.	Change in two years after CoOrdinator removed	Percentage Change in two years after CoOrdinator removed
BDaR	2013/14	29,531			11,255			4,674			45,460						
	2014/15	26,027	-3,504	-11.87%	10,696	-559	-4.97%	4,593	-81	-1.73%	41,316	-4,144	-9.12%				
	2015/16	20,914	-5,113	-19.64%	9,232	-1,464	-13.69%	5,521	928	20.20%	35,667	-5,649	-13.67%	-9,793	-22%		
	2016/17	20,651	-263	-1.26%	8,954	-278	-3.01%	5,180	-341	-6.18%	34,785	-882	-2.47%				
	2017/18	19,839	-812	-3.93%	7,121	-1,833	-20.47%	3,909	-1,271	-24.54%	30,869	-3,916	-11.26%			-4,798	-13%
Other large operators	2013/14	88,785			78,570			81,955			249,310						
	2014/15	85,132	-3,653	-4.11%	80,258	1,688	2.15%	71,761	-10,194	-12.44%	237,151	-12,159	-4.88%				
	2015/16	73,202	-11,930	-14.01%	78,702	-1,556	-1.94%	70,188	-1,573	-2.19%	222,092	-15,059	-6.35%	-27,218	-11%		
	2016/17	79,490	6,288	8.59%	75,981	-2,721	-3.46%	67,436	-2,752	-3.92%	222,907	815	0.37%				
	2017/18	77,428	-2,062	-2.59%	70,820	-5,161	-6.79%	64,022	-3,414	-5.06%	212,270	-10,637	-4.77%			-9,822	-4%

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From: SYPTE Communications
Sent: 27 February 2019 16:48
Subject: Community Transport Services in South Yorkshire

Dear Colleague

Community Transport Services in South Yorkshire

I am writing to remind you about the Community Transport services on offer in South Yorkshire, which you may wish to promote with your constituents.

What is community Transport?

Community Transport (CT) services are available for people who may find it difficult to access standard public transport due to disability, age and frailty or geographic isolation: people who would otherwise be unable to travel, or who would struggle getting to a bus stop. For a small charge the services pick people up at their door and take them to a pre-booked destination, using accessible minibuses.

How are the services funded?

South Yorkshire Passenger Transport Executive (SYPTE) currently supports CT services at a cost of £1,657,215 revenue funding per year. Some vehicles are also provided to the operators by SYPTE for use on Door2Door services, in addition to the operators' own fleets.

Who operates the services?

Services are delivered under the 'Door2Door' brand through the lead operator - Sheffield Community Transport (SCT) – who subcontract some of the delivery out to other operators to provide cover across the county. All Door2Door drivers are Disclosure & Barring Service checked and trained to MiDas or equivalent standard.

The operators providing CT cover across the county are:

- Barnsley Dial-a-Ride (BDaR)
- Doncaster Community Transport (DCT)
- Rotherham Community Transport (RCT)
- Sheffield Community Transport (SCT)
- Manor Community Transport (MCT)
- Transport 17 (T17)

All the operators have non-profit status.

What services are available?

The larger operators – SCT, BDaR, DCT and RCT – all offer three journey types:

- ShopperBus - picks people up from home on a predetermined day and takes them to and from a shopping location for a flat rate of £2.50 return.
- Dial-a-Ride – picks people up from a location and transports them to a destination of their choice. Fares start from £2.50 for up to a mile.
- Group Travel – journeys booked by groups, using their own or a CT driver; can consist of a whole eligible group going on a trip, or individuals picked up separately to go to one destination, e.g. a pensioners' lunch club. Costs vary according to whether organisations provide their own driver, how long the hire is for and how far the journey is.

MCT and T17 offer group travel in specific areas in the Manor and S17 areas and are not available city wide.

What other services are available?

The CT operators provide other Door2Door services outside of our SLA. These include volunteer car schemes in some districts and a 'Dial-a-Ride+' type offer which for a higher fare will offer guaranteed bookings, guaranteed timeslots and daily or weekly repeat bookings, e.g. for regular health appointments or day centre visits.

How can members of the public contact Community Transport providers?

To use the services, people must pre-register (for free) as members and must also pre-book their journey up to six or at least a day in advance of travel on a 'first come' basis, and on average registered users travel twice a week. Journeys are not eligible for concessionary travel (ENCTS Elderly or Disabled passes) and passengers pay different fares according to the type/distance of journey.

To register for Community Transport services people should contact their local operator:

- Barnsley Dial-a-Ride – 01226 632 096
- Doncaster Community Transport – 01302 343 400
- Rotherham Community Transport – 01709 517 100
- Sheffield Community Transport – 0114 285 9906
- Manor Community Transport – 0114 265 4275
- Transport 17 – 0114 236 2962

Fares are reviewed periodically, but as the services are subsidised, are always kept below the cost of equivalent taxi journeys. As the vehicles are fully wheelchair accessible they also fill an unmet need in some districts (not all four councils have accessible Hackney carriage fleets).

All the vehicles have powered rear lifts: Drivers help users to board and alight, and unload walking aids and wheelchairs etc. Where passengers have shopping, drivers will help them to their door with this. The vehicles carry assistance dogs at no cost (but not other dogs at all) and carers/friends can travel with the person booking but are also charged a fare.

How you can help

It would be appreciated if you could please keep your constituents informed about Community Transport and advise them that they can find out more about the full range of Door2Door services by phoning the operator nearest to them.

Further information and contact details for the Community Transport providers is available at travelsouthyorkshire.com/accessibility-door2door/.

Kind regards

Rachel Cowling
Communications Officer - External Relations

South Yorkshire Passenger Transport Executive
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Report to a member of the Sheffield City Region Overview and Scrutiny Committee: Cllr Ennis, Member for Barnsley

Date:	19 February 2019
Subject:	Health Led Employment Trial
Purpose of the Report:	To provide greater detail relating to the implementation of the Health Led Employment trial in Barnsley, meeting 17 January 2019 supplementary to the meeting papers
For further information please contact: Krysia Wooffinden, Assistant Director Skills, Employment and Education telephone 0114 220 3475 Krysia.Wooffinden@sheffieldcityregion.org.uk. www.workingwin.com https://www.centreformentalhealth.org.uk/what-ips https://www.centreformentalhealth.org.uk/ips-fidelity-scale	

1 Background

The Health Led Employment Trial is active across 5 contract areas in the Sheffield City Region (Barnsley, Bassetlaw, Doncaster, Rotherham and Sheffield). It is testing whether a modified model of Individual Placement and Support (IPS) [1]will deliver the level of results seen when the full model is delivered to people with severe mental health conditions. The service is branded Working Win: The Health Led Employment Trial (Working Win). The service will receive referrals until October 2019 and the trial will conclude in November 2020.

To provide a strong evaluation, the service is being measured against business as usual. Therefore 50% of the people who join the trial are referred into Working Win (known as treatment) as 50% receive business as usual (known as the control group). This process is done on a random basis through a digital referral system.

In their meeting January 2019, Scrutiny Members received an update on the performance of the trial and discussed opportunities to strengthen referrals into the trial enabling residents to benefit from the additional service in their area.

This paper provides an update on the delivery of the Trial in the Barnsley Contract Area, as at February 2019. It presents a more up to date picture of performance taken at the last formal performance report. Across the Christmas Period, the provider agreed a reprofile as part of the extension of the trial by 6 months. This has resulted in some of the monthly targets being reduced as the trial is stretched over a longer period.

2. How Working Win, the SCR Health Led Employment Trial, works within the NHS

The Working Win SCR Health Led Trial (the Trial) is a clinical trial under the Health Research Authority (HRA) and subject to medical ethics which means we are very careful about how we promote the trial

[1] IPS is an approach to supporting people with severe mental health difficulties into employment. https://www.centreformentalhealth.org.uk/what-ips

for these reasons. Everything we issue that is patient/public facing must be approved by the Medical Ethics Committee [2].

To take part in the trial, all NHS referring organisations must give notification that they have Capability and Capacity (C&C) to be involved in the trial through a simple sign up process. Once GP's sign up and they refer over 20 patients they are eligible to receive reimbursement for operational expenses from the Clinical Research Network (CRN). This is circa £20 per referral linked to opportunistic referrals. Alternatively, practices can claim £400 if they opt to proactively market the opportunity to participate in the trial to eligible patients, done with the support of the CRN.

3. How we promote the Trial

The Mayoral Combined Authority (MCA) provides the strategic marketing for the trial, South Yorkshire Housing Association have the responsibility for promotion in communities and through co-location in health settings. The SCR also contracts with the ICS who are promoting the trial through their internal NHS communication, this is in response to feedback from health professionals that this is their preferred route for communication.

Marketing the trial must adhere to medical ethics as it is testing something we don't know for sure works (initial findings are positive). This is a challenge in terms of what we can say to encourage people to sign up to take part and the fact we can't guarantee that individuals receive the service we are trialling.

The IPS model we are testing has a series of standards it must follow, known as the Fidelity Scale[3]. We have held on to most of those in our modified service; the major differences we have brought in locally are that we have fixed an entitlement to 12 months support (whereas its normally unlimited when delivered to people with complex needs) and because of this we have larger case load sizes.

The key element of the IPS model, that attracted our SCR partners to the trial, is that we have based the Working Win: Health Led Employment Trial within key health settings, so they are part of the health discussion, which encourages health partners to refer into the trial as employment specialists are part of the health team. This is the primary way of attracting referrals into the service and the local engagement is delivered by the South Yorkshire Housing Association Working Win team who are mostly recruited from within the areas they are working in.

4. The Barnsley Area Working Win Contract

Participant targets were derived from an analysis of eligible participant numbers – a mix of unemployment and health statistics. For the trial target number of participants is (fig 1):

[2] Medical ethics is trying to do the right thing while achieving the best possible outcome for every patient. There are four basic principles of medical ethics:

- **Autonomy:** People have the right to control what happens to their bodies.
- **Beneficence:** What is good for one patient may not be good for another, so each situation should be considered individually.
- **Nonmaleficence:** "First, do no harm" is the bedrock of medical ethics.
- **Justice:** Be as fair as possible when offering treatments to patients and allocating scarce medical resources.

[3] The Fidelity Scale is a self-assessment tool and it is the translation of the 8 principles into 25 items that a service can be scored against.

LOT	Service starts by lot trial lifetime	Starts: 70% out of work	Starts: 30% in work but struggling
Barnsley	**1,422**	995	427
Bassetlaw	**510**	357	153
Doncaster	**1,567**	1,097	470
Rotherham	**1,375**	963	413
Sheffield	**2,626**	1,838	788
	7500	**5,250**	**2,250**

4.1 **Where are we now?**

A review of Trial performance (March 2019) showing that referrals across February 2019 were the strongest to date, likely a result of increased marketing and the time of year with 217 reported job outcomes for unemployed participants. Against lifetime targets, Barnsley remains the area with the lowest percentage of take up of places (fig 2):

Contract area	No joining the trial to date	% of target
Barnsley	329	23%
Bassetlaw	210	41%
Doncaster	416	27%
Rotherham	594	43%
Sheffield	980	37%

4.2 **Barnsley Area Contract Performance (as at January 2019)**

A third of the GP practices in Barnsley have signed up to take part in the trial (the trial averages 44% engagement from Primary Care across the whole of the trial which is reported as strong when compared to other clinical trials). A detailed list of the GP Practices signed up is in Appendix 1.

Across the Board, Primary Care referrals remain low for the trial which was expected as this fits with historic trends. Partners expect the bulk of referrals to come through IAPT (Improving Access to Psychological Therapies) and MSK (Musculoskeletal) services which is reflected in the actual profile to date (appendix 1), we hope to strengthen GP engagement.

In January 2019, the SCR received approval to extend the trial by a 7-month period due to delays at its start. This has given SYHA the opportunity to work with the SCR Contracts Team and submit a revised profile aligned to a 12-month referral window. This revised profile presents a stronger picture for the Barnsley contract:

	IPS Service participants Jan 2019	% of target
Barnsley	108	84%
Bassetlaw	77	77%
Doncaster	135	83%
Rotherham	210	83%
Sheffield	298	80%

- Barnsley now has a lower target profile which means that it was performing slightly better than other areas but this has increased their future month targets giving them a greater challenge to achieve.
- It should be noted this is only 8% of the lifetime target for participation so it means that the team have a higher number they need to engage in future months.

Notable points from the last formal performance report (appendix 2):

- The number of residents signing up to the trial in January at 12 is only half of the targeted 23 they should have achieved.
- Most trial participants in the borough are identifying themselves as "White British".
- 70% of the people taking part in the trial in Barnsley at that time are male.
- The top 5 conditions reported for participants are stress, depression, fatigue, pain and neck problems.
- 13% of the unemployed people who join the trial have started a job (15) and the average for those people is 73 days from joining the trial to starting work.

Discussions with the Barnsley team indicate two reasons for performance to date:

- a perceived barrier due to the rural nature of the borough and issues around transportation – the Working Win team travel to appointments and marketing is focusing communications around correcting that assumption.
- the recent re-specification of the Community MSK Service and the way that the service itself runs and a challenge in that the accommodation is not suitable to have a SYHA Working Win member of staff in clinic.

4.3 <u>The Barnsley Working Win Employment Support Team</u>

There are 7 Barnsley team members making up South Yorkshire Housing Association's Working Win Employment Support Team (Working Win). The team manager is Paul Elsworth, P.Elsworth@syha.co.uk, telephone 07464 497 793.

Most of the work of the Barnsley team is undertaken at Barnsley Metropolitan Borough Council Premises (BMBC), they have a regular presence at Libraries and Learning Centres across wards as well as the Town Hall receiving strong support from Council Officers.

The team also have good links with the 3rd Sector in Barnsley, they have office space with Voluntary Action Barnsley and frequent the Community Shop projects in Goldthorpe and Athersley and have attended meetings at Barnsley Mind, Pathways and Humankind (recovery service) visiting regularly. New WEC's will be delegated tasks to further develop Vol/com sector relationships whilst their case-loads are relatively low.

The team also a regular presence in Wombwell Job Centre Plus and have attended meetings at the Barnsley Peel Street Job Centre Plus.

The team are active in local partnership forums attending the Barnsley Local Integration Board, the Employer Engagement Network and the Dearne Collaborative Task Group (employment and skills). They are members of Barnsley and Rotherham Chamber of Commerce.

The team state they have good employer relationships through the Mental Health Champion Network which includes Premdor, Distinction Doors, Stage Coach and ITS and have garnered relationships with Premiere Foods and Capita after a marketing event in Sheffield both of whom have referred to the trial.

5. Actions

Areas of underperformance against the contract are being directly addressed through the SCR contracting team with the provider South Yorkshire Housing Association.

Actions taken by the SCR Executive to improve performance include:

- Working with the Working Win team to restructure their approach to service delivery based on learning locally and in the West Midlands. This means that they will have a separate, trained member of the team undertaking the initial meeting with the client which involves collecting baseline information which takes 45 minutes, in doing this, Work Coaches have more capacity to meet clients.
- Funding an online appointment booking system for the service, this launched recently and is seeing some positive results increasing self-referrals and attendance at appointments. We are already seeing strong results in attendance from this approach as people then have ownership over their appointments.
- Working with the Working Win team to produce a short film of what to expect in your appointment to reduce any concerns participants may have about what to expect in the trial.
- Working with the Integrated Care System and Barnsley CCG to recruit a GP advocate along with working with the Clinical Research Network to work with practices and target a text/mailout to eligible participants.
- Raising awareness of the trial through social marketing using Facebook, Linked in and Twitter. We can access statistics for Facebook which show Barnsley residents contribute the second highest followers after Sheffield, (11%). The Working Win Facebook page has reached 2,712 people in Barnsley (2nd highest area).
- On the 18 of February we launched outdoor advertising for a test period of 2 weeks, to raise awareness of the trial. These are at the following locations:
  -Wakefield Rd Opp. No. 313 New Lodge Barnsley
  -Rotherham Rd Opp. No. 367 Athersley South Barnsley
  -Fish Dam Lane o/s No. 33 St. Helens Barnsley
  -Laithes Lane Opp. No. 19 Athersley North Barnsley
- In March/April we are delivering the TV advertising through Sky which enables us to target the adverts at households in areas where employment is low.

6. Areas for future support

The team are keen to develop a stronger presence in the Peel Street JobCentre and hoped to develop a base with Barnsley Hospital Physio services and SWYFT MSK services.

The team would welcome support to encourage those GP Practices who have signed up to refer into the trial and to encourage more practices to sign up.

APPENDIX 1 – A detailed overview as at February 2019

- Number of GP Practices in Barnsley – 35

- Number of GP Practices signed up to the Health-Led Trial – 11
    - Chapelfield Medical Centre – 1 referral
    - Dalton Health Centre – 1 referral
    - Dearne Valley Group – 12 referrals
    - Dove Valley Practice – 26 referrals
    - Hollygreen Practice – 9 referrals
    - Penistone Group Practice – 1 referral
    - Royston Group Practice – 13 referrals
    - The Worsbrough Centre – 1 referral
    - Valley Medical Centre – 1 referral
    - Victoria Medical Centre – 4 referrals
    - Woodland Drive Medical Centre – 1 referral

- No. of secondary care practitioners in the Barnsley trial area -2

    - Barnsley Hospital – 7 referrals
    - SWYFT (website shows 60 separate services in the Barnsley area) – 210 referrals

- Outreach / Co-location sites for Working Win in the area

    - MHAT (co-location)
    - Royston Group Practice (outreach)
    - Dalton Health Centre (outreach)

- Regularly based at Community / Other Venues

    - Royston Library
    - Wombwell Library
    - Penistone Library
    - Wath Library
    - Goldthorpe Library
    - The Factory
    - Voluntary Action Barnsley

APPENDIX 2

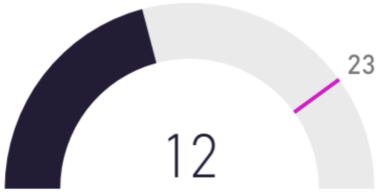
workingwin LA Overview

Barnsley | January 19

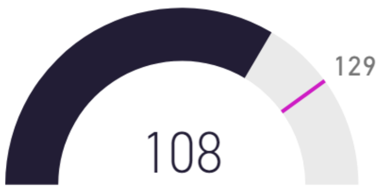
Trial Starts

Show time series: 01/06/2018 01/01/2019

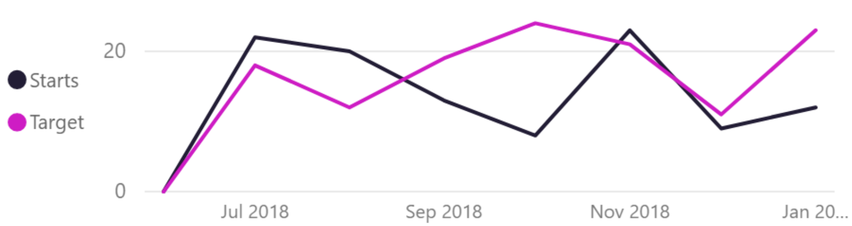
This Period



Cumulative



Trial Starts vs Targets Over Time



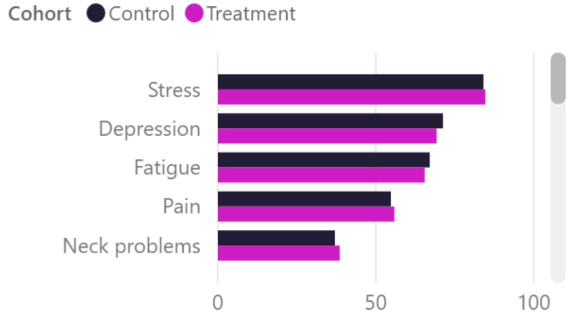
Trial Demograpics

Age	Value	%	+/-
16-24	14	10%	
25-34	37	26%	▲
35-49	53	37%	▲
50-64	39	27%	▲
65+	1	1%	

Ethnicity	Value	%	+/-
White/White British	134	99%	▲
Black/African/Black British	1	1%	
Prefer not to say	1	1%	▲
Asian/ Asian British	0	0%	
Mixed/Multiple Ethnicities	0	0%	
Other Ethnic Group	0	0%	

Gender	Value	%	+/-
Male	67	70%	▲
Female	29	30%	▲
Other	0	0%	

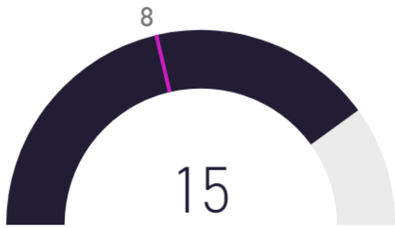
Reasons for participation (SCR-wide)



Job Starts

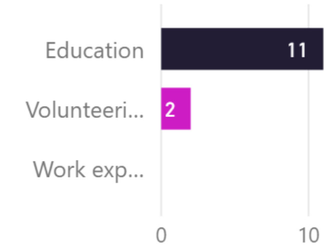
This Period

Cumulative



Job Starts vs Targets Over Time

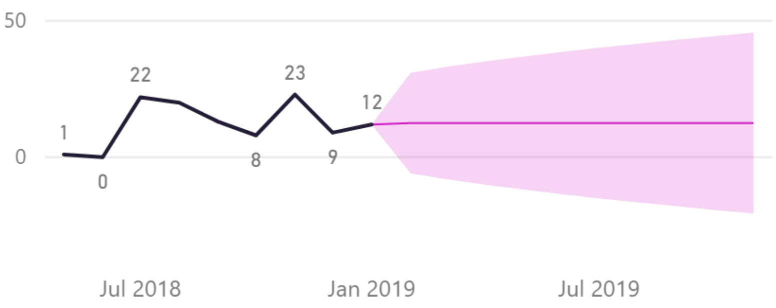
Other Work Opportunities



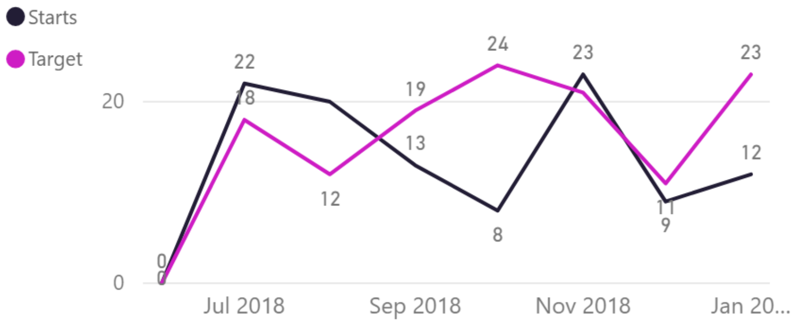
workingwin LA Trends

Barnsley

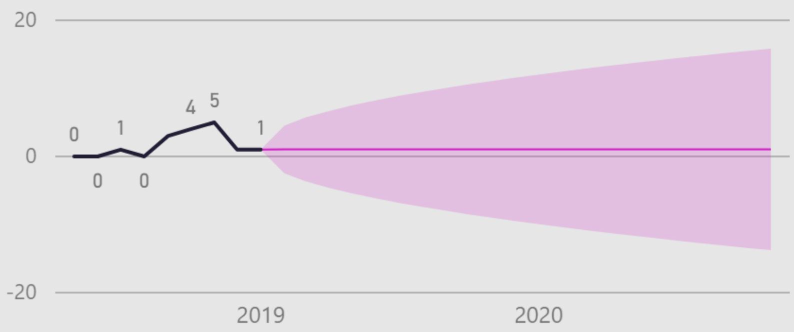
Starts (Period Actual + Forecast to Nov 2019)



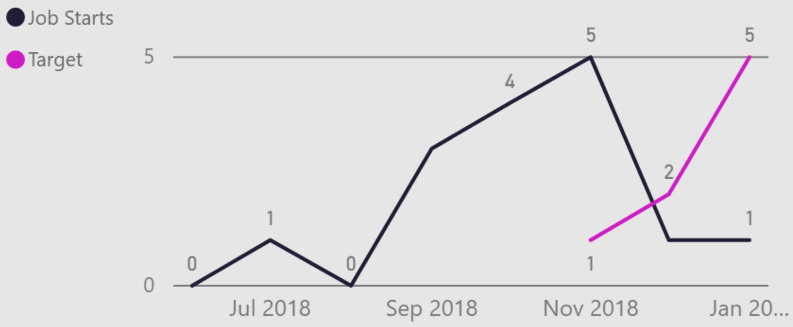
Starts (Period Actual vs Target)



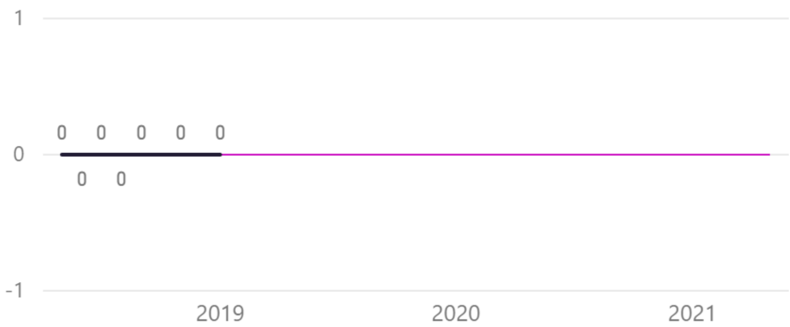
Job Starts (Period Actual + Forecast to Nov 2020)



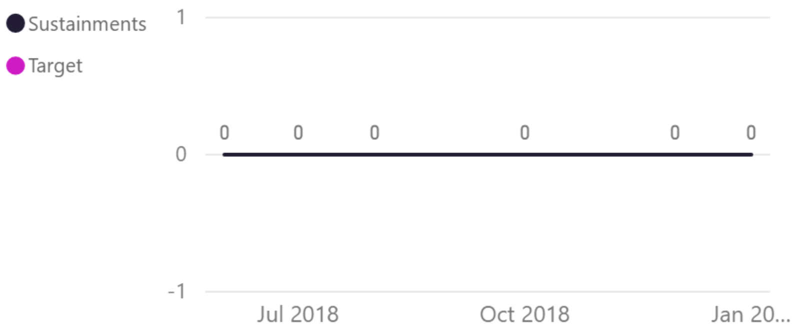
Job Starts (Period Actual vs Target)



Sustainments (Period Actual + Forecast to May 2021)



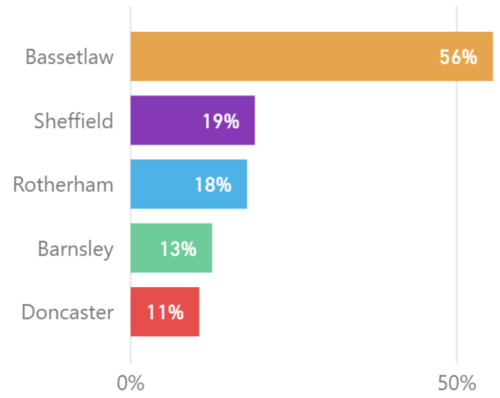
Sustainments (Period Actual vs Target)



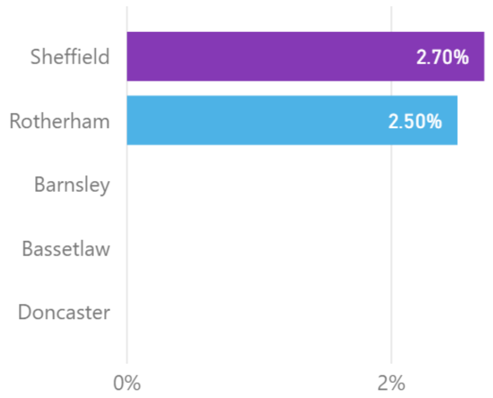
workingwin SCR Comparisons

January 19

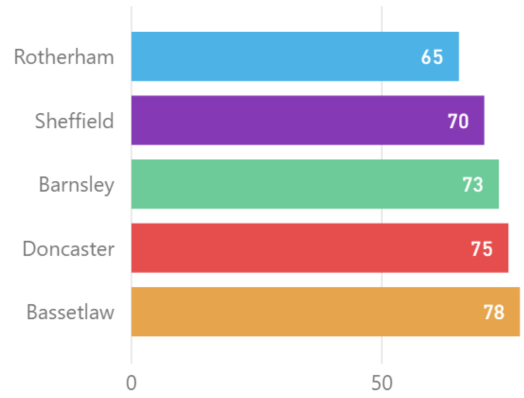
Job Starts as % of Starts (- 3 Months)



Sustainments as % of Starts (- 6 Months)



Assessment to Employment (Days)



Client Feedback

Area	Value	+/-

Drop Out Rate (% of Starts)

Area	Drop Out Rate	+/-
Barnsley	16.67%	▲
Bassetlaw	22.08%	▼
Doncaster	11.85%	▲
Rotherham	19.90%	▲
Sheffield	17.45%	▲

Employer Specialist Caseload

Area	Value	+/-
Barnsley	20	▼
Bassetlaw	12	▼
Doncaster	21	▲
Rotherham	18	▼
Sheffield	17	▼

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Sheffield City Region MAYORAL COMBINED AUTHORITY

Report to Sheffield City Region Overview and Scrutiny Committee

Date of Meeting:	11th April 2019
Subject:	South Yorkshire Bus Review
Purpose of the Report:	To provide an update the Scrutiny Committee on the South Yorkshire Bus Review being led by Clive Betts, MP
The Scrutiny Committee is being asked to:	Note the Terms of Reference (Annex A) and; offer any views on the suggested key lines of enquiry (outlined under 'matters for consideration')
Category of Report: Open Under the Freedom of Information Act and Schedule 12A of the Local Government Act 1972, this paper and any appendices will be made available under the Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.	

Summary:

This briefing report provides Scrutiny Committee Members with an update on the South Yorkshire Bus Review that is being led by Clive Betts, MP, on behalf of the Mayor. Specifically, it provides information on:

1. the recent history of bus services in South Yorkshire;
2. the approach to the review including key lines of enquiry; and
3. an indicative timeline for the review.

It also gives Committee members the opportunity to offer any views on the suggested key lines of enquiry.

1. Introduction/Context

Recent history of bus services in South Yorkshire

In England, bus services were deregulated in 1986 following the introduction of the Transport Act 1985 – except for those in London which remained regulated. Over the last 25 years annual bus journeys per person in cities outside of London have fallen by 40% and the trend of declining patronage is replicated in South Yorkshire. Additionally, car usage in South Yorkshire is increasing, which runs counter to national trends. However, 82% of all public transport journeys in South Yorkshire are undertaken by bus and many people (particularly those on low incomes) rely on bus services for their primary mode of transport.

As a result of deregulation, bus services in South Yorkshire are operated commercially under bus partnership arrangements which were introduced between 2012 and 2017. This means that decisions about how the system operates are taken in consultation between operators, South

Yorkshire Passenger Transport Executive (SYPTE) and local authorities – and the public where appropriate.

Whilst offering benefits, there are arguably some limitations to the current partnership arrangement. For example, the approach does not extend to decisions on setting fares and as the membership is voluntary, operators can still push through changes that may negatively impact the overall level of service.

In 2017, the Government introduced the Bus Services Act, which presents local and combined authorities with new powers including an enhanced framework for authorities to work in partnership with operators to set a shared vision for their area in addition to franchising provisions.

2. Matters for Consideration

Approach to the bus review

Dan Jarvis, Sheffield City Region Mayor, has invited Clive Betts MP to lead an independent commission reviewing the provision of bus services across South Yorkshire with a view to bringing forward evidenced, practical, ambitious recommendations for improvements to encourage patronage, improve viability and ensure the bus system is fit for the 21st century.

The review is part of the Mayor's broader 'Vision for Transport' (adopted by the Mayoral Combined Authority in December 2018) which aims to transform the City Region's transport network so as to improve the quality of life for all and support sustainable economic growth.

The Chair is in the process of identifying a small number (c.6 - 8) of commissioners to join the review, who will contribute a range of thinking and support him carrying out the programme of work, leading to an interim and subsequently a final report containing conclusions and recommendations. The intention is to establish a balanced, expert panel who will bring insight from a range of perspectives – the members of the commission need not all have expertise in the sector.

Terms of Reference for the review have been agreed with the Chair *(Appendix A)* and while it will be for the Commission to determine *how* it wishes to operate - within agreed parameters - the following key lines of enquiry have been suggested in the first instance:

- The current condition of the commercial and community bus transport sector in South Yorkshire including reasons for the decline in registered bus services and passenger numbers,
- The social, environmental and economic impacts of this decline, and
- The steps that should be taken to ensure commercial bus and community transport services meet the needs of South Yorkshire residents.

The commission's role will also be to review evidence, interview stakeholders in closed sessions and occasionally meet in public and conduct fieldwork visits.

Indicative timeline

The Commission is expected to be in place and an interim set of findings will be presented by the commission to the Mayor in October 2019, leading to the submission of a final report containing findings and recommendations for improvement at the end of the year.

a. Financial

There are no financial implications from this paper/presentation

b. Legal

There are no legal implications from this paper/presentation

c. Risk Management

There is a risk that the public and bus operators perceive the review as having a pre-determined outcome – i.e. franchising. This misconception is addressed as part of the communications campaign, and a response it outlined in the frequently asked questions document *(Annex B)*.

d. Environmental

There are no environmental implications arising from this paper/presentation

e. Equality Impact Assessment

An equality impact assessment will be completed as part of the options analysis that will inform the recommendations made by the commission.

f. Performance Management/Measuring Outcomes

This section is not applicable for this update paper

3. Consideration of alternative approaches

This section is not applicable for this update paper.

4. Issues the Overview and Scrutiny Committee may wish to consider

- Note the Terms of Reference
- Provide any views on the key lines of enquiry

5. Recommendations

This section is not applicable for this update paper

6. Appendices/Annexes

Appendix A: Review Terms of Reference
Appendix B: Frequently Asked Questions

The following section is a legal requirement

Report Author:	Jo Kaczmarek
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Officer responsible:	Ruth Adams
Organisation:	Sheffield City Region Executive Team
Email:	Jo.Kaczmarek@sheffieldcityregion.org.uk
Telephone:	07892 763491
Background papers used in the preparation of this report are available for inspection at:	
Other sources and references:	

ANNEX A

Terms of Reference

1. Introduction

The Mayor is launching a time limited commission to examine all aspects of the South Yorkshire bus transport system and services with a view to identifying and recommending improvements that will benefit users as well as supporting the broader sustainability of the bus transport sector.

2. Purpose

The Bus Review is being undertaken to provide the Sheffield City Region Mayor with independent evidence on:

- The current condition of the commercial bus and community transport sector, including the reasons for the decline in both registered bus services and bus passenger numbers;
- The social, environmental and economic impacts of this decline in bus services and passenger numbers; and
- The steps which should be taken to ensure commercial bus and community transport services meet the needs of residents.

Key lines of enquiry (KLEs) flowing from the above will be for the Chair and Commission to determine having additional regard to the Mayor's transport ambition as articled in the Sheffield City Region Transport Vision and related Transport Strategy. The review will consider:

- Trends in bus use and factors contributing to these trends;
- How to increase bus patronage - generally and in relation to different demographic groups including: young people, the elderly, minority ethnic groups; key workers; those on low incomes, those with mobility issues;
- How to Improve provision for potentially isolated residents and communities;
- How to improve 'quality' of services with an emphasis on the bus user experience;
- How to improve 'connectivity' (as described in the Transport Vision) within the region;
- The commercial operation of the bus sector; including the responsibilities of key actors; strategic planning and regulatory matters;
- Adequacy of funding and best approaches to securing future investment in the sector and ensuring sustainability; and
- What can be learnt from other city/city region approaches to any/all of the above.

3. The Review Panel: Chair and Commissioners

The Review will be chaired by Clive Betts MP. The Chair will lead the work of the Review to ensure that it independently considers all the evidence available to fulfil its purpose. The Chair will be supported by a small panel of independent Commissioners. The appointment of these Commissioners will be determined by the Chair taking into consideration advice from MCA officers (who will provide a Secretariat function – see below). The ambition will be to appoint a 'balanced panel' comprising a range of independent experts and informed user voices and having regard to diversity criteria.

Stakeholder groups, such as transport operators, will not be directly represented on the Commission – though their informed views will be sought and given full consideration in evidence gathering.

Officials will support the Chair throughout the appointments process.

4. Timescales and Meeting Frequency

It will be for the Commission to determine how it wishes to operate (within budgetary constraints) and the frequency of its meetings with a view to completing its work in approximately 9 months.

The Commission will determine how it wishes to gather evidence and the balance of meetings to be held in private and public.

An interim report on the emerging findings of the Review should be provided to the Mayor six months into the Commission. This will be used as a basis of discussion with the Mayor. A final report should be published at the end of the full term of the inquiry.

5. Review outputs

The output of the Review should be a report that:

- Summarises the evidence available in relation to the three areas set out in section 1.
- Draws conclusions on what this evidence is saying in terms of the performance of the bus network.
- Makes recommendations to the Mayor on the actions he should take to address this issue.

6. Secretariat Support

The Review will be supported by a small secretariat function provided by the Sheffield City Region Executive. Working with the Chair, the function will be responsible for:

- Organising meetings of the Commission and providing secretariat support;
- Supporting evidence gathering activities, including any call for evidence;
- Supporting stakeholder engagement processes in concert with the Chair and Panel; and
- Bringing together the interim report and report of the Review outcomes.

Subject to discussion with the Chair, the work of the Secretariat may be supplemented with specialist technical analysis. This will help bring together the evidence received and support the panel in its interpretation and the development of conclusions.

A budget (to be determined) will be made available for the Review to meet the costs of dedicated secretariat support, additional specialist analytical support, and external travel and events.

ANNEX B

Frequently Asked Questions

Q: Why is a review of bus services needed?

A: Outside of London, annual bus journeys in cities have fallen per person by 40% over the last 25 years. The trend of declining patronage is replicated in South Yorkshire. There is a need to identify and understand the underlying bus patronage in the region while at the same time identify the appropriate models of bus operation that can help achieve wider transport aspirations.

Q: How does this relate to the Mayor's Vision for Transport?

A: In December 2018 Mayor Dan Jarvis launched a new transport vision that aims to build a transport system that works for everyone. At the heart of the vision are active travel, improved public transport and reduced journey times. 82% of all public transport journeys in South Yorkshire are undertaken by bus and therefore improvements to bus services identified through this review are a key focus for improved public transport and ensure the whole system is fit for the 21st century.

Q: Who is the independent chair of the bus review?

A: The Mayor (Dan Jarvis) has asked Clive Betts to independently chair the review in order to fully examine all aspects of bus services in South Yorkshire. Clive is a Member of Parliament for Sheffield South East and is also chair of the Housing, Community and Local Government Select Committee.

Q: Why has an independent chair been appointed to oversee the bus review?

A: The Mayor (Dan Jarvis) has asked Clive Betts to independently chair the review so that he can impartially examine all aspects of bus services in South Yorkshire. While the manifesto stated that the Mayor "can and will consider using regulatory powers to improve bus services" there is a need to consider all options before deciding on whether to exercise these powers. An independent chair is well-placed to put forward evidence and recommendations to the Mayor for him to decide what improvements are needed.

Q: When will the review be finished?

A: It is anticipated that a report will be considered by the Mayor at the end of this year.

Q: What issues will be considered as part of the review?

A: The review will examine a wide number of issues concerning bus services across South Yorkshire. They include but are not limited to:

- Current passenger and usage trends
- How to increase passenger numbers – particularly in relation to different demographic groups such as the elderly, minority ethnic groups, those with mobility issues and those on low incomes
- What the access, quality, frequency and connectivity challenges people face
- How to improve connectivity within the region
- How improved services can be delivered and what resources are required to implement them
- What we can learn from other areas of the country and about wider ways of incentivising bus travel

Q: How can I submit evidence to the review? How can I tell you what I think?

A: The review will include a call for evidence whereby members of the public, bus operators, community and transport interest groups and any other organisations will be able to submit evidence on the issues that are being examined. Details of the call for evidence are being finalised and will be published on the Sheffield City Region website. In the meantime, people can use the SY Bus Review email address: SYBusReview@sheffieldcityregion.org.uk

Q: Is this a foregone conclusion? Will the Mayor be using powers under the Bus Services Act 2017 to take over regulation of the buses in South Yorkshire?

A: The Mayor recognises the importance of looking at regulation of bus services and the role which it can play. However, before going down the regulatory route we must comprehensively understand the nature of the problems faced by bus users, prospective users and operators alike and explore all options for improvement.

Q: What is bus service franchising?

A: The Bus Services Act 2017 gives Mayoral Combined Authorities (MCA) the power to enact bus franchising. Franchising allows MCAs to determine the details of the bus services that needed to be provided – including where they run, when they run and the standards of the vehicles. The Bus Services Act 2017 also gave MCAs the power to introduce ticketing schemes whereby an MCA can specify the establishment of multi-operator and multi-modal ticketing and the technologies to be accepted on services.

Q: Why is the review just of bus services across South Yorkshire?

A: The Sheffield City Region Mayoral Combined Authority (SCR MCA) is made up of four local authority constituent members: Barnsley, Doncaster, Rotherham and Sheffield. These four local authorities make up the South Yorkshire region. The SCR MCA can exercise powers to make decisions about transport, economic development and regeneration. There are five local authorities represented on the MCA as non-constituent members: Chesterfield, North East Derbyshire, Derbyshire Dales, Bassetlaw and Bolsover. The SCR MCA cannot exercise powers in relation to the non-constituent members.

Q: Will the review hold bus operators to account for improvement or changes to specific services?

A: The review will examine a broad range of issues including passenger trends, challenges people face and ways to increase patronage numbers. Evidence will be gathered in several ways including a call for evidence. Public and interest groups may wish to submit specific information as part of the call for evidence about bus routes or services in South Yorkshire that could be improved. The chair of the review will consider all the evidence received in totality and use it to make recommendations about how to improve bus services across South Yorkshire. These may relate to specific services and routes or systemic improvements.

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Sheffield City Region MAYORAL COMBINED AUTHORITY

Report to Sheffield City Region Overview and Scrutiny Committee

Date of Meeting:	Thursday 11 April
Subject:	Potential Effects of Brexit on SCR
Purpose of the Report:	To explain the potential effects of Brexit on the City Region and how Sheffield City Region are preparing for Brexit.
The Scrutiny Committee is being asked to:	Consider the likely effects of Brexit on the City Region and how this impacts on the Committee's work going forward.
Category of Report: Open Under the Freedom of Information Act and Schedule 12A of the Local Government Act 1972, this paper and any appendices will be made available under the Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities. However, if a report is deemed as exempt please add:	

Summary:

The purpose of this report is to inform the Overview and Scrutiny Committee on the possible impacts of Brexit on the City Region and what SCR has been doing to mitigate these by assisting businesses with preparations for the United Kingdom's exit from the European Union.

1. Introduction/Context

1.1 The Brexit report produced by the SCR (see Annex 1) considers a range of options through a city region lens and focuses on the impacts on the local economy on key sectors such as manufacturing and education.

1.2 Local authorities in the SCR have done their own Brexit impact assessments. These focus on impacts on their services. Rather than replicating these useful reports, the objective is to offer a complementary analysis to the work undertaken by local authorities by looking at the likely impacts of different Brexit scenarios on the SCR economy and outline potential mitigation measures.

1.3 As well as outlining likely impacts, this report provides an update on the practical steps being taken by the SCR to support businesses.

2. Matters for Consideration

2.1 Potential impacts of Brexit on the SCR

Economic modelling for a range of exit scenarios varies significantly with several reports released on the regional impacts of Brexit. The Government's analysis shows that Yorkshire and the Humber will likely see its GDP growth fall over a 15-year period on an increasing scale depending on how far the Withdrawal Agreement is from the current EU trade arrangement. This ranges from -2% for the Chequers plan to -8.5% if there is a no-deal.

2.2 South Yorkshire's export market is heavily dependent on the EU with 57% of the value of all goods going to this market, which means that the SCR is exposed to the negative effects of potential increased delays and tariffs. Tariff and non-tariff barriers could impose costs on business of between 5-10% in the SCR on key sectors such as advanced manufacturing. Businesses with large existing trade links/supply chain links to the EU are more highly exposed.

2.3 Just-in-time supply chain production will be extremely difficult to maintain due to EU rules of origin. Given the critical role of South Yorkshire's manufacturing sector within the supply chain, there is a real fear therefore that the introduction of tariffs and border checks in trade with the EU will have a disproportionately greater impact on manufacturing businesses in the SCR.

2.4 Lower numbers of EU workers, especially lower-skilled workers, would cause challenges to businesses in the SCR. These challenges will be greatest for sectors that are dependent on EU workers to fill vacancies, such as logistics and manufacturing. There will also be big impacts in sectors such as health and higher education if there are fewer high-skilled EU migrants. However, it also creates an opportunity for local residents to enter the labour market

2.5 After the UK leaves the EU, the European Structural Funds that provide regeneration funding will need to be replaced. The Government has committed to do this with a UK Shared Prosperity Fund (UKSPF). The Government had promised to consult on this before the end of 2018 but at the time of writing this has still not happened. The risk is that the SCR does not receive at least the same amount it would have done if the UK had not voted to leave the EU.

2.6 Proposed mitigation measures – short-term actions
SCR receives £170m from the current European Structural Fund programme (2014-2020). The SCR will make a submission to the Government's consultation on the UKSPF. The main argument will be that the SCR at least doesn't see a reduction in funding. As a Mayoral Combined Authority (MCA), the SCR has also argued that this funding should be devolved and top-sliced to MCAs. This would put the SCR in a stronger position than LEPs not part of an MCA.

2.7 The Growth Hub developed an online tool to assist the region's businesses prepare for leaving the EU, which was launched in January 2019. Based on their responses, it provides businesses with a tailored report on the things they should be considering for Brexit and directs them to resources to help them prepare. At the time of writing, 109 businesses have completed the self-assessment, giving positive feedback.

2.8 Guidance issued from all Central government departments is shared via the Growth Hub website and continually updated. SCR officers are working with a number of major corporates where leaving the European Union might have a particularly significant impact i.e. overseas ownership, high levels of international trade.

2.9 SCR officers are liaising regularly with the Chambers of Commerce, Local Authorities and Universities to share market intelligence and participate in the South Yorkshire Local Resilience Forum.

2.10 Proposed mitigation measures – long-term strategic review
If there is a no-deal, or the Brexit deal severely harms the economy, then there could the possibility of a serious economic downturn. If this happens, there could be a need for the SCR to, hopefully temporarily, review its current strategic focus on growth. Major funding streams like the Local Growth Fund might need to be reassessed to reflect this potential economic situation. There may be a need to refocus on job safeguarding and take a more interventionist approach.

a. Financial
The research shows that a no-deal would likely have the most significant impact on the economy and suggests that the financial impact on the SCR economy will likely depend on how far the Withdrawal Agreement is from the current EU trade arrangement.

SCR received £170m from the current EU funding programme (2014-2020) and £363m from the LGF programme (2015-2021). The UKSPF will replace these funding streams.

Development of the Growth Hub's Brexit tool cost £20,000.

b. Legal

There are no legal implications arising from this paper.

c. Risk Management

The longer report on the potential impacts of Brexit (see Annex 1) is SCR's attempt to analyse and mitigate the risk of Brexit. Depending on the exit deal, the ramifications on the national and SCR economy could be significant. This is why this research was initiated because to do nothing could be harmful to SCR businesses and the local economy.

d. Environmental

There are no environmental implications arising from this paper.

e. Equality Impact Assessment

In developing how the SCR responds to the potential implications of Brexit, it will be important to consider how this will affect all members of society. The UK Shared Prosperity Fund is intended to replace the current European Structural Funds. This is predominantly targeted at less prosperous areas and is designed to reduce inequalities.

f. Performance Management/Measuring Outcomes

The Growth Hub is keeping track of how many businesses have used its Brexit tool and seeking feedback from people who have used it.

3. Consideration of alternative approaches

3.1 SCR could have commissioned a consultant to produce a report modelling potential impacts on the city region. Following discussions with other combined authorities who commissioned reports to model economic impacts of Brexit, it was decided that this would not be value for money and that desk-based research would suffice.

3.2 SCR could have decided to just engage businesses to see how they are preparing for Brexit. However, it was decided that a more proactive approach to help them with this process was a better option.

1.3 A do nothing approach could have been taken; however, if no action was taken, the SCR would not be able to assist businesses to adapt to these new conditions.

4. Issues the Overview and Scrutiny Committee may wish to consider …

- How might Brexit impact on other areas of work the Overview and Scrutiny Committee may wish to look at.

5. Recommendations

- To note the potential effects of Brexit on Sheffield City Region.

- Consider if the SCR should be taking any other actions to help the region prepare for and adapt to leaving the European Union.

6. Appendices/Annexes

Annex 1 – Preparing for Brexit in Sheffield City Region

The following section is a legal requirement

Report Author:	Paul Johnson/Helen Lazarus
Job Title:	Senior Economic Policy Manager/ AD Business & Investment
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Preparing for Brexit in Sheffield City Region

Contents

1. Summary

What SCR has done so far

- SCR commissioned research in 2017 on the likely impacts of a hard Brexit. The main findings were that a hard Brexit would likely lead to a fall in employment by 2019 (5,000 lower), and GVA will be 11% lower than forecasted compared to pre-Brexit forecasts.
- Lobbied Government on the need to give the SCR its fair share of the UKSPF. SCR received £170m in the current programme and is demanding at least the same amount this time with additional devolution powers to invest in its own priorities.

Brexit negotiations and options

- Theresa May agreed a Withdrawal Agreement with the EU on 14 November. This still needs to get through parliament, but if it does then it keeps the UK, for the transition period at least, closely economically aligned to the EU. This would likely have negative effects on the economy but not as significant as a hard Brexit or a no-deal. If Theresa May fails to get her deal through parliament then this could increase the possibility of a no-deal.
- There is a consensus that the economic impact of a no-deal scenario for the UK economy (trading with the EU on WTO terms) would be significant and negative. Businesses trading with the EU, especially manufacturing firms, are likely to see increased costs due to delays and tariffs.
- Economic modelling for a range of exit scenarios varies significantly with several reports released on the regional impacts of Brexit. The most reliable source is the Government's analysis, which shows that Yorkshire and the Humber will likely see its GVA and GDP fall on an increasing scale depending on how far the Withdrawal Agreement is from the current EU trade arrangement.

The impact of Brexit on trade, businesses and investment in the SCR

- South Yorkshire's export market is heavily dependent on the EU with 57% of the value of all goods going to this market, which means that the SCR is exposed to the negative effects of potential increased delays and tariffs. Tariff and non-tariff barriers could impose costs on business of between 5-10% in the SCR on key sectors such as advanced manufacturing.
- Investment is a key driver of the economy and is crucial for fuelling innovation, which is a key objective of the Global Innovation Corridor. There has already been a decline in investment by existing SCR companies and there is a strong likelihood that future investment could be curtailed.
- A common theme from SCR businesses is that they are waiting to see what happens with Brexit before thinking about how it might affect them. This suggests that the SCR needs to encourage firms to consider the implications of Brexit, especially if an exit deal is not agreed.

The impact of Brexit on employment, education and skills in the SCR

- Lower numbers of EU workers, especially lower-skilled workers, would cause challenges to businesses in the SCR. These challenges will be greatest for sectors that are dependent on EU workers to fill vacancies, such as logistics and manufacturing. There will also be big impacts in sectors such as health and higher education if there are fewer high-skilled EU migrants.

- Higher education is vulnerable to the effects of Brexit as there are concerns about the supply of student, teaching staff and academic numbers, depending on what post-Brexit migration rules are implemented.
- In the event that the UK is granted 'third country status', the universities will no longer be eligible for major Horizon 2020 grants. A reduction in EU funding post-Brexit, would negatively affect the ability to fuel innovation across SCR.

The impact of Brexit on transport, housing and infrastructure in the SCR

- If an exit deal is not agreed then the UK will leave the EU common aviation area, which will restrict flights to and from 44 countries. This would have a big effect on DSA, especially given their eastern European flight schedules.
- There is uncertainty and a lack of confidence to invest in speculative and non-speculative commercial development, and there is more vacant floorspace due to a lack of confidence in business growth.
- There are concerns over a lack of construction workers as migration reduces and skilled workers are attracted to higher paid areas in the South (as happened post the 2008 downturn). The cost inflation on construction materials and skilled workers will likely result in development being slowed due to suppliers not being able to continue to meet 'just-in-time' requirements.

Opportunities that could arise out of Brexit

- The weaker pound should help boost exports and could be an opportunity to uncover better ways of operating.
- Trade relationships are likely to change post-Brexit and an opportunity is potentially more trade with emerging markets like India and China.
- Some industries like the rail industry are Brexit-proof in terms of investment. The HS2 college at Doncaster means that the SCR could help nurture rail investment in the region.

Potential mitigation measures that the SCR could implement

- Lobby government to deliver a UKSPF that at least doesn't see a reduction in funding for SCR and is top-sliced and devolved to MCAs.
- Promote the commissioned Brexit tool that will be on the SCR website in January 2019.
- Organise a workshop about the importance of preparing for Brexit and what support is available from the SCR.

2. Introduction

2.1 Purpose of the report

The purpose of this desk-based research is to inform the Combined Authority, LEP and Mayor on the possible impacts of Brexit on the SCR and what could be done to mitigate these. This explores a range of exit deal options and how the impacts may vary. The aim is for the SCR to have a better understanding of the effects of Brexit and help shape how the SCR can prepare and support businesses and individuals ahead of the UK's withdrawal from the EU.

2.2 What SCR has done so far

In 2017, SCR commissioned Oxford Economics to conduct Brexit research on the assumption that there would be no fixed trade agreement deal in place by 2019 and a 'hard' Brexit would take place. This was based on the worst-case scenario at that time. The main threats to the SCR economy that the report found were:

- **Fall in employment** - by 2019, employment in SCR is forecast to be 5,000 lower than it would otherwise be.
- **GVA decline** - by 2030, GVA will be 11% lower than forecasted compared to pre-Brexit forecasts.

SCR staff have attended several external events, including Government workshops, to keep on top of the likely impacts of Brexit on the SCR. In addition to this, briefing notes have been produced for the Mayor on the Prime Minister's Chequers Deal, the no-deal Technical Notices, a report by the Migration Advisory Commission, and the UK Shared Prosperity Fund (UKSPF).

UK Shared Prosperity Fund

The UKSPF will replace the European Structural Funds. It was a commitment in the Conservative's manifesto in 2017. Its objective is to "tackle inequalities between communities by raising productivity, especially in those parts of our country whose economies are furthest behind."

A submission was made to the All-Party Parliamentary Group for Post-Brexit Funding for National, Regions and Local Areas on the UKSPF. The main points in this explain what the SCR wants to see from the Government's UKSPF:

- The budget for the UKSPF should ensure that regions do not receive a reduction in what they would have received if the UK had not voted to leave the European Union.
- A multi-annual allocation of UKSPF is essential.
- It should be merged with the Local Growth Fund (LGF) to create a 'single pot' approach to funding allocations, which would be easier and less resource intensive to manage. With the LGF merged into the UKSPF, we propose that the budget should be at least £3 billion per annum.

- The UKSPF must be targeted at places of need. For the LEPs in England, spend per head for the 2014-20 period in the North and Midlands was €147 compared to €76 (€59 if Cornwall is excluded) in the South. If this split is not replicated for the UKSPF, regional divides could become even starker.
- SCR missed out last time as its spend per head was €111, which was only marginally above the England average of €107 per head. The North East (€273) and Tees Valley City Regions (€300) received nearly treble that amount. So, we propose that the formula used is different to the one used for the 2014-20 programme.
- Gross Value Added (GVA), productivity and house prices are three options that could be considered for the UKSPF funding formula.
- The UKSPF should be allocated to functional economic areas, and top-sliced and devolved to MCAs because of strong and directly accountable governance.
- The UKSPF gives the opportunity to provide areas with the autonomy to invest in locally set priorities rather than priorities defined by others.
- Impacts and outcomes of the Fund should be defined and measured at the local level.

Huge funds are at stake for the UKSPF, especially if the Local Growth Fund (LGF) is rolled into replacing European Structural Funds (£1.3bn per year), which we expect, then the size of the UKSPF will need to be £3bn per annum. SCR received £170m from the current EU funding programme (2014-2020) and £363m from the LGF programme (2015-2021).

Summary	
1.	SCR commissioned research in 2017 on the likely impacts of a hard Brexit. The main findings were that a hard Brexit would likely lead to be a fall in employment by 2019 (5,000 lower), and GVA will be 11% lower than forecasted compared to pre-Brexit forecasts.
2.	Lobbied Government on the need to give the SCR its fair share of the UKSPF. SCR received £170m in the current programme and is demanding at least the same amount this time with additional devolution powers to invest in its own priorities.

3. Brexit negotiations and options

The Brexit negotiations are constantly in the news, but below is some detail on the type of options and what this entails:

	Single Market	**Tariffs**	**Customs Union**	**EU budget contributions**	**Free movement**
EU membership	✓	X	✓	✓	✓
Norway	✓	X	X	✓	✓
Norway+	✓	X	✓	✓	✓
Switzerland	Partial	X	X	✓	✓
Canada	X	Reduced through free trade agreement	X	X	X
Turkey	X	None on industrial goods	✓	X	X
Ukraine	Partial	Reduced through association agreement	X	X	X
WTO (no deal)	X	✓	X	X	X

Table 1 – Brexit options

The UK Government reached an agreement with the EU on the Withdrawal Agreement on 14 November. The agreement sets out arrangements for citizens' rights, the transitional period, immigration, and the Irish border. The key points are:

- The UK will be treated as a member state during the transition period (20 March 2019 – 30 December 2020)
- The UK will honour all its financial obligations (£39bn)
- The UK will benefit from access to customs related services
- Free movement of people will be replaced with a skills-based immigration system
- Trade deals with other countries will be allowed to be negotiated from 30 March 2019 and implemented after the transition period

Theresa May was in a difficult position of trying to respect the referendum result yet maintaining a relationship with the EU that won't be harmful, in the short-term at least, to the UK economy. Her proposal is a compromise between these issues as it ends the free movement of people yet keeps the UK economically aligned with Europe.

Key dates for the Withdrawal Agreement process:

- 11 December – Theresa May will try to get the agreement through parliament
- 13-14 December – final scheduled European council summit of 2018
- January-February 2019 – European Parliament would have to approve the agreement
- 29 March 2019 – the day of Brexit. The transition period would begin at 00:00 on 30 March 2019, which includes the more detailed discussions on the UK's future relationship with the EU on key areas such as trade
- 31 December 2020 – scheduled end date for the transition period

If this agreement gets through parliament then this will deliver a soft Brexit but with uncertainty about what will happen. The options are moving to a free trade deal, stay within the customs union arrangement, or extend the transition period. The likely effects of are still likely to negatively impact the national and SCR economy, at least in the short-term. The report discusses a wide range of potential implications of Brexit on the SCR economy, and what is clear that these impacts are more severe depending on how close our economic relationship is with the EU. The Withdrawal Agreement keeps the UK, for the transition period at least, closely economically aligned to the EU. A hard Brexit and particularly a no-deal will lead to the UK not being closely aligned to the EU. Subsequently, the impacts on the SCR economy would likely be greater.

If the deal is not agreed by parliament then the options of a hard Brexit and a no-deal could still be on the table. If the Government agrees a hard Brexit then the negative impacts on the SCR economy are likely to be greater than the Withdrawal Agreement agreed between the UK and EU. If an exit deal isn't agreed with the EU this would result in trading with EU countries on World Trade Organization (WTO) rules. This means that previous tariff-free trade would face tariffs. One pertinent example for the SCR is the production of car parts, which would see 4.5% tariffs applied. A range of studies have modelled the economic impacts of different exit scenarios. The Institute for Government summed this up effectively with a chart on the long-term impact of GDP under different trading scenarios by numerous reports:

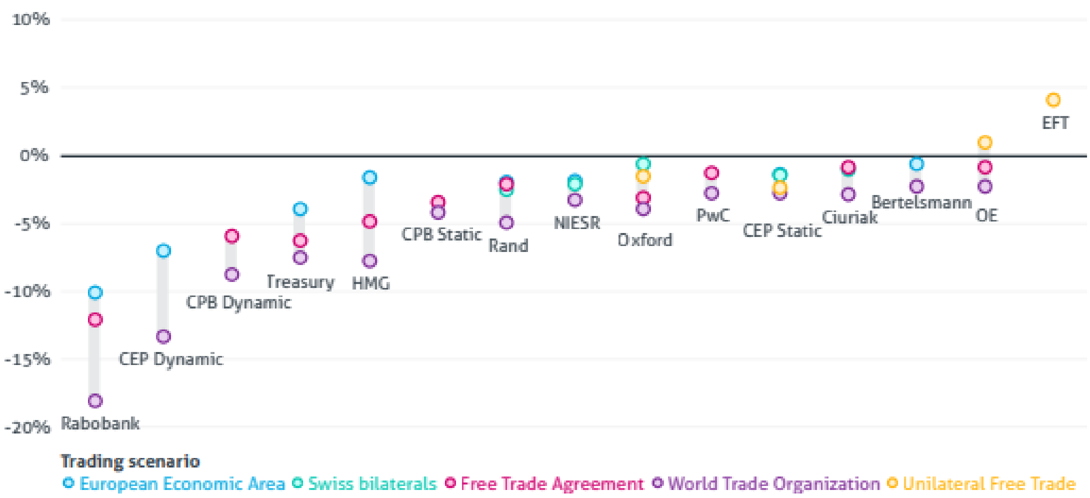


Figure 1 – different reports' economic forecasts of the impact of Brexit (source: Institue For Government)

7

As can be seen in figure 1, the economic modelling varies significantly. Nevertheless, there is a consensus that the economic impact of a no-deal scenario for the UK economy (trading with the EU on WTO terms) would be significant and negative. WTO tariffs, associated paperwork and border checks are a threat to the day-to-day operation of industry in the SCR but also to the attractiveness of the region as a place for new investment.

McCann (2016) found that across the UK, the results for a no-deal Brexit scenario show:

- More than 2.5m jobs are directly at risk.
- Almost £140 billion of UK economic activity annually is directly at risk.
- Many important manufacturing and primary industries are at risk, but so are many service industries – not just financial services.
- Many of these services are not only exported directly to EU countries, but are also sold to UK manufacturing firms who then export to the EU.
- Workers in the jobs at risk are on average slightly more productive than the average British worker – so Brexit is likely to exacerbate the UK's productivity problems.

It is clear that the effects of a no-deal Brexit would be significant. If Theresa May fails to get her deal through parliament then this could increase the possibility of a no-deal. This is concerning for the SCR, as well as the rest of the country, which places more emphasis on the need to ensure that our businesses are prepared for this.

3.1 How will Brexit affect different regions of the UK?

There have several reports released on the regional impacts of Brexit with mixed conclusions. Making estimates is difficult as the nature of the Brexit deal is still unknown as it depends what trade deals with non-EU countries will look like. There are mixed conclusions about the impact of Brexit on different regions. Dhingra (2017) found that London and the South East would be the most severely affected. However, several other reports have suggested that the Midlands and the North would be more severely affected due to their higher share of manufacturing and being more integrated into EU supply chains, which is certainly pertinent to the SCR. Professor McCann is leading an ESRC project (The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors) and its findings reaffirmed this as the Midlands and North are more exposed to the negative effects of Brexit because of greater dependence on EU markets for their trade compared to London and the South East.

It seems clear from the evidence that places that have a high dependence on trade with the EU, and especially if they specialise in one industry like car manufacturing, are most at risk of job losses. The closer the economic links with the EU then the greater the impact is likely to be. This varies across the country as the ports in the South East are likely to be affected by trade barriers to trade with the EU more than London who has less reliance on EU trade.

The Institute for Fiscal Studies (2018) found that some parts of the country have an unusually large share of low-educated workers employed in highly exposed industries. Figures are only available at the national and regional scale, but Yorkshire and the Humber is only behind the West Midlands and Northern Ireland in terms of low educated men in employment in highly exposed industries. This is relevant to SCR as one of the main exposed industries is process, plant and machinery operative occupations. The IFS notes that these employees tend to be older men with skills specific to their occupation who may struggle to find equally well-paid work if their current employment were to disappear.

It appears that the long-term impact of Brexit will depend on a place's capability to adapt. One of the variables is how easily workers will be able to find new employment if their employer is severely affected by Brexit. Cambridge Econometrics argues that London is more resilient than other parts of the country and is therefore better placed to adapt to any adverse shock, which was illustrated in London's recovery from the financial crisis in 2008.

Martin's (2017) findings suggest that Brexit will impact as many southern cities as well as northern ones. Whatever the academic forecasts, the consistent message is that the impact will be great and more severe the harder the Brexit deal is. Concerningly for the SCR, Martin (2017) found that Northern areas will take longer to recover from the economic shock of Brexit than Southern areas:

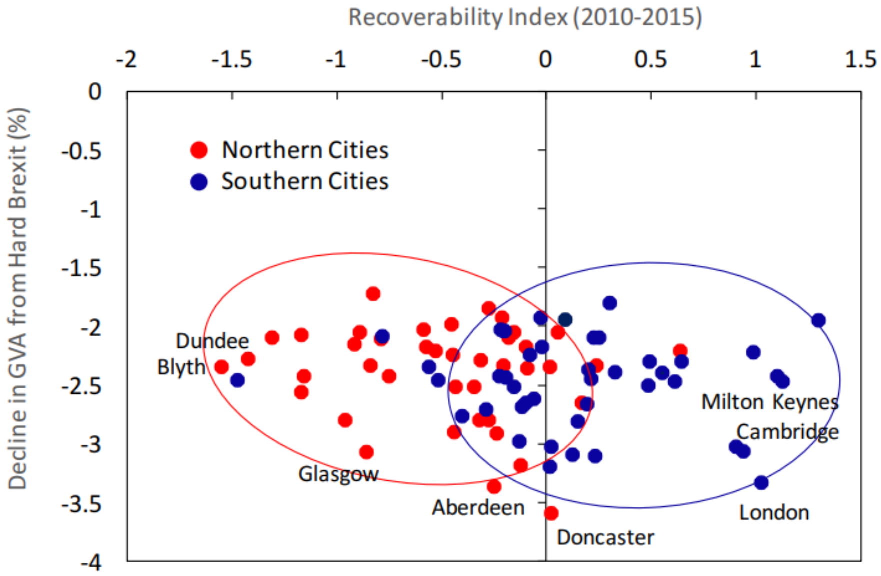


Figure 2 – city economic resilience (source: Martin, 2017)

According to Martin (2017), the determinants of strong economic resilience in a city are the diversity of its economy; a low dependence on manufacturing; high levels of knowledge intensive business services; low levels of exports; high productivity levels; and a high proportion of its workforce in high-skill occupations. This suggests that the SCR economy is not well placed to be resilient to economic shocks.

Given the range of academic forecasts, the most reliable source is the Government's own analysis. The Government's analysis was leaked to the press in January 2018. The report identifies sectors dependent on trade with the EU that are likely to see the biggest effect on economic activity. The emerging findings suggest that the largest effects would be on chemicals, food and drink, clothes, manufacturing, cars, and retail:

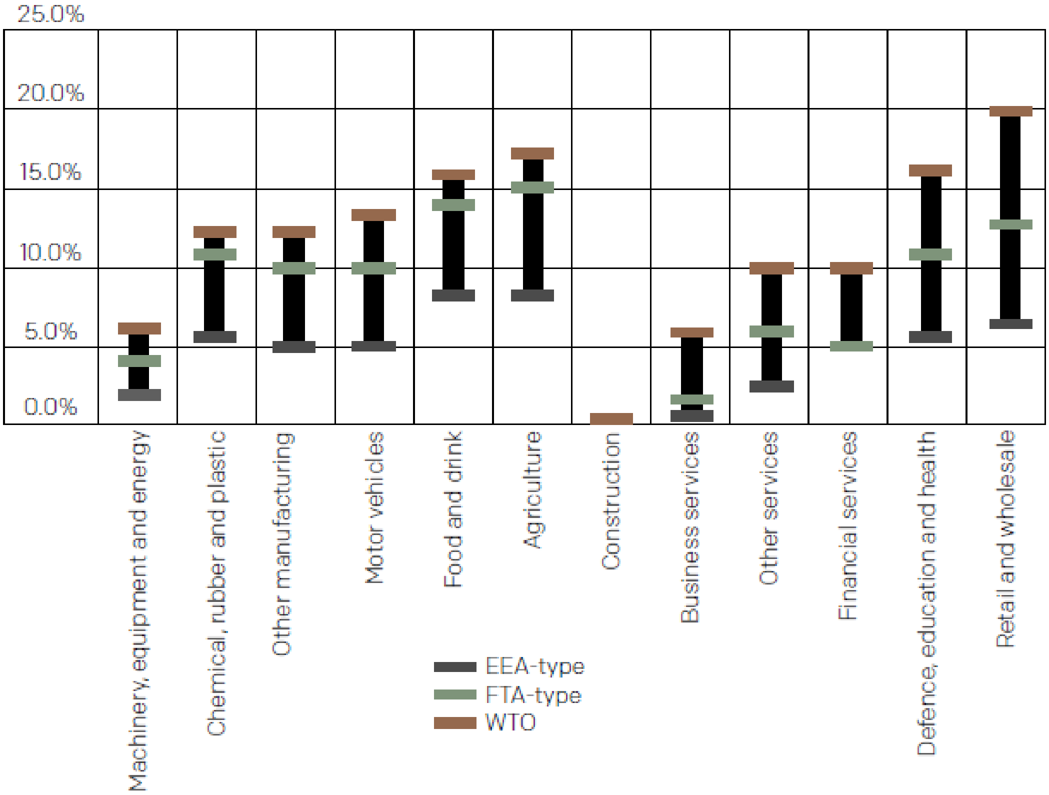


Figure 3 – Likely impacts of Brexit on sectors (source – HM Government)

Their findings on the regional impact for Yorkshire and the Humber are:

Deal	% change in GVA
Single market	-1.5%
Free trade	-5%
No-deal	-7%

Table 2 – Likely GVA impact of Brexit on Yorkshire and the Humber (source – HM Government)

Government released a policy paper on its long-term economic analysis of Brexit on 28 November. The main finding for regions was that areas that trade more with the EU are predicted to be most affected. It reviewed the economic options for four options for a 15-year period, but did not include the Withdrawal Agreement agreed between Theresa May and the EU:

	GDP growth - National	GDP growth - Yorkshire and the Humber
The Chequers plan (without border checks and 50% border checks)	-0.1% and -3.9%	-0.25%; -2%
Staying in the single market and free movement continues (Norway)	-0.9% and -2.4%	-1.3%
A free trade agreement where some border checks would be required (Canada)	-3.4% and -8.1%	-5.5%

No-deal	-6.2% and -10.7%	-8.5%

Table 3 – likely GDP impacts of different scenarios

Under a no-deal scenario, Yorkshire and the Humber would be the 5th-worst affected region behind only the North East, West Midlands, North West, and Northern Ireland. If the exit deal looked like the Chequers proposal then London would be the most affected with only Wales, Scotland and Northern Ireland faring better than Yorkshire and the Humber. The main conclusion is that the UK economy would be significantly worse off in 15 years' time under all the possible Brexit scenarios modelled in the report.

Analysis by the LSE and Centre for Cities examined the potential impact of a hard and soft Brexit on local authorities in the ten years following the implementation of new trade arrangements with the EU:

	Soft Brexit (change GVA)	**Hard Brexit** (change GVA)
Barnsley	-0.9%	-1.7%
Doncaster	-1.2%	-2.2%
Sheffield and Rotherham	-1.2%	-2.1%

Table 4 - Impact of Brexit on South Yorkshire's local authorities (source: Centre for Cities)

The assessment carried out by Cambridge Econometrics for the Greater London Authority also found a larger impact on the rest of the UK than on London. They looked at a range of sectors and the differences of what deal is agreed impacting on GVA and employment. This has been adapted for relevant sectors for the SCR economy:

	GVA			**Employment**		
	S1	S2	S3	S1	S2	S3
Manufacturing	-2.2%	-3.4%	-6.4%	-1.5%	-2.4%	-4.7%
Distribution	-0.7%	-1.2%	-2.5%	-0.3%	-0.5%	-1.0%
Transport and Storage	-0.5%	-0.8%	-1.4%	-0.6%	-1.1%	-1.9%
Digital technologies	-1.8%	-2.8%	-4.5%	-1.3%	-2.2%	-3.6%
Life sciences and healthcare	-0.2%	-0.3%	-0.6%	0.0%	-0.1%	-0.1%

S1 – Single Market, no Customs Union
S2 – Customs Union, no Single Market
S3 – No-deal, WTO rules
Table 5 – Brexit impacts on sectors relevant for the SCR (source: adapted from Greater London Authority: Preparing for Brexit, 2018)

On manufacturing, these forecasts are for a national level. SCR has a greater share of manufacturing compared to the rest of the country with 12.1% of employees working in manufacturing compared to 8.2% in Great Britain, so this means that the forecasts for manufacturing are likely to be even more severe in the SCR.

The National Institute of Economic and Social Research recently predicted that the difference between a soft Brexit and no-deal will be worth approximately £15bn to the UK economy over the next five years. They predict that a no-deal would cause annual output to be about 5.3% smaller over 10 years compared to a soft Brexit deal.

3.2 No-deal technical notices

The government has produced 84 Technical Notices which outline its approach to preparing the UK if a deal is not agreed with the EU. The intention is that they can help businesses and individuals prepare for the eventualities of a no-deal. These can be found here. They cover a wide-range of issues so to go through each one of them would not be prudent. The Technical Notices make it clear that the costs of a no-deal are likely to be substantial, especially for businesses who trade with the EU. The LGA has produced a guidance document on how the Technical Notices affect local councils, which can be accessed here.

Impacts for businesses in the SCR	
EU funded programmes	There is a guarantee to receive funding for major EU-funded programmes, such as ERDF and Horizon 2020, "over a project's lifetime if they successfully bid into EU-funded programmes before the end of 2020".
Trading with the EU	Businesses would have to apply the same customs procedures to importing and exporting as they currently apply when trading with a country outside of the EU.
State Aid	The Government would create a UK-wide subsidy control framework. EU state aid rules would be transposed into UK law.
Impacts for individuals in the SCR	
Driving	UK drivers who want to drive in the EU may require an international driving permit. Currently, a UK driving licence enables UK citizens to drive anywhere in the EU.
Using the Eurostar	Eurostar travel between London, Paris, Brussels and Amsterdam could be disrupted. The government said it would have to negotiate new arrangements with individual countries to keep trains heading to the continent.
Passports	UK nationals who want to travel to the EU in the event of a no-deal that they need to have at least six months' validity left on their passport. So, if people are planning to travel in the EU from April 2019 and have six months or less validity on their passport then they will have to renew their passport if they want to enter EU countries if a deal isn't agreed with the EU.
Mobile phones	The EU abolished roaming charges in 2017. A no-deal scenario means that free data roaming cannot be guaranteed.
Purchasing goods	UK consumers may be in legal limbo if they buy faulty products from EU countries

Table 6 – Overview of some impacts of a no-deal on businesses and individuals in the SCR

It is positive that the government has reiterated its financial commitment to EU-funded initiatives until 2020, but how the UKSPF is designed and funded is crucial. No new information has been provided on this, although a government consultation is expected in December 2018.

The Institute for Government has produced a table on each Technical Notice and likely impacts, so for detail on what businesses and individuals should do for each Technical Notice please see Annex 1.

Rather than going into detail the implications of what a no-deal would entail for a range of issues, a case study of logistics – an important sector in the SCR – illustrates the chaos a no-deal would likely bring. In the event of a no-deal, driving licenses may not be valid in the EU. The Freight Trade Association has said that 1400 permits will be allowed per day, but there are around 10,000 truck movements through Dover per day. Drivers would need passports to drive in Europe; there would be no guarantee that driver quality certificates would be recognised across Europe; and trailers might have to be registered. To demonstrate this problem, 14% of HGV drivers are EU citizens, and 25% of warehouse staff are EU citizens. British hauliers are already turning down European contracts due to the threat of a no-deal.

The Freight Trade Association has recommended that in the event of a no-deal to minimise UK-EU transport in the first 100 days. The implications for the SCR economy are that smaller haulage firms might not do work outside of the UK; the recruitment of drivers is already difficult in the region and would be exacerbated; existing foreign drivers' driving licences might not be valid in the UK; and there could be problems of where to park vehicles if less are on the road. The Technical Notices show that a no-deal would bring a myriad of problems, and the logistics case study shows the likely chaos that would ensue and its implications on the SCR economy.

Summary	
1.	Theresa May agreed a Withdrawal Agreement with the EU on 14 November. This still needs to get through parliament, but if it does then it keeps the UK, for the transition period at least, closely economically aligned to the EU. This would likely have negative effects on the economy but not as significant as a hard Brexit or a no-deal. If Theresa May fails to get her deal through parliament then this could increase the possibility of a no-deal.
2.	There is a consensus that the economic impact of a no-deal scenario for the UK economy (trading with the EU on WTO terms) would be significant and negative. Businesses trading with the EU, especially manufacturing firms, are likely to see increased costs due to delays and tariffs.
3.	Economic modelling for a range of exit scenarios varies significantly with several reports released on the regional impacts of Brexit. The most reliable source is the Government's analysis, which shows that Yorkshire and the Humber will likely see its GVA and GDP fall on an increasing scale depending on how far the Withdrawal Agreement is from the current EU trade arrangement.

4. The impact of Brexit on trade, businesses and investment in the SCR

4.1 Trade

South Yorkshire's export market is heavily dependent on the EU with 57% of the value of all goods going to this market. South Yorkshire is the 8th highest county in England for its share of export goods going to the EU:

	NUTS2 (counties in England)	EU exports (goods)
1	Northumberland and Tyne and Wear	61.4%
2	North Yorkshire	60.1%
3	Bedfordshire and Hertfordshire	60.0%
4	Shropshire and Staffordshire	59.3%
5	Outer London – South	59.3%
6	Tees Valley and Durham	58.6%
7	Greater Manchester	58.3%
8	South Yorkshire	57.2%
9	East Yorkshire and Northern Lincolnshire	56.0%
10	Cornwall and Isles of Scilly	55.3%

Table 7 – The ten highest counties in England with their share of exports (goods) going to the EU

The value of South Yorkshire's export goods market is heavily dominated by manufactured goods (45%), followed by machinery and transport equipment (27%). Oxford Economics (2017) found that SCR's exports are almost certainly biased towards its traditional base in engineering. This includes some world-class companies and facilities, with very important innovative assets in the region. However, it is a narrow base and vulnerable to trade barriers. Like its share of exports to the EU, the share of imports coming from the EU is also very high at 54.3%. Oxford Economics (2017) asserted that "these high figures suggest that the area has a lot to lose from Brexit, which is potentially quite disruptive to the area's exporting firms."

Businesses with large existing trade links/supply chain links to the EU are more highly exposed. For instance, given the likelihood of leaving the EU Single Market and Customs Union, increases in customs bureaucracy are anticipated, as British companies will be required to fill in customs declarations for all goods crossing the border. In addition, products exported to EU countries would need to be checked for compliance with EU/EEA standards and regulations, and rules of origin.

The importance of the EU to the region's exporters shows up in the top ten export partners list where eight are from the EU, although the USA is the region's top export partner with exports worth £382 million:

Top 10 Export Partners	Value of Trade £ millions	Top 10 Import Partners	Value of Trade £ millions
USA	382	China	676
Germany	356	Germany	584
Irish Republic	216	Netherlands	354
France	200	Italy	204
Sweden	173	USA	200
Netherlands	136	Belgium	187
Spain	114	Spain	144
Italy	98	Irish Republic	130
Belgium	88	France	127
China	87	Turkey	125

Table 8 – SCR's export and import partners

The dependence on the USA is a concern, especially given the volatile political climate in the USA and the protectionism agenda being driven by the President. There is also a concern around imports as there could be a potential loss of the advantage that South Yorkshire has held with the strong relationship with the USA, being able to act as its landing point into Europe.

Increasing trade with emerging markets is going to be important post-Brexit. A concern is that globally the political trend is for a more nationalist approach to trade and increased regionalisation, potentially restricting opportunities for growth in international trade. This is something the SCR needs to bear in mind and overcome.

Headline export figures also fail to capture the supply chains which are within the city region for exporting firms in other parts of the UK. Barriers to trade are likely to have a significant impact on these supply chains, and on some firms who may not be aware that they are in the supply chains for exporters given that they may be several tiers below the primary exporter.

A lot of the focus has been on exporting when looking at the impact of Brexit on trade; however, non-tariff issues for importing are also important. For example, food standards and safety checks could be enforced at the port of Dover. This would not only be costly in terms of delays but would cause an issue of where to park lorries. A similar issue could arise in the SCR if fewer lorries are on the road.

The table from the Oxford Economics report shows average EU tariffs by sector. SCR top sectors tend towards the middle of the table. However, other border costs such as form-filling average at 4.4% and so make a big difference. Duties and inspections at ports are reliant upon UK access to European-wide databases, which provide much of the intelligence for assessing risks. If the UK Government does not agree an exit deal with the EU then there would be no access to these EU databases and more checking and associated costs is inevitable. Several important sectors in the SCR will face combined costs in a range from 5% to 10%:

EU tariffs by product type, plus non-tariff costs

	Av MFN on ECU sales	MFN plus Border Cost
Clothing and textiles	10.1	14.5
Non-alcoholic beverages	9.1	13.5
Automotive	8.0	12.4
Other transport equipment	5.5	9.9
Food products	5.0	9.4
Rubber, plastics and other mineral products	4.9	9.3
Chemicals	3.7	8.1
Alcoholic beverages and tobacco	3.7	8.1
Agriculture	3.2	7.6
ICT and electronics	2.8	7.2
Aerospace	2.7	7.1
Coke products and refining	2.6	7.0
Electrical equipment	2.5	6.9
Metals and metal products	2.0	6.4
Other machinery and equipment	1.9	6.3
Other manufacturing	1.5	5.9
Furniture	1.1	5.5
Ships and boats	0.9	5.3
Wood, paper and printing	0.5	4.9
Pharmaceuticals	0.1	4.5
Other mining activity	0.0	4.4
Oil and gas	0.0	4.4

Table 9 – Costs of tariffs and other costs on sectors (source: Oxford Economics, 2017)

Oxford Economics (2017) found other likely impacts on the SCR related to trade:

- Problems/delays in exporting to traditional markets due to new/unanticipated export documentation requirements
- Delays cause increased costs due to goods being held up in customs
- Limited capacity of SMEs to absorb these additional costs are passed on to customers, suppliers
- Variance in cost of exporting to EU for different sectors (e.g. automotive) impacts the competitiveness of SCR capabilities/strengths
- Loss of competitive advantage e.g. leaving the customs union slows down the movement of export goods driving buyers to other countries who can supply faster

4.2 Manufacturing

The ambiguity of Brexit is having an unsettling impact on UK manufacturers, according to research by Sheffield Hallam University. Manufacturing is still one of the key sectors for the SCR economy. Despite only making up 10% of the UK economy, it accounts for 44% of trade and 80% of goods exports. As discussed earlier, this makes manufacturing one of the high-risk sectors for Brexit, which is concerning for the SCR economy. The most exposed manufacturing industry is the automative sector. Approximately 60% of components needed to assemble UK cars come from abroad, mainly Germany. The uncertainties associated with Brexit have led to car manufacturers being reluctant to make investment decisions. This is particularly concerning for places such as Sunderland and the West

Midlands but also for the SCR as it has SMEs involved in the manufacturing of car parts. These are often moved backwards and forwards from the EU so are likely to be hit hard by tariffs, especially if there is a hard Brexit or a no-deal.

A Sheffield Hallam report on the digitisation of manufacturing found that “businesses recognise the strategic risk that Brexit poses, however they are more than twice as likely to point to global competition and the role of data and connected technologies when asked what they consider to be the single biggest challenge they face.” The report found that 59% of UK manufacturers intend to invest in smart technology to support growth plans post-Brexit. 66% of British manufacturers still expect to employ more people in the event of a hard Brexit, and 80% of businesses with 250-500 employees have intentions to grow their workforce. Despite the uncertainties that Brexit presents, there is a bullishness amongst manufacturers. However, despite the encouraging intentions of organisations with 250-500 employees, only 11% of small manufacturers intend on hiring more people after Brexit. With a lot of small manufacturing firms in the SCR the news isn’t quite as positive.

There is a pressing need to support buinsseses to mitigate the effects of Brexit, but this should be complementary to supporting businesses in adopting new technologies, particularly the digistation of industry which is at the heart of the Global Innovation Corridor proposal, to ensure that SCR businesses can reap the benefits of Industry 4.0 and become more globally competitive.

For manufacturing production, Sheffield Hallam research estimates that output would be reduced by 5.5% and increasing to 19.5% under a no-deal scenario. The SCR economy remains dependent on manufacturing. There is a real fear therefore that the introduction of tariffs and border checks in trade with the EU will have a disproportionately large and damaging impact on manufacturing businesses in the SCR. Components as well as finished goods presently move freely back and forth across the border with the rest of the EU. Just-in-time delivery systems have often become the norm. The reliance of the motor industry on cross-border movements has been well publicised but similar arrangements apply to a wide range of other manufacturing industries.

Advanced manufacturing, a key sector in the SCR, will most likely be impacted by the imposition of tariffs on traded goods across complex supply chains which cross the EU multiple times. Oxford Economics (2017) found that tariff and non-tariff barriers will impose costs on business of between 5-10%. This includes sectors where SCR excels; for example, advanced manufacturing and engineering.

Just-in-time supply chain production will be extremely difficult to maintain due to EU rules of origin. This will have a significant disruption on the manufacturing sector. Given the critical role of South Yorkshire’s manufacturing sector within the supply chain, this is likely to have a particularly significant impact. So, if the SCR wants to achieve its Global Innovation Corridor ambitions then it needs a Brexit deal that will enable supply chains to be strengthened, not weakened.

The key recommendation from Sheffield Hallam research was that manufacturers should plan for the most disruptive Brexit outcome to mitigate the immediate structural changes triggered by the UK leaving the EU. They argue that “the manufacturers that plan for the most disruptive Brexit outcome – by systematically evaluating business risks and opportunities, defining tactics, and closely monitoring the macro environment – will mitigate the immediate structural changes triggered by leaving the EU.” Given that only 21% of manaufacturing firms and very few of foreign-owned companies in the SCR seem to be concerned about Brexit, the role of the SCR should be to encourage firms to consider the potential ramifactions of Brexit on their business. An event to promote the importance of this might be an effective way of the SCR letting businesses know what support is available.

4.3 Businesses and investment

Following Brexit, Businesses will see changes in access rights to EU countries with the UK businesses potentially having to navigate the complexities of trading outside the common market. There will be a huge impact on supply chains; for all businesses that export, import and manufacture could be put at risk due to the potential increased costs of moving of goods. Even those who aren’t direct exports/importers are likely to use goods/services, including EU elements. There is a risk to just-in-time method of production, especially with the increased regulations. The potential devaluing of the pound will lead to higher input costs to UK businesses and an increase in inflation.

Investment is a key driver of the economy, and there is evidence at a national scale that companies have been postponing investment decisions due to the uncertainty over Brexit. The CBI found that in 2017 Brexit has affected 40% of businesses’ investment plans. More recently, EEF found that 51% of companies said their investment in plant and machinery had been put on hold because of Brexit negotiations. In addition, 36% had shelved plans for new or improved buildings. For example, AstraZeneca have frozen UK investment in manufacturing since 2017.

Brexit will result in running a manufacturing business a lot more complicated, with many businesses unsure what to do. This is a potentially key role for the SCR. It is imperative that businesses, especially ones most at risk, are offered support and guidance to try to help them mitigate – and possibly take advantage of – the impacts of Brexit.

EU funding is crucial for the manufacturing sector. The CBI (2016) found that 68% of UK R&D expenditure was allocated to manufacturing. Moreover, the UK was the second largest recipient of funding for the Horizon 2020 project. If the UK loses eligibility for these funds because of Brexit then this could have huge ramifications for the manufacturing industry and its long-term competitiveness would be at risk.

Funding is also crucial to fuel innovation. Funding for UK tech firms by the European Investment Fund fell by 91% during 2017 to €61.1m (£53m) compared with €708.8m in 2016. Brexit will impact not only upon the funding available for business innovation but upon the opportunities for business collaboration, access to specialist expertise and joint innovation projects. Considering that research and innovation are key regional strengths, and driving innovation being intended priority of the Global Innovation Corridor, this is concerning.

There has already been a negative impact of business investment in the SCR due to the uncertainty of Brexit. Some businesses have delayed decisions to expand due to the uncertainty, as well as indigenous investment in R&D and workforce development being put on hold. The SCR has already seen a downturn in applications/take-up of BIF from inward investors. Moreover, there has been reduced interest from institutional financial investors, and a decline in value of current investment funds due to the value of sterling. This could have other knock-on effects for transport and housing schemes. Brexit poses a risk to established partnerships, especially for the USA and other countries use of UK expertise to enter EU markets.

The major risks for investment in the SCR are:

Current investment	New investment
Decline in existing SCR companies making investments in their existing SCR businesses	Decline in foreign investment
Existing foreign investors decide to leave the SCR, with knock-on implications for jobs, productivity and local supply chains	Cost increases make the SCR a less competitive business environment to operate in compared to EU counterparts

Table 10 – business investment risks for the SCR

The UK is one of the biggest recipients of FDI among major advanced economies and 42.6% of FDI is from the EU (ONS, 2018), which illustrates the risk of any decrease in FDI from the EU. The risk of international companies making less investment in the UK in addition to the threat of less EU funding is a big threat to the UK economy as a whole but even more so for economies with a reliance on manufacturing like the SCR. The SCR has seen a decline in new foreign investment following the outcome of the 2016 EU referendum, which is also reflective of the UK in general. FDI enquiries in the SCR were down for 2017 and are likely to be lower in 2018, according to figures from the SCR's inward investment team. Moreover, clients that the SCR does have on-going projects with are generally taking longer with their decision making and a number have delayed projects to wait and see the outcome of Brexit. In addition to the pipeline of investment opportunities declining, the SCR has also seen the timescales for those investment decisions being made being extended as investors wait for the outcome of the Brexit negotiations to be concluded.

4.4 What businesses in SCR think of Brexit

Over 50% of respondents in the Quarterly Economic Review after the 2016 referendum indicated that the referendum result had not influenced their investment decisions. For Q4 of 2017, only 29% of those in the service sector and 21% of those in the manufacturing sector expressed marked concern about what the impending exit from the EU could mean for them. Moreover, only 9% of businesses in the SCR said that Brexit is a reason for expected new skills in the next 12 months compared to 13% for the national average (English Skills Survey, 2017). This implies that businesses on the SCR aren't as concerned about Brexit as they possibly should be.

SCR has been having discussions with foreign-owned companies in the city region and asking them about the implications of Brexit. Over 40 of these businesses have given feedback on Brexit, with the SCR actively exploring options recently with a couple of these businesses with a view to retaining their presence in the city region given the seriousness of their Brexit concerns. We are concerned that more existing foreign investors in the city region will locate elsewhere should a no-deal scenario occur. The vast majority of companies have not planned, or even thought about, what might happen in a post-Brexit world. A common theme was that they are waiting to see what happens before thinking about how it might affect them. This is concerning and suggests that the SCR needs to encourage firms to consider the implications of Brexit, especially if an exit deal is not agreed.

Summary	
1.	South Yorkshire's export market is heavily dependent on the EU with 57% of the value of all goods going to this market, which means that the SCR is exposed to the negative effects of potential increased delays and tariffs. Tariff and non-tariff barriers could impose costs on business of between 5-10% in the SCR on key sectors such as advanced manufacturing.
2.	Investment is a key driver of the economy and is crucial for fuelling innovation, which is a key objective of the Global Innovation Corridor. There has already been a decline in investment by existing SCR companies and there is a strong likelihood that future investment could be curtailed.
3.	A common theme from SCR businesses is that they are waiting to see what happens with Brexit before thinking about how it might affect them. This suggests that the SCR needs to encourage firms to consider the implications of Brexit, especially if an exit deal is not agreed.

5. The impact of Brexit on employment, education and skills in the SCR

5.1 Workforce

To illustrate the scale of the potential impact of Brexit on the SCR workforce and economy, it is estimated that approximately 72,000 jobs in South Yorkshire are dependent on EU exports (BBC, 2016). In 2017, Oxford Economics forecasted that by 2019, employment in the SCR could be 5,000 lower than it would otherwise be as a result of Brexit. They also found that if a hard Brexit deal is agreed then this will have huge structural and demographic changes. They forecasted that by 2030 migration curbs will result in a bigger drop in the working-age population (18,000 compared to 14,000) than would otherwise be the case. This would result in a smaller tax-paying labour force and subsequently increased pressure on public services.

Lower numbers of EU workers, especially lower-skilled workers, would cause challenges to businesses in the SCR. These challenges will be greatest for sectors that are dependent on EU workers to fill vacancies. This is particularly relevant to the logistics and manufacturing sectors in the SCR:

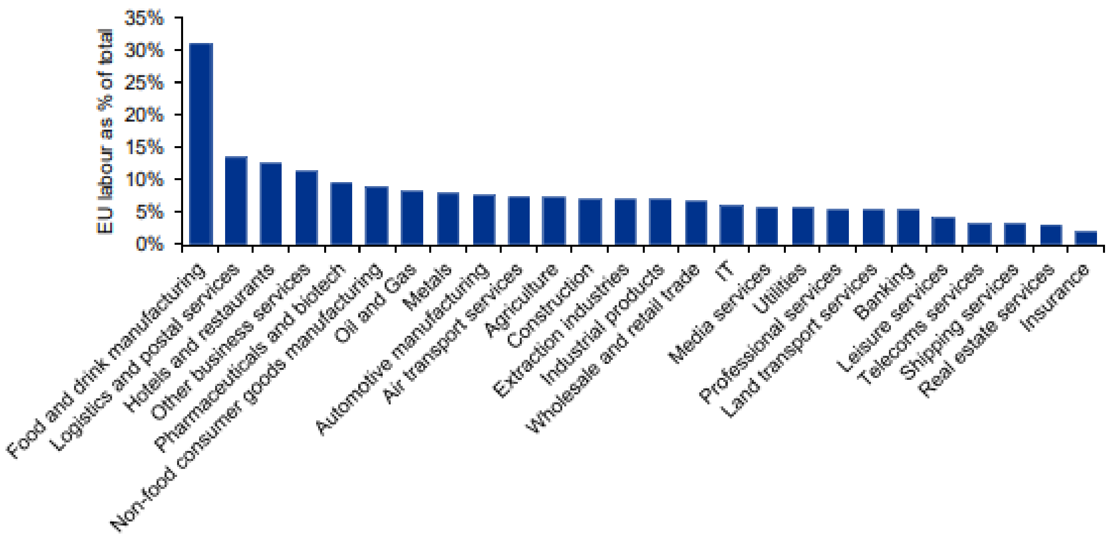


Figure 4 – dependence on EU labour by sectors (source: KPMG)

A loss of EU workers will mean businesses will need to recruit from a market that will have long terms barriers to employment, which is something they won't be used to with the existing supply of EU workers. This will present challenges to business and JCP/DWP as they prepare these people for work. In the SCR, long-term health conditions and ill health will be the main barrier for people to overcome to be work ready.

In 2016, the CBI found that two-thirds of manufacturing companies anticipated recruitment issues post-Brexit. There is a long-standing skills gap in the manufacturing sector and companies have often relied on EU workers to fill these gaps.

There could be issues in recruiting low-skilled jobs that are often temporary. This is prevalent in the SCR in sectors such as manufacturing, construction and logistics. These temporary jobs are frequently difficult to recruit domestically and often filled by low-skilled migrants from the EU. This could lead to increased labour costs and possibly businesses looking at locating elsewhere. In the longer-term, it is likely that migration could drop due to the UK being seen as less desirable. Also, changes to these sectors are coming, particularly as automation progresses, which could see less people employed. The SCR has a pivotal role to play in supporting businesses to innovate and helping workers prepare for future jobs by equipping them with the necessary skills.

For high-skilled jobs, there are a number of EU workers employed in industries such as advanced manufacturing, health and higher education. Part of this is due to skills shortages domestically. Retaining these high-skilled EU workers will be important and the SCR needs to recognise this. There is a role to work with local businesses to retain their high-skilled staff, and there is also a need to upskill the SCR labour market and align skills with local demand.

Oxford Economics (2017) forecasted the employment impacts of Brexit on sectors in the SCR:

Sectoral and source of change in jobs (000s), SCR, 2015 to 2019

	Post-Brexit	Pre-Brexit	Estimate: data revision	Estimate: Brexit impact
Agriculture, forestry & fishing	-0.4	0.0	-0.5	0.1
Mining & quarrying	-0.3	-0.3	0.0	0.0
Manufacturing	-1.7	-3.9	2.7	-0.5
Electricity, gas & steam	0.0	0.1	0.0	-0.1
Water supply; sewerage, waste management	0.0	0.0	0.0	0.0
Construction	3.0	3.6	1.5	-2.0
Wholesale & retail trade	3.2	0.9	2.3	0.0
Transport & storage	1.3	2.2	-0.6	-0.3
Accommodation & food	1.1	1.5	-0.3	-0.2
Information & communication	0.9	1.2	0.2	-0.4
Financial & insurance	-0.1	-0.2	0.1	0.0
Real estate	0.4	0.4	0.1	-0.2
Professional, scientific & technical	2.6	3.2	0.4	-1.0
Administrative & support	3.2	5.2	-0.3	-1.7
Public administration & defence	-4.2	-3.3	-0.6	-0.3
Education	0.3	-2.0	2.0	0.2
Health & social work	-2.1	0.3	-2.0	-0.4
Arts, entertainment & recreation	0.6	0.8	0.0	-0.2
Other services	1.2	0.5	1.0	-0.2
Total	**8.9**	**10.1**	**6.0**	**-7.2**

Table 11 – predicted change of jobs in SCR by sector (source: Oxford Economics, 2017)

The SCR sectors that have the main employment impact by 2019 are likely to be construction and administrative & support. Oxford Economics expect that these will continue to grow, but to a lesser extent than in their pre-Brexit forecasts. A consequence of this is that in relative terms the city region becomes more dependent on employment growth from other sectors including wholesale & retail trade and professional, scientific & technical.

5.2 Education and skills

Sheffield Hallam University and the University of Sheffield play an important role in the SCR economy. The reliance on these institutions is higher than in some city regions due to a relatively small private sector base. Higher education is vulnerable to the effects of Brexit as there are concerns about the supply of students, teaching staff and academics, depending on what post-Brexit migration rules are implemented. A reduction in government funding for research is another big concern as this could be a threat to the research and innovation base, which would threaten the universities' ability to attract talent. Moreover, a lot of teaching staff are from the EU.

Research and innovation are key regional strengths so any threat to this funding is extremely concerning for the SCR economy. Nurturing innovation is at the heart of the Global Innovation Corridor plan, so a reduction in innovation funding adds importance to the proposals but is also a threat to its success.

There is also a concern about fewer international students choosing to study in Sheffield as they provide significant benefits to the SCR economy. There are over 10,000 international students studying at both universities and approximately 4,000 international students join Sheffield's universities each year. They directly contribute over £360 million to the local economy during the course of their studies. Oxford Economics found that international students contributed 10% of the inward investment into the city region. The report also noted that international students were especially important in key areas such as engineering and computer science where there are skills shortages in the region. Moreover, any significant loss of EU staff would disproportionately impact on key subjects like STEM courses, where universities are heavily reliant on EU staff to deliver these subjects.

A no-deal scenario is very concerning for the education sector. EU students could be re-classified as international students, therefore being charged higher fees and denied access to student support. This could have major impacts on the attractiveness of UK courses to the EU student market. In the event that the UK is granted 'third country status', the universities will no longer be eligible for major Horizon 2020 grants. A reduction in EU funding post-Brexit, would negatively affect the ability to fuel innovation across SCR.

	Summary
1.	Lower numbers of EU workers, especially lower-skilled workers, would cause challenges to businesses in the SCR. These challenges will be greatest for sectors that are dependent on EU workers to fill vacancies, such as logistics and manufacturing. There will also be big impacts in sectors such as health and higher education if there are fewer high-skilled EU migrants.
2.	Higher education is vulnerable to the effects of Brexit as there are concerns about the supply of student, teaching staff and academic numbers, depending on what post-Brexit migration rules are implemented.
3.	In the event that the UK is granted 'third country status', the universities will no longer be eligible for major Horizon 2020 grants. A reduction in EU funding post-Brexit, would negatively affect the ability to fuel innovation across SCR.

6. The impact of Brexit on transport, infrastructure and housing in the SCR

6.1 Transport

Like many other sectors, transport benefits from EU funding streams, and so the threat of Brexit impacting this is a concern. Vehicle manufacture and supply could be impacted as some vehicles are produced and tested in Europe, including trams and trains. This could have customs and supply-chain implications. As mentioned previously about the logistics case study of the impacts of a no-deal, Brexit could impact pressure on the existing road network in SCR. It could increase the need for lorry parking, which is already an increasing issue in the SCR in terms of the availability of suitable facilities.

More technical impacts of Brexit on transport for the SCR include standards. Currently, the SCR transport team works to EU limit values for the establishment of Clean Air Zones and AQMAs. Brexit could impact this and the regulatory position surrounding their status and designation.

The likely impacts of Brexit are not just focused on the road network. There are potential implications for the airline industry, particularly in the instance of a no-deal situation. If an exit deal is not agreed then the UK will leave the EU common aviation area, which will restrict flights to and from 44 countries. This would have a big effect on Doncaster Sheffield Airport (DSA), especially given their eastern European flight schedules. Many of the Eastern European flights serve migrant labour coming into work in factories and farms in Lincolnshire. If that demand falls, then the need for that many flights may well decrease affecting the DSA's growth aspirations. There could also be an impact on air-borne freight coming into DSA. If there is reduced traffic through DSA this not only risks damage to a major regional asset whose main routes are with the EU, but it will impact business and leisure visitor numbers. Subsequently, it will affect the ability of the use of DSA to demonstrate to investors that the SCR is a good place to do business.

6.2 Infrastructure and Housing

Brexit has caused uncertainty which has led to a lack of confidence resulting in an unwillingness to develop new homes and increased potential for 'land banking'. Similarly, there is uncertainty and a lack of confidence to invest in speculative and non-speculative commercial development, which in turn impacts on jobs and GVA growth. There is more vacant floorspace due to a lack of confidence in business growth, and there is lower private sector indigenous investment in development and job creation.

Brexit is impacting on the labour market, particularly in lower numbers of low-skilled EU workers, meaning that there is a lack of construction trades to progress existing and new schemes. Subsequently, this means increased labour costs and possibly affecting the success of a scheme and its chances of progressing; for example, currently SCR research suggests that around 50% of all housing schemes currently have a viability gap, so this figure will undoubtedly increase if labour and material costs increase. There is concern over national funding for housing being redirected to higher demand areas in the South to seek to maximise national housing delivery, at a time when housing scheme viability gaps will be increasing as a result of Brexit. The Key Cities and Core Cities Group analysed the Government's announcement of £7bn of housing investment for the next five years. They found that 80% of allocated funds are to be directed at areas of "highest affordability pressure", which are largely in the South and East in England, as illustrated in their map:

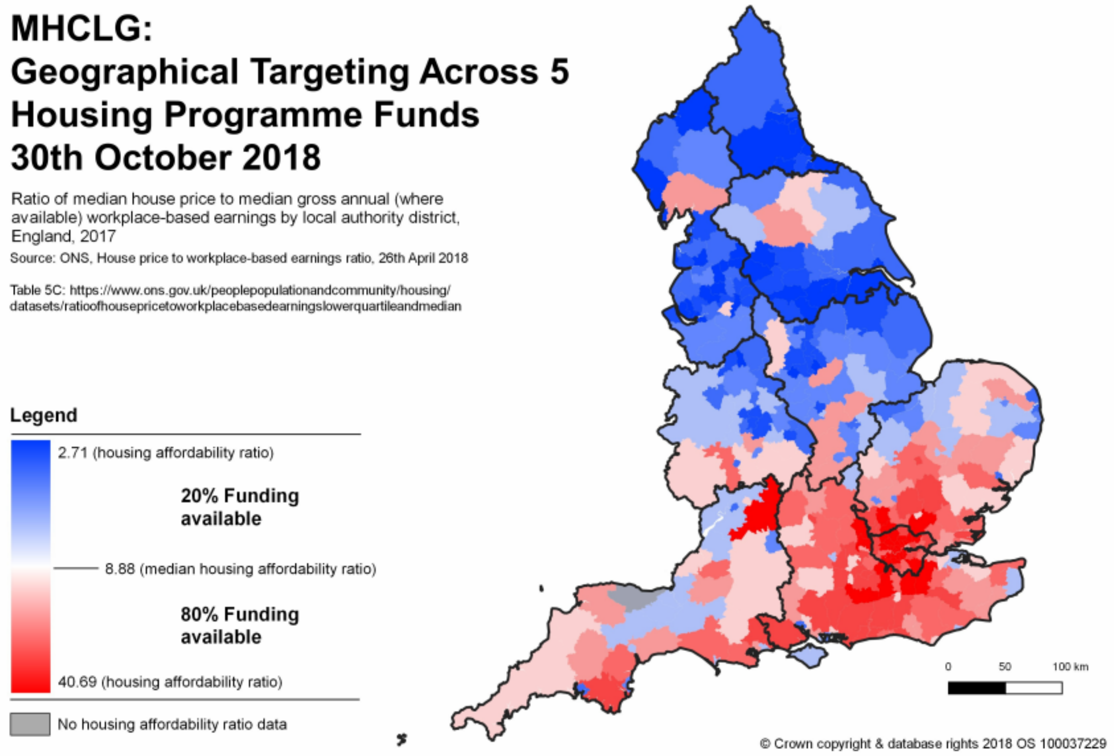


Figure 5 – Housing programme geographical allocation (source: Key Cities)

Other costs include such as inflation impact on existing and new schemes could lead to cost overruns and delivery uncertainty. A failure of supply chains to deliver goods/services in line with project 'just-in-time' requirements, which is more at risk depending on the Brexit deal, will delay delivery timescale and increase costs. Schemes may stall or be delayed to such an extent that intended benefits or returns on investment won't be delivered. There could be the need for more public investment to cover the viability gaps as development costs rise, which means that securing funding through the UKSPF is critical for the SCR region.

Summary	
1.	If an exit deal is not agreed then the UK will leave the EU common aviation area, which will restrict flights to and from 44 countries. This would have a big effect on DSA, especially given their eastern European flight schedules.
2.	There is uncertainty and a lack of confidence to invest in speculative and non-speculative commercial development, and there is more vacant floorspace due to a lack of confidence in business growth.
3.	There are concerns over a lack of construction workers as migration reduces and skilled workers are attracted to higher paid areas in the South (as happened post the 2008 downturn). The cost inflation on construction materials and skilled workers will likely result in development being slowed due to suppliers not being able to continue to meet 'just-in-time' requirements.

7. Opportunities that could arise out of Brexit

In the future it is likely that there will be fewer EU workers, which creates a challenge for businesses that are dependent upon EU labour to fill vacancies; however, it also creates an opportunity for local residents to enter the labour market. Businesses have a pivotal role to play in helping build the local skills base post-Brexit. The SCR needs to support businesses to recruit from the local labour force, which could involve filling employment gaps by trying to reach harder to reach groups and people who are currently quite far from the labour market.

The weaker pound should help boost exports and could be an opportunity to uncover better ways of operating. Businesses may need to reassess supply chains, look at their recruitment and how they train existing staff. The SCR has a role to play in helping to support increased local innovation.

Trade relationships are likely to change post-Brexit and an opportunity is potentially more trade with emerging markets like India and China. The SCR has already been on trade missions to both of these countries but there is a role for the SCR to forge new and strengthen existing partnerships with emerging markets.

Brexit will affect a range of industries with some possibly seeing benefits. There is a chance that northern ports could become more prominent so the Hull port could be busier, which could be an opportunity for SCR to tap into. Some industries like the rail industry are Brexit-proof in terms of investment. The HS2 College at Doncaster means that the SCR could help nurture rail investment in the region. Brexit will likely increase the importance of building up SCR as a region to invest for advanced manufacturing and digital, placing more emphasis on the SCR's Global Innovation Corridor plans.

Brexit's impact can vary even within a given industry because each company's supply chain is different. Associated British Foods, which produces more than two million tonnes of sugar annually from sugar beet factories in the UK and Spain, would be hit hard if a no-deal triggers a shift to WTO customs duties on sugar beet. By contrast, Tate & Lyle Sugars, one of Europe's largest sugar manufacturers, currently pays high EU tariffs on sugar cane imports from Brazil, and its UK operations were unprofitable in 2015. If the UK agrees after Brexit to the more favourable WTO tariff structure on non-EU sugar cane imports, Tate & Lyle Sugars would benefit by being to import and produce at a lower cost.

Summary	
1.	The weaker pound should help boost exports and could be an opportunity to uncover better ways of operating.
2.	Trade relationships are likely to change post-Brexit and an opportunity is potentially more trade with emerging markets like India and China.
3.	Some industries like the rail industry are Brexit-proof in terms of investment. The HS2 college at Doncaster means that the SCR could help nurture rail investment in the region.

8. Potential mitigation measures that the SCR could implement

The Local Industrial Strategy will be the key policy document for the SCR to try to make the city region more resilient and more able to weather adverse economic shocks such as Brexit. Kitsos (2017) outlined the following steps to increase local economic resilience:

- Recognise and promote the role of anchor institutions such as universities for increasing skills locally.
- Identify the importance of amenities for attracting talent in different areas.
- Motivate university-industry collaborations and cross-industry innovation
- Create a place-based industrial strategy that will use local assets and pursue resilience enhancing growth.
- Fund further research on resilience and promote the creation of local plans that explicitly address resilience.
- Provide leadership guidance and foster effective institutions to cope with external shocks.

The findings of the 100 resilient cities programme for economic resilience suggest that the community could act as a backstop, which could tie in with Mayor's manifesto commitment to deliver a more integrated and co-operative economy in the SCR.

8.1 Short-term practical actions

Lobbying

- The Mayor to lobby government ministers on the importance of a good Brexit outcome for the SCR, particularly stressing the importance of avoiding a no-deal.
- The Mayor to lobby along with other Northern Metro Mayors for greater devolution powers and flexibility to continue to attract foreign investment; for example, tax-raising/spending powers, greater control over local trade and investment budget, air passenger transport duty removal.
- The Mayor to lobby prospective investors on SCR's short-list.
- The Mayor to lobby government to deliver a UKSPF that at least doesn't see a reduction in funding for SCR and is top-sliced and devolved to MCAs.
- Try to secure additional devolved funding for commercial, infrastructure and housing investment.

Marketing

- Trade promotion to target emerging markets, especially due to lower sterling value. The SCR has already arranged trade trips to China and India. These relationships need to be strengthened and new ones forged with other countries.
- New marketing tactics for foreign investment promotion in target markets (for example, Weibo, WeChat).
- Ensure that the SCR is still open for business by building relationships with other international cities.

Business support

- Initiate a match-funded voucher scheme to support Brexit resilience planning.
- Run a workshop on preparing for Brexit, including practical advice from experts.

- Implement future export support programmes targeted at increasing non-EU trade in support of market diversification activity.
- Support local exporters to get Authorised Economic Operator authorised with some financial support through the SCR.
- Expand foreign-owned company KAM programme.
- Plan for the future of BIF to support more investment projects. The SCR has already reviewed the fund to re-profile the programme budget, broaden its scope and do more to stimulate demand.
- Offer relocation packages for existing investors if they consider leaving the SCR.
- Ensure local businesses have adequate support to address new administrative costs.

The SCR needs to ensure that it helps prepare local businesses for the effects of Brexit. The size of a business is important. Big companies have the capacity and funding to appoint Brexit advisors to help them prepare for Brexit. Furthermore, they can afford to stockplie supplies to help mitigate impacts if there is a no-deal. SMEs often operate at a more hand-to-mouth model so do not have the resources to prepare for Brexit like large companies. This is even more relevant to the SCR which is made up of lots of SMEs, especially in manufacturing. Targeting these companies to plan for Brexit by giving them the information to help them is crucial. The SCR could offer support and guidance to try to help businesses plan, assess risk and implement methods to mitigate – and possibly take advantage of – the impacts of Brexit.

The HMRC has produced its own Brexit pack. This pack provides a high-level guide to customs processes and procedures that are likely to apply in a no-deal scenario. There is guidance for businesses that import and/or export with the EU and non-EU countries, plus specficic guidance for haualge companies; freight forwarders; express courier industry and postal services; businesses supplying services to the EU; tour operators; ports and airports; customs warehouses; temporary storage operators; and businesses selling duty-suspended alcohol, tobacco or fuel in the UK.

SCR has commissioned work to deliver a Brexit tool to help SCR businesses prepare for Brexit. Based on their responses, it provides businesses with a tailored report on the things they need to be thinking about for Brexit and directs them to resources to help them prepare, including the HMRC Brexit pack. This tool should be on the SCR website in January 2019. This should be a useful tool but it is recommended that the SCR does more than this. Organising a workshop for local businesses could be an effective way to raise awareness of the need for businesses to prepare for Brexit and to promote what support is available from the SCR. There have been discussions with Sheffield City Council who are keen to partner on an event to promote the importance of businesses preparing for Brexit.

Helping prepare businesses for Brexit is imperative and has been a major theme throughout this document. Additionally, the SCR has a role to play with key institutions within the region to see what support can be offered to help them prepare for Brexit. Conversations could be initaited with the unviersities and Doncaster Sheffield Airport.

8.2 Long-term strategic review

If there is a no-deal, or the Brexit deal severely harms the economy, then there could the possibility of a serious economic downturn. If this happens, there could be a need for the SCR to, hopefully temporarily, review its current strategic focus on growth. There might be a need to prepare for a potential economic decline. Strategies such as the Local Industrial Strategy and major funding streams like the Local Growth Fund might need to be reassessed to reflect this potential economic situation. There may be a need to refocus on job safeguarding and take a more interventionist approach.

The SCR LEP runs a Policy Advisory Group for local academics and other senior policy makers in sectors such as health. The idea of a regional observatory has been discussed, which could strengthen the SCR's policy role in scenario planning and regional economic forecasting. Working closer with anchor institutions could be a method to improve understanding of the SCR economy and help mitigate the negative effects of Brexit.

An avenue to potentially explore to increase local resilience could be to drive progressive procurement in the Sheffield City Region. Preston and Manchester have been successful in recent years of increasing the proportion of local spend. The Sheffield City Partnership has started this in Sheffield. SCR could look at exploring the idea of progressive procurement for all of the city region. There is a possibility that after Brexit, depending on the exit deal, it could be easier for public institutions to select local suppliers over international ones. The Withdrawal Agreement states that public procurement under the transition period will follow EU procurement rules but after this it is uncertain.

Summary	
1.	Lobby government to deliver a UKSPF that at least doesn't see a reduction in funding for SCR and is top-sliced and devolved to MCAs.
2.	Promote the commissioned Brexit tool that will be on the SCR website in January 2019.
3.	Organise a workshop about the importance of preparing for Brexit and what support is available from the SCR.

9. Recommendations

1. Speak to the Mayor about lobbying activities on Brexit

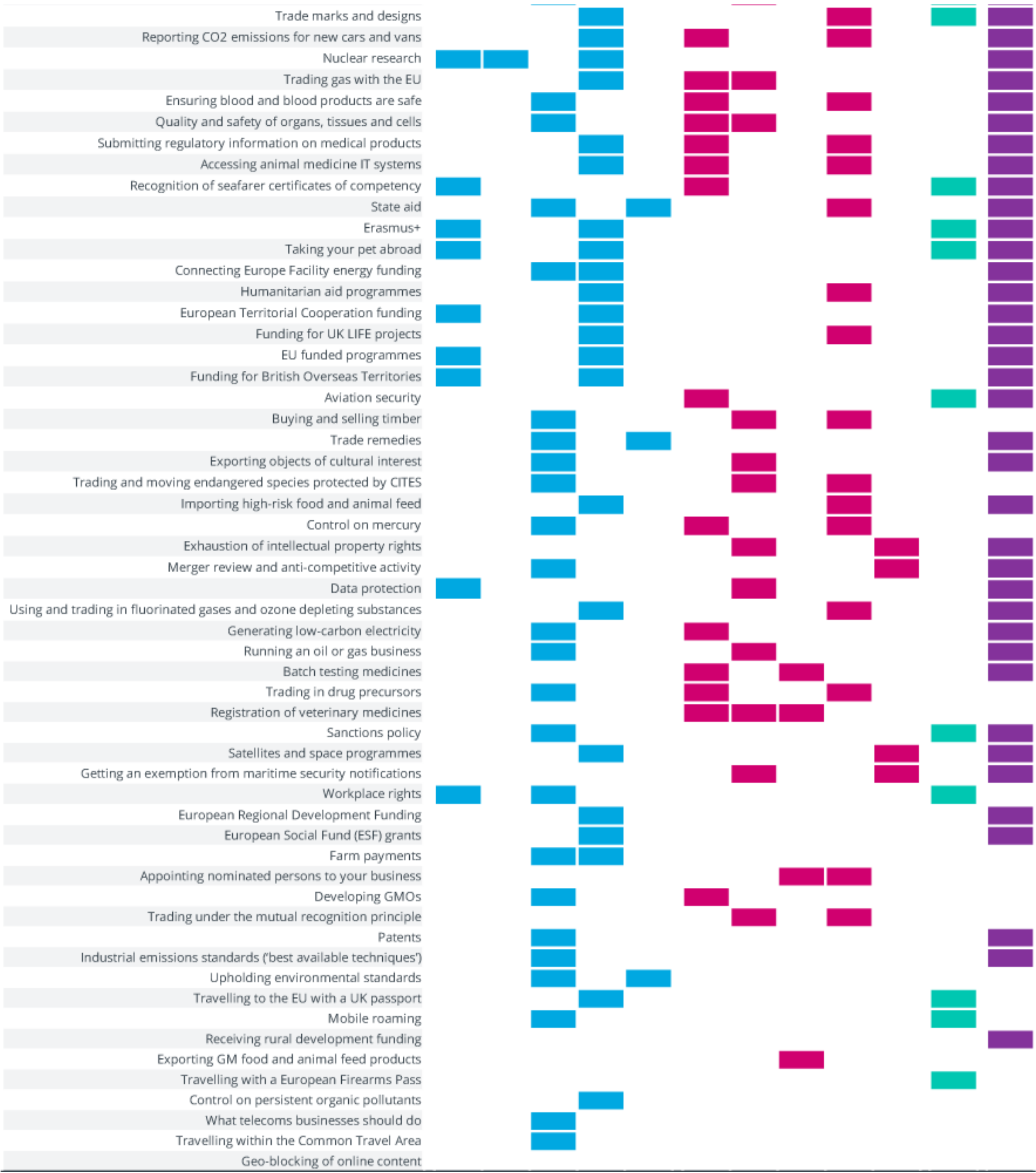
2. Organise a workshop for local businesses about the importance of preparing for Brexit and what support is available from the SCR

3. Promote the SCR Brexit tool via social media accounts and the SCR website

4. Initiate conversations with the University of Sheffield, Sheffield Hallam University and Doncaster Sheffield Airport about Brexit planning

Annex 1

	UK Government intends to...					UK businesses need to...						
	Negotiate agreement with EU/EU countries	Negotiate international agreement	Pass further legislation	Establish new systems/processes	Create new or expand capacity of existing UK body	Reregister/reauthorise product or service in EU	Change process to maintain existing market access	Establish EU presence	Comply with different UK process	Consider seeking professional advice	UK citizens face additional burdens	Notice indicates further engagement required
Commercial road haulage in the EU	X	X		X	X	X	X		X		X	X
Exporting animals and animal products	X			X	X	X	X	X	X			X
Providing services including those of a qualified professional			X	X		X	X		X	X	X	X
Structuring your business			X	X	X	X	X	X		X	X	
Banking, insurance and other financial services	X		X	X	X	X		X			X	X
Trading electricity	X		X	X		X	X		X		X	X
Classifying your goods in the UK Trade Tariff	X		X	X			X		X	X		X
Regulating chemicals (REACH)			X	X	X	X		X	X			X
Regulating biocidal products			X	X	X		X	X	X			X
Civil nuclear regulation	X	X	X	X		X			X			X
Regulation of veterinary medicines			X	X		X	X	X	X			X
Taking horses abroad	X			X		X	X		X		X	X
Aviation safety		X	X		X	X					X	X
Operating bus or coach services abroad	X	X				X	X				X	X
Meeting rail safety and standards	X		X			X			X		X	X
Regulating pesticides			X	X	X	X	X					X
Commercial fishing		X	X	X		X	X					X
Plant variety rights and marketing of seed and propagating material	X	X		X		X	X					X
Importing animals and animal products				X	X	X		X	X			X
Trading with the EU		X	X				X		X	X		X
Producing and labelling food			X			X	X	X	X			X
Protecting geographical food and drink names		X		X		X	X		X			X
Classifying, labelling and packaging chemicals			X	X	X		X		X			X
Accessing public sector contracts	X	X	X	X					X			X
Consumer rights			X	X			X		X		X	X
Driving in the EU	X			X	X						X	X
Flights to and from the UK	X	X				X					X	X
Rail transport	X		X			X					X	X
Exporting controlled goods			X	X		X			X			X
Importing and exporting plants				X		X	X		X			X
Labelling tobacco products and e-cigarettes			X	X			X		X			X
Producing and processing organic food			X	X		X			X			X
Export and import of hazardous chemicals				X		X	X		X			X
Accounting and audit			X			X	X		X		X	
VAT for businesses				X		X	X		X			X
Meeting climate change requirements			X			X	X		X			X
How medicines, medical devices and clinical trials would be regulated			X		X			X	X			X
Horizon 2020	X			X					X			X
Vehicle insurance	X						X				X	X
Manufacturing and marketing fertilisers				X		X		X				X
Breeding animals				X		X	X					X
Handling civil legal cases that involve EU countries		X	X							X	X	
Maintaining the continuity of waste shipments	X					X	X					X
Existing free trade agreements	X	X					X					X
Trading goods regulated under the 'New Approach'			X	X		X						X
Vehicle type approval				X		X			X			X
Health marks on meat, fish and dairy products				X			X		X			X
Broadcasting and video on demand						X		X		X		X
Copyright			X				X				X	X



Source: Institute for Government

32

Sheffield City Region MAYORAL COMBINED AUTHORITY

Report to Sheffield City Region Overview and Scrutiny Committee

Date of Meeting:	11 April 2019
Subject:	2019/20 MCA/LEP Revenue and Capital Budget
Purpose of the Report:	To brief Members on the MCA/LEP revenue budget setting process and how decisions are made regarding the allocation of each budget.
The Scrutiny Committee is being asked to:	Consider and note the process by which the 2019/20 MCA/LEP revenue budget was set.
Category of Report: Open Under the Freedom of Information Act and Schedule 12A of the Local Government Act 1972, this paper and any appendices will be made available under the Combined Authority Publication Scheme.	

Summary:

The purpose of this report is to brief Members on the MCA/LEP revenue and capital budget setting process and how decisions are made regarding the allocation of each budget.

1. Introduction/Context

The annual Revenue Budget sets the budget proposals for the Mayoral Combined Authority (MCA) for a one-year period. For the purposes of this report, the Revenue Budget refers to the budget covering the core operational budget for the MCA and LEP, and also any multi-year revenue programmes for which the MCA is the accountable body.

The MCA's Financial Regulations set out the roles and responsibilities of the Authority, the Head of Paid Service and the Finance Director in relation to the annual Revenue Budget.

The Finance Director is responsible for preparing detailed proposals for the annual Revenue Budget for the coming year in conjunction with the Head of Paid Service. The Authority is responsible for approving the annual revenue budget.

As well as a general description of the budget-setting process, Section 2 of this report addresses each of the following questions:

- How is the budget decided upon for each thematic priority, i.e. housing, business, skills?
- How is budget divided between authorities/areas on capital programmes, is it based on need?
- Are there any additional costs incurred by implementing the Mayor's manifesto?

The 2019/20 MCA/LEP Revenue Budget report which was submitted to and approved by the MCA on 25th March 2019 is attached at Appendix 1.

2. Matters for Consideration

2.1 Budget-setting process

The MCA approved the 2019/20 MCA/LEP Revenue Budget on 25th March 2019. The approval of the budget report was the culmination of almost a year's work, comprising of consultation with key stakeholders at various stages of the 2019/20 business planning process, including the Mayor & MCA Leaders, LEP Board, Chief Executives and Local Authority Directors of Economic Development and Finance.

At the start of the 2019/20 business planning process, officers in the MCA Finance team refreshed their medium term forecasts based on the 2017/18 outturn position, any changes to risks and assumptions built into the 2018/19 budget, horizon-scanning and discussions with the SCR Executive Team and peers in partner authority finance teams, in particular with the four billing authorities who pay over retained business rates in respect of SCR enterprise zones.

A meeting of SCR Local Authority Directors of Finance is typically held in early May to review these forecasts and to discuss the financial planning assumptions, including any interdependencies with local authority budgets, e.g. subscriptions payable to the LEP.

As the year progresses, the MCA Finance team produces quarterly budget monitoring reports for the MCA to consider and approve. Any new information gathered during the course of preparing these reports is used to refresh the medium term forecasts and the draft budget, for example changes to the staffing establishment, new commissions in relation the development of the Strategic Economic Plan (SEP), trade and investment, etc.

Peak activity in the budget-setting process is in Q4, i.e. January to March 2019. Any new policies which are likely to affect the Authority's forecast income and/or expenditure are developed and discussed with relevant stakeholders. For instance, the proposed business rates rebate policy was presented to the ED/DoFs Forum (Local Authority Directors of Economic Development and Directors of Finance) on 28th January, followed by Chief Executives in mid February.

A new feature of the 2019/20 business planning process was the Mayor's budget workshop in January 2019, where Leaders were presented with the draft budget proposals. Leaders subsequently asked for options to be modelled which could deliver budget savings of 10% in 2019/20.

A revised budget was developed which included proposals to deliver an underlying reduction of 11.8%. This was presented to and endorsed by the LEP Board on 4th March, for onward approval by the MCA on 25th March.

2.2 Thematic priorities

The proposed revenue programme for 2019/20 can be found in Appendix 2 of the budget report appended to this report. The vast majority of these programmes are directly linked to either the SCR's Growth Deal (e.g. Skills Bank) or to the SEP.

Prioritisation of revenue funding is allocated at a corporate level based upon the priorities of the LEP / MCA / Mayor, to date priorities are focused upon the delivery of the agreed SEP targets. 2019/20 will see a plan regarding delivery of the Manifesto as part of the planning and allocation of the Mayoral Capacity Fund (MCF).

There is an established internal process for allocation of resources from the 'SEP Development or Marketing and Communications' budgets which the Head of Paid Service has delegated authority from the MCA to allocate to specific commissions. The financial implications of each commission are signed off by the Deputy Section 73 Officer.

Prioritisation and allocation of revenue programme resource, such as Skills Bank, Working Win, One Public Estate, for example are directly related to the business case and delivery plan agreed between the SCR and the relevant funder.

If the organisation wishes to secure external funding there is an agreed and proportionate process depending upon the scale, complexity and risk of the bid. The process includes internal officer development of proposals and Peer Scrutiny, for more complex bids this stage could include the establishment of external project development boards, if appropriate (due to the scale of the bid) the Appraisal Panel (representatives of the Statutory Officers) input on matters such as value for money and risk, in all circumstances Section 73 Officer approval is required, and for larger bids approval to bid is sought by the MCA and/or LEP.

2.3 Capital Programme

The capital programme includes a variety of external funding sources which prescribe the basis on which funding can be allocated, the three largest sources being:

- Local Growth Fund (LGF) - LEP
- Highways Capital Maintenance (HCM) - Transport
- Integrated Transport Block (ITB) - Transport

In order to secure LGF funding, all scheme promoters (including but not limited to local authorities) are required to submit a business case which must be assessed in accordance with the LEP's Local Assurance Framework. Every case is assessed on its merits, according to the Government's Green Book methodology. The LGF Capital Programme was negotiated on behalf of the LEP with Government in 2014/15 and is always endorsed by the LEP prior to approval by the MCA. This year approval was granted by the MCA on 25th March 2019.

HCM is the largest transport capital grant (c.£12m) and is based on 'need'. The grant allocation is determined by a DfT funding formula per local authority. Only 3 out of 4 South Yorkshire authorities receive HCM. Sheffield is ineligible because its highways programme falls under separate PFI arrangements. The MCA is the accountable body and passports HCM in arrears to the 3 local authorities based upon defrayal of spend.

ITB (c.£8.4m) is split between the four South Yorkshire local authorities and SYPTE. SYPTE retains 25% of the funding for countywide projects, whilst the remaining 75% is split between the four authorities roughly in accordance with their respective population figures.

The 2 largest schemes in the South Yorkshire Transport Capital Programme in 2018/19 (Rotherham Interchange and Supertram Re-railing Phase 2) are funded through prudential borrowing, due to the lack of internal and external resources suitable/available for these types of scheme. In both cases, there was a clear 'need': a legal or contractual obligation on SYPTE to take all necessary steps to rectify assets which were unsafe or no longer fit for purpose.

The South Yorkshire Transport Revenue Budget & Capital Programme for 2019/20 were approved by the MCA on 28th January 2019.

2.4 Mayor's manifesto

The cost of running the Mayoral Office will largely be funded through the Mayoral Capacity Fund (c.£1m per annum for 2 years, starting in Q4 2018/19), which is shown as a revenue programme in the 2019/20 revenue budget report (see Appendix 2 of the budget report) and is forecast to spend £624k in 2018/19 and £1.376m in 2019/20).

MCF will also be deployed to resource mayoral priorities such as the Active Travel Commissioner. 2018/19 spend will be reviewed by MHCLG/BEIS in early 2019/20, prior to release of the second year's allocation.

a. Financial

The financial implications of the 2019/20 MCA/LEP Revenue Budget are clearly set out in Section 2 and the accompanying appendices of the budget report attached at Appendix 1.

b. Legal

There are no legal implications arising directly from this report.

c. Risk Management
In formulating the assumptions which underpin the revenue budget, officers have taken a prudent approach in order to mitigate all known risks. The MCA/LEP continues to depend heavily on retained business rates from enterprise zones to resource the core budget. This source of income is susceptible to a variety of risks, further details of which are described in Appendix 1 of the budget report.

In light of these significant financial risks, sensitivity analysis has been undertaken to assess the MCA's exposure and to ensure that the MCA has a robust reserves strategy. This strategy is set out in Appendix 3 of the budget report.

d. Environmental
There are no environmental implications arising directly from this report.

e. Equality Impact Assessment
The principles of equality, diversity and social inclusion are built into the annual budget setting process and are taken into consideration when assessing budget pressures and savings proposals.

Any Equality implications that members must have due regard to under s.149 Equality Act 2010 will be set out in detail in the report that accompanies any recommendation about specific proposals.

f. Performance Management/Measuring Outcomes
This section is not applicable to the revenue budget report.

3. Consideration of alternative approaches
This section is not applicable to the revenue budget report, due to the statutory requirement to set a revenue budget in advance of the forthcoming year, and in accordance with the MCA's own financial regulations.

4. Issues the Overview and Scrutiny Committee may wish to consider …
Consider asking the committee Members to provide their views and comments on a proposal/subject or certain aspect of the proposal/subject.

Members are invited to share their views on how the 2019/20 business planning process could have been improved, so lessons learned can be built into the 2020/21 business planning process.

5. Recommendations
Members are asked to consider and note the process by which the 2019/20 MCA/LEP revenue budget was set.

6. Appendices/Annexes
Appendix 1 – 2019/20 MCA/LEP Revenue Budget Report (approved by MCA on 25th March 2019)

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Background papers used in the preparation of this report are available for inspection at:
11 Broad Street West, Sheffield, S1 2BQ

Other sources and references:

Appendix 1

Core Operational Revenue Budget

1.1 As set out in paragraph 2.3 (Section 2 in the main body of the report), the revenue budget is funded from a variety of sources. The following section provides a further breakdown of those sources of funding and a comparison with 2018/19.

1.2

	2018/19	2019/20	Variance
	Budget	Budget	
Income Stream	**£'000**	**£'000**	**£'000**
EZ Business Rates	£3,145	£3,023	-£122
Traded Income – AMP	£1,428	£1,428	£0
Transport Hub Subscriptions	£1,000	£1,000	£0
Base LEP Subscriptions	£204	£204	£0
LEP Grants	£500	£500	£0
Investment Income – Treasury	£195	£195	£0
Investment Income - Property Portfolio	£260	£155	-£105
	£6,731	**£6,506**	**-£225**

1.3 As shown in the table above, total estimated income available to resource the 2019/20 revenue budget is expected to be £6.5m, a reduction of £225k (3.3%) compared to 2018/19.

1.4 EZ Business Rates

At £3m, the amount of business rates retained by the MCA/LEP from the four billing authorities (which collect rates payable by occupiers of rateable properties in SCR enterprise zones) is expected to fall by £122k (4%) compared to 2018/19. The table below shows a breakdown of retained business rates from the four billing authorities.

	£'000
Barnsley	£848
Chesterfield	£1,000
Rotherham	£576
Sheffield	£600
Total Retained Business Rates	**£3,023**

The estimates assume that there will be a cap of £1m on the amount payable to the SCR by any individual authority. The proposal to which this cap relates is set out in more detail in **Appendix 4**.

1.5 EZ business rates account for 46% of total estimated income available to resource the 2019/20 revenue budget. In the absence of other sustainable income, the MCA/LEP is heavily reliant on this income stream. Furthermore, it is notoriously difficult to predict for a variety of reasons, hence a prudent approach to forecasting is taken which involves a detailed risk assessment of virtually every single property liable to business rates, and a mitigation strategy including the business rates resilience reserve.

1.6 Traded Income – AMP

The second largest source of income comes from the tenants who occupy workspace at the AMP Technology Centre. Occupancy levels in 2019/20 are expected to match current levels, hence income is predicted to remain at around £1.4m. After allowing for running costs of c.£1m, the

Technology Centre is expected to generate an operating surplus in the region of £0.4m in 2019/20.

1.7 Subscriptions payable by member authorities

The table below shows the proposed subscriptions for 2019/20. The amounts have been frozen at the same level since the inauguration of the Combined Authority in April 2014.

	2019/20	2019/20	2019/20	2018/19	
	Base	Transport	Total	Total	Variance
Partner	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Barnsley	£32	£174	£206	£206	£0
Bassetlaw	£4	£0	£4	£4	£0
Bolsover	£4	£0	£4	£4	£0
Chesterfield	£4	£0	£4	£4	£0
Derbyshire Dales	£4	£0	£4	£4	£0
Doncaster	£41	£223	£264	£264	£0
North East Derbyshire	£4	£0	£4	£4	£0
Rotherham	£36	£190	£226	£226	£0
Sheffield	£76	£413	£489	£489	£0
	£205	**£1,000**	**£1,205**	**£1,205**	**£0**

1.8 LEP Grants

All LEPs across the country receive a capacity grant from central government. SCR's indicative allocation for 2019/20 is £500k, the same as for 2018/19. Final allocations will not be confirmed until April 2019. Government have made clear that the release of all funding is dependent on the outcome of Annual Performance Reviews and implementation of the LEP Review.

1.9 Investment Income

The MCA/LEP receives two types of investment income:

- Treasury
- Property Portfolio

Treasury investment income comprises interest receivable from cash invested in accordance with the MCA Group's treasury management strategy. The MCA/LEP takes a low-risk approach in terms of its investment strategy in order to provide a secure source of income to the authority.

Property portfolio investment income is derived from those investment properties which were transferred to the MCA from its former property-holding subsidiary SYITA Properties Ltd. The amount of income expected in 2019/20 is £105k lower than 2018/19 as a result of one of the largest properties (a bus depot in Rotherham) being vacated with no immediate prospect of finding a tenant to cover the shortfall.

1.10 Expenditure

The main costs of running the MCA/LEP include staffing, accommodation, business support, international marketing and the commissioning of specific pieces of work as part of implementing the Strategic Economic Plan (SEP), Local Industrial Strategy (LIS) and Shared Prosperity Fund (SPF).

The table overleaf provides a breakdown of these costs by type. Overall spending is reducing in real terms by £435k, which is 6.5%. This is after adjusting for an increase of £210k, which is the apportionment of IT and accommodation costs with the PTE, rather than a real cost increase for the Group. In addition, the SCR has had to absorb pressures of £359k (5.3%), as follows:

- £291k loss of funding (£169k of annual rent in respect of a vacant bus depot, £122k of business rates income from enterprise zones);
- £147k of pay inflation;
- £50k of vacant property management costs (in respect of the aforementioned bus depot);

- Offset by £129k of one-off project costs which cease after 2018/19 (£125k in relation to the SAMS project, £4k of minor variances).

Allowing for all pressures, the underlying reduction in the budget is £794k (11.8%).

This exceeds the target discussed at the Mayor's budget workshop in January 2019, where Leaders asked for options to be modelled which could deliver budget savings of 10% in 2019/20.

At the Mayor's request, officers will be exploring the opportunity to make efficiencies by integrating back office and support functions currently hosted across Sheffield, Barnsley and the PTE so as to deliver significant benefits. This will take time to scope during 2019 in order to deliver for the 2020/21 budget.

Net budget	**2018/19**	**2019/20**	**Variance**
	Budget	**Budget**	
Expenditure	**£'000**	**£'000**	**£'000**
Staffing	£2,370	£2,277	-£94
SEP, LIS and SPF Development	£1,305	£1,160	-£145
AMP	£1,175	£1,022	-£153
Business Support, Supplies and Services	£924	£983	£59
Trade and Investment	£669	£601	-£68
Other Property Costs	£288	£253	-£35
Sub-total	**£6,731**	**£6,296**	**-£435**
Change in overhead share with PTE	£0	£210	£210
Total	**£6,731**	**£6,506**	**-£225**

1.11 Staffing

The reduction in the net cost of staffing of £93k in 2019/20 represents a real term saving of 6.5% after allowing for £147k of cost pressures arising from the 2% pay settlement plus increments where applicable

Our latest estimates indicate that the gross cost of staffing (c.£4.7m) will be netted down by recharging around £2.4m to the revenue and capital programmes where employees spend some or all of their time managing or delivering a project.

1.12 SEP, LIS and SPF Development

It is proposed to reduce the SEP, LIS and SPF Development budget by £145k (11%) to £1.16m in 2019/20. This is considered to be achievable on the proviso that work to procure new activity in advance of the new financial year will lead to commitments in 2018/19 which therefore need to be funded in the current financial year. The recommendation is to create an earmarked reserve which will ensure that such activity is properly funded. This proposal is also noted in **Appendix 3** (Reserves Strategy).

1.13 AMP

See paragraph 1.6 above.

1.14 Business Support, Supplies and Services

The main component of this part of the revenue budget covers the cost of professional support services currently provided to the MCA/LEP by partner authorities. Such services include finance, HR, internal audit, legal, member support, payroll and procurement. The other component consists of a wide range of organisational running costs, including external audit, insurance, IT and staff travel. The budget in this area will have to increase by £269k in 2019/20 primarily to recognise a more reasonable apportionment of group IT costs, which will lead to a corresponding budget reduction in SYPTE.

1.15 Trade and Investment

It is proposed to reduce this budget for trade and investment and international and national marketing and communications by £68k (10%) compared to 2018/19.

1.16 Other Property Costs

Finally, this area of the revenue budget covers the cost of facilities and asset management activity undertaken by the MCA, for instance the cost of running Broad Street West and managing vacant investment properties such as the Midland Rd bus depot. The proposed budget for 2019/20 is £253k, a reduction of £34k (12%). However, this incorporates an increase in the budget for the Broad Street West building of c.£41k in order to recognise a more reasonable apportionment of costs between SYPTE and the MCA.

Appendix 2

Revenue Programme

1.1 The spend across all 13 active revenue programmes in 2019/20 is expected to reach £9.3m. No significant new programmes are included in next year's budget. 4 programmes are coming to an end in 2018/19: Energy Strategy, Gatsby, RISE and Launchpad.

1.2

Programme Activity	Thematic Area	2018/19	2019/20
		Outturn	Budget
		£'000	£'000
Health Led Employment Support Trial	Skills & Employment	£5,379	£2,179
Skills Bank	Skills & Employment	£364	£1,082
Key Account Management	Trade & Investment	£102	£102
Mayoral Capacity Fund		£624	£1,376
Energy Strategy	Infrastructure	£38	£0
Energy & Sustainability	Infrastructure	£0	£59
Enterprise Advisor Pilot	Skills & Employment	£187	£180
Gatsby/STEM	Skills & Employment	£81	£0
Hub enhancement	Business Growth	£315	£34
RISE	Business Growth	£50	£0
Launchpad	Business Growth	£131	£0
Growth Hub	Business Growth	£770	£829
Access to Finance	Business Growth	£293	£126
One Public Estate	Assets	£411	£330
Planning Delivery Fund	Planning	£65	£162
HS2 Growth	Transport	£561	£298
Sustainable Travel Access Fund	Transport	£2,500	£2,500
Total		**£11,871**	**£9,257**

1.3 **Skills & Employment**

The two main workstreams in the area of Skills and Employment are the Health led trial (a MCA project) and Skills Bank (a LEP growth deal project).

The health led trial was launched successfully in 2018/19 and is now in the process of being delivered under a contractual arrangement with NHS Sheffield Clinical Commissioning Group and the delivery partner, South Yorkshire Housing Association. The forecast spend in 2018/19 and 2019/20 budget reflect the latest funding profile agreed with the Work and Health Unit. Under the terms of the contract the planned end date for delivering the scheme is March 2020. However, negotiations with the Work and Health Unit have recently been concluded to allow for an extension of the scheme to October 2020. This will increase the overall amount of funding available to deliver the trial from £7.558m to £9.057m but will not affect the profiled spend in 2019/20.

Skills Bank is a 6 year programme which forms part of Sheffield City Region's Growth Deal. The first phase for the 3 years to 2017/18 has been concluded and evaluated with the lessons learnt informing the change in the delivery model for the second phase over the 3 years from 2018/19. Skills Bank essentially comprises two elements: tasks and activities which the SCR is responsible for delivering and the main contract with the delivery partner for commissioning training.

The SCR have received a funding agreement for its element confirming that the funding available in 2018/19 and 2019/20 is £1.812m. This amount is far higher than predicted and reflects the ESFA delaying the formal commissioning of the Skills Bank Delivery Partner. The indicative allocation in 2020/21 of £0.369m is expected to be confirmed as the final year of the 6 year Growth Deal but falls under the Government's current spending review. The forecast spend in 2018/19 and 2019/20 reflect the latest estimated cost of delivering the activities which the SCR is responsible for in order to draw down the funding.

A delivery partner, Calderdale College, has been secured for the main contract worth around £8.5m over the 3 year period from 2018/19. Their contract is with the ESFA - the SCR is not a co-signatory and is not accountable for this funding.

1.4 Mayoral Capacity Fund

The SCR successfully bid for Mayoral Capacity Fund monies to build capacity to help support the Mayoral Office and deliver against Mayoral and Manifesto priorities. The MCA received an allocation of £0.966m in 2018/19 and an indicative allocation in 2019/20 (yet to be formally confirmed) of £1.034m. The forecast spend in 2018/19 reflects the fact that the SCR only received notification of its 2018/19 allocation in January 2019 and there is therefore a lead in time to commission.

1.5 Business Growth

In 2015 SCR agreed with central government to 'swap' £4m of Local Growth Fund capital resource for revenue grant, on condition that the funding would be spent on business growth activity.

The revenue grant was transferred to earmarked revenue reserves and has been released on an annual basis to meet the majority of the costs of the Growth Hub and Access to Finance teams, along with individual projects such as Hub Enhancement, RISE and Launchpad. However, RISE and Launchpad are ending on 31 March 2019 and European Structural Investment Fund (ESIF) is ending on 30 June 2019.

The remaining funding to support business growth activity comes from central government (£410k per annum, confirmed to the end of 2019/20).

The Growth Hub team has launched a new project in 2018/19 called 'Y Accelerator' which will be continuing in 2019/20 with a budget allocation of £66k.This budget is within the Growth Hub business plan.

SCR are seeking approval to partner with Sheffield Hallam University in the launch of the Sheffield Innovation Programme (SIP) which is 3 year programme starting in August 2019. SCR have agreed to provide match funding of £189k over the 3 year period to support the University's ESIF bid with an allocation of £27k during 2019/20. The purpose of this programme is to provide innovation support workshops for the benefit of regional SMEs' economic growth. The £189k of match funding is provided for within the Growth Hub's business plan. Formal MCA approval will be sought, if required, once the outcome of the ESIF bid is known.

In 2018/19, it is anticipated that around £1.0m will be drawn down from the earmarked reserve to support Growth Hub activity. This will leave around £1.4m available in the reserve at the end of 2018/19 to fund business growth activity in 2019/20 and 2020/21.

1.6 <u>Assets & Planning</u>

One Public Estate (OPE) will continue in 2019/20 at a slightly reduced level compared to 2018/19 with a budget allocation of £330k.
A new workstream – Planning Delivery Fund – started in mid 2018/19, so full year outturn is revised from £120k to £65k. The project will be running at its full capacity in 2019/20 and there is an estimated budget allocation of £162k in 2019/20. The funding (£276k) is payable in advance by MHCLG and has been received. The areas of activity are expected to include:

- Development of a comprehensive and robust strategic housing and planning evidence base to support joint approaches to housing growth and the infrastructure / funding packages to support housing development, particularly for priority housing growth sites;

- Development of shared approaches to implementation, including addressing planning barriers to housing development; and

- Additional project management capacity for Local Authorities to call-off, to help fill capacity gaps and accelerate housing development for housing schemes across the SCR.

1.7 <u>Transport</u>

2 workstreams in the area of Transport continue into 2019/20:
- Sustainable Travel Access Fund (STAF) £2.5m
- HS2 Growth Strategy £298k

STAF is a 3-year programme running from 2017/18 to 2019/20. Funding of £7.5m has been made available over the life of the programme in equal annual allocations of £2.5m p.a. Delivery has been strong to date. At Q3 all partner authorities reported to the LTP team that they would spend to budget in 2018/19, hence no slippage is assumed.

The MCA received £1.25m (in 2 tranches of £625k each) from the Department for Transport (DfT) in 2017/18 to prepare a HS2 Growth Strategy for SCR to ensure that the region takes full advantage of the economic benefits arising from the HS2 project, both during construction and operation. Estimated spend for 18/19 is around £561k, there is a slippage on the programme and a budget of £298k is allocated to cover slippage work relating primarily to master planning work for Chesterfield and Sheffield stations, and further activity to follow the launch of the Growth Strategy in 2019/20.

1.8 <u>Infrastructure</u>

A new workstream, Energy & Sustainability was started late in 2018/19. This is a 2-year programme and the estimated value is around £114k. £14k is funded from Core budget and £100k has been obtained from BEIS (via Tees Valley Combined Authority). The programme funds a FTE post that will lead on activity to:

- Increase capacity to develop and deliver energy projects;

- Increase the number of projects designed to develop and deploy approaches to energy production and use, and which support local and national strategies, and;
- Improve the quality of energy projects brought forward to meet local and national strategies and targets.

Appendix 3

Reserves Strategy

1.1 As at 31 March 2019 it is estimated that balances on revenue reserves linked to LEP activity will be around £10.6m. A breakdown of all reserves held by the Mayoral Combined Authority group is set out in the table below. MCA Transport revenue reserves are ringfenced under statute for the MCA's transport functions and responsibilities. Capital reserves cannot be spent on revenue activity unless approved by Government under statute.

It should be noted that of total reserves of £160.2m, c.83m (52%) is classified as unusable, which means that the MCA is not permitted to use those reserves to provide services or to fund future capital projects. Further details on unusable reserves can be found in the section about MCA transport capital reserves.

1.2

	Balance b/f 1.4.2019	Budgeted use	Forecast Reserves c/d 31.3.2020
	£'000	£'000	£'000
Total MCA/LEP Revenue Reserves	£10,562	-£863	£9,699
Total MCA Transport Revenue Reserves	£47,674	-£6,477	£41,197
Total MCA/LEP Capital Reserves	£101,953	-£9,522	£92,611
Grand Total	£160,189	-£16,862	£143,507

1.3 A breakdown of MCA/LEP revenue reserves and balances is as follows:

		Balance b/f 1.4.2019	Budgeted use	Forecast Reserves c/d 31.3.2020
		£'000	**£'000**	**£'000**
MCA/LEP General Reserve	Unearmarked	£1,733		£1,733
MCA/LEP LGF Reserve	Earmarked for Business Growth	£1,480	-£520	£960
Properties Reserve (Sinking Fund)	Prop co retained profits	£1,385		£1,385
Mayoral election reserve	Earmarked to meet local election costs	£0		£0
Business rates resilience reserve		£843	-£343	£500
Skills Bank Reserve		£4,780		£4,780
Other earmarked revenue reserves	Earmarked against specific financial risks	*tbc*		*tbc*
Revenue grants reserve - Apprenticeship Grant for Employers	Earmarked	£107		£107
Total MCA/LEP Revenue Reserves		**£10,562**	**-£863**	**£9,699**

1.4 **MCA/LEP General Fund balance**

The General Fund balance (£1.7m) is to cover known risks, as well as unforeseen costs and contingencies relating to the MCA/LEP's operating activities in the short to medium term. The latest analysis of known risks is set out in the table below. In summary, if all known risks (currently estimated at £1.5m as per the table) materialised without further mitigation, this would leave around £229k to cover any other as yet unknown or unquantified risks.

Risk	Description	Potential exposure (£'000)
Withdrawal of Chesterfield from LEP	The Government's review of LEP overlapping geography could lead to Chesterfield withdrawing from SCR LEP membership, which would result in the authority ceasing to pay any retained business rates in respect of Markham Vale enterprise zone from 2020/21, as well as its £4k annual subscription. The LEP Chair and Chief Executive are in ongoing dialogue with Chesterfield. The 2019/20 budget assumes that a lower proportion of EZ rates will be paid to SCR, and 2020/21 business planning assumptions include a worst case scenario of full withdrawal.	£1,004
Loss of capacity grant	As accountable body, the MCA receives an annual grant of £500k from Government to fund core activity to manage LEP operations. This grant could be withdrawn by Government in 2019/20 if it does not meet all LEP Review requirements.	£500
Reduction in retained business rates income from enterprise zones	Previous years' experience of forecasting business rates has shown that this income stream is difficult to estimate, with reductions in income often occurring due to various factors, e.g. delayed opening of new premises, discretionary reliefs, etc. A specific earmarked reserve to mitigate this risk was approved by the CA as part of the 2018/19 budget. Furthermore, a provision for business rates appeals and bad debts of c.£200k has been established where such provisions have not already been taken by the billing authorities.	£0
Overspend on core operational budget	The core operational budget and revenue programmes are monitored on a monthly basis and reported to the MCA on a quarterly basis, with tight controls over the approval of spend. Action is taken promptly by senior management when potential forecast overspends are identified. At Q3 2018/19, the overall forecast position was reported as c.£500k underspend.	£0
LGF clawback	This risk is considered to be low because the risk of LGF clawback ultimately rests with the promoter, as set out in the funding agreement which it signs with the MCA.	£0
Grant clawback on revenue programmes	This risk is considered to be low for the reasons set out in 'Overspend on core operational budget' above	£0
2019/20 budget saving proposals	On the proviso that the MCA agrees to the creation of a new earmarked reserve from 2018/19 underspends to cover all commitments made in 2018/19 in respect of SEP, LIS & SPF Development, this risk is considered to be low.	£0
Redundancy costs	A provision of c.£100k has been set aside to cover the cost of making staff redundant who are working on fixed term contracts as part of revenue programmes. The amount of provision will be reviewed periodically with the Executive Leadership Team to ensure that it covers any further scenarios.	£0
Brexit	The principal risk to the core operational budget in respect of Brexit is loss of business rates income as a result of business closures in enterprise zones caused by economic downturn. This risk is currently considered low, however as noted above there is an earmarked reserve in place to mitigate the risk of loss of business rates income. This risk will be reviewed regularly to evaaluate the potential impact of a "no deal" scenario.	£0
Contingent liabilities	*Currently being assessed as part of year-end process*	*tbc*
Asset management	This risk is in relation to liabilities for emergency repairs and maintenance to MCA/LEP assets, e.g. Broad Street West, AMP Technology Centre. This risk is being assessed as part of the Strategic Asset Management Strategy project (SAMS).	*tbc*
Estimated upper limit of potential exposure		**£1,504**
Forecast balance on unearmarked reserves		**£1,733**
Headroom		**£229**

"Potential exposure": the extent to which there will be a call on unearmarked reserves in 2019/20 and 2020/21

1.5 MCA/LEP LGF reserve

The MCA/LEP LGF reserve represents the balance remaining of the £4m capital to revenue swap agreed as part of the first devolution deal. It is earmarked specifically for funding the activities of the SCR Growth Hub and cannot be used for any other purpose.

1.6 Business rates resilience reserve

The income risk assessment process undertaken as part of the 2018/19 business planning process has highlighted that unlike many billing authorities, the MCA does not have any financial resilience to cope specifically with unforeseen events such as business closure, revaluation, the award of reliefs or appeals.

In order to mitigate this risk, a new earmarked reserve has been established in 2018/19 from the surplus business rates declared in respect of 2017/18.

The level of the reserve will be assessed annually to determine its adequacy. Proposals are currently under discussion on how any amount in excess of what is required should be re-distributed back to partner authorities.

1.7 Skills Bank reserve

As reported to the Skills Exec Board on 21 February 2019, the Skills Bank reserve has been established from the Skills Bank pilot surplus of £1.182m, underspend on Skills Bank 1 management and administration costs for which the SCR is accountable of around £500k and £3.1m Skills Bank 1 surplus which is expected to be returned to SCR by PwC from the balance held in the Innovation and Capacity Fund earned on the main contract for delivering Skills Bank 1.

The purpose of the reserve will be to support future Skills Bank delivery and sustainability post the conclusion of the government investment together with the recently secured Skills Bank 2 funding (see **Appendix 2** for further detail).

1.8 Other MCA/LEP earmarked reserves

The MCA/LEP holds a number of other reserves which do not fit neatly into the categories of transport or economic development, an example of which is the Properties Reserve. The estimated balance on the Properties Reserve is expected to be £1.385m at the end of 2018/19, and was created out of the estimated profits transferred from the MCA's former property holding company. The final profit figures will be confirmed when the liquidation process is completed.

Further work is being undertaken as part of the year-end process to assess any financial risks which need to be mitigated and/or recognised by way of provision or earmarking reserves to ensure that sufficient resources are available to meet any liabilities in the future.

1.9 MCA Transport revenue reserves

The following table shows a breakdown of MCA Transport revenue reserves. The MCA Group's reserves strategy in relation to its transport activities is set in the context of the long term financial plan that has been developed which aims to bring the transport base budget into convergence with the levy by 2024/25.

		Balance b/f 1.4.2019	Budgeted use	Forecast Reserves c/d 31.3.2020
		£'000	£'000	£'000
CA Transport General Balances	Unearmarked	£5,888		£5,888
CA Levy reduction reserve	Earmarked to sustain levy reductions	£25,135	-£6,477	£18,658
CA PFI reserve	Earmarked to meet future PFI liabilities	£9,880		£9,880
SYPTE operational revenue reserve	Unearmarked	£1,661		£1,661
SYPTE earmarked reserves	Earmarked for specific purposes	£5,110		£5,110
Total MCA Transport Revenue Reserves		**£47,674**	**-£6,477**	**£41,197**

1.10 MCA Levy reduction reserve

At present, the base budget for transport (SYPTE operational budget plus SCR MCA former ITA budget) exceeds the transport levy by c. 6.5m. Over time the base budget is set to fall due to SYPTE capital financing costs reducing as SYPTE's loan portfolio is repaid. The current long term financial plan aims to bring about convergence no later than 2024/25. In order to sustain levy reductions below base budget until convergence, the Levy Reduction Reserve is being used to make good the shortfall.

1.11 MCA Transport General Balances & SYPTE operational revenue reserve

Assuming the Levy Reduction Reserve is to be used as the principal means of absorbing the impact on the long term financial plan of significant financial risks faced by the MCA / SYPTE, then the MCA General Fund balance and SYPTE operational reserve are only needed to cover unforeseen costs and contingencies relating to the MCA and SYPTE's operating activities in the short to medium term.

These risks (excluding the strategic and financial risks covered by the Levy Reduction reserve) should be evaluated as part of the annual business planning and budget setting process to determine what balance should be held.

Historically, there have been significant doubts over the availability of the MCA's General Fund balance of £5.9m due to questions surrounding SYITA Properties Ltd's ability to settle a declared dividend of £4.2m. With the transfer of the business and assets and liabilities from SYITA Properties Ltd to the MCA as a going concern on 2 November 2017, this risk should be virtually eliminated subject to the former property company's accounts being audited and approved, and the final stages of the liquidation process.

1.12 MCA PFI reserve

The PFI reserve is credited with PFI grant receivable in the year from central government and charged with the amount drawn down by SYPTE to meet the cost of the unitary payment to the PFI provider for the design, build, maintenance and operation of Doncaster Interchange.

The PFI reserve has been created due to Government funding (£3.9m p.a. fixed over the duration of the PFI contract to 2039) being greater than the amount of the unitary payments in the early years of the PFI contract with the difference being set aside to meet higher unitary payments in later years.

As part of the MTFS refresh, further work is currently being undertaken to establish what liabilities SYPTE has at the end of the PFI contract when the interest in Doncaster Interchange reverts to the PTE. This will inform consideration of what Sinking Fund balance needs to be set aside within the PFI reserve to cover potential liabilities and what balance needs to be held to cover uncertainties around future indexation of the unitary payment for inflation.

See MCA Transport General Balances above.

1.13 SYPTE earmarked reserves

At the end of the financial year 2018/19, it is forecast that SYPTE will hold earmarked reserves of £5.1m to cover a variety of costs anticipated in the future, including: remedial works to its fixed assets, network maintenance consultation and upgrades, IT project work and customer service improvements.

Any earmarked reserves held within the MCA group should be reviewed annually as part of the business
planning and budget setting process to assess their adequacy and relevance. The MCA group should ultimately sign off any earmarked reserves in presenting the proposed budget to the MCA for approval.

As part of refreshing the MTFS in Spring, the review of all reserves in the context of the long term financial plan will be completed, by which point the 2018/19 outturn position will be known. The results of the review will help to identify how much capacity within reserves is available to provide funding for either revenue budget support or investment in transport services and/or assets.

1.14 MCA/LEP Capital Reserves

The forecast balance on MCA/LEP capital reserves at the end of 2018/19 is expected to be £102m. The table overleaf provides a further breakdown.

1.15 SYPTE deferred capital grants (unusable)

These reserves hold capital grant income that has been recognised in the year and set aside in the deferred capital grants account or which is transferred from the capital grants unapplied reserve having
been applied in the year. An amount is then transferred annually from the Deferred Capital Grants Account to the Operational Revenue Reserve to offset the depreciation charge for the year of grant funded assets.

The distinction between the two reserves is that the first reserve (£26.1m) is funded from the former ITA capital grant, whilst the second reserve (£56.8m) is funded from miscellaneous grants from funding bodies such as DfT.

1.16 SYPTE capital grants unapplied reserve (usable)

This reserve contains the grants that SYPTE has received, where grant conditions have been satisfied but the expenditure has not been incurred at the balance sheet date. These grants will be transferred to the Deferred Capital Grants Account once the expenditure has been incurred in order to fund future depreciation charges.

1.17 MCA and SYPTE transport capital receipts (usable)

At the end of 2018/19, the MCA will hold a capital receipts reserve of £2m and SYPTE a capital receipts reserve of £1.15m.

As the MCA has responsibility for the capital financing of all capital investment within the MCA group including SYPTE, any decisions regarding the use of either the MCA or SYPTE capital receipts reserve should be taken by the MCA group.

Note that the MCA capital receipts reserve is earmarked for use to support the LGF programme, along with the LEP capital receipts reserve of £820k.

1.18 LGF Capital Grant Received In Advance

This balance represents the latest estimated amount remaining from the £8.7m approved underspend on LGF in 2017/18. The amount (currently estimated at £1.7m, but likely to increase by year-end) will be rolled forward to fund the LGF programme in 2019/20.

1.19 Transport Capital Grant Received In Advance & Transforming Cities (TCF)

This balance represents a multitude of capital grants (for the which the MCA is the accountable body), received up to the end of 2018/19, from funding bodies such as the Department for Transport for projects in the South Yorkshire Transport capital programme. It is currently assumed that all such grants will be drawn down by year-end. Any unused amounts will be rolled forward into 2019/20, subject to grant conditions. The TCF balance is reported as £nil because we are awaiting confirmation on the recent bid.

1.20 Growing Places Fund (GPF)

The GPF programme pre-dated the inception of the MCA, and was run by Sheffield City Council (SCC) acting as accountable body for the LEP. SCC has returned all remaining recycled grant to the MCA. No decision has been taken on how this funding should be deployed.

		Balance b/f 1.4.2019	Budgeted use	Forecast Reserves c/d 31.3.2020
		£'000	**£'000**	**£'000**
SYPTE deferred capital grants - £33.2m ITA capital grant		£26,143	-£2,389	£23,754
SYPTE deferred capital grants	earmarked to meet future depreciation	£56,791	-£2,613	£54,358
Capital receipts - former ITA		£2,000	-£2,000	£0
Capital receipts - LEP		£820	-£820	£0
Capital receipts - SYPTE		£1,150		£1,150
Capital grants unapplied - SYPTE		£5,317		£5,317
LGF capital grant received in advance	Capital grant received in advance	£1,700	-£1,700	£0
transport capital grant received in advance	Capital grant received in advance	£0		£0
Transforming Cities Phase 1 funding	Capital grant received in advance	£0		£0
Growing Places Fund - LEP	Creditors	£8,032		£8,032
Total MCA/LEP Capital Reserves		**£101,953**	**-£9,522**	**£92,611**

Appendix 4

Proposed rebate in respect of EZ business rates to billing authorities

The estimated income forecasted to be collected in 2019/20, predominantly through the EZ rates payable by the 4 billing authorities, is projected to exceed planned expenditure. Through collaboration with various stakeholders (including LA Directors of Finance, Directors of Economic Regeneration and Chief Executives), the following option is presented in the budget for a reapportionment of EZ business rates in 19/20.

The proposed methodology includes two steps:

- the repayment of 2019/20 estimated business rates over a capped amount, proposed to be set at £1m;
- the distribution of a proportion of the EZ business rate resilience reserve (a reserve designed to enable the management of fluctuations in income), broadly in proportion to the cumulative contributions made by the billing authorities (based on 2018/19 outturn).

It is currently estimated that in 2019/20 this could see a return of business rates totalling £1.23m to billing authorities, the most significant return being to Chesterfield Borough Council, whose contribution is estimated to be significantly greater than the suggested capped amount. The effect of this proposed decision is to reduce total income by 16%, or 31% of the business rates income paid from the billing authorities in 2019/20.

It is proposed to treat this as a 'windfall' settlement to be limited to 2019/20 only, as the financial position of the MCA/LEP in 2020 may be significantly different if the entirety of EZ rates from Chesterfield are no longer payable to SCR as a consequence of the LEP Review outcome.

Figure 1 – Impact of £1m cap

	2019/20 estimate	Rebate	Amount retained by SCR
	£'000	**£'000**	**£'000**
Barnsley	£848		£848
Chesterfield	£1,890	-£890	£1,000
Rotherham	£576		£576
Sheffield	£600		£600
Total Retained Business Rates	**£3,914**	**-£890**	**£3,023**

As shown in Figure 1 above, the only billing authority whose estimate for 2019/20 exceeds the £1m cap is Chesterfield. Its estimate is £1.89m, hence a rebate of £890k would be payable to Chesterfield, subject to approval by the MCA.

Figure 2 – Distribution of business rates resilience reserve

	Cumulative contributions to 2018/19	% share	Rebate
	£'000	**%**	**£'000**
Barnsley	£3,608	41%	£140
Rotherham	£1,781	20%	£69
Sheffield	£3,493	39%	£135
Total	**£8,882**		**£344**

Step 2 involves: (a) a review of cumulative EZ contributions from 2013/14 to 2018/19 and (b) an assessment of the amount required to be held back in the business rates resilience reserve. The numbers shown in Figure 2 will not be finalised until the 2018/19 outturn position has been audited. At this stage, it is proposed to reduce the balance on the reserve from £844k to £500k. This leaves £344k available to distribute to Barnsley, Rotherham and Sheffield. To note that Chesterfield is not included in this step as it receives a significant rebate as part of step one.