

22nd March

The South Yorkshire Renewal Fund

Purpose of Report

Extraordinary times require extraordinary measures. A year into the COVID pandemic and as the economy begins to reopen, there is an urgent need to put in place all the resources possible to support South Yorkshire's recovery and renewal effort. This paper summarises a proposed package of up to £860m of Mayoral Combined Authority (MCA) funding, collectively known as the South Yorkshire Renewal Fund, to create a stronger, greener and fairer region.

Thematic Priority

Cross cutting

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

This paper will be available under the Combined Authority Publication Scheme.

Recommendations

That MCA members:

- Endorse the use of up to £860m of MCA funding to support the recovery and renewal effort in South Yorkshire and to begin delivery immediately.
- Agree the £32.3m package of Mayoral Combined Authority investment in infrastructure, flooding, bus and active travel in 2021/22, as set out at paragraph 2.3.
- Agree a focussed package of MCA support for South Yorkshire's young people requiring the:
 - Introduction of a one year programme to extend the existing 11-18 travel concession to 21 year olds so that all South Yorkshire's young people between 11 and 21 can benefit, to run until June 2022, (as set out at 2.4-2.6).
 - Delegation to the MCA Head of Paid Service, in consultation with the S73 Officer, Monitoring Officer and the Executive Director of SYPTA, the authority to take the requisite steps to implement this concession enhancement proposal (paragraph 2.12).
 - Agree the wider complementary support being made available by the MCA to create jobs, training and employment opportunities for those impacted by the pandemic, including measures to support young people (paragraph 2.7).
- Agree to the MCA S73 Officer entering into discussions with Government to secure borrowing arrangements for up to £500m of investment (paragraph 2.8) and to report back once a proposal has been developed in order to seek the consent of the MCA to the functions covered by borrowing and the borrowing cap proposed.
- Approve the proposed investment principles at paragraph 2.11.
- Approve the proposed next steps to implement the South Yorkshire Renewal Fund, as set out at paragraph 2.12, so that this can be operational from April 2022.

1. Introduction

- 1.1 A year into the COVID pandemic, the successful rollout of the national vaccination programme is paving the way for the easing of restrictions. But after a year where nearly 125,000 lives were lost to the virus and national output declined by 9.9%, a figure more than double that of the next largest fall of 4.0% in 2009¹, the need for national renewal is unarguable.
- 1.2 South Yorkshire has been hit hard by COVID. 3,425 people have died within 28 days of a positive test, equating to 2.7% of all national deaths, despite only having 2.1% of the country's population. The pressures on the NHS remain significant, whilst declining, with the greatest proportion of beds occupied by COVID patients in the North East, Yorkshire and Humber. Infection rates have also remained stubbornly high in parts of the region, amongst the working age population, even amidst lockdown restrictions. But this reflects the challenges of a key worker economy and where, in places, only a third of workers can work from home.
- 1.3 COVID has impacted most severely on the most vulnerable people in society. In terms of the economy, it has been young people, particularly those working in precarious employment that have suffered the most. The most affected sectors have been non-food retail, leisure and hospitality, all of which employ high levels of young people. Nationally, 60% of the reduction in payrolled employees since March 2020 has been in people aged under 25, and the redundancy rate is much higher for people aged 16-24. In South Yorkshire, the claimant count is higher for 16-24 year-olds than the overall rate. In Barnsley, Doncaster and Rotherham, the youth claimant count is between 9% and 10%, some of the highest rates in the country.

2. Proposal and justification

- 2.1 This paper proposes a range of mechanisms:
- To drive the region's recovery effort through £358m of investment in South Yorkshire in 2021/22; and
 - Its renewal from 2022/23 with up to £500m of investment.

Utilising up to £860m of the resources available to the MCA, the South Yorkshire Renewal Fund seeks to accelerate the delivery of the ambitions of the Region's Renewal Action Plan (RAP) and Strategic Economic Plan (SEP).

Investing £358m of MCA funds in South Yorkshire's Recovery in 2022

- 2.2 In 2021/22 the MCA Group's proposed budget totals some £358m of investment into South Yorkshire. Representing the Authority's largest annual budget since its formation in 2014, this is also effectively equivalent to receiving the six-year Local Growth Fund allocation in a single year. As detailed in agenda item 12, this will bring forward £340m of direct investment into the following thematic priorities:
- £214m on transport and the environment;
 - £68m on housing, infrastructure and planning;
 - £37m on education, skills and employment; and
 - £21m on business growth and recovery.
- 2.3 As part of the investment in 2021/22 and building on the agreements reached at its

¹ [The Office for National Statistics](#) (12th February 2021) Coronavirus and the impact on output in the UK economy: December 2020,

November meeting, it is proposed to utilise £32.3m of its Devolution Deal funding towards the following priorities summarised in greater detail in Appendix A:

- **£21.35m to deliver key infrastructure investments** across South Yorkshire, including:
 - £3.6m in Barnsley with funding for the Glassworks and the acquisition of Cheapside /Albert Street West;
 - £4.6m in Doncaster with funding for an electric buses pilot and retrofitting homes across the Borough;
 - £4.35m in Rotherham with funding for the Towns Fund Accelerator, construction of a new business centre and further investment in the town centre.
 - £8.8m in Sheffield with funding for the Heart of the City project including Block A on Pinstone Street / Peace Gardens and Fargate; Stocksbridge High Street; and brownfield housing schemes.
- **£5.5m for flood defences** - to accelerate the delivery of eight of the 27 schemes that form our South Yorkshire priority programme. This includes:
 - £2m of funding for the Rotherham to Kilnhurst Flood Alleviation Scheme (FAS);
 - £1m for the Bentley FAS;
 - £800,000 for the Sheaf Catchment FAS; and
 - £250,000 for the Barnsley Culvert programme.
- **£3.2m for additional investment in the bus network**– to deliver overdue improvements complementing the MCAs wider response to the Bus Review. This includes:
 - Upgrading up to 15% of South Yorkshire’s bus shelters;
 - Replacing up to a third of the 42 buses that comprise our community transport fleet with electric vehicles;
 - Installing electronic displays in up to 250 bus steps across South Yorkshire; and
 - Initiating a demand responsive transport pilot in each authority.
- **£2.24m for active travel** – to close the funding gap and bring forward in its entirety South Yorkshire’s tranche 2 active travel programme.

2.4 Alongside the deployment of funding to meet an investment programme of this scale over the next twelve months, it is considered imperative to establish a **‘signature’ policy** that tangibly exemplifies the transformative ambition for an inclusive economy that the MCA aspires to see in South Yorkshire. Due to the disproportionate impacts of the pandemic on our region’s young people, additional targeted, time sensitive support is proposed during the recovery period.

2.5 Therefore it is proposed to **extend the existing 11-18 year old young persons’ concession through to include all those age 21 and under, entitling them to pay an 80 pence single fare**. Operating for a year, the MCA intends that this policy will:

- Strengthen the ability of younger people others impacted by the pandemic to access and connect to jobs and training opportunities;
- Have a positive impact on passenger numbers, encouraging and enabling more young people to use public transport;
- Support the region’s net zero ambitions; and
- Accelerate the re-opening of the economy by encouraging more people to travel into our town and city centres to access services and other leisure and hospitality attractions.

2.6 Accordingly, the introduction of this one year extended concession should coincide with the end of social distancing restrictions in the summer; subject to the successful completion of the design and implementation steps, working in conjunction with partners,

including operators. It is estimated that the cost of introducing the concession from the 21st June until the June 2022 will be in the region of £6.7m to the MCA, which will be funded from gainshare and SYPTE revenue resources.

- 2.7** Alongside the proposed travel concession, some of the broader, complementary support being made available, including measures for South Yorkshire's young people, collectively comprises:
- Our devolved Adult Education Budget (AEB). From August 2021, we will ensure that young people have a second chance to secure the skills and qualifications they may have missed during formal schooling, allowing them to progress into work or further learning. Provision will be available to support basic English, maths and digital skills and to secure a Full Level 2 qualification.
 - Through our procurement we expect to allocate around £1.55m of AEB funding to ensure no young person is left behind, with provision that supports the 19-24 year olds most at risk of being not in education, employment or training.
 - £7.2m of investment to bring forward people elements of the MCAs RAP, including apprenticeships and a South Yorkshire Jobs Fund.
 - £3m of investment into the region's colleges to improve facilities and deliver employer-driven technical and digital skills as well as providing opportunity to train in new and innovative construction techniques.
 - Extending the Skills Bank programme to continue to co-invest with businesses in the development of their workforce. Particularly ensuring businesses are supported to train and develop their young workforce to progress their careers.
 - Growing our Careers and Enterprise Company hub to deliver high quality, relevant advice to inspire young people making decisions about the next steps into apprenticeships, work or further learning.
 - £5m of investment is being made available to support businesses to overcome challenges brought about by the Covid pandemic. Providing specialist advice, access to digital adoption and upskilling support as well as supply chain development will allow business to innovate, grow and create opportunities for employment.
 - The expectation that the ESF Managing Authority to launch a final SCR call for projects that will support young people whose mental health has suffered as a result of the pandemic, through isolation, disadvantage or lack of employment.

Investing up to £500m of additional, devolved funds into South Yorkshire's renewal from 2022

- 2.8** In addition to these measures to support economic recovery in the here and now, it is vital that these ambitions are also considered in the medium term. Through the Devolution Deal funds the MCA has the opportunity to bring forward a programme to deliver the ambitions of its SEP and RAP. By borrowing, the MCA could unlock **up to £500m of funding** to invest in South Yorkshire from 2022.
- 2.9** Whilst this is not a fixed position, this provides a framework within which to develop our programme. It is proposed that this could comprise:
- **£300m of investment in our places**, including infrastructure and transport; and
 - **£200m of funding for jobs and skills** in South Yorkshire.

These notional figures could be utilised to structure the development and scale of ambition for the detailed and iterative development work that needs to be undertaken in the following months to create the South Yorkshire Renewal Programme.

- 2.10** These allocations must also be considered and further developed relative to existing MCA programmes, for example, the Transforming Cities Fund, and opportunities to secure further investment from Government from, for example, the Levelling Up and Shared Prosperity Funds. To maximise the use of its existing funds and strengthen the Authority's ability to leverage resources it is proposed that the MCA seek to establish a Single Pot that

brings together its respective funding streams, to invest in its priorities.

2.11 To accompany these outline allocations, and to set the agenda for how these funds will be used, investment principles have been developed. Designed to ensure that the funding is used to create good and inclusive growth across all of South Yorkshire, the proposed principles for the fund are summarised below:

1. **Policy led** - the delivery of the ambitions and policies in the SEP and the RAP is the starting point.
2. **Equity** – each authority will get an equitable share of programme funds, but not necessarily at the same time and not in the same way, reflecting their respective priorities.
3. **Economic impact** – we need to invest to create a better, stronger and more resilient economy. It cannot be growth simply for growth's sake.
4. **Social impact** – investment to create jobs and grow the economy must also deliver greater inclusion and tangible opportunities for people and communities across South Yorkshire, particularly amongst our most deprived groups.
5. **Place** – creating vibrant places people want to live and work and contributing to our net zero ambitions to deliver sustainable growth in South Yorkshire.
6. **Sustained Investment** – where possible and appropriate, the MCA will seek a financial return on investments to enable evergreening of funds and to help deliver a sustained programme of activity.

Proposed next steps

2.12 Delivering upon the scale of ambitions set out within this paper will require a significant programme of activity. Collaboration between the local authorities and the Combined Authority will be key to success. To ensure that momentum is maintained and that the breadth of work required is undertaken, led by MCA members, the following next steps are proposed:

- **Secure the ability to borrow:** That the MCA Section 73 officer enters into discussions with Government to establish these arrangements for the Authority, based on an affordable but ambitious borrowing limit that enables the Authority to deliver its priorities.
- **Develop an outcomes framework:** produce a framework that brings together economic, social and sustainability outcomes that will guide investment decisions for the use of the funds from 2022. *By June / July MCA.*
- **Establish a feasibility fund:** given delivery challenges and the scale of the programme to be delivered, a £3.6m fund is proposed to develop capital bids from inception to delivery, more detail is set out in Item 12. *By June / July MCA.*
- **Realising social value of our proposals:** to develop a social impact policy to achieve the greatest value from MCA investment, including procurement and contractual requirements. *Options paper Summer, agreement by Autumn.*
- **Defining equity:** there is a need to agree a formal definition to implement the second principle for the allocation of funding. *Options paper Summer, agreement by Autumn.*
- **Defining subsidiarity:** define and agree how the subsidiarity principle will work in

practice, relative to the roles of local authorities and the MCA. *Options paper Summer, Agreement by Autumn.*

- **Establish our Single Pot:** a proposal is developed to form a single pot, comprising MCA funds. *Options paper Autumn, agreement by December.*
- **Implement the signature policy** – for officers to work with partners, including operators to implement the proposed travel concession enhancement for South Yorkshire’s young people.

3. Consideration of alternative approaches

- 3.1 Not pursuing borrowing powers** – MCA members could decide to not utilise the ability to borrow and instead decide to spend the £30m evenly over the course of the next 30 years. However, if adjustments are made to take account of the impact of the Bank of England target inflation rate (2%), our £900m Devolution Deal will be worth £672m if we spend to profile over 30 years. Given the impact of inflation and the desire to bring forward a larger amount of investment over a shorter time period it is recommended to pursue borrowing powers.
- 3.2 Entering into conversations with government regarding a smaller borrowing amount** – it should be noted that the figure of £500m set out at paragraph 2.8 is the upper most limit of what the MCA could borrow, relative to the £900m Deal and existing commitments it has agreed. Through the work undertaken over the next few months, if the MCA agrees this recommendation, it will develop the programmes and projects that it will bring forward and as such will better understand the exact amount required from the borrowing facility. So as not to potentially limit the outcome of this process, it is considered prudent to work from the most ambitious figure at this time.

4. Implications

4.1 Financial

The proposal to extend the young persons’ travel concession for a year is expected to cost £6.7m to run between 21 June 2021 and June 2022, based on the initial modelling that has been undertaken. However, the actual costs will depend on the take up by young people and the number of journeys made. The costs of the concession will be met from existing transport levy resource and contributions from gainshare.

The majority of other MCAs have agreed borrowing powers and caps with Government to deliver their priorities, following the completion of their Devolution Deals. In each of these areas, their respective investments strategies have a different look and feel relative to their individual circumstances.

From a South Yorkshire perspective, it will be important to agree a borrowing cap that enables an ambitious programme to be delivered. However, this must also be affordable. What the Authority can afford to borrow is shaped by its revenue resource; therefore, the more revenue that is committed to other investments, the less we can allocate to repay the costs of servicing the debt of the capital programme. It should also be noted that all MCAs are only allowed to borrow for capital purposes.

4.2 Legal

The proposed enhancement to concessionary travel will be introduced by SYPTE. Under Part 1 of the Localism Act 2011 both SYPTE and the MCA have the General Power of Competence. Further, under the Transport Act 2008 the MCA has power to take any action it determines is likely to achieve any one or more of the following objects—

- the promotion or improvement of the economic well-being of its area,
- the promotion or improvement of the social well-being of its area,
- the promotion or improvement of the environmental well-being of its area.

This use of this power can be delegated to the SYPTTE under s.99(7).

Suitable arrangements with public transport operators will need to be put in place in respect of re-imbursement to compensate the operators from any reduction in fares revenue. These arrangements will need to comply with Regulations that govern such compensation.

The borrowing rules for Combined Authorities are different to those of local authorities. At present the MCA can only borrow for (capital) transport purposes. Securing a broader range of borrowing powers, reflecting the powers held by the Authority will require secondary legislation. The draft affirmatory order will require the unanimous consent of the four South Yorkshire councils, the Combined Authority and the Mayor.

It should be noted that MHCLG have confirmed that following this process will require another MCA to also pursue borrowing powers in parallel. If no other MCA is seeking these powers at this point a hybrid bill process will need to be pursued. However, such a process would take significantly longer to conclude.

It is proposed that Officers should enter into discussions with Government to begin the process to establish this facility. This will broadly comprise two areas of activity; firstly, agreeing the amount that the MCA can borrow with Treasury and then progressing the required legislation.

4.3 Risk Management

Given the scale of the challenges facing South Yorkshire it is considered prudent to utilise all the funding available to the MCA to support the recovery and renewal effort. In 2021/22 proposed measures to mitigate the potential impacts by investing in skills, business support measures, a fiscal stimulus package of capital investment and keeping the public transport network running and measures to enable more active travel.

However, in developing this programme of activity from 2022 onwards it will be important to balance the ambitions for what can be done, with a prudent view on what is affordable from a financial perspective.

The management and deployment of the South Yorkshire Renewal Fund will be governed by the Assurance Framework which is agreed with Central Government and updated annually. All project development, assurance and approval processes and the monitoring and evaluation that follows will be subject to the Five-Year Gateway Review process put in place by Central Government. The outputs, outcomes and impact of the South Yorkshire Renewal Fund will be monitored and reported upon. These actions will mitigate the risk of non-delivery and ensure funding conditions are met.

4.4 Equality, Diversity and Social Inclusion

Creating inclusive growth that benefits all communities and people across South Yorkshire is at the core of the ambition for the use of the MCA's funding. The development of a dedicated social impact / value policy will be important in establishing the tangible mechanisms by which the MCA will achieve this ambition, supporting our most deprived communities.

In making the decisions contained in this report, Members are reminded of their legal **duty** under section 149 of the Equality Act 2010 to have due regard to the need to:-

- Eliminate discrimination, harassment and victimisation;
- Advance equality of opportunity between those who share a protected characteristic and persons who do not share it; and
- Foster good relations between those who share a protected characteristic and persons who do not share it.

It is clear that the one year concessionary travel extension through to age 21 and under has positive equality implications particularly based on age and gender, removing a barrier to the access of affordable public transport for the age group concerned generally, and specifically young persons who may share other protected characteristics. An equality impact assessment has been undertaken that shows no negative equality implications. This is included at Appendix B.

5. Communications

- 5.1 In communicating any agreement reached on these issues it will be important to demonstrate the material difference devolution resource is making in South Yorkshire, for people, places and businesses. It is also an opportunity to inject confidence and provide certainty to the market that South Yorkshire is a strong place to invest and has ambitions to grow.

6. Appendices/Annexes

- 6.1 **Appendix A - Proposed gainshare investment in 2021/22**
Appendix B - Equality Impact Assessment

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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: