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LOCAL ENTERPRISE
PARTNERSHIP

SHEFFIELD CITY REGION LOCAL ENTERPRISE PARTNERSHIP BOARD

MONDAY 12TH JUNE, 2017, 3.00 PM

THE AMP TECHNOLOGY CENTRE, WAVERLEY, ROTHERHAM, S60 5WG

AGENDA

No.	Item	Method	Speaker	Page
1	Welcome and Apologies	Verbal	Chair	
2	Declarations of Interest	Verbal	All	
3	Notes of the Last Meeting	Paper	Chair	1 - 6
Discussion Items				
4	SCR Vision	Verbal	Mark Lynam	
5	Heathrow Expansion	Presentation	Mark Lynam	
6	Horasis China	Presentation	Andrew Gates	
7	Skills Bank	Paper	Dave Brennan	7 - 10
8	MIPIM Review	Presentation	Andrew Gates	
9	Managing Director Update	Paper	Dave Smith	11 - 12
10	Any Other Business	Verbal	All	

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**SHEFFIELD CITY REGION LOCAL ENTERPRISE PARTNERSHIP BOARD
NOTES OF MEETING HELD ON 24 APRIL 2017**

Attendees: Sir Nigel Knowles (Chair), Councillor Graham Baxter MBE, Nigel Brewster, Councillor John Burrows, Simon Carr, Deborah Egan OBE, Councillor Tricia Gilby, Councillor Simon Greaves, Paul Houghton, Councillor Sir Steve Houghton CBE, Mayor Ros Jones, Julie Kenny CBE, Martin McKervey, Councillor Chris Read, Councillor Lewis Rose OBE and Chris Scholey

In attendance: Fiona Boden, Huw Bowen, Sharon Kemp, Mark Lynam, Jo Miller, Dave Smith, Craig Tyler and Dr Sarah Want

Apologies: Gavin Baldwin, Professor Sir Keith Burnett, Councillor Ann Syrett, Dorcas Bunton, John Mothersole, Daniel Swaine, Neil Taylor and Diana Terris

Item	Subject	Action
1	<p>Welcome and Apologies</p> <p>The Chair welcomed everyone to the meeting.</p>	
2	<p>Declarations of Interest</p> <p>None noted.</p>	
3	<p>Notes of the meeting held on 22 March 2017</p> <p>It was agreed the notes of the meeting held on 22nd March are an accurate record.</p>	
4	<p>Transport for the North</p> <p>The Board welcomed John Cridland, Chair of the Transport for the North (TfN) Partnership Board.</p> <p>John delivered a presentation on the aims, ambitions and objectives of TfN commenting on how the organisation is being developed, through the adoption of statutory powers, to help address the UK's north-south</p>	

GVA productivity gap through targeted transport investment.

Information was provided in respect of the need for better inter-regional connectivity for both road and rail modes, noting how TfN will work with other national agencies, notably Highways England and HS2 Ltd to realise ambition.

The presentation also commented on matters specific to the SCR, particularly its logistics and advanced manufacturing sector growth potential, and its need for greater east-west and international transport connections.

Members acknowledged and discussed where TfN and the SCR has mutual ambitions around better connectivity, particularly in respect of the need for improved cross-Pennine links.

Guidance was sought regarding what the SCR needs to do to 'play its part' in assisting TfN achieve its ambitions to redress north – south imbalance. It was suggested the SCR can assist TfN by determining its collective position on prioritised schemes and ideally try to rally behind a single headline opportunity for transport investment.

The need to persuade HM Treasury of TfN's cause was discussed, as was the potential for eliciting less traditional funding sources e.g. foreign or pension fund investment and the pooling of efforts via 'pan-northern PFIs'.

Consideration was given to the Northern Loop (HS2 continuation of the spur north of Sheffield) and assurances were sought that this won't 'fall between the cracks' of HS2 Ltd and Northern Powerhouse Rail.

Noting the significant financial size of the investments being discussed, it was agreed only united efforts will be capable of appropriately 'fronting up' the government. It was suggested the TfN Strategic Transport Plan (STP), once signed off by all partners will be the vehicle to achieve the collective transport ambition.

It was agreed the 'price tag' and potential economic benefits of the investments under consideration transcend transport and conversations are needed to appreciate the full potential positive impacts on the wider economy that could be achieved through delivering these major schemes. The Board was therefore asked to keep considering and extolling what 'they' would do with these schemes if TfN can deliver them.

The Board discussed the conditional outputs and noted some caution around the suggestion these may need to be 'flexed', without the SCR having a clear indication at this stage of how much 'flexing' might be under consideration.

It was noted the refreshed SCR Transport Strategy will help tie the

	SCR's ambitions to TfN's.	
5	<p>Transport Prospectus Update</p> <p>Linking to the previous agenda item, a report was received, the purpose of which was to update Members on progress to date on the development of the Transport Strategy Prospectus and requesting approval of the content and design.</p> <p>The Board was reminded the prospectus is intended to be a brief document establishing SCR's high level transport priorities, pending further work on the development of the main transport strategy itself over the coming months.</p> <p>Synergies with the developing TfN Strategic Transport Plan were noted.</p> <p>A fuller explanation of the various tiers (national, regional and SCR) was provided.</p> <p>It was agreed the SCR (via the Prospectus) needs to be very clear in respect of what it wants from the HS2 Northern Loop.</p> <p>It was suggested the Prospectus (and Strategy) needs to make appropriate references to the Peak Park. It was confirmed this will be addressed and noted TfN are also in discussions with the Peak Park Authority regarding trans-Pennine matters.</p> <p>It was asserted none of the schemes referenced in the prospectus will be achievable without strong business cases, particularly as all ambitions will be subject to various tiers of competition from other schemes regionally and nationally.</p> <p>The Chair took the opportunity to note this would be Cllr John Burrows' last LEP Partnership Board meeting. Board Members thanked John for a fantastic job done in support of the LEP.</p>	
6	<p>SEP Refresh</p> <p>A presentation was provided to update the Board on the processes underway to refresh the SEP and introduce the draft refreshed conditional outputs.</p> <p>It was noted the previous SEP objective of private sector growth is largely being achieved. The next challenges that SCR faces are therefore growing more high GVA jobs, continuing to grow jobs across the income spectrum and 'think big'.</p> <p>It was suggested these objectives will be achieved by basing a strategy on SCR's distinctive strengths in manufacturing, continuing to grow</p>	

	<p>service & supply chain jobs of every kind, ensuring that all residents from every community can access employment opportunities and focusing on the key interventions that will help achieve these goals.</p> <p>It was noted that so far, officers have undertaken a comprehensive refresh of the SCR evidence base, scenario planning and data and policy workshops with Leaders and presented outline proposals to Chief Executives, Economic Development Directors and Housing Directors. The next steps are for wider consultation with SCR members and stakeholders to design the Conditional Outcomes and identify transformational projects, to agree the metrics for measuring SEP progress and to draft the SEP and its thematic and transformational project business plans.</p> <p>It was noted the emerging proposals are to deliver a strategy that has a focus on increasing the productivity of SCR and raising the living standards of its residents. The proposal is that the SEP will have 4 key themes, each with long term conditional outcomes (what success looks like in 2040) and 5 year metrics to measure progress. There have also been 7 transformational projects identified that are cross cutting ambitious game changers for the SCR what will focus efforts and funding for the next 5 years (Northern Powerhouse Connectivity, the Advanced Manufacturing City Region, the International City Region, the thriving SCR labour market, the SCR Schools' Challenge, SCR 4.0 and urban regeneration).</p> <p>Potential changes to other sections were noted. It was noted the current housing target is likely to be maintained</p> <p>Additional information was provided linking the evidence base to each of the proposed conditional outputs of each of the strategic themes (more businesses and more jobs, better skills, employment and education, creating places to live, and improving connectivity).</p> <p>It was suggested the draft may not be saying enough about the importance of international connections and the SCR's intended place on the international stage by 2040.</p> <p>Action: ALL to provide comments on the drafts to Mark Lynam and Fiona Boden.</p> <p>It was noted the Social Inclusion and Equality Board is keen to look at the proposals from their own perspective.</p>	<p>ALL</p>
<p>7</p>	<p>Managing Director Update</p> <p>A report was received to provide a high level summary of the current position on the main objectives of the LEP. It was noted more detailed reports on these objectives have been discussed in relevant forums, Boards and through informal meetings and workshops attended by LEP</p>	

	Board members	
8	Executive Board Updates The thematic Executive Board updates were received and recommendations duly endorsed.	

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June 12th 2017

SKILLS BANK UPDATE

Purpose of Report

This report updates the Board on developments affecting the implementation of the Skills Bank.

Thematic Priority

This paper relates to SEP theme 5 'Develop the SCR skills base, labour mobility and education performance'.

Freedom of Information

The LEP does not make decisions on behalf of the CA therefore papers are **not** made available under the Combined Authority Publication Scheme.

Recommendations

It is proposed that the LEP Board

1. Endorses the escalation of this matter within Government by the Chair, Deputy Chair and Head of Paid Service to find a satisfactory resolution.
2. Delegates programme management decisions regarding the Skills Bank to the Head of Paid Service and the Chair

1. Introduction –

1.1 The SCR Skills Bank is a central pillar of the first growth deal the Government and SCR negotiated. Its designation as a national demonstrator project signalled both our and Government's commitment to testing a new approach to the deployment of training funds. This was based upon skills / workforce development funding being used as a direct lever to stimulate business / economic growth with devolved resources and European Social Fund monies being combined with a fully operational business co-investment model.

1.2 Since the Skills Bank went live in January 2016, there have been 231 deals agreed with businesses involving approximately 3450 learners. The foundations have been developed for a genuinely collaborative co-investment mechanism between the public and private sectors.

- 1.3 Our objective in developing the Skills Bank was to test an approach which secured employer co-investment in skills that would demonstrably lead to economic growth. It was purposefully designed with BIS and Cabinet Office to offer a fundamentally different approach to workforce skills than that offered via the Adult Skills Budget (now AEB).
- 1.4 The original vision for the Skills Bank had at its core the idea that the overall skills deal with an employer would be bespoke to that individual employer and would be priced through a negotiated process with employer co-investment as a prerequisite.
- 1.5 Programme design allowed for surpluses to be developed within the programme which would then feed an 'Innovation Fund' to allow the SCR to put packages together to underpin strategically significant skills deals – for example to support major inward investors.
- 1.6 Our agreement with Government necessitated new methods of provider management and payment. To this end, we agreed that the Skills Funding Agency (SFA) should procure and manage the programme on our behalf, bringing together Growth Deal funding and European Social Funding.

2. Proposal and justification

- 2.1 SFA procurement and initial implementation of the Skills Bank was subject to a number of delays resulting in ESF expenditure being behind profile and an underspend of c£2m from the 2016/17 Growth Fund Allocation. The SCR Executive has asked for this underspend to be rolled forward into 2017/18
- 2.2 Initial implementation of the Skills Bank also met with some problems when it became clear, following the appointment of PWC by the SFA, that the final specification for the Skills Bank published by the SFA included a requirement on the managing agent to apply SFA national rates for learning when ESF was being used. This ran counter to the aspiration for the price for learning to be a negotiated process with employer co-investment integral to any deal.
- 2.3 To address this issue, the SCR Executive worked with the SFA and PWC in the autumn to agree a policy note which, it was thought, found a technical solution to this problem. This allowed the managing agent to build up an agreed deal to an agreed price by combining various national rates without having to apply sectoral or duration criteria. The SCR Executive became aware in April that SFA compliance staff had reinterpreted this note such that the requirement to operate at national rates still obtained.
- 2.4 The recent imposition of a 'one size fits all' approach by the SFA threatens to fundamentally and rapidly undermine delivery of the Skills Bank as initially envisaged. The administrative mechanisms being imposed are fundamentally shifting the original innovative concept to more closely resemble the core AEB offer.
- 2.5 Attempts to escalate this issue within Government have been hampered following the calling of the General Election. Notwithstanding this, the Head of the Paid Service has raised this issue with very senior civil servants within CLG, and consideration is being given to raising the SFA's management of ESF with DWP as the Managing Authority for this European Fund.

- 2.6** Concurrent with our attempts to escalate the issue within Government, the SCR Executive has undertaken technical work with the SFA, PWC and CLG to establish what can be delivered within the constraints now being imposed by the SFA, with a view to developing a model as close as possible to that originally envisaged.
- 2.7** The constraint on the use of ESF, in particular, means that the original assumptions for the Skills Bank would not apply if this new model were to be implemented. Specifically, the following would happen:
1. ESF would not be utilised to the level originally profiled, resulting in a significant ESF underspend;
 2. The Growth fund would be consumed more rapidly, resulting in possible early closure of the Skills Bank. This could be partially mitigated if Government allowed for 16/17 Growth Fund underspend to be brought forward to 17/18;
 3. The pressure on the Growth Fund created through constraints on ESF utilisation would likely completely undermine SCR's ability to create and utilise an Innovation Fund as initially envisaged. This could possibly be partially mitigated if Government allowed for 16/17 Growth Fund underspend to be brought forward to 17/18 but would constrain the future access to funding.
- 2.7** SCR has requested of PWC and the SFA that they provide detailed financial modelling of this new approach but that has not yet been received. If it becomes available before the LEP Board meets, information will be circulated or, in extremis, tabled at the meeting.
- 2.8** To ensure that learning already commenced through the Skills Bank is paid for, the SCR Executive has agreed the application of this new approach in those instances.
- 2.9** It is proposed that, following the outcome of the General Election, the LEP Board agree that the Chair, Deputy Chair and Head of Paid Service, continue to escalate within all government departments and with Ministers the need to find a strategic and satisfactory resolution. Delegates programme management decisions regarding the Skills Bank to the Head of Paid Service, in conjunction with the Chair / Vice chair, with updates being provided to the LEP Board.

3. Consideration of alternative approaches

- 3.1** Whilst the SCR Executive team is seeking urgent resolution of these issues, consideration has also been given to our options moving forward.
- 3.2** Option 1 is to run the SB with just Growth Deal funds, to novate the contract to the CA from the SFA and remove the SFA from the management chain. The downside is the funds are greatly reduced and therefore the Skills Bank would operate at a smaller scale unless new resource could be found either nationally or locally.
- 3.3** Option 2 is to re-procure the Skills Bank via a call process issued from DWP which SCR bids for. The downside to this is that in using Growth Deal funds as match it reduces the flexibility of this pot to mirror ESF therefore reducing the availability of funds for large companies or bespoke deals.
- 3.4** Option 3, subject to CA acceptance of devolved AEB, is that SCR CA use some core AEB as match for ESF in addition to the flexible growth deal pot to re-procure the Skills Bank to the original specification agreed by the SCR LEP.

4. Implications

4.1 Financial

The financial challenge for the LEP is finding a strategic solution which maintains the scale and duration of the Skills Bank. Without this solution it is likely Growth Deal funds will be utilised ahead of schedule and the ability to recycle funds into an innovation fund, to sustain the service, into the future will be lost.

4.2 Legal

There are no legal implications arising from this report.

4.3 Risk Management

Active risk management is being led by the SCR Exec in conjunction with CLG.

4.4 Equality, Diversity and Social Inclusion

There are no specific equality, diversity or social inclusion consequences impacted by the issues discussed in this paper

5. Communications

5.1

There are important communications implications arising from this report. These include:

- The SCR business community and SCR's reputation as a place that delivers practical support to businesses;
- Maintaining working relationships with government officials and Ministers
- Skills Bank providers
- Local media and trade press

Should the issues in the report not be resolved a communications plan will be developed and key stakeholders will be informed. For any issues that emerge in the interim all queries should be directed to Andrew.gates@sheffieldcityregion.org.uk

6. Appendices/Annexes

6.1

None

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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:

Local Enterprise Partnership

12th June 2017

Managing Director Update

Summary

- To update members of the LEP on issues not covered by agenda items

This report provides a high level summary of the current position on the main objectives of the LEP. Detailed reports on these objectives are discussed in the relevant forums, Boards and informal meetings and workshops attended by LEP Board members.

1. Devolution

Work is underway to develop the Sheffield City Region's approach to the completion of the consultation it needs to undertake on its Scheme to deliver its Devolution Deal. This has included appointing external consultants (Ipsos Mori) to support the development and design of the consultation itself, and the subsequent analysis of the results. Additional legal advice and quality assurance of the development of the City Region's approach is being utilised to ensure that this represents a robust mechanism that satisfies the required statutory tests.

Following the announcement of the General Election in June, the SCR CA is now seeking to launch its consultation in early July, which is currently expected to run for 12 weeks. Following the conclusion of this consultation period the SCR will be required to produce a summary of the responses received. The CA will then need to make a decision on whether to submit this summary to the Secretary of State (SoS). Subject to the CA agreeing to submit this information the SoS will then make a decision on what, if any, orders should be drafted, which constituent councils, any proposed constituent councils and CA would need to consent to, before they could be laid before Parliament.

Derbyshire County Council and Nottinghamshire County Council remain strongly opposed to the proposal and we can expect continued action by these Councils to resist the proposal.

2. SEP refresh

The refreshed economic evidence base to support the SEP revision has been widely circulated and debated within the business community, sector groups, universities, science and innovation board, local authorities and executive boards. There has been widespread interest in what the economic evidence is telling us about the way the Sheffield City Region's economy is working. The policy questions, issues and options have been highlighted through the discussions. In particular, the desire to balance the deliverables in the short and medium terms with clear definable and practical priorities alongside larger scale ambitions over the longer term have been the source of much debate. The need to recognise and have a focus on our major regional assets in advanced manufacturing, logistics, AMID, the Airport and Urban Centres whilst also taking the opportunity to

encourage growth in other parts of the economy have been debated. The importance of developing and linking supply chains has been highlighted. There remain considerable policy tensions in terms of housing performance and delivery and continuing to improve outcomes in educational attainment and skills.

We are now reaching the end of this phase of the discussions and are beginning the process of drafting the core of the policy and priority proposals. This will be explored in a workshop for LEP members to be arranged in August or early September depending on availability.

REPORT AUTHOR **Dave Smith**
POST **Interim Managing Director**