Written evidence submitted by the Sheffield City Region Mayoral Combined Authority (PEG0072)

Executive Summary

This submission to The Business, Energy and Industrial Strategy Committee super inquiry on Post-Pandemic Economic Growth is submitted on behalf of Dan Jarvis MBE MP, Mayor of the Sheffield City Region (SCR).

The Mayoral Combined Authority (MCA) and Local Enterprise Partnership (LEP) support economic growth and shape policy and decision making across South Yorkshire, covering Sheffield, Barnsley, Doncaster and Rotherham. It covers an area which is home to 1.4 million people, 47,000 businesses and 662,000 jobs.

The Mayor has led work with the LEP, the city region's business community, councils, civic leaders, trade unions, universities and the voluntary sector to develop an Economic and Social Recovery Plan. In July 2020, the first phase of the Recovery Plan was sent to the Prime Minister and Chancellor. It calls for an immediate £1.7bn investment in SCR's people, businesses and places. This submission builds on some of the detail in the plan which aims to help create better as well as more jobs, speed up progress towards net zero emissions and make our communities stronger.

The first part of this submission sets out the MCA's objectives and priorities for its economic and social recovery from the Covid-19 pandemic. The second part covers areas of focus for building resilience: innovation, digital, health and wellbeing. It includes plans to build more resilient supply chains, and our specific interventions. Finally, the third part makes recommendations to Government which would enable city regions to recover, build resilience and grow more strongly. It recommends further devolution of powers and funding to Mayoral Combined Authorities, a focus on R&D investment to unlock growth, and less reliance on Green Book methodology when making strategic national infrastructure decisions.

The Recovery Plan

The MCA Recovery Plan priorities are to:

- Mitigate the worst effects of this crisis and deliver immediate socio-economic relief to our people, places and businesses, ensuring that the vulnerable are supported
- Accelerate the recovery from the economic recession currently underway
- Drive a renewal of the socioeconomic fortunes such that prosperity positively impacts the health and wellbeing of people and places
- Address the longstanding fundamental, structural and systemic economic challenges holding back economies across the North of England.

SCR urgently needs a significant and targeted stimulus to create jobs and help people and businesses. Priorities for a stimulus will be to:

- Protect businesses
- Minimise the levels of unemployment
- Target support at the most economically vulnerable groups from COVID-19 (young, women, BAME, disabled, most deprived)

- Build back better - most places don't want to simply return to normal, as most places weren't happy with their local economy. This is the time to be radical by leading a green and people-led transformation that enhances the environment and reduces deprivation.
- Establish levelling-up as a key pillar of recovery
- Devolve funding and powers, especially to MCAs where robust governance structures are in place and are led by democratically elected mayors.

A jobs-led recovery will be the overarching ambition of the recovery plan, with an emphasis on upskilling the local workforce. Priority should be given to interventions that support sustainable job creation, are socially inclusive and align with the 'green' agenda, where possible. The longer-term aim should be to change the path of weaker economies by building fairer and stronger communities. The MCA has three objectives and guiding principles:

- A green transformation: Decarbonising our economy, improving our environment, transforming our transport infrastructure
- A transformation for wellbeing and inclusion: Improving our quality of life, reducing inequality, and widening opportunity
- An economic transformation – creating not just a bigger economy but a better one, with better jobs, greater innovation and resilience.

Areas of focus

Government should focus on skills and retraining together with a job creation programme. It is as important to the MCA and LEP to create the enabling conditions for entrepreneurship and innovation to flourish across all sectors, rather than to choose sectors on which to focus. The key themes within our recovery packages are:

- **Innovation.** There needs to be significantly more investment in innovation, especially in translational R&D. And it is imperative that this does not continue to focus on the golden triangle of London, Oxford and Cambridge. The Advanced Manufacturing Research Centre (AMRC) is a great example of this in the SCR.

- **Digital.** The digital revolution is transforming every aspect of our lives, globalising communications, forming new linkages, and driving new economic activity. Digital connectivity enables residents and businesses to use digital solutions to improve their lives and to sustain, grow, and create new businesses. It is important that the enabling conditions for residents and businesses to connect, gain digital skills, adopt new processes, and exploit the opportunities this opens. This also means investing in the 'hard' infrastructure to make this possible and ensure we have digital connectivity fit for the 21st century.

- **Health and Wellbeing.** Medical technology is an opportunity as is the whole of the health and wellbeing agenda. SCR is well placed to lead on this with assets such as the Advanced Wellbeing Research Centre, which has bold proposals to lead the wellbeing recovery from COVID-19, both mentally and physically.

Specific Interventions

The MCA Recovery Plan will make the following specific interventions:

Jobs and Skills Programme

- Train to work: support work experience, apprenticeships, and training to avoid mass unemployment and/or reduce the period of unemployment
- Skills guarantee for young people: guarantee opportunities for our leavers and graduates who have seen a reduction in prospects and support young people transitioning from one form of study to another
- No barriers to work; support our most impacted population cohorts with funding to eliminate barriers to training, opportunities and employment such as:
    - Childcare and other care responsibilities
    - Digital upskilling
    - Digital assets
    - Transport
    - Housing
- Back to work: facilitate a matching programme between growth sectors, job openings and unemployed individuals, creating a more resilient workforce for the future.

Business Support

- Business grants and loans: provide loans or grants to businesses, to meet business need and deliver policy objectives of the MCA and city region
- Cashflow and invoicing insurance: Enable businesses to make informed cashflow and invoicing decisions, negotiate terms and improve reliability in income projections
- Services support for COVID-19 adaption: Scale up the business support offer in areas which are particularly impacted - HR, Legal and Health & Safety.
- Digital upskilling and technology adoption: provide businesses with the opportunity to digitally upskill, and to use technology to transform their operations
    - 'work from home' funding grant
    - scale up existing IT upskilling programmes.

Enabling Growth

- Flexible investment and recapitalisation: Patient investment to seed innovation at scale
- Exploring the suitability of MCA minority stakes to allow businesses to avoid over-leveraging themselves.
- Flexible finance and support to enable changes to the legal structure of businesses
- Low carbon transition and leadership: support to businesses impacted by the disruption to turn towards new markets and accelerate the radical change needed to become carbon neutral
- Supply chain and procurement support: create a supply chain programme focused on exploiting market opportunity and delivering social value to local organisations and places. This will provide more opportunities for local businesses and deepen the roots of businesses in local areas.

Supporting Places

- Sustainable Travel: Accelerate investment to enable and promote cycling and walking
- Commitment to support local development plans which enable low traffic neighbourhoods
- Commitment to improve the bus service
- COVID-19 Spatial Adaption: Reconfigure urban centres in order to increase vibrant activity, adapting to the new behaviours and restrictions; physical infrastructure, commercial property use, strategic building and land acquisitions and flexible; responsive and proactive planning.
- Jobs-led development: Acceleration of shovel-ready construction and regeneration activities that can help the economy recover and allow urban centres to modernise.

Supply chain support

Covid-19 has resulted in unprecedented disruption to the world's supply chains. It has shown there are risks involved in being in complex global supply chains and has resulted in reshoring and the shortening of supply chains being opportunities for local economies to capitalise on. There will be a reduction on the dependence on long supply chains. There is also likely to be an opportunity to bring manufacturing of critical items back to the UK and less reliance on suppliers from a single country. The impacts of Covid-19 on supply chains makes this is an opportune moment to drive social value and increase local content in procurement. Government needs to give funding to local areas to develop supply chains with the following principles:

- Provision of support to secure businesses within supply chains and to shorten supply chains (including reshoring, local procurement content etc) where possible.
- Providing intelligence and capability to help businesses who are struggling with supply issues via Growth Hubs.
- Work with partners and anchor institutions to pool procurement to increase local content and drive social value.
- Supporting businesses to identify, pitch and develop local procurement strategies to capitalise on the current trends (e.g. shortening of supply chains and health & self-sustaining considerations) and local needs (e.g. PPE or renewable energy demand).

The MCA intends to build on established supply chains and create new global value-chains of technology, services and skills. We will build strategic relationships with targeted businesses. We will also build the capability of local businesses, to enable them to participate in supply chain beyond our City Region and work collaboratively so they can compete nationally and internationally. This will create opportunities for businesses to diversify into new sectors or new export markets. Our businesses will be better placed to take advantage of reshoring opportunities, to streamline the distribution of goods, reduce risks, delays and costs, benefit the environment, and create more jobs. Government needs to fund this to enable this opportunity to be capitalised on.

Recommendations to Government

1. Devolve powers and funding to regional and local government in England to deliver growth

Regional and local government need more powers and funding to accelerate recovery from the economic impacts of the pandemic. No lasting reduction in a spatial economic imbalance across the country will be achieved without substantial devolution of greater powers and resources across the country. This needs to go beyond the decentralisation of national programmes being run through LEPs and MCAs, but rather gives the flexibility and resources for areas to put in place the breadth of solutions that they know their economies and businesses need.

MCAs, LEPs, and Local Authorities need to be given the funds and powers to deal with the long-standing economic issues they are held responsible for addressing. A devolution of powers should be predicated on the principle of subsidiarity, where decisions should be taken as close to people (and businesses) as possible. Until the level of funding matches the scale of the problem, it is unlikely that regional economies outside of the Greater South East will be transformed.

MCAs must be given the right arsenal of powers and resources to tackle the deeply embedded problems they are held responsible for. Government should negotiate multi-year 'single pot' budgets with mayors, with single assurance and monitoring frameworks, giving them full control about how this money is spent in their area and the ability to plan over several years.

2. Create Green Local Industrial Strategies with powers and funding and strong relationships with local areas to transform the national economy

To build resilience and recover from the crisis and recession, each area needs a local strategy with new committed funding and a relationship with Government. The process of developing Local Industrial Strategies (LISs) with Government so far has been too long and arduous. The published LISs are long policy documents but light on financial commitments.

LISs give areas the opportunity to make productivity improvements in their local economy in collaboration with Government. However, unless Government provides adequate levels of funding and powers to tackle this problem, and put these strategies into action, then disparities between regions will not be tackled. The SCR is ranked 34th out 38 LEPs for productivity (ONS, Regional and sub-regional productivity in the UK, 2019). Government needs to direct investment at areas with low levels of productivity to narrow regional divides. We have bold plans to transform our economy; Government needs to give us the funding and powers to enact this change.

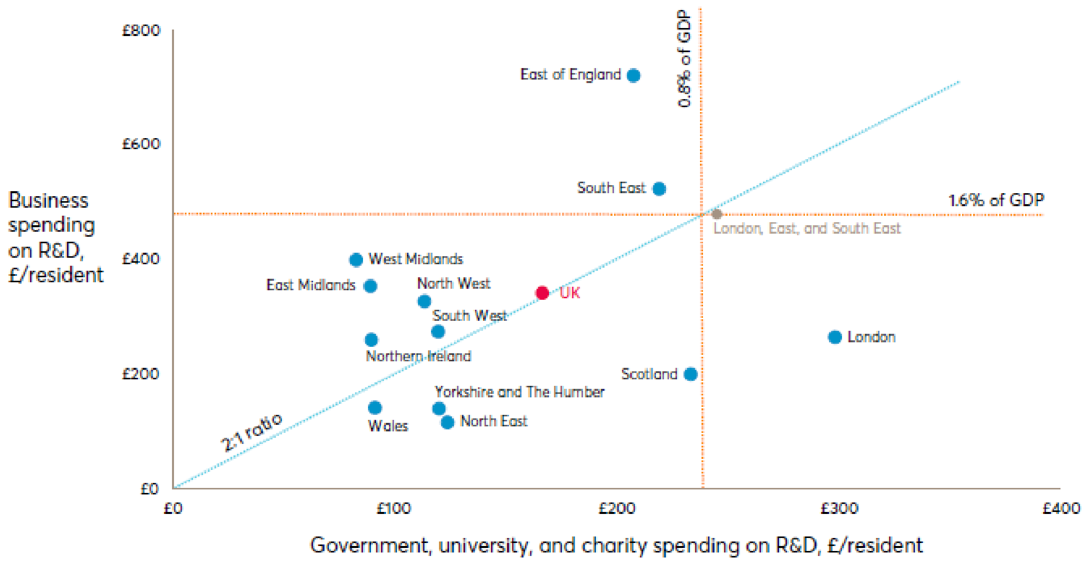
A report on the first stage of the Industrial Challenge Fund demonstrated that the focus of the Industrial Strategy is on a narrow group of industries at the leading edge of technology, which favours places in the South. The report highlighted the risk that the focus on high-end research will likely exacerbate a North-South divide by targeting money at Oxford, Cambridge and London. There could be a greater focus on manufacturing in the Industrial Strategy to sectorally rebalance the economy, which would also serve to geographically rebalance the economy. Northern city regions, especially the SCR, have significant manufacturing potential and investment in the technological revolution in manufacturing would help Northern areas to take advantage of this opportunity.

The Industrial Strategy was devised to improve productivity across the country. This is still important, but the role of climate change has been rightly elevated since its publication. Now is the time to revamp the strategy and make it a Green Industrial Strategy. Regardless of what it is called, there must be more investment in translational R&D facilities, such as the AMRC and AWRC in the SCR, and it needs to set out a road map of how the strategy will level up the country.

3. Focus on innovation to unlock growth in the regions

To unlock transformational growth in the regions, there needs to be more of a focus on innovation. We need to accelerate the adoption of innovative products, processes and services in our businesses, alongside a transformational increase in the scaling up of both the discovery and commercialisation of new ideas, capabilities, and designs.

R&D investment is focused on London and the South East, which are already extremely productive economies. Spending on R&D by NUTS1 regions in the UK, business and public investment:



Source: Nesta, 2020

This shows how government spending on R&D is matched to the demand of industry. Professor Richard Jones has pointed out that "for too long, the pharmaceutical and biotechnology sectors have dominated policy thinking about translating research. Meanwhile, much of the wider innovation needed for the NHS, public health and social care has been under-resourced. Greater emphasis needs to be given to the social, environmental, digital and behavioural determinants of health, and decisions about research priorities need to involve a greater diversity of perspectives, drawn from across the country."

This narrow focus has led to government R&D investment being directed to places that area already prosperous. This is particularly true of health research with 55% of health-related research supported by government and charities goes to London, Oxford and Cambridge. This does nothing to address regional divides and serves to exacerbate them (The Biomedical Bubble, Jones & Wilsden, 2018).

4. Make truly strategic national infrastructure decisions by relying less on Green Book results

The Government's Green Book methodology favours London and the South East, which needs to be addressed to close the widening economic gap. The interpretation of cost-benefit ratios does not favour infrastructure projects in the North. The model predominantly favours infrastructure development in the South, meeting existing demand rather than stimulating latent potential. Government has recognised that this is an issue and has published a rebalancing toolkit. The recent changes to the Green Book appraisal methods are welcome but are unlikely to redress the London/South East bias when determining infrastructure investment. Infrastructure investment decisions need to be based on a strategic view about economic development for the whole of the UK and how infrastructure can transform local and regional economies. This is where allocation of funding to MCAs could make a big difference.

The North has a wealth of assets, including growing businesses, world class universities, an abundance of natural assets, and prime availabilities in emerging sectors such as advanced manufacturing, health innovation, energy, and digital. Despite this, the Northern Powerhouse is 12% below the national average for productivity. There has been an entrenched gap in productivity between the North and the United Kingdom for decades. The productivity gap in the English regions is estimated to cost the economy around £40 billion (Powerhouse 2050, The Northern Powerhouse Partnership).

Rebalancing the national economy has been a longstanding opportunity that regional policy has failed to resolve. The Northern Independent Economic Review (2016) found that, if the concentration of public investment in London and the South East is addressed, an additional £97 billion could be added to our economy by 2050, over and above business as usual, and an additional 850,000 jobs. However, the UK continues to have one of the most centralised systems of public finance and policymaking among OECD nations with UK local government controlling only 1.6% of GDP in comparison to 6% in France, 11% in Germany and 16% in Sweden. As a result, the disparity between the UK’s most productive region (London) and elsewhere is acute in comparison to European countries.

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