

Report of Director of City Development

Report to Executive Board

Date: 19 June 2013

Subject: West Yorkshire Combined Authority

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| Are specific electoral Wards affected? If relevant, name(s) of Ward(s): | Yes | <input checked="" type="checkbox"/> No |
| Are there implications for equality and diversity and cohesion and integration? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Is the decision eligible for Call-In? | Yes | <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number: | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Summary of main issues

A Combined Authority for West Yorkshire is proposed to enable Leeds City Region to secure devolution from Whitehall of powers and investment to support economic growth.

The Leeds City Region City Deal was agreed with Government in July 2012. This secured for Leeds City Region new powers and funding to support economic growth and job creation. There is now a need to ensure the right governance arrangements are in place to oversee these powers and investment funds. In the City Deal, the Government set out a requirement that West Yorkshire Local Authorities covering Calderdale, Bradford, Kirklees, Leeds and Wakefield put in place a Combined Authority for their area by spring 2014. It is also important the right structures are in place to give national Government confidence to devolve further powers to Leeds City Region to promote economic growth.

Executive Board received a report in October 2012 which set out the terms of the Leeds City Region (LCR) City Deal concluded with the Government in July 2012.

Executive Board members noted that:

- As a condition of the City Deal, the Government's requirement is that West Yorkshire's Local Authorities of Calderdale, Bradford, Kirklees, Leeds and Wakefield put in place a Combined Authority for the area by spring 2014.
- A Combined Authority is a statutory body which takes on the roles of Local Transport Authority and Economic Prosperity Board for an area, which can only be established by

the agreement of the constituent Local Authorities, including the Integrated Transport Authority (where there is an ITA operating in the area), and with Government.

- The constituent Local Authorities, including the WYITA which would need to be dissolved with the introduction of a Combined Authority, would be required to undertake a statutory Review of strategic economic and transport functions. The Review is to ensure that the governance arrangements for these are sufficiently visible, stable and accountable and to test whether a Combined Authority for the area would be the most appropriate governance model moving forward.
- A governance Scheme would be needed which would include: the area of the Combined Authority; its proposed membership; voting arrangements; its proposed functions (to be exercised by the Combined Authority or with the constituent District authorities); the way in which it will be funded; and any practical arrangements, including staffing, property transfer, and supporting structures.

Executive Board members agreed that:

- The Council should be party, together with other West Yorkshire Authorities (including the ITA), to a Review of governance arrangements relating to transport, economic development and regeneration in West Yorkshire pursuant to S108 of the Local Democracy, Economic Development and Construction Act 2009 and Sec 82 of the Local Transport Act 2008.
- For the Chief Executive, in consultation with the Leader, to commission (in consultation with the other West Yorkshire Authorities) the preparation of the Review. For the Chief Executive, in consultation with the Leader, to commission the preparation (in consultation with the other West Yorkshire Authorities) of a draft Scheme for a Combined Authority for consideration by Executive Board and Council, if the Review recommends that a Combined Authority would be the most beneficial option for West Yorkshire.

In April 2013, Executive Board received a report requesting members to:

- Consider an interim statutory Review of Governance which found that a Combined Authority would be the most appropriate option for the area of West Yorkshire and enable the City Region to draw down significant powers and funding via the City Deal, and the Single Local Growth Fund, which would otherwise be managed by Government.
- Consider a draft consultation Scheme for a West Yorkshire Combined Authority.
- Authorise a consultation and engagement exercise with partners and stakeholders on the draft Review and the draft Scheme, and for Executive Board to receive a report by June 2013 having regard of the outcome and proposing a final Review and Scheme for a Combined Authority for recommending to Full Council.

This report requests that Executive Board recommend that Council should:

- Consider and agree the key findings contained in the final Review, including that a Combined Authority for the area of West Yorkshire would be likely to improve:
 - the exercise of statutory functions relating to economic development, regeneration and transport in the area;
 - the effectiveness and efficiency of transport in the area; and
 - the economic conditions in the area.

- Consider the content of the proposed Scheme for establishing a Combined Authority, including the principle that both the WY Integrated Transport Authority (ITA) and West Yorkshire Passenger Transport Executive (PTE) should be dissolved and that all their individual property, rights, liabilities and staff are transferred to the Combined Authority, and agree to publish the Scheme pursuant to section 109(2) of the Local Democracy, Economic Development and Construction Act 2009.
- Consent to becoming a member of the Combined Authority, alongside the other West Yorkshire authorities, and for City of York Council and the Local Enterprise Partnership Chair to be invited to become non-constituent members.
- Authorise the submission of the Scheme to Government.

Recommendations

It is requested that Executive Board recommends the following to Council at its meeting on 1st July:

- i) To consider the findings of the Review of governance arrangements relating to transport, economic development and regeneration, pursuant to Section 108 of the Local Democracy Economic Development and Construction Act 2009 and Section 82 of the Local Transport Act 2008 (as set out at Annex A to this report), together with the results of the consultation exercise conducted (see section 4.1 of the report).
- ii) For the reasons set out in the Review document, to agree that the establishment of a Combined Authority for the area of West Yorkshire would be likely to improve:
 - the exercise of statutory functions relating to economic development, regeneration and transport in the area;
 - the effectiveness and efficiency of transport in the area; and
 - the economic conditions in the area.
- iii) To endorse the Final Scheme (in the form set out at Annex B to this report) including the proposal that the West Yorkshire ITA is dissolved, and that the West Yorkshire PTE is also dissolved and that all their individual functions, property, rights, liabilities and staff are transferred to the Combined Authority.
- iv) To agree to publish the Scheme pursuant to section 109(2) of the Local Democracy, Economic Development and Construction Act 2009.
- v) To consent to the inclusion of Leeds City Council in the area of the Combined Authority.
- vi) To agree that the City of York Council and the Leeds City Region Local Enterprise Partnership should be invited to join the Combined Authority for the area of West Yorkshire as non-constituent members.
- vii) To authorise the Chief Executive, in consultation with the Leader and with the other West Yorkshire Authorities to undertake such steps as are necessary to facilitate the submission of the Scheme and the preparation of the draft Order.

1. Purpose of this report

- 1.1 The report proposes that the Council should be requested to consider becoming a member of a Combined Authority for the area of West Yorkshire.
- 1.2 A Combined Authority is a statutory body which takes on the combined role of Local Transport Authority and Economic Prosperity Board for an area by agreement with the constituent District authorities, the ITA and Government. Its purpose is to align decision making around strategic transport and economic development issues, including investment. It is Government's required model to enable Councils to draw down significant powers and funding via the LCR City Deal and HM Treasury's preferred model for bidding into the proposed Single Local Growth Fund. Under the proposals contained in this report, both the WY ITA and the WY PTE would be dissolved and their functions pass to the Combined Authority.
- 1.3 The case for the creation of a Combined Authority is contained in the statutory Review of governance arrangements relating to transport, economic development and regeneration in West Yorkshire which was authorised in October 2012. Members are asked to consider the final Review which can be found at Annex A.
- 1.4 Members are also asked to consider the proposed Scheme for the Combined Authority (shown at Annex B) which would form the basis for the creation of the new body corporate and therefore contains information on:
 - the area the Combined Authority will cover;
 - its membership, voting and other constitutional arrangements;
 - its agreed functions (to be exercised by the Combined Authority or concurrently with constituent local authorities);
 - the way in which it will be funded, including the transport Levy and prudential borrowing powers for transport;
 - proposed practical arrangements, including staffing, property and liability transfer (including those of the WY PTE and WY ITA) and how these would be exercised and structured; and
 - other sub structures including Committees and scrutiny arrangements.
- 1.5 The report requests that members recommend to Council that the Scheme is submitted to Government by July 2013, with a view to creating a Combined Authority for the area of West Yorkshire by April 2014, in line with our City Deal Implementation Plan.

2 Background information

- 2.1 The Leeds City Region has a population of around 3 million, 1.3 million jobs, and an annual economic output of £53bn. The case for powers and funding to be devolved from Whitehall to support economic growth is based on the size and significance of the Leeds City Region and its importance to the national economy.
- 2.2 The Leeds City Region City Deal was agreed with national Government in July 2012. This secured for Leeds City Region genuine freedoms and flexibilities to support economic growth and job creation. This included powers to raise and

coordinate funding to invest in transport and economic infrastructure, alongside measures to improve skills, and to promote trade and investment.

- 2.3 There is now a need to ensure the right governance arrangements are in place to oversee and manage these powers and investment funds. In the City Deal, the Government set out a requirement that West Yorkshire Local Authorities covering Calderdale, Bradford, Kirklees, Leeds and Wakefield put in place a Combined Authority for their area by spring 2014.
- 2.4 It is also important the right structures are in place to give national Government confidence to devolve further powers to Leeds City Region to promote economic growth, including potentially through a second city deal. The Government's response to the Heseltine Review, "No Stone Unturned", includes commitments to transfer powers from Whitehall to city regions. There is an opportunity to secure for Leeds and the Leeds City Region to draw down from Whitehall enhanced powers in relation to skills, welfare, economic development, regeneration and transport.
- 2.5 In order to secure Government approval for a Combined Authority, the West Yorkshire Local Authorities, including the Integrated Transport Authority, have undertaken a statutory Review of strategic economic and transport functions, under the provisions of the Local Democracy Economic Development and Construction Act 2009 and the Local Transport Act 2008. The purpose of the Review has been to ensure the governance arrangements are sufficiently visible, stable and accountable at the West Yorkshire level, and to consider whether a Combined Authority for West Yorkshire would be appropriate.
- 2.6 As was reported to Executive Board in April, the conclusion of the draft Review was that a Combined Authority would be the most beneficial option for West Yorkshire, and a draft Scheme for a Combined Authority was proposed.
- 2.7 These proposals have been consulted on and, having regard to public, business and stakeholder views (Section 4.1 of this report refers), the Review and Scheme have been finalised by the Chief Executive in consultation with the Leader and the other West Yorkshire Authorities.

3 Main issues

3.1 Statutory Review

3.1.1 The Review covers how strategic transport and economic investment functions are currently managed in West Yorkshire and assesses whether having better decision making arrangements could lead to an improvement in the delivery of these statutory functions and therefore stimulate economic growth. The Review, which is included at Annex A, covers the following:

- the evidence that WY (and the wider City Region) economy are not performing to their full potential;
- the opportunities and commitments related to securing devolved powers and funding through the City Deal which could address these issues;

- an overview of the current WY and wider City Region governance arrangements;
- an appraisal of the options for improving WY governance against the relevant statutory test and their comparative ability to deliver the City Deal; and
- conclusions.

3.1.2 The Review concludes that although it is a functioning economic market area in its own right, the economy of West Yorkshire (and the wider City Region), is not doing as well as it should when compared to others, particularly nationally and internationally. It also concludes that for West Yorkshire to do better, its Local Authorities should work more closely together on economic investment and transport.

3.1.3 The Review considers the alternative options of: retaining the status quo; improving existing arrangements incrementally; creating an Economic Prosperity Board; and establishing a Combined Authority. It finds that only a Combined Authority would provide a visible, stable and streamlined body corporate to which Government can be confident in devolving powers and funding, such as via the City Deal, which would otherwise be controlled by Whitehall. It would for example be ideally placed to act as the accountable body for:

- a 10 year £182m allocation of post 2014 devolved major transport scheme funding agreed in the City Deal (Local Transport Body);
- the accountable body for a City Region single capital pot of £400m for Economic Investment, including pooled retained Business Rates, which because they are not statutory bodies, neither the Leaders Board nor the LEP could take on this role;
- The Government's proposed Single Local Growth Fund; and
- in the longer term, to be accountable for an agreed share of the fiscal uplift created by locally driven economic growth.

3.1.4 The Review concludes that going forward the status quo option would not enable Leeds City Region to draw down significant powers and funding on offer via the City Deal and that, for the following reasons, the best option would be to create a Combined Authority:

- There is currently no single strategic transport and economic development decision making body at the West Yorkshire level.
- There is evidence of fragmentation and lack of integration in decision making, which will be an impediment to delivering proposals to establish a £1bn West Yorkshire Plus Transport Fund.
- Current governance arrangements not being optimal because of their fragmentation is one of the reasons why the WY and wider City Region economy is underperforming.
- The existing governance arrangements in WY can be improved upon.

- Various options have been considered, including leaving arrangements unchanged, strengthening or restructuring existing governance arrangements, and establishing a Combined Authority.
- A Combined Authority would be able to bring together key decision making powers into a single body.
- A strong Combined Authority, exercising appropriate strategic transport and economic functions, would provide a visible, stable and statutory body, and could for example act as the accountable body for the Single Local Growth Fund proposed in HM Treasury's response to the Heseltine Review, and the LCR £400m Economic Investment Fund for the City Region.
- Such a body will attract greater devolved powers and funding, which would otherwise be controlled by Whitehall.
- With appropriate wider representation, including e.g. LEP and York partner membership, a WY Combined Authority would also streamline the relationship between the individual authorities and the LCR LEP and LCR Leaders Board.
- A strong Combined Authority would help in engagement with national agencies and create the opportunity for various types of collaborative effort with adjoining and other northern Combined Authorities to put in place a much needed counter-balance to London and to Scotland e.g. for devolving the power to let rail franchises at the pan regional level.
- The economic conditions of WY and the wider City Region would as a result likely be improved by putting in place a Combined Authority.

3.1.5 It is noted that when the ITA is dissolved so that the Combined Authority becomes the Local Transport Authority (LTA), the statutory duties and functions of the PTE still need to continue to be delivered. Two broad options for the delivery of the PTE functions are considered:

- **Option 1** - transferring the PTE to the Combined Authority and the Combined Authority then delivers the functions.
- **Option 2** - the PTE delivers the functions for the Combined Authority as a separate body reporting directly up to the Combined Authority.

Both options have the same objective but entail different governance arrangements and both have been subject to further development during the consultation and stakeholder engagement stage.

3.1.6 Option 1 would require the transfer of the PTE staff (approx. 400 in number) and its assets/liabilities to the Combined Authority which would then become the employing body of those staff and would have direct legal and statutory accountability for the PTE functions and any associated rights and liabilities, with the PTE being dissolved at the point of the establishment of the Combined Authority. There would be transitional costs associated with this option. Whilst these have not been determined in detail at this stage, the degree to which any costs would be additional would depend on the extent to which the work can be undertaken from within existing staff resources.

3.1.7 Option 2 provides for a similar arrangement between the PTE and the Combined Authority as currently exists between the PTE and the ITA, with the PTE retaining

its separate statutory form but acting as the delivery arm of the Combined Authority and receiving its budget from the Combined Authority (as it currently does from the ITA). This model provides a more arm's length arrangement albeit the Combined Authority would retain the responsibility over the appointment of the senior management of the PTE and the power to delegate specific functions to it (in addition to the PTE's own statutory functions).

- 3.1.8 Following consultation, including with the Leaders of the 5 WY Districts, the preferred option recommended in this report is Option 1. Namely that the Scheme should propose that the functions, rights, assets and liabilities of the PTE (including its staff) are transferred into the Combined Authority and the PTE is dissolved. Although recognising that there will be some transitional costs associated with this option given the necessary processes which will need to be undertaken including for example the appropriate due diligence, it is considered that given the wider growth agenda that the Combined Authority will have, this option provides a real opportunity to build a fit for purpose body best placed to effectively deliver this agenda and to ensure the effective streamlining of economic development and transport decision making and delivery arrangements, and their deliverability.
- 3.1.9 Given the PTE is a statutory body in its own right, the process of dissolving the PTE and integrating it into the Combined Authority is one that can only be achieved through a statutory procedure. If the decision was taken to retain it as the executive body of the Combined Authority and not integrate it at this stage (i.e. option 2 above) then, if a decision was taken at a later date that this should happen, the legislation would require the 5 districts to go through the same statutory procedure as now, namely to carry out a review, prepare a scheme to propose the changes and request the Secretary of State to take a statutory order through the parliamentary process.

3.2 The Scheme

- 3.2.1 If a Combined Authority is to be created in line with the LCR City Deal Implementation Plan, it will require a proposal (legally called a "Scheme") to be written and given to the Secretary of State for approval.
- 3.2.2 The Scheme (shown at Annex B) includes the area of the Combined Authority, its proposed membership, voting, its proposed transport and economic development functions (to be exercised by the Combined Authority or with the constituent District authorities), the way in which it will be funded, and any practical arrangements, including staffing, property transfer, and supporting structures. This would have to be submitted to Government by July 2013 and if the Secretary of State agreed, he would then propose in an Order the new arrangement to Parliament for approval. If Parliament agreed, a Combined Authority could be created in April 2014.
- 3.2.3 The Scheme confirms that a Combined Authority should be created under Section 103 of the LDEDC Act 2009, and for the time being that it should just cover the five West Yorkshire District authorities. The creation of the Combined Authority would require the WYITA to be dissolved, pursuant to Section 91 of the Local Transport Act 2008. Additionally, in order to create more streamlined delivery arrangements,

the recommended option is to transfer the functions, powers and duties of the PTE into the Combined Authority, which would also require the PTE to be dissolved.

- 3.2.4 The Combined Authority would not be a directly elected body. It is proposed that District authority Leaders directly represent their individual councils on the Combined Authority, in the best long term interest of the local economy, and also to include political representatives from opposition groups to ensure there is stability over time.
- 3.2.5 The Scheme also includes proposals for putting in place the following supporting structures:
- A Transport Joint Committee which would support the Combined Authority by providing advice on strategic issues such as decisions on the WY Plus Transport Fund and to make decisions on operational transport matters. It is proposed that initially the existing politically balanced membership of the ITA is retained to fulfil this role and ensure continuity. It is further proposed that a Joint Independent Remuneration ‘Task and Finish’ Panel is commissioned by the Combined Authority to ensure that allowances payable to members of the Joint Committee are in line with best practice and in relation to the level of responsibility.
 - That a Joint Scrutiny Committee is put in place to hold the Combined Authority to account and for this to be chaired by an opposition member.
 - That additional supporting structures be developed to address for example the operation of the Economic Investment Fund.
- 3.2.6 West Yorkshire and York Leaders have written to the Minister for Cities to confirm their ambition to include York in the Combined Authority area but this raises some technical issues which it might be possible to resolve by a legislative change at a later date. In the meantime, it is proposed York should be invited to become a partner (non-constituent) member, as should a representative from the LEP in order to ensure strong links to the wider City Region area and business.
- 3.2.7 The Combined Authority would have power to act on its own for economic investment and transport as this would allow many of the benefits of the City Deal to be gained. It would enable the control over powers and funding which would otherwise be managed from Whitehall. There is also the possibility that the Combined Authority could take on other responsibilities in the future if its member Councils decide that this would be a good idea. These, together with any Economic and Transport functions are specified in the “Scheme”. All other functions not mentioned would remain the direct responsibility of individual District Local Authorities.

3.2.6 Next steps

The table below identifies the proposed next steps.

| Decision | Estimated Timescale |
|---|----------------------------|
| Councils of West Yorkshire Authorities (including the ITA) to: <ul style="list-style-type: none">• consider the Review and CA Scheme; and• authorise submission of the Scheme to the Secretary of State and for City of York Council and the LEP to consider partner membership of the CA. | By July 2013 |
| Based on the submitted scheme, DCLG: prepare and consult on a draft Order for the creation of a West Yorkshire Combined Authority; and then prepare a final draft Order. | By October 2013 |
| Executive Boards and Councils of West Yorkshire Authorities (including ITA) consider the final draft Order. | By November 2013 |
| The Secretary of State lays a statutory Order before Parliament | By December 2013 |
| Draft Order approved by both Houses of Parliament and becomes law | By March 2014 |
| ITA and PTE Dissolved and West Yorkshire Combined Authority established. | 1st April 2014 |

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Formal consultation was undertaken on the draft West Yorkshire Governance Review and draft Combined Authority Scheme were formally consulted upon from 26th April to 17th May, following the endorsement of the proposed consultation process by the five local authorities and the ITA.

4.1.2 A press notice was issued to mark the launch of the consultation process and a wide range of stakeholders from across West Yorkshire were then directly encouraged to respond to a series of questions, on a dedicated microsite, that related to the draft Review and Combined Authority Scheme.

4.1.3 The partners engaged with as part of the consultation process included:

- West Yorkshire and York MPs and Peers;
- Leeds City Region Business Communications Group (which includes business representative organisations such as Chambers, Institute of Directors, Federation of Small Businesses and CBI);
- Bradford and Leeds Scrutiny Committees;
- Department for Transport;
- Department for Communities and Local Government;
- Bradford and Leeds Property Forums;

- West Yorkshire Joint Services;
- Network Rail;
- Highways Agency; and
- Association of Bus Operators West Yorkshire

4.1.4 104 formal responses to the consultation were submitted via the microsite. The large majority of respondents were members of the public (67%) and local business representatives (22%). The results were as follows:

- **68%** of respondents agreed with the Review's findings that a West Yorkshire CA would improve statutory Council functions relating to transport, economic development and regeneration in the area;
- **71%** of respondents agreed with the Review's findings that a West Yorkshire CA would improve the efficiency of transport in the area;
- **58%** of respondents agreed with the Review's findings that a West Yorkshire CA would improve overall economic conditions in the area;
- **68%** of respondents supported the Review's recommendation to establish a CA
- **75%** of respondents agreed with the proposed West Yorkshire geography of the CA;
- **50%** of respondents agreed that non-West Yorkshire authorities should be able to play a role in the CA;
- **70%** of respondents agreed that the CA should have an initial sole focus on statutory transport and economic investment functions;
- **31%** of respondents wanted the scope of the CA to be expanded in future (41% didn't know);
- **49%** of respondents felt the Passenger Transport Executive should be transferred to the CA;
- **31%** of respondents felt that the CA will have a strong enough link with the LEP (43% didn't know); and
- **73%** of respondents agreed that the CA should be held to account by a Joint Scrutiny Committee

4.1.5 425 qualitative responses to the consultation were provided. Comments broadly reflected the quantitative results, though were in some cases negatively skewed due to the phrasing of certain questions (with further comment only requested if respondents disagreed with aspects of the proposals). The key points raised can be summarised as follows:

4.1.5.1 Support for the CA

Where respondents expressed support for the Combined Authority proposals, the following reasons were typically cited:

- the **enhanced bargaining power** and ability to draw down national and EU funding of a CA compared with individual local authorities;
- the opportunity for **regionally based control** and decision-making;
- the potential for **efficiency savings** and economies of scale;
- the opportunity for **integrated planning**, decision-making and communications on key, cross-boundary issues;

- the potential for **transformational change** in how the sub-region delivers transport and major infrastructure projects, with several references to the success of the Greater Manchester model; and
- **reduced fragmentation**, which some respondents felt exists under current arrangements

4.1.5.2 Concern about the proposals

Where respondents expressed concern about the proposals, the following points were typically raised:

- **Bureaucracy** – several respondents expressed concern that the CA would add another layer of bureaucracy to existing local and sub-regional arrangements. Concern was also noted about the potential cost of establishing and resourcing the CA.
- **Accountability** – many respondents emphasised the importance of the CA being democratically accountable, especially given potential precepting powers. Respondents supported the creation of a JSC to hold the CA accountable.
- **Skewed benefits** – there was concern that investment decisions would be skewed towards ‘prestige’ projects. Several respondents commented that less prosperous parts of the sub-region could miss out on regeneration funding, and that local authorities could lose independence of decision-making on economic issues.
- **Consultation process** - several respondents commented that the consultation exercise should have been more widely publicised and more information about the proposals provided to enable local residents and businesses to participate fully.

4.1.5.3 Comments on specific issues

- **Geographic scope of the scheme** - preferences were expressed for a range of alternative geographies, including the north of England, Yorkshire and the Humber, and the district level. Those respondents supportive of establishing a CA at the sub-regional level noted the cohesive identity of West Yorkshire and the WY authorities’ track record of joint working. There was notable support for establishing a CA at the city region level, with some respondents noting that a WY body could undermine existing LCR/ LEP arrangements.
- **Allowing non-WY authorities to participate** – many respondents in favour of this proposal again commented that the CA should operate at the functional economic level. Other respondents felt that the CA should be confined to the WY area, noting potential disparities in transport and economic priorities between the WY districts and areas such as York. Some respondents expressed concern over accountability if politicians from outside WY were involved in decision-making without being formally constituted members of the CA.

- **Functional scope** - there was strong support for the proposed CA having a clear focus on statutory transport and economic investment functions. Other respondents were supportive of the CA potentially taking on additional functions at some point in the future – e.g. waste management, strategic planning, housing, health, education, regeneration, police and crime, and fire – but the consensus was that any revision of scope should be incremental and only considered after full review.
- **Options for the PTE** – there was no consensus on a preferred option for the PTE. Those in favour of transferring the PTE to the CA cited:
 - the potential for a simpler governance structure and removal of duplication;
 - the potential for efficiency savings and a flatter management structure;
 - the integration of transport planning and delivery; and
 - enhanced accountability with the CA having direct control over planning and delivery

Those in favour of maintaining the PTE as a separate body noted:

- the importance of separating planning from delivery to maintain services and a balance between political and passenger needs;
 - the potential cost of dissolving the PTE; and
 - the retention of specialist expertise and operational structures
- **Links with the LEP** - some respondents felt that a meaningful role for the LEP alongside the CA should be developed, and that the LEP should remain accountable for certain functions. Several noted the importance of ensuring business involvement/ representation within the CA; others expressed concern over the geographical disparity between the LEP and the proposed CA. A number of respondents felt that there should be limited LEP involvement, since private sector board members are not democratically accountable. Several respondents commented that the LEP needs to be strengthened before it can play a meaningful role alongside the CA – particularly in business engagement, so that it fully and accurately reflects business views.
 - **Scrutiny** – as noted, the majority of comments supported the creation of a JSC. Several respondents noted that the JSC should not be made up solely of councillors, and that independent representatives from business and the wider public should be included. Some commented that CA decision-makers should be directly elected officials. Consultation with the Leeds and Bradford scrutiny committees also noted:
 - the importance of the CA avoiding mission creep and the need for subsidiarity;
 - the issue of fairness – for example votes in relation to size and contributions;
 - the need for effective communications and management of public perception; and
 - the need for lean and efficient officer and support structures

4.1.5.4 DCLG/ DfT feedback

- **DCLG** detailed feedback highlighted that:
 - the review and scheme were considered generally robust
 - the model had been tested with BIS in relation to the extent to which it is fit for purpose in bidding for Local Growth Fund
 - they wish to ensure the review and scheme keep the door open for further discussions post-June 2013 mini Spending Review, e.g. on potential additional functions (such as transport, housing and skills) to ensure these are Heseltine-compliant
 - some further clarity would be desirable on CA costings and a statement that new CA arrangements would cost “no more than” existing welcome
- **DfT** light-touch feedback on an earlier draft of the review and scheme noted:
 - that there is clarity the CA would improve the alignment of decision-making on land use with decisions on transport and economic development
 - the need to clarify how the CA would support the streamlining of officer support functions
 - consideration should be given as to how the CA could exercise at least some highways functions (although none have been specified)

4.1.6. The results of the consultation process (as summarised above) have been considered in finalising the Governance Review and Scheme.

4.1.7 There has been a relatively good level of response to a consultation of this nature and it is considered that overall the responses reflect a broad level of support for the plans to establish a West Yorkshire Combined Authority. It is considered that the significant level of support for the following aspects of the Review and Scheme serve to endorse the original proposals:

- A West Yorkshire CA will improve statutory Council functions (transport, economic development and regeneration), efficiency of transport and the overall economic conditions;
- West Yorkshire is the correct geography for the CA;
- The CA should have an initial sole focus on statutory transport and economic investment functions; and
- The CA should be held to account by a Joint Scrutiny Committee

4.1.8 In some aspects the results of the consultation were in-conclusive. These are highlighted below and commented upon as appropriate:

4.1.8.1 Involvement of non-West Yorkshire authorities

The Review concludes that there must be sufficient flexibility in the Combined Authority arrangements to involve other authorities that are part of the same ‘functional economic area’ as West Yorkshire. The economic rationale for the inclusion of additional authorities was echoed in a large number of the consultation

responses, often referring to the successes achieved by the Leeds City Region and the need to maintain effective links with the LEP.

The Final Scheme is put forward retaining the proposal that York and the LEP are invited to be members of the Combined Authority.

4.1.8.2 Future expansion of CA scope

The proposal is retained that the potential future scope of the Combined Authority does not need to be directly referenced in the final Review or Scheme. However, this is something that may need to be re-visited in the medium term and the results of the consultation process would be a useful starting point to that discussion.

4.1.8.3 Integration of the Passenger Transport Executive

In the absence of a conclusive response to this question, further consultation was carried out with the Leaders of the 5 districts who considered a range of information about the potential risks and opportunities associated with either integrating the PTE or retaining it as a separate legal entity. Whilst recognising the financial implications of integrating the PTE, the Leaders supported the proposal for integration. On balance, it is considered that the transitional costs of transfer are justified by the opportunity this would provide to establish an effective, streamlined delivery body, positioned to progress a wide range of integrated economic development and transport agendas for a bold, future proof Combined Authority.

The Scheme recommends the integration of the PTE on this basis.

4.1.8.4 Links to the LEP

It is noted that a significant number of respondents did not feel well informed enough to be able to comment on the relationship between the LEP and the proposed Combined Authority. On this basis, they emphasised that this issue must be picked up in future communications activity to ensure that both the overlaps and the distinctions between the two bodies are understood by partners. It is suggested that the Combined Authority's relationship to the LEP should be further explored by the shadow Combined Authority in the context of the Combined Authority's next stage of development.

4.1.9 As a general point, the breadth of issues raised by partners is noted, and it is proposed that the majority of these could be suitably addressed through effective communication and dialogue which should follow. This should also play a critical role in informing the next stage of the Combined Authority's development.

4.1.10 It is proposed that the results of the consultation process, and its impact on the Review and Scheme, is communicated via a public facing report for all partners. This is due to be published at the end of June 2013 and will also provide an opportunity to address the range of issues and queries raised by stakeholders and explain how where appropriate, these have been/will be taken into account in developing the Combined Authority.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 As a public authority, the Combined Authority will need to ensure its policies, services and functions give proper consideration to equality, diversity, cohesion and integration as far as these affect service users, employees and the wider community.
- 4.2.2 It is proposed that the consideration by the Council of a final draft Order in the autumn for the creation of the Combined Authority should be accompanied by a Screening Process to help judge, as far as possible, the relevance to equality, diversity, cohesion and integration of the Combined Authority's proposed policies, services and functions. The screening process will also establish whether or not it is necessary to carry out an Impact Assessment.

4.3 Council Policies and City Priorities

- 4.3.1 The 'City Deal' will bring powers and resources that will support the Vision for Leeds; Children and Young Peoples City Priority Plan; Sustainable Economy and Culture City Priority Plan; the Housing and Regeneration City Priority Plan; and the Leeds Growth Strategy. Also the LCR Transport Strategy and WY Local Transport Plan.

4.4 Resources and value for money

- 4.4.1 Although the legislation does not suggest Combined Authorities are primarily aimed at producing efficiency, it is recognised that they need to operate in an environment of reducing public sector budgets. That is the financial reality in which a West Yorkshire Combined Authority would be established.
- 4.4.2 As a strategic decision making and delivery body for WY, Leaders have agreed that the running costs of a West Yorkshire Combined Authority should be no more than the arrangements that it will replace, based on the creation of no significant new staffing structures and by utilising existing capacity currently within the constituent District authorities and, the PTE. Given the proposals do not include the transfer of any highway functions from the district councils to the Combined Authority, consequently no changes are proposed for District Council Highway Authority staff.
- 4.4.3 There is no proposal to create an additional layer of bureaucracy: the ITA will be dissolved and, subject to undertaking due diligence to identify any risks and costs and to establish long term value for money, for the PTE to be dissolved upon the creation of the Combined Authority, which would assume all of the ITA's and the PTE's transport powers duties and functions, along with a statutory transfer of staff, assets and liabilities.
- 4.4.4 There will however be a need to prioritise some transitional costs if the step-change set out in governance and the delivery of an ambitious vision for growth, jobs and connectivity is to be achieved, for example transferring staff, and generally identifying and delivering the most effective transport and economic investment priorities in support of accelerating economic growth.

4.4.5 In the longer term, it is estimated that further efficiencies will be delivered by better co-ordinating existing authorities and associated bodies and organisations.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The commitment within the LCR City Deal Implementation Plan is to put in place a Combined Authority by April 2014. The timeline for achieving this is challenging, and the key next steps are shown at section 3.3 of the report. If the report were to be called in, the milestone of submitting the Final Combined Authority Scheme to the Secretary of State by July 2013 would not be achieved and this would be highly likely to result in the delay the creation of the Combined Authority. In addition to the failure to deliver against our commitments in the City Deal Implementation Plan, there would be practical negative consequence of any delay e.g. by creating unhelpful uncertainty for WYITA and PTE staff to be transferred into the Combined Authority.

4.5.2 It is therefore recommended that this report is treated as being exempt from Call-in due to the urgency for Council to consider submitting a Final CA Scheme to the Secretary of State by July 2013.

4.5.3 Section 103, LDEDCA authorises the Secretary of State for Communities and Local Government and the Secretary of State for Transport, jointly, by order, to establish as a body corporate a combined authority for an area that meets the specified conditions.

4.5.4 If the Council together with the other 4 West Yorkshire district councils resolve to publish the Scheme and consent to be included in a Combined Authority, the next stage will be for the Secretary of State to consider the Scheme and consult on this with a view to preparing a statutory order to create a Combined Authority. The relevant steps in the process and anticipated timetable are set out at paragraph 3.3 above.

4.5.5 It is anticipated that officers from the district councils and in particular those from the Combined Authority working group chaired by Adrian Lythgo Chief Executive for Kirklees Council, will work closely with officers from DCLG in preparing the draft Order. As part of the recommendations therefore is a recommendation that the Chief Executive be authorised in consultation with the Leader (and in consultation with the other West Yorkshire Authorities) to take such steps as are necessary to facilitate the process including the preparation and drafting of appropriate documentation.

4.5.6 A Combined Authority is a distinct legal body with a legal personality and powers in its own right. This body will have all the powers and duties of the current WYITA and WYPTE. In addition, the Combined Authority will have the benefit of well-being powers which are specifically reserved to Combined Authorities by the LDEDCA together with a range of incidental powers. These are equivalent to the former powers of well-being provided to local authorities which have now been replaced with the General Power of Competence by the Localism Act 2011. These will provide broad powers to address economic development issues.

- 4.5.7 The Combined Authority shall also have the benefit of any function of the Secretary of State delegated to it by the Order of the Secretary of State pursuant to Section 86 Local Transport Act 2008 and Section 104(1) (b), LDEDCA. Such functions shall be exercised subject to any condition imposed by the Order.
- 4.5.8 There are no additional specific powers contained within the Scheme other than those mentioned above and no functions have been ceded by the district councils to the Combined Authority. The Scheme does however provide for the Councils to delegate additional functions at a later date if they so choose.
- 4.5.9 With regard to the constitutional arrangements for the Combined Authority, the councils are required to set out in the Scheme the rules determining membership of the new body and the voting powers (see Appendix B paragraphs 7-18). The Scheme also includes proposals for a joint overview and scrutiny committee. It will be necessary as part of the next steps in the process to prepare the necessary constitutional documentation which will not form part of the statutory Order but which in due course will need to be agreed by the 5 districts and which will govern the new governance arrangements. It is proposed to bring a further report back to consider these in due course.

4.6 Risk Management

- 4.6.1 The devolution in relation to powers and funding on transport contained in the LCR City Deal are contingent upon the establishment of a Combined Authority. Failure to establish a Combined Authority may therefore constitute a risk to the economic recovery of the City Region. The process for establishing a Combined Authority is not fully under this Council's control and its establishment by April 2014 in line with the City Deal implementation Plan is subject to approval by the other West Yorkshire Authorities, including the ITA, and also by both Houses of Parliament. However, these risks are mitigated by comprehensive discussion across the West Yorkshire authorities, and engagement with Government at an early stage.
- 4.6.2 Risks relating to mis-perceptions about the role or remit of the Combined Authority will be managed through a careful communication plan, building on communication and press releases to date and to be delivered between July and the creation of the Combined Authority in April 2014, subject to Executive approval.
- 4.6.3 The recommendations contained in this final Review and Scheme are consistent with the Council's commitment to accountability and decision making at the local level.

5 Scrutiny

- 5.1 Executive Board requested that Scrutiny Board (Resources and Council Services) considered the proposals to establish a Combined Authority for West Yorkshire. The Scrutiny Board made several comments and observations.
- 5.2 First the Board recognised that the creation of a Combined Authority is not without risk and will require Leadership to ensure the constituent authorities remain unified. The view of the Scrutiny Board was that Leeds should provide that leadership.

- 5.3 The Scrutiny Board questioned the proportionality of the Committee, which is one member, one vote. The Board acknowledged the suspicion the smaller authorities may have of Leeds. However the view of Scrutiny Board Members was that Leeds should have a greater number of votes given its vastly greater population and the fact that funding support would be calculated by population head.
- 5.4 Scrutiny Board members were uncertain as to how the three opposition Members would be determined. A view put forward was for Leeds and Bradford to have standing opposition representation with the third rotating.
- 5.5 On the issue of infrastructure support, Members of the Board stressed that the Combined Authority should not require a significant officer structure to support it and any support that is required is drawn, wherever possible, from existing resources across the participating authorities. Members would also like to see a strong performance / audit culture around the Combined Authority, which would regularly review how well the Combined Authority was maximising opportunities.
- 5.6 Finally the Scrutiny Board expressed strongly the view that there must be a strong Overview and Scrutiny function to act as critical friend and to ensure democratic accountability, beyond the three opposition Members sitting on the Combined Authority. The Board indicated it would support a joint Scrutiny Committee approach, providing this had adequate powers and resources.
- 5.7 These points have been considered in the development of the proposals for the Combined Authority. Leeds will continue to provide leadership on the Leeds City Region agenda. Whilst funding support will be on a per population basis, investment decisions will be prioritised on the basis of economic impact. Leeds is well placed to secure resources from city region investment funds that are at the very least commensurate with what Leeds contributes initially. It is not intended that the Combined Authority will result in a significant new officer structure; it will be formed mainly from existing officer teams. The proposals include developing appropriate scrutiny arrangements.

6 Conclusions

- 6.1 Through the City Deal, significant new powers to support economic growth and job creation have been devolved to Leeds City Region from Whitehall. There is now a need to put in place the right governance arrangements for managing these powers and investment funds, and to secure transfer of further powers from national Government to Leeds and the Leeds City Region.
- 6.2 The Review of governance has concluded that a West Yorkshire Combined Authority is the best option to ensure the delivery of the existing Leeds City Region City Deal, and to secure from Whitehall further devolution of powers and funding to support economic growth.
- 6.3** The Scheme sets out the proposed role and structure of the proposed Combined Authority. It is proposed that the Combined Authority would have extensive transport powers, and would take on the functions of the Integrated Transport

Authority (which would be dissolved). It would also have powers to oversee economic investment, and general powers.

- 6.4 The main focus of the Combined Authority would be on drawing powers down from Whitehall, not pooling together powers and responsibilities held by individual local authorities.

7 Recommendations

- 7.1 It is requested that Executive Board recommends the following to Council at its meeting on 1st July:

- i) To consider the findings of the Review of governance arrangements relating to transport, economic development and regeneration, pursuant to Section 108 of the Local Democracy Economic Development and Construction Act 2009 and Section 82 of the Local Transport Act 2008 (as set out at Annex A to this report), together with the results of the consultation exercise conducted (at Section 4.1 of this report).
- ii) For the reasons set out in the Review document, to agree that the establishment of a Combined Authority for the area of West Yorkshire would be likely to improve:
 - the exercise of statutory functions relating to economic development, regeneration and transport in the area;
 - the effectiveness and efficiency of transport in the area; and
 - the economic conditions in the area.
- iii) To endorse the Final Scheme (in the form set out at Annex B to this report) including the proposal that the West Yorkshire ITA is dissolved, and that the West Yorkshire PTE is also dissolved and that all their individual functions, property, rights, liabilities and staff are transferred to the Combined Authority.
- iv) To agree to publish the Scheme pursuant to section 109(2) of the Local Democracy, Economic Development and Construction Act 2009.
- v) To consent to the inclusion of Leeds City Council in the area of the Combined Authority.
- vi) To agree that the City of York Council and the Leeds City Region Local Enterprise Partnership should be invited to join the Combined Authority for the area of West Yorkshire as non-constituent members.
- vii) To authorise the Chief Executive, in consultation with the Leader and with the other West Yorkshire Authorities to undertake such steps as are necessary to facilitate the submission of the Scheme and the preparation of the draft Order.

8 Background documents¹

8.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.