

Local Democracy Economic Development and Construction Act 2009 and Local Transport Act 2008 West Yorkshire Authorities Statutory Review

Executive Summary

1 The economic situation is challenging and is likely to remain so for some time to come. Leeds City Region, its LEP and the constituent local authorities, has been and will continue to be an engine for growth in the North. But not all parts of the City Region have benefited from that prosperity. Despite our successes we are still a net spender of UK tax revenues, and there is not enough local control over the policies which affect our economy.

2 Our City Deal, agreed with Government in July 2012, is the key to change that – based on a ‘coalition of the willing’ model to become more self-reliant and unlock our economic potential, ensuring we become a net contributor to the UK tax base by delivering our shared ambitions for growth, jobs and lasting prosperity. To do this we need to drive productivity growth by investing in infrastructure, skills and business trade and investment. Different economic times require different interventions: the partner councils, working with the Local Enterprise Partnership, are best placed to take the tough decisions about where to focus these interventions, drive delivery and be accountable for the results. The Leeds City Region Partnership has therefore developed a long term vision to build “a world-leading dynamic and sustainable low carbon economy that balances economic growth with a high quality of life for everyone”.

3 The City Deal offers devolved powers and greater freedom over funding provided it can show that the way it is all managed is fit for purpose. Government has therefore invited the West Yorkshire councils of Leeds, Bradford, Wakefield, Calderdale and Kirklees to consider whether collaborating more formally in what is called a “Combined Authority” might be a better way of improving delivery and of stimulating local economic growth across the City Region, and exercising greater local control.

4 If a Combined Authority were to be created, it would require a proposal (legally called a “scheme”) to be written and given to the Secretary of State for approval. A scheme has to include the area of the Combined Authority, its proposed membership, voting, 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. This would have to be done by July 2013 and if the Secretary of State agreed, following any consultation he may wish to undertake, he would then propose the new arrangement to Parliament for approval. If Parliament agreed, a Combined Authority could be created in April 2014.

5 Government have said that if the West Yorkshire local authorities wish to do this the Government will give them more money and more power to do what they think is right in their area, both through the City Deal and potentially also the Single

Local Growth Fund which was announced in the 2013 Budget. But first it is a legal requirement that there must be a review of the existing arrangements to make sure that the case for change is a good one. Local authorities will also consult with partners before moving forward with any change.

6 The leaders of the five West Yorkshire councils, together with the Chair of the Integrated Transport Authority, have asked their Chief Executives to conduct this statutory review. The Review must cover how transport, economic development and regeneration are managed now. The main priority is whether having better arrangements could improve the delivery of statutory transport and economic functions and therefore stimulate economic growth. The leaders believe that economic development should be handled by most appropriate geographic and administrative level possible. They have also agreed that the City of York council must do their own review running side by side with the one in West Yorkshire. The council leaders and the Chair of the Integrated Transport Authority have also asked their officers to prepare for a consultation on the idea of a Combined Authority.

7 The idea of authorities working together on some activities is not new. In West Yorkshire for example, there is already joint working on the West Yorkshire local plan for transport (LTP). Archives and Archaeology and Emergency Services are further examples of this joint working. In the Combined Authority proposal, the review has looked at statutory economic development and transport functions as defined by the legislation covering the establishment of a Combined Authority. The review concludes that West Yorkshire is not doing as well economically as it should when compared to others, particularly nationally and internationally. It also concludes that for West Yorkshire to do better the five councils plus York should work together on economic investment and transport and that the best way to do this would be to create a Combined Authority covering these activities.

8 Putting some economic investment and transport functions together in a Combined Authority would bring responsibility for funding pots such as the proposed £1bn West Yorkshire Plus Transport Fund. Government have said in the City Deal that such a development would lead to a ten year deal for funding major transport schemes, with local freedom to decide priorities without further reference to Whitehall. Such an arrangement could also be accountable for the bringing together of a series of economic investment funding streams across the City Region into a Single Pot worth £400m, as part of the Single Local Growth Fund process. A Combined Authority would also help to clarify the respective roles and improve the relationship between the councils and the Local Enterprise Partnership (LEP).

9 During April the individual WY District Authorities and the ITA agreed that the proposals to establish a Combined Authority should be consulted upon. This demonstrated there was strong, broadly based support for reform and it provided an opportunity for the public, business and other key stakeholders to share their views.

10 It is proposed that the “scheme” (see paragraph 4 above) confirms that a Combined Authority should for now just cover the five West Yorkshire District authorities. The Combined Authority would not be a directly elected body. The leaders wish to directly represent their individual councils on the Combined Authority, and the leaders believe it would be in the best long term interest of the local

economy to include other political representatives from opposition groups to ensure there is stability over time.

11 Including York in the Combined Authority area 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 member, as should a representative from the LEP, with door being left open for other partner members over time.

12 The current thinking is that 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 by enabling the control over powers and funding which would otherwise be managed from Whitehall, such as Major Transport Scheme Funding and the Single Local Growth Fund. 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 would be specified in the "Scheme". All other functions not mentioned would remain the direct responsibility of individual District authorities.

13 For those areas of activity which the Combined Authority would have power to act on directly it could become the employer of the people delivering those activities should that be determined subsequently as the best delivery mechanism. In addition, the Scheme considers the required additional committees arrangements to oversee and hold to account the delivery of its key activities.

1. Introduction

Context

- 1.1 The economic climate remains challenging. Recovery has been slow and hesitant and particular sectors remain at well below capacity (e.g. construction). And whilst the Leeds City Region (LCR) has been relatively successful in making the transition from a predominantly industrial to a more diverse economy there remain challenges, including in the West Yorkshire area of the City Region in terms of labour market participation, skills and levels of economic activity. Without co-ordinated and well-targeted locally determined investment, these issues will remain unaddressed.

Vision

- 1.2 The Leeds City Region Partnership has therefore put in place long-term vision to build **'a world-leading dynamic and sustainable low carbon economy that balances economic growth with a high quality of life for everyone.'**
- 1.3 In 2011 the LCR Partnership launched an economic Plan, outlining its priorities and strategy to help achieve this vision. There are three key targets:
- to accelerate output growth to an average 2.6% per year to 2030
 - to create 60,000 new jobs by 2016
 - to achieve a substantial reduction in City Region carbon emissions

City Deal

- 1.4 The LCR City Deal, agreed with Government in 2012, is a coherent package to help these targets to be achieved. Taken together, its propositions to improve skills, increase exports and deliver much higher levels of investment in transport and other infrastructure – followed by further discussions with Government on business friendly planning and low carbon – will remove many of the barriers that are currently preventing the City Region from realising its full economic potential.
- 1.5 If these proposals are implemented, a big step will have been taken towards a faster-growing City Region and a start made towards generating extra tax revenues for the national purse. For example, a 10% reduction in LCR unemployment will generate an extra £1.3bn for the Exchequer over the next decade as a result of the extra taxes received and lower benefit spending by Government. What is asked from Government is that Departments work with local partners to devolve the freedoms and flexibilities that will enable us to fulfil our ambitions for Leeds City Region and play our full part in the UK's economic recovery.
- 1.6 Delivery of the City Deal is through a sub regional 'coalition of the willing' model, based on the principles of self-help such as active resource pooling and investment in those assets and infrastructure which will do the most to correct market failures. For example, road congestion and rail over-crowding

leading to poor connectivity and access to jobs within and between Districts and to markets, has been holding back our economic prosperity. This is being addressed via the commitment to establish a £1bn Transport Fund between WY and York, which includes as part of the City Deal a devolved 10 year allocation of £182m from DfT's major transport scheme budget. It is anticipated that prioritising **£1bn of investment against a Single Appraisal Framework and in line with the LCR Plan will create uplift in GVA of 2% (£1bn p.a.) and increase permanent jobs by some 20,000 in the medium term.**

Requirement for a Statutory Review

- 1.7 As a result of the substantial package of devolved funding and powers on offer, in particular in relation to Transport, the City Deal also commits the West Yorkshire authorities to formally reviewing the governance arrangements for their area of the City Region¹. Going forward, this is to ensure that these arrangements are fit for the purpose of delivering the ambition of the City Deal. This Review is to test the proposition that a Combined Authority (CA) is the best governance option against the Statutory test under Part 6 of the Local Democracy, Economic Development and Construction Act, 2009 (LDEDC) and s82 of the Local Transport Act 2008 by being likely to improve:
- the exercise of statutory functions relating to transport, economic development and regeneration;
 - the effectiveness and efficiency of transport and economic development; and
 - the economic conditions of the area.

- 1.8 Therefore in addition to the Review required under the LDEDC Act 2009, a further review is required under the Local Transport Act 2008. The LTA review is required to look specifically at benefits of the transfer of the current functions of the ITA to a CA and the abolition of the ITA thereafter. These matters are inextricably linked with the LDEDC review, and this Review proposes to deal with both matters at the same time.

Key steps

- 1.9 Subject to the outcome of the Review, the City Deal commits West Yorkshire partners to preparing a draft Scheme for consideration by the Secretary of State by July 2013. The Secretary of State would consult, including with the Authorities concerned, and if he concludes a CA will reflect the interests of local communities and secure effective and convenient local government, a

¹ West Yorkshire covers the local authority districts of Bradford, Calderdale, Kirklees, Leeds and Wakefield and also the West Yorkshire Integrated Transport Authority, which is the Local Transport Authority for the area. Subject to the legislation and agreement by each local authority, others would also have the opportunity to join the Combined Authority, so in the future this could expand to cover the whole LCR LEP area including York and potentially the North Yorkshire Districts of Selby, Craven and Harrogate. There are separate proposals for Barnsley, which is also part of LCR, to be part of an adjoining Sheffield City Region CA.

draft Order would then need to be approved by both Houses of Parliament to bring the new body into being by April 2014, in line with the City Deal Implementation Plan.

1.10 A key point to note is that the creation of a CA will necessitate the transfer to the CA of all the transport powers, functions and duties of the current local transport authority, WYITA. The WYITA would then be dissolved. Following consultation with Leaders, in order to create more streamlined and integrated delivery arrangements, and subject to undertaking a process of due diligence to identify associated risks and costs and to establish long term value for money, it is proposed to transfer the functions, powers and duties of the PTE into the CA, which would also require the PTE to be dissolved.

1.11 By November 2012 the five WY District authorities and the ITA had therefore individually agreed to:

- be party to a Review of governance arrangements relating to transport, economic development and regeneration in WY pursuant to Section 108 of the LDEDC Act 2009 and Section 82 of the Local Transport Act 2008;
- authorise Chief Executives in consultation with Leaders to prepare the Review including a consultation draft Scheme for a CA, subject to the findings of the Review;
- note the provisional timetable for delivering the City Deal commitment to establishing a CA by April 2014, in order to be in a position to receive significant devolved powers and funding via the City Deal (this would require a final Scheme of governance to be submitted to the Secretary of State by July 2013); and
- also, along with York, the ITA have agreed to a WY and York geography for the devolution of post 2014 major transport Scheme funding.

1.12 WY Chief Executives have progressed with the preparation of this Review in line with the legislative requirements through an officer task group chaired by the Hon Secretary of the Association of West Yorkshire Authorities (AWYA) and drawn from the District authorities including York and the ITA².

A note on the CA Model

As the areas covered by functional economic market areas (illustrated by, for example, travel to work areas) are typically significantly larger than the areas of individual local authorities, there is considered to be scope for improvements to be made to economic outcomes through joint decision making and close coordination of delivery activity across these economic areas.

² The Review has drawn upon the views of key external stakeholders, including the LCR LEP, and also an independent panel of experts chaired by John Jarvis, former Director of Transport for the Northern Way, and including Jim Steer, founding Director of Steer Davies Gleave, Professor Peter Mackie, University of Leeds Institute of Transport Studies, and Professor Mike Campbell, former Director of Research and Policy of the UK Commission for Employment and Skills.

- 1.13 A CA is statutory body which takes on the combined role of Local Transport Authority and Economic Prosperity Board (EPB) for an area by agreement with the constituent District authorities and Government. In an area which already has an ITA as the Local Transport Authority, the ITA would need to resolve to be dissolved so that its functions could be transferred to the CA. The constituent District authorities need not cede any functions to the CA, such as highways or economic development functions, although they may choose to do so or to share appropriate functions with the CA, where this would demonstrably improve economic conditions. The CA provides an opportunity to take on powers and funding which would otherwise be managed from Whitehall.
- 1.14 The CA model therefore allows groups of relevant Authorities to work closely together on a voluntary basis to provide a framework to deliver improvements in transport across their sub-regions and appropriate economic investment activity. They are intended to support improved strategic decision making on these issues.
- 1.15 By establishing a CA, a group of relevant Authorities is able to create a sub-regional 'body corporate' with legal personality that can act across their combined area in conjunction with the constituent authorities. This body would be able to take on agreed transport and economic investment functions providing a mechanism for governing and managing these activities at a strategic and integrated level across the sub-region. As a Combined Authority has a separate legal identity from the constituent authorities it is able to hold budgets, employ staff and enter into contracts (e.g. to act as accountable body for funding distributed by Government) and to collaborate with local authorities within the wider LCR functional economy. The activities of the CA are governed by its members, a majority of whom must be elected members of the constituent local authorities, ensuring its local democratic mandate. A CA makes the delivery of strategic decisions more streamlined and efficient, e.g. by removing the requirement for each district authority to ratify the same decision separately.

Consultation on Interim Review and Scheme

- 1.16 A consultation and engagement was authorised on the interim Review and draft CA Scheme by the WY District Authorities, including the ITA, in April. This activity included issuing a Press Notice on the consultation launch, and operating a consultation micro site (hosted by Kirklees Council) – between 26th April 2013 and 17th May 2013. From this process, a total 104 responses were received. Key stakeholders, including Government Departments and Agencies were also alerted to the consultation. Additionally, a cross party briefing session of local MPs and Peers session took place in April. The table below highlights some of the key results from this process.

Some key findings and issues raised during engagement and consultation

- **Public** consultation key findings from 104 responses received (23% of respondents were from business, with 68% from members of the public), with the following headlines:
 - 67% support the interim Review recommendations
 - 74% support the proposed geography of the CA
 - 48% would like other (non WY) Councils to be involved
 - Only 31% would like the functions of the CA to be expanded
 - There was no consensus on the two PTE options contained in the draft Scheme, with approximately equal numbers favouring each option.
 - 72% of respondents would prefer a Joint Scrutiny Committee to be established to hold the CA to account

- **LCR Business Communications Group:**
 - opportunity to brief representative organisations (invitees included including IoD, CBI, Chambers and Federation of Small Business);
 - the Group sought assurance that there would be no direct additional tax burden imposed on business arising from the CA proposals; and
 - it was agreed that a further detailed briefing to on WY Plus Transport Fund and Economic Investment Fund would be helpful.

- **District Scrutiny Committees and ITA:**
 - need for CA to avoid 'mission creep', eg by expanding its proposed scope;
 - issue of local fairness, eg local influence and benefit in relation to District size;
 - need for to ensure that decisions are made at the most local level possible;
 - support for Joint Scrutiny Committee;
 - need for additional clarity on supporting sub structures;
 - need for lean and efficient officer and support structures; and
 - to be aware of delivery risks

The Review document

1.16 The remaining sections of this document cover:

- 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 the opportunity of the Single Local Growth Fund; and
- conclusions.

2. Evidence that the WY economy is not performing to its full potential

LCR context

2.1 Leeds City Region, of which West Yorkshire forms a key sub area, has a diverse and resilient economy³ that possesses a combination of economic heft and unique assets which create an inherent critical mass and potential for economic growth:

- the largest recognised City Region in the country outside London, with a population of 3 million;
- generates 5% of English economic output with annual GVA of £52bn;
- the largest number of manufacturing workers anywhere in the UK and the largest number in financial and business services outside the capital;
- possesses nationally and internationally competitive clusters in
 - **health and life sciences** – particularly biotechnology, advanced surgical instrumentation, pharmaceuticals, regenerative medicine and telehealth
 - **low carbon industries** – home to: substantial renewable and low carbon energy capacity in on-shore wind, biomass, energy-from-waste and micro-generation; leading manufacturers in the low carbon supply chain and strong environmental consultancy expertise
 - **digital and creative industries** – including the Airedale digital cluster, whose turnover is on a par with that of Cambridge
 - nationally and regionally significant hubs of activity in **financial & business services** (notably finance and legal services) and **manufacturing** (notably textiles, food & drink, aerospace components, automotive engineering, printing & publishing and construction fabrication) but based on a core of precision engineering;
- quality of life is outstanding, from the internationally renowned landscape of the Yorkshire Dales to world-class cultural assets that include being the home of modern British sculpture;
- a location at the heart of national railway and motorway networks provides easy access to global markets and means LCR is ideally placed as a location for the logistics industry; and
- **innovation** assets including a **highly skilled** workforce:
 - one of the largest concentrations of higher education in Europe, with 8 institutions producing 36,000 graduates each year
 - 2 universities in the world's top 100
 - 36% of combined LCR university research is ranked as world-class, and 10% is world-leading in fields such as business & management, medical & healthcare technologies, pharmaceuticals and biotechnology, nano-technology, advanced engineering and advanced textile technology
 - 15 FE colleges teaching 110,000 students and

³ *Index of Economic Resilience*. Report by Ekosgen for Yorkshire Cities, 2011.

- 11 centres for industrial collaboration, a variety of specialist research institutes and 23 knowledge transfer partnerships.

2.2 Like all areas, the City Region economy faces challenges in achieving its full growth potential. These include:

- **skill levels** in the workforce that have improved, but remain below average;
- a national and international profile that is not strong enough in comparison with competitor City Regions, which has hampered our ability to attract new inward investment in recent years⁴ ;
- **below-average export** rates - recent business survey data shows that only 10% of firms in the City Region export outside the UK.⁵;
- **business start-up**, survival and growth rates that lag behind the national average;
- smaller-than-average private sectors in some parts of the City Region; and
- low levels of public sector investment in some sectors, which have left the supply of infrastructure lagging behind what is needed to support a world-leading economy⁶

2.3 As a result, although **productivity levels** match those of most of the core City Regions, they are still not improving overall economic performance relative to national or international competitors. Since the start of the recession the City Region has lost jobs twice as fast as the national average.

WY economic performance

2.4 Although LCR is the area's recognised functional economic market area, West Yorkshire represents its core, and in its own right evidences strong elements of economic self-containment but with clear linkages and interdependency with the wider City Region economic footprint in terms of a wider labour and housing market area⁷:

- 96% of WY's working residents work inside the West Yorkshire area;
- the proportion of the workforce residing inside West Yorkshire is 91%;
- 36% of those WY residents working outside of the area work in the rest of LCR, with some 7% working in York; and
- 40% of the WY workforce residing outside of WY lives in the rest of LCR.

2.5 The headline economic data shown in the table below indicates that for a sub region of its scale and demographic composition (2.2m population with a fast

⁴ A recent report by fDi Intelligence, part of the *Financial Times*, found that West Yorkshire ranked 15th in the country for inward investment, behind Birmingham, Manchester, Tees Valley and Newcastle.

⁵ *Leeds City Region Business Survey*. Yorkshire Cities, 2011.

⁶ For example, public sector investment in housing in Yorkshire & Humber has consistently seen the lowest allocation per capita of any region, while investment in transport has remained at much lower levels than in London and the South East for many years.

⁷ Data supplied by Javelin Group 2013

growing younger age group than nationally), WY is not punching at its weight and is falling behind.

ECONOMIC INDICATOR	WY PERFORMANCE
GVA	<ul style="list-style-type: none"> • WY GVA per person stood at £17,600 in 2009 • This has grown by 46% since 1997 (making no allowance for inflation) – against UK growth of 60% • GVA per person in relation to the UK average has dropped from 96% of the average in 1997 to 88% in 2009
EMPLOYMENT	<ul style="list-style-type: none"> • The WY employment rate fell from 72% to 67% between 2005-2012 • The UK employment rate fell from 72.5% to 70% over the same period • i.e. West Yorkshire was close to the UK average in 2005, and is now well below
UNEMPLOYMENT	<ul style="list-style-type: none"> • The WY unemployment rate rose from less than 5% to over 10% between 2005-12 • The UK unemployment rate rose from less than 5% to 8% over the same period • i.e. West Yorkshire was in line with the UK average in 2005, and is now much higher
EARNINGS	<ul style="list-style-type: none"> • Average earnings of those living in West Yorkshire in 2012 were 94% of the UK average • Average earnings of those working in West Yorkshire in 2012 were 97% of the UK average
SKILLS	<ul style="list-style-type: none"> • West Yorkshire skills levels are improving: more people have degrees; fewer with no qualifications • But the WY still lags behind UK and hasn't closed the gap: <ul style="list-style-type: none"> ○ 27% with degrees in 2011, compared to 33% in UK ○ 13% with no qualifications in 2011, compared to 13% in UK

Realising economic potential

2.6 To improve productivity and jobs in those urban areas with several centres, such as WY, there is a need to better connect the key towns and cities to reduce congestion, reduce journey times (shrink distances) between places,

and improve freight transfer⁸. In contrast, the same study finds that in urban areas with a dominant single centre such as London, there should be a focus on connecting the centre with its suburbs, also connecting it with more distant urban centres. For all types of urban area, there is also an economic case for improving Airports links to boost international trading and GDP.

2.7 The LCR City Links report⁹ finds that more complementary economic relationships between our towns and cities, supported by improvements in transport connectivity, would generate higher levels of sustainable economic growth and development. It finds that neighbouring cities and towns can maximise economic benefits by focusing on how their distinctive assets affect their links. Another conclusion is that policy priorities should vary according to place. For West Yorkshire, the priorities should be an integrated approach of:

- **up-skilling** programmes for local residents; and
- improving transport links to ensure residents can access and benefit from economic opportunities e.g. the LCR Enterprise Zone (EZ), city centre and Local Development Framework (LDF) employment sites.
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2.8 In a major international comparative study into the determining factors encouraging and holding back local economic prosperity, the OECD¹⁰ has identified room for improving not just internal connectivity in LCR such as between York and West Yorkshire, but also connectivity to other City Regions in particular to the Manchester and Sheffield City Regions, and across the wider regional territory for both passengers and freight.

The case for governance and institutional reform

2.9 A compelling case for reform is made by the same study. The region's ability to pull everybody together is seen by the OECD to be affected by its polycentricity, geographic dispersion, and institutional complexity, with a large number of Unitary and District authorities covered by the LCR territory. It is noted these factors have made it harder to generate effective communication, strong co-ordination and a common sense of purpose. There is also a developing though, as yet unfulfilled, dialogue about the potential of stronger integration between the relatively close economies of Leeds, Manchester and Sheffield City Regions which has yet to be fully explored, despite evidence showing that stronger linkages could be beneficial to the City Regional, regional and national economies. Another study¹¹ has found that the level of commuting between Leeds and Manchester is about 40% less than would be expected given the physical distance between them, and that this is a significant constraint on economic prosperity.

⁸ EU DG for Regional Policy, 2012

⁹ Northern Way, 2009

¹⁰ Promoting Growth in All Regions, OECD, 2012

¹¹ See Northern Way report: Strengthening Economic Links between Leeds and Manchester, SERC/LSE, November 2009

2.10 The OECD concludes that LCR would benefit from strengthened and more established local governance arrangements, with the lack of effective mobilisation of all key stakeholders currently acting as an important barrier to growth and that:

“Institutional factors are crucial in ensuring successful consultation and co-ordinating among stakeholders within regions, with other regions and central government... Thus, governance matters.”

3. Devolution through the City Deal

- 3.1 The City Deal builds on the Multi-Area Agreement (2008) and City Region Pilot status (2009), which recognised the importance of the LCR economy to the North and that, without an ambitious package of devolution and local governance reform with particular reference to transport, skills and economic development, its full potential would not be realised.
- 3.2 A step change in progress has recently been made in agreeing the basis of and terms for the devolution of powers from Government to LCR through the City Deal. The detailed project plan for delivering the agreement was signed off by the Deputy Prime Minister and the Cities Minister and LCR partners on 19th September 2012).
- 3.3 The signing of the City Deal recognised the role which the City Region plays in the national economy and its potential to rebalance the economy. The City Deal contains ground breaking powers and responsibilities with regard to skills, transport, creating a low carbon economy, planning, trade and investment, and infrastructure investment, empowering the City Region as a driver of national growth. In summary, the outcomes the City Deal will deliver are as follows:

Transport

- Government will grant unprecedented freedoms to build, manage and sustain a local £1bn WY Plus Transport Fund to drive economic growth, subject to establishing WY CA governance arrangements to oversee the operation of the Fund. The freedoms and funding will include:
 - a ten year £182.8m post 2014 major transport scheme funding allocation devolved to WY and York as part of the £1bn WYTF, and in return for dealing with DfT's compliance requirements (Local Transport Body - LTB);
 - consideration by HMT in the next Spending Review of an additional programme of strategic local schemes;
 - revenue funding as part of the ten year allocation, enabling a broader range of high profile sub regional social and economic issues to be tackled, including subsidising travel to help NEETs and disabled people into employment, education and training;
 - devolved funding paid in advance of incurring costs locally, creating flexibility in sequencing delivery of WYTF schemes;
 - working with HMT to increase the associated local share of public spending for re-investment to create a self-sustaining Fund; and
 - locally determined prioritisation based on a 'Green Book' compliant Strategic Appraisal Framework.
- Ministers are considering the WY, GM and SY expression of interest submitted for local areas to take on the Northern and Trans Pennine rail franchises in 2014. In addition to transforming local accountability, the devolved operation of these franchises would deliver a step change in the economic impact, service quality, and efficiency of rail operations in the North. Putting in place sufficiently strong, stable and visible local governance such as a CA is considered a prerequisite to forming a credible and accountable pan Northern franchising counterparty.
- A compact will be put in place, for example, with the Highways Agency and DfT Rail to ensure that the national strategic transport network, including the Motorways and rail network, support rather than stifle, local productivity growth.

LCR Economic Investment Fund

LCR partners (including WY, York and Harrogate) will create a £400m Economic Investment Fund backed by £200m of pooled local resources, including CIL, retained Business Rates, EU, RGF, GPF and EZ receipts. Investments in scope will include economic infrastructure to promote housing growth, low carbon and flood alleviation, based on a shared investment strategy and the proposed Single Appraisal Framework. Key features of this fund will also include:

- a shared investment programme with the HCA, and conclude discussions about how their assets can contribute to the Investment Fund;
- a Single Capital Pot from central Government in the next Spending Review – this is a key proposal within the Heseltine Review; and
- working with HMT to increase the associated local share of public income for re-investment to create a self-sustaining Fund.

Trade and Investment

The City Deal seeks to close the LCR Balance of Payments gap. This will be achieved through a joint City Region Trade and Investment Plan committing LCR and UKTI to form a new joint Board which is backed by enhanced delivery capacity drawn from local and national resources.

Skills and Worklessness

LCR will offer a Guarantee to the Young, supporting its long term ambition to become 'NEET free'. New initiatives will include a 14-24 Academy and Apprenticeship Hubs. As part of the City Deal, LCR will also take on a leadership role on skills more generally in order to align the skills investments of Government, employers and individuals with real growth sectors in the LCR economy.

Business friendly planning

Local commitment to delivering an effective and business friendly planning system that promotes and accelerates e.g. housing and employment site development and growth, whilst safeguarding the area's natural assets (as per the Planning Charter).

Local Carbon

LCR will deliver the Low Carbon Pioneers programme in collaboration with DECC, alongside a range of other steps to deliver a low carbon built environment.

- 3.4 As a result of the above substantial package of devolved funding and powers on offer, in particular in relation to Transport, the City Deal also commits West Yorkshire authorities to formally reviewing the governance arrangements for their area of the City Region going forward, to ensure that these arrangements are fit for the purpose of delivering the ambition of the City Deal. The next Section considers the existing governance arrangements for West Yorkshire and the wider City Region arrangements.

4. Current governance arrangements

The Association of West Yorkshire Authorities (AWYA)

- 4.1 Collaboration between District authorities at the West Yorkshire level is well established through the Association of West Yorkshire Authorities (AWYA) which has been in existence for almost 20 years. Leaders and Chief Executives of the five member Authorities, meet every six weeks. In recognition of the strong economic links to West Yorkshire, the City of York Council has recently become an associate member of the AWYA.
- 4.2 The role of the AWYA is to:
- Consider matters which are of West Yorkshire-wide significance. Recent issues have included: transport funding; shared services, including highways and transportation; capacity building; City Regional issues; community cohesion; community safety and policing, and waste management.
 - Monitor the budgets of all joint West Yorkshire Authorities and offices, including, the WYITA, the WY Police and Crime Commissioner (WY PCC), the Fire Authority (WYFA) and Joint Services (WYJS), and make nominations to the Boards of the Authorities.
- 4.3 In response to the financial crisis and recession, a focus of the AWYA over the past two years has been on driving local economic growth by for example putting in place, in partnership with the WY Integrated Transport Authority (ITA), a £1bn West Yorkshire Plus Transport Fund to transform the sub regional transport system. This ambition, which is central to delivering the City Deal, will inevitably involve local partners taking robust decisions on assembling a fund of sufficient scale to make an impact and deciding between competing investments. However as is set out in the City Deal, the prize is great: **KPMG has estimated that *£1bn of well-targeted investment in major improvements to the WY transport network will create in the medium term more than 20,000 new jobs in the sub region adding £1bn of economic output per year which is equivalent to an uplift in GVA of 2%.***

Metro

- 4.4 Currently in West Yorkshire, a range of duties, powers and functions for transport and highways is split between the West Yorkshire Integrated Transport Authority (WYITA), the West Yorkshire Passenger Transport Executive (WYPTE), and the five District authorities. The WYITA and WYPTE (collectively known as “Metro” in WY) are both statutory bodies created under the Transport Act 1968 to secure public transport services and facilities required for WY. Under the Transport Act 1985 Metro is also responsible for procuring public passenger transport services following the de-regulation of the bus market. Metro has a duty as the Local Transport Authority to ‘secure or promote the provision of a system of public transport which meets the needs of the area’.

- 4.5 The membership of the WYITA is currently comprised of 22 elected members drawn proportionately from each of the WY District authorities, and based on the legal requirement for politically balanced representation. In 2011, in order to streamline decision making, the ITA created a politically balanced Executive sub-committee with delegated power to carry out all the functions of the full ITA that it was lawfully possible to delegate. It replaced 22 working groups with four functional committees to:
- scrutinise passenger services and integrated transport
 - cover audit and governance issues; and
 - manage the Local Transport Plan (LTP)
- 4.6 The role of ITAs was further strengthened with the Local Transport Act 2008 which introduced their sole role for developing integrated transport strategies for their areas. In West Yorkshire, this includes producing key transport strategy documents:
- The Statutory Local Transport Plan and management of the transport allocation from DfT
 - WY Freight Plan
 - Network Management Plan
 - Rail Plan; and
 - Cycle Plan
 - Transport Asset Management Plan (TAMP)
- 4.7 The District authorities retain control of highways functions including highways maintenance and traffic management. The WYITA is also:
- empowered to create bus franchising schemes and bus services strategy
 - responsible for administering the English National Concessionary Travel Scheme for subsidising public transport;
 - party to rail franchise agreements;
 - responsible for reviewing rail passenger services and advising DfT under the Railways Acts.
 - Responsible for delivering passenger transport information and facilities
- 4.8 The WYITA funds the WYPTE which, as its statutory executive body, has the responsibility of implementing WYITA policies. WYITA is funded by
- the levy on the District Authorities.
 - DfT rail and other grants
 - DfT major scheme grant funds

LCR Partnership

- 4.9 At the wider functional economic market area level of the City Region¹², the eleven participating District authorities, including the 5 WY District authorities and the ITA have been collaborating on the economic growth agenda for almost a decade. This has been on the basis of the City Region being one of the most economically self-contained functional economic areas in the country (having some 95% of people working in LCR residing in its boundaries).
- 4.10 In April 2011, the LCR Local Enterprise Partnership (LEP)¹³ was established as one of the first in the country. And later that year the LEP Board and Leaders Board launched their jointly agreed Plan. Work is currently being undertaken to develop an overarching Strategic Appraisal Framework to provide the basis for transparent assessment of transport and economic investment. Further back, the LCR partnership became formalised as legally constituted Joint Committee of Leaders in 2007 (the LCR Leaders' Board). Under Section 2 of the Local Government Act 2000, the Leaders Board is empowered to discharge, on behalf of the member Councils, the promotion and improvement of the economic wellbeing and competitiveness of the City Region.

LEP

- 4.11 In addition to working with the Leaders Board, the LCR LEP's additional key areas of focus and interest include delivery of the Growing Places Fund, Inward Investment, Skills, and Low Carbon. These agendas are supported through the LCR Employment and Skills Board, the Business Innovation and Growth Panel, and the Green Economy Panel respectively.
- 4.12 Further, DfT has stated that LEPs are expected to play a key role in transport:
- via membership of the Local Transport Body (LTB) which is required by DfT to prioritise and allocate devolved post 2014 major scheme funding (under the LCR City Deal, DfT has confirmed a ten year allocation of £182.8m to the non-contiguous geography of WY and York);
 - to inform national decision making e.g. on the Highways Agency and DfT Pinch Point Fund programmes; and
 - with Leaders, to support the case for national infrastructure investment, e.g. HS2.

¹² Leeds City Region's geography comprises the local authority areas of West Yorkshire, plus Barnsley, York, and the North Yorkshire District areas of Selby, Craven and Harrogate.

¹³ LCR has three LEPs covering all or part of its area: LCR, Sheffield City Region (which includes Barnsley) and the York and North Yorkshire LEP (which includes York and the North Yorkshire Districts of Selby, Craven and Harrogate)

Leaders Board

4.13 The LCR Leaders' Board has a number of specific roles:

- To work with the LCR (LEP) on the delivery of the LCR Plan objectives (Section 1.4 above refers).
- To prepare, review and oversee delivery of other key City Region policy and strategies, including:
 - LCR Transport Strategy (LCR Transport Panel, 2009);
 - LCR Employment and Skills Strategy (LCR Employment and Skills Board, 2010);
 - LCR Housing and Regeneration Strategy (LCR HCA Board, 2010);
 - LCR Innovation Capital Programme (LCR Business Innovation and Growth Panel, 2010); and
 - Green Infrastructure Strategy (LCR Green Economy Panel, 2010)
- To work with other key partners
 - to seek to promote housing growth and aligning investment via the advisory HCA LCR Board and
 - to advise Leaders on issues, such as HS2 and the evidence base, such as the Yorkshire Rail Network Study, via an Advisory Transport Panel which includes relevant membership including the ITA, Businesses, Network Rail and the Highways Agency.
- Alongside the LCR LEP, to make the case for significant devolved powers and funding from Government, including the City Deal.

4.14 Having outlined the City Region's economic conditions, its vision and objectives, the opportunity presented by the City Deal, and existing governance arrangements, the remainder of this Review considers the appropriateness of the governance for the WY area going forward against other possible options, including a Combined Authority, in terms of delivering the ambition of City Deal and the LCR Plan.

5. Option assessment criteria

5.1 The key driver for reviewing West Yorkshire's governance arrangements is to ensure that the significant powers and funding on offer via the City Deal, which would otherwise remain under the control of Whitehall, and that will create local benefit in terms of economic prosperity, can be drawn down in full. The focus of the City Deal is on overseeing effective delivery, such as the proposed £1bn WY Plus Transport Fund, and also the £400m LCR Economic Investment Fund.

5.2 Leaders and the LEP have agreed with Government that the primary focus on delivery does however raise questions about the on-going appropriateness and accountability of current sub regional governance arrangements. This section therefore considers if there are more appropriate arrangements for WY going forward, including a Combined Authority model. The assessment therefore considers the extent to which the options could fulfil local ambitions to:

- add value to the wider LCR partnership's delivery of the economic outcomes contained in the Plan by making working between local government and the LEP clearer and more transparent;
- enable control over funding and powers which would otherwise be managed from Whitehall, such as in the current and future City Deals;
- work more effectively in partnership with others:
 - at WY level, e.g. in creating and managing a £1bn Transport Fund
 - at City Region level e.g. to put in place and manage a £400m Economic Investment Fund; andacross the North of England, for example on the Rail Devolution agenda for the Northern and Trans-Pennine Franchises;
- apply the core principle that strategic decisions on economic investment and transport should be made at the most appropriate administrative and geographic level; and
- enable where appropriate efficiency savings to be realised, either financial savings from improved service delivery and co-ordination or time and transaction cost savings through reduced fragmentation of decision making and strategic planning;

5.3 To ensure compliance with the relevant LDED and Local Transport Act legislation in order to consider creating a CA for West Yorkshire, a formal governance Review is needed to establish if a CA would likely bring about an improvement in the area in the following:

- the exercise of statutory functions relating to "economic development, regeneration and transport" in the area;
- the effectiveness and efficiency of transport and economic development; and

- the economic conditions in the area.

5.4 The Review is required to consider the above statutory test against the options, noting that whilst the Government's guidance on governance reviews under the Local Transport Act has been available for some time, no clear definition has been provided of 'economic development and regeneration'.

5.5 DfT has also confirmed they are looking for partners to address the following headline issues in formulating governance arrangements in order to be accountable for devolved major transport scheme funding:

- effective alignment between decision making on transport and decisions on other areas of policy such as land use, economic development and wider regeneration.
- robust and streamlined decision making arrangements which allow necessary decisions to be taken on complex and difficult issues in a timely and transparent manner.
- a real enhancement of delivery capability and capacity by taking a coherent and integrated approach to managing currently fragmented transport planning and delivery skills and capacity.

5.6 This Review also respects there are limits to comparisons between the options, in particular between potential options and the status quo. The existing governance arrangements are context specific and a known quantity, and the alternative potential options are considered at a high level and would inevitably require further development in due course in order to quantify, for example, their full potential impact on efficiency savings.

5.7 It is recognised also that creating appropriate governance structures alone is unlikely to achieve in full the ambitious vision for the City Region. The importance of issues of policy design, culture and values is also key. The optimal governance model needs also to:

- confront the need for evidence and vision;
- create the capacity for experts to talk to politicians and business and vice versa and for clear agreement to be reached on the most challenging strategic issues; and
- create the space for debates that national politicians find difficult to manage and thereby demonstrate the capacity for greater devolution of responsibility in future.

6. Option Assessment

6.1 This Section examines the effectiveness of existing governance structures at the West Yorkshire level and considers their appropriateness against that of other possible governance models. Analysis of the following options is provided:

- leaving existing WY governance unchanged (status quo);
- strengthening the existing governance arrangements;
- establishing an Economic Prosperity Board (EPB); and
- creating a CA.

Status quo

6.2 The governance status quo is described in Section 4; at WY level the arrangements have proved durable for the following reasons¹⁴:

- the District authorities and the ITA have generally developed sound transport strategies and programmes under LTP;
- the current range of powers at local authority level is generally understood and able to ensure that local interests are served in a flexible and broadly accountable way, with a direct political mandate and legitimacy from the electorate;
- the local authorities have progressively modernised their constitutions and partnerships have proved increasingly mature and able to balance local needs with the wider economic and social interests of the City Region;
- likewise, there are instances where the local authorities already accept the political, practical or efficiency arguments for cross-boundary co-operation and pooling of resources, such as between WY Authorities on procurement and, via the City Deal, in developing the WY Plus Transport Fund; and
- comparative experience from elsewhere in the UK and overseas does not generally support the case for radical structural reform and major re-distribution of powers, and tends more towards “evolution” rather than “revolution.”

6.3 The existing strategic bodies which consider arrangements for the District authorities are the AWYA and the LEP. AWYA has no strategic transport remit, as this rests with the ITA. Neither AWYA nor the LEP are statutory bodies, and they have no legal personality; they can therefore hold no functions or funding in their own right. They are not able to take on the devolved powers and funding on offer via the City Deal.

6.4 Economic development functions remain within the District authorities, and transport functions sit with the ITA and the PTE.) There is currently no single streamlined and accountable body in place across WY to make decisions,

¹⁴ See also the Review of Transport Governance in Leeds City Region, Atkins, 2008

manage risk, set strategy, manage delivery, assess performance and report on progress in relation to the City Deal.

6.5 The following are some illustrative examples of the strategic fragmentation which currently exists and why the status quo is sub optimal in terms improving economic outcomes in line with the LCR Plan and the statutory test:

- As part of the City Deal, DfT has announced a working ten year post 2014 devolved major transport scheme funding allocation of £182m for WY and York. Unless governance is reformed this funding will be split between the two local transport authorities – WYITA and City of York Council. This funding will however form a key part of the proposed £1bn WY Plus Transport Fund, which is being driven by the economic agenda led by AWYA and the District authorities.
- Prior to the Local Transport Act 2008, the preparation of the LTP had been a joint responsibility of WYITA and the five WY District authorities. The ITA is now solely responsible for formulating and delivering the LTP, in consultation with the Districts. Delivery of highways schemes and implementation of schemes within the Districts still requires the approval of the relevant Districts. Creation of a CA could dispense with the need for this extra layer of reporting and ratification.
- The fragmentation of strategic transport and economic development responsibilities has also resulted in some significant delivery lead times. The West Yorkshire Plus Transport Fund process has called for debate and buy-in to shift from a strongly local focus to agreeing to pool funding at the sub regional level and to invest to maximise net jobs and growth at the sub regional level. Each key stage of agreement (fund objectives, appraisal methodology, and schemes in scope for prioritisation) has needed individual authorisation from the five WY District authorities and the ITA, with each in turn operating to different timescales. Although transparent and democratically accountable, the approach to strategic decision making has been complex, fragmented and cumbersome. It is also wasteful of resource as it requires six separate individual, but largely identical, reporting streams, in addition to steering discussion by AWYA Council. As the Fund moves towards launch and delivery, and include devolved Major Transport Scheme Funding, the status quo approach to sub regional decision making will only become a bigger barrier to effective Fund prioritisation, delivery and management.
- It is anticipated that some similar barriers will be encountered in establishing the proposed £400m Economic Investment Fund. Moreover, there will be a specific challenge of taking on accountable body status in respect of Government's proposals through the Single Local Growth Fund to devolve a single pot from Whitehall and also EU funding in the absence of a single statutory Economic Development body either at the WY or City Region level. Specifically, it is recognised that Government will apply criteria to any bid into the Single Local Growth Fund which will include the strength of governance arrangements in place, including the decision making structures for

local authorities, such as a combined authority, and for joint LEP and local authority decision-making on spend¹⁵;

- Freight is an illustrative example of a co-ordination issue for West Yorkshire. Worsening road congestion is a cross administrative boundary problem and, because it has increased uncertainty and transport costs for our businesses, is undoubtedly deterring investment. The WY Freight Plan, prepared by Metro, seek to identify some of the potential solutions, for example improving the management of the WY road network, and also aims to encourage supportive LDF policies on land use planning. However, the relevant strategic functions and duties, e.g. to assess road traffic conditions and manage the local network, are not vested at the sub regional level (eg within Metro) which would enable effective co-ordination of freight, but instead at the individual District highway authority level and with the Highways Agency in respect of major trunk roads and motorways. Despite proposals to develop protocols with the Highways Agency as part of our City Deal, this fragmentation of roles and legal functions still presents a practical barrier to regional co-ordination, e.g. progressing a LEP level dialogue with the Highways Agency to improve regional freight connectivity by better linking the productive capacity of LCR with access to European markets afforded by the Humber.

6.6 It can be concluded that the status quo option is sub optimal because relevant transport and economic development functions and roles are currently fragmented and there is no single accountable body to take strategic decisions, therefore opportunities will almost certainly continue to be missed across the whole area and beyond for:

- investment in major improvements to transport and economic infrastructure;
- securing business investment; and
- drawing down funding and devolved powers to enhance the economy which would otherwise be controlled by Whitehall.

Strengthening the existing governance arrangements

6.7 Some of the strategic fragmentation issues described above could be partially addressed through the option of more formalised partnership arrangements, such as putting in place a Joint Committee of WY District authorities and the WITA (Under Section 101 of the Local Government Act 1972) in order to jointly oversee for example the WY Transport Fund, and to address specific issues, such as freight across the sub region. However there are a number of drawbacks associated with this option.

6.8 The functions, duties and powers which the constituent members are able to delegate to a Joint Committee are limited. Where key decisions are needed, a Joint Committee would in many cases be required to refer the decision

¹⁵ Government's Response to the Heseltine Review, *Her Majesty's Treasury, March 2013*

back to the Districts to authorise. For example, under current legislation, the ITA would not be able to delegate its levy raising powers, which are key to financing and operating the WYTF.

- 6.9 Further, a Joint Committee would not be a body corporate with legal personality. It would exist only for so long as the constituent members agreed to participate. Consequently such arrangements would not be established on a binding statutory basis and therefore have the permanence and accountability that Whitehall requires to devolve the ten year allocation of major scheme transport funding agreed in the City Deal, or to agree to an arrangement that would grant local areas access to a greater share of fiscal growth, nor compete against other City Regions (who have put in place or are establishing Combined Authorities) for the Single Local Growth Fund which Government will require local authorities to “*manage and account for localised funds through binding and long lived decision making structures such as a joint leaders committee as a minimum, or combined authority (preferable), or other similar arrangement*”.
- 6.10 Rather than enabling partners to respond to the drivers for change outlined in section 5, strengthening existing governance arrangements, such as via the creation of a Joint Committee, would effectively add, rather than remove, another tier of decision making, and is not therefore considered an optimal option.

Economic Prosperity Board

- 6.11 A third option is to put in place an Economic Prosperity Board (EPB) under the 2009 LDEDC Act for the area of West Yorkshire. As a statutory body it would share many of the features of a Combined Authority in that it would have legal personality and would provide a strong basis for taking on devolved powers and funding relating to economic development and regeneration, e.g. accountable body status for an economic development single pot (Single Local Growth Fund) or EU funding. The ITA would however remain as a separate body responsible for transport. Because the EPB could not raise a levy, nor have borrowing powers to fund investment, it would not provide an appropriate governance arrangement for the creation and management of the proposed WY Transport Fund, which is a key driver for governance reform. Further, fragmented strategic transport and economic development governance at WY level would not provide a convincing proposition to Government for taking on with others, including Sheffield and Manchester, the devolved northern Rail franchises.
- 6.12 Generally, the legislation permits ITAs and EPBs to coexist without forming a CA, but, as there are obvious benefits to be gained from a coordinated approach to economic development, regeneration and transport, and to avoid the proliferation of different structures at the sub-regional level, it is considered likely that a CA will be more appropriate than separate ITAs and EPBs in the same area. This means that where there is already an ITA in an area, relevant authorities that have concluded that similar arrangements would be appropriate for economic development and regeneration functions

(which may include the ITA itself) should expect to establish a CA that incorporates the ITA, rather than establishing an EPB in the same area.

Combined Authority

6.13 The above options of: status quo; improving existing arrangements; and creating an EPB have considerable strategic weaknesses, in particular their fitness for the purpose going forward of supporting the ambition of the City Deal and the LCR Plan, and in responding to the opportunity presented by the Single Local Growth Fund. The fourth option considered is for the establishment of a Combined Authority for the area of West Yorkshire. As described above, a CA model brings together the functions of an EPB and strategic transport, and in WY this would therefore necessitate the dissolution of the ITA. Consideration is given below to the extent to which a CA model could address the weaknesses of the other options and the benefits that would be delivered.

- A CA 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 (LTB);
 - 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; and
 - in the longer term, to be accountable for an agreed share of the fiscal uplift created by locally driven economic growth.
- It would significantly reduce the negative impact on growth stemming from role ambiguity and fragmentation in relation to strategic transport and economic investment. An effective CA would create the opportunity for various types of collaborative effort:
 - as WY represents a significant (and as the evidence shows in Section 2, an economically self-contained) part of the Leeds City Region, a CA for the area would bring a much more authoritative position on transport and the economy to the table for debate and agreement with the LCR Leaders Board and LEP and drive delivery of the LCR Plan;
 - fostering a stronger shared sense of purpose which would bring a clearer focus on key regional issues, such as on improving the flow of freight in conjunction with national agencies City Regions/LEPs; and
 - with other northern Combined Authorities, putting in place a much needed counter-balance to London and to Scotland, to drive forward a long term rail strategy for the north and to take on the devolved administration of northern rail franchises, which would otherwise be managed by DfT.

- By combining the role of strategic transport planning with an equivalent role for economic investment, a CA for the area would have the power to directly implement decisions to target the £1bn WY Plus Transport Fund at maximising jobs and GVA, without going back to the districts to, in effect, ratify those same decisions again.

6.14 When the ITA is dissolved and the CA 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 have been considered:

- transferring the PTE to the CA and the CA then delivers the functions.
- the PTE delivers the functions for the CA as a separate body reporting directly up to the CA.

6.15 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. The view of Leaders is that the Scheme should propose that the functions of the PTE are transferred into the CA, having regard to: the likely transitional costs, benefits such as streamlining of economic development and transport decision making and delivery arrangements, and their deliverability. Progressing the preferred option for delivering the PTE's functions would be subject to undertaking due diligence to assess costs and risks and long term value for money.

6.16 Although the legislation does not suggest CAs 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. As a strategic decision making and delivery body for WY, Leaders have agreed that the running costs of a West Yorkshire CA 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. Certainly, 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 CA, 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. 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. In the longer term, it is estimated that further efficiencies will be delivered by better co-ordinating existing authorities and associated bodies and organisations.

- 6.17 The above overall assessment strongly suggests that a CA would present the optimal option for WY and the wider City Region, subject to the key issues of CA representation, scope and support structures being explicitly considered as part its detailed design and constitution, as considered below.
- 6.18 The current complexity of the geography of the City Region is acknowledged. For the time being, it is accepted the boundaries of a CA will not be coterminous with the Functioning Economic Market Area (FEMA) as a whole - the Leeds City Region. This is because a CA can only be based on voluntary arrangements. Also, its area must be contiguous, therefore a CA for the area of York and WY, which would better reflect the FEMA, cannot be created without legislative change. In resolving some of the complexity, representation is considered key to ensuring there is a clear and productive relationship between any CA, the District authorities and the City Region partnership:
- Leader level representation on the CA would ensure local democratic accountability and strategic links to the LCR Leader Board, LEP and WY District authorities;
 - York's partner (non-constituent) membership of any WY CA, with voting rights granted by the constituent members as appropriate. Other associate District authority members could join to more closely match the geography with that of the City Region. In this way, the CA may be in due course able to absorb the function of the LCR Leaders Board.
 - There should also be LEP partner member representation on the CA to ensure the voice of business is heard and to make working between local government and the LEP clearer and more transparent in the delivery of the LCR Plan; and
 - Opposition representation would help provide continuity necessary for delivering 10 year + commitment to strategic transport and economic investment set out in the City Deal.
- 6.19 The Scheme will need to include the specific functions necessary for the delivery of the City Deal and will need to be sufficiently broad to anticipate further devolved powers and funding under future City Deals and the proposed Single Local Growth Fund. It is therefore proposed that inclusion of any functions over and above strategic transport and economic investment be subject to a robust and open comparison. Alternatives can then be appraised with one of the factors taken into account being a risk assessment to ensure that decision making powers that are performed most effectively at a district or neighbourhood level remain at that level. Once established, there is also a further risk that will need to be considered: to ensure that the Combined Authority does not take on responsibilities that distract it from its key strategic objectives and goals.
- 6.20 Decision making sub-structures for a Combined Authority will also need to be given consideration in terms of the powers that will be reserved to the Combined Authority and those that were delegated e.g. to joint committees with a specific remit agreed by the five WY Districts authorities. At the outset,

it is likely there will need to be such a committee to continue many of the statutory duties of the ITA.

7. Conclusions

7.1 The following can be drawn from the above options assessment:

- There is 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 they are fragmented 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 CA.
- 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 LCR Single Local Growth Fund proposed in the Treasury's response to the Heseltine Review, and as part of the proposed LCR £400m Economic Investment Fund.
- Such a body will attract greater devolved powers and funding, which would otherwise be controlled by Whitehall.
- With appropriate representation, including e.g. LEP and York partner membership, a WY Combined Authority would also streamline the relationship between the individual authorities and the LEP and Leaders Board.
- A strong CA 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 CA.

7.2 It can therefore be concluded that for the area of West Yorkshire, the ITA and the PTE should be dissolved and a CA created both as the best option for the area and because it would be likely to improve:

- the exercise of statutory functions relating to economic development, regeneration and transport and economic development in the area;
- the effectiveness and efficiency of transport; and
- the economic conditions in the area.

Glossary of Terms

AWYA:	Association of West Yorkshire Authorities.
CIL:	Community Infrastructure Levy
City Deal:	An agreement between Government and one or more Local Authorities to stimulate Economic growth.
Combined Authority/CA:	A statutory body which is formed following the abolition of the WYITA which takes on the combined role of Local Transport Authority and EPB for an area by agreement with the constituent District authorities, the ITA and Government.
CX:	Chief Executive.
DECC:	Department for Energy and Climate Change.
DfT:	Department for Transport.
ED:	Economic Development.
EIF:	Economic Investment Fund.
ENCTS:	English National Concessionary Travel Scheme
EPB:	Economic Prosperity Board
EU:	European Union.
EZ:	Enterprise Zone.
FEMA:	Functional Economic Market Area.
GLA:	Greater London Authority.
GM:	Greater Manchester.
GPF:	Growing Places Fund
GVA:	Gross Value Added. A measure of economic performance
HCA:	Homes and Communities Agency.
HMT:	Her Majesty's Treasury.
HS2:	High Speed Rail link.
ITA:	Integrated Transport Authority.
LCR:	Leeds City Region. A grouping of a number of Local Authorities centring on Leeds.
LDEDC:	Local Democracy, Economic Development and Construction Act 2009

LEP:	Local Enterprise Partnership. A gathering of business interests and Councils to drive economic growth across a functional economic area.
LSE:	London School of Economics.
LTA:	Local Transport Authority
LTB:	Local Transport Body.
LTP:	Local Transport Plan.
MAA:	Multi Area Agreement.
METRO:	Trading name of WYITA and WYPTE working together.
NEETs:	Young people who are not in education, employment or training.
OECD:	Organisation for Economic Cooperation and Development.
PCC:	Police and Crime Commissioner.
RGF:	Regional Growth Fund.
SERC:	Science and Engineering Research Council.
SY:	South Yorkshire.
TBC:	To be confirmed.
TfGM:	Transport for Greater Manchester.
UK:	United Kingdom.
UKTI:	United Kingdom Trade and Investment.
WY:	West Yorkshire
WYFA:	West Yorkshire Fire Authority.
WYITA:	West Yorkshire Integrated Transport Authority.
WYJS:	West Yorkshire Joint Services.
WYPTE:	West Yorkshire Passenger Transport Executive.
WYTF:	West Yorkshire Transport Fund.
WYTF:	West Yorkshire plus Transport Fund.