

Report of Chief Executive

Report to Executive Board

Date: 18 March 2020

Subject: Devolution Deal for West Yorkshire – Review of Governance Arrangements

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> 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
Will the decision be open for call-in?	<input type="checkbox"/> 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

1. Main issues

- On 11 March 2020 the Chancellor of the Exchequer announced that an agreement has been reached between the leaders of the five West Yorkshire local authorities and the Government on a devolution deal for West Yorkshire.
- This paper sets out the terms of the deal and the process to now be followed in order to implement it, including asking Executive Board to approve the first stages of this process.

2. Best Council Plan Implications

- Securing a devolution agreement for Leeds and the wider region have been a council priority for some time – the agreement of such a deal is a significant step forward in line with the council’s organisational strategy.
- Devolution continues to be a highly complex and dynamic policy agenda with a number of potential short, medium and long term implications for citizens, communities and businesses in Leeds. These will be further considered throughout the implementation process set out in this report.

3. Resource Implications

- The Deal contains some significant funding arrangements, including a £38m per year, 30 year gainshare agreement.

Recommendations

Executive Board is asked to:

- 1) To note and endorse the Deal agreed and attached as Appendix 1 to this report.
- 2) To agree that Leeds City Council should be party, together with the Combined Authority and the other four constituent councils of Bradford, Calderdale, Kirklees and Wakefield to a Review of the Combined Authority's constitutional arrangements and of the functions carried out by the Combined Authority over its area, as set out in section 3 of this report and pursuant to S111 of the Local Democracy, Economic Development and Construction Act 2009.
- 3) To authorise the Combined Authority's Managing Director, in consultation with the Chief Executive of each constituent council, to carry out the Review on behalf of each constituent council and the Combined Authority.
- 4) To authorise the Combined Authority's Managing Director, in consultation with the Chief Executive of each constituent council, and on behalf of each constituent council and the Combined Authority to prepare a draft Scheme for consideration by the constituent councils and the Combined Authority, subject to the outcome of the Review.
- 5) To note the provisional timetable set out in Appendix 4 to this report and the next steps including, if appropriate, the submission of a summary of the consultation to the Secretary of State by the end of July 2020, so that a mayoral combined authority model and associated changes may be adopted and implemented by May 2021, as set out in the Deal.
- 6) To delegate authority to the Chief Executive, in consultation with the Leader of Council, to take any action and decisions necessary which would ordinarily be taken by Executive Board, to ensure progress of the required statutory process and procedural steps for the timely progress of the Deal. That authority must be exercised only if there is disruption / cancellation of Executive Board / Council meetings, and it excludes authority to take the decision to give the council's required consent to an Order.
- 7) To resolve that this decision is exempt from call-in on the grounds of urgency, for the reasons set out in paragraph 4.5.3 of this report.

1. Purpose of this report

- 1.1 The West Yorkshire “minded-to” Devolution Deal announced in March 2020 offers the opportunity for the region to receive functions and funding additional to that received under previous Deals in return for adopting the model of a directly elected Mayor by May 2021. The Deal has the potential to benefit the region by unlocking central government funding and powers to allow more local and accountable decision making.
- 1.2 The “minded-to” Deal is the starting point leading ultimately to the adoption of a mayoral combined authority model with additional functions which will require an Order of the Secretary of State. Each council and the Combined Authority will need to agree specific actions as part of the statutory procedures which must be followed before the Secretary of State may grant such an Order. These are set out in more detail below, but include carrying out a statutory Review of constitutional arrangements and functions for the proposed electoral area and preparing and adopting a Scheme which will then go out to public consultation. Councils will subsequently have the opportunity to consider the representations received before deciding to submit the Scheme to the Secretary of State setting out the proposed arrangements, along with a summary of consultation responses. The consent of each council and the Combined Authority will subsequently be required to the making of the Order.
- 1.3 This report seeks members endorsement to the “minded to” Deal. It also seeks authority for a statutory Review to be undertaken jointly by Constituent Councils and the Combined Authority, and for a further report to be prepared in due course to include a draft Scheme for consideration (subject to the outcome of the Review).

2. Background information

- 2.1 In December 2019, the Leaders of West Yorkshire and York councils and the Chair of the Leeds City Region Local Enterprise Partnership (the LEP) wrote to the Prime Minister to highlight the importance of making progress on devolution arrangements across the region.
- 2.2 On 29 January 2020 the leaders of the five West Yorkshire councils met with Exchequer Secretary to the Treasury, Simon Clarke MP, and Northern Powerhouse Minister, Jake Berry MP. Following the outcome of their discussions it was agreed that formal negotiations would begin in order to create a devolution deal for the region.
- 2.3 On 5 February 2020 the first formal negotiating meeting took place at an official / officer level between West Yorkshire Chief Executives and senior government officials. In the weeks since detailed negotiations have been taking place between Leaders, Ministers, Chief Executives and Officials to consider the powers, functions and governance arrangements to be contained within a devolution agreement.
- 2.4 On 10 March 2020 the West Yorkshire Leaders wrote to the Secretary of State to indicate their acceptance of the deal, and this agreement was announced by the Chancellor of the Exchequer in his Budget the following day.
- 2.5 On 12 March 2020, during a ceremony at the University of Leeds’s Nexus Leeds building, the West Yorkshire Devolution Deal was signed by Leaders and the Chancellor.

3. Main issues

- 3.1 The Deal will devolve a range of powers and responsibilities to the West Yorkshire Combined Authority, supporting the region to drive economic growth and prosperity within its communities and across the North of England. It will build upon the area's history of collaboration to maximise this investment and increase its contribution to national economies.
- 3.2 The Local Authorities of the West Yorkshire Combined Authority and Government have agreed an initial devolution deal which will provide powers and funding to enable the region to make progress as a significant step forward towards achieving that ambition.
- 3.3 The City Region partnership has grown and strengthened over more than a decade, from the Leeds City Region Leaders Board to the West Yorkshire Combined Authority working with the Leeds City Region Local Enterprise Partnership (LEP).
- 3.4 The West Yorkshire Councils and Leeds City Region LEP secured the area's City Deal in 2012 and a £1bn Growth Deal in July 2014. This success has enabled the City Region to make a strong start:
- bringing close to £3 billion public and private sector investment into the region to boost growth and jobs
 - set to create 20,600 jobs and add £2.1 billion a year to the economy by 2031
 - putting in place a £1 billion package of transport investment to upgrade transport links, making it easier for people and businesses to get around
 - helping 4,800 businesses to grow since 2011, unlocking close to half a billion pounds of private sector investment
 - creating over 4,300 work opportunities for young people aged 16-24, including 3,837 apprenticeships adding an expected £1.4 billion to the economy by 2020 as a result of work over the past four years.
- 3.5 West Yorkshire's ambition is to go much further to address historic and emerging challenges, including the need to improve air quality and tackle the climate emergency. With a population of over 2.3 million people and a GVA of over £55bn p.a., West Yorkshire offers enormous potential. Sizeable parts of West Yorkshire enjoy a great quality of life, good wages, and lower living and housing costs, and for many the region is a great place to live, work, visit and invest. But substantial long-term investment and greater powers are needed, to tackle the challenges facing the region, and to harness its huge economic opportunity for the benefit of people in the region and for the whole UK.
- 3.6 The West Yorkshire deal will unlock significant long-term funding and give the region greater freedom to decide how best to meet local needs and create new opportunity for the people who live and work there. This agreement is the first step in a process of further devolution. The Government will continue to work with West Yorkshire on important areas of public service reform and infrastructure investment, to support inclusive economic growth in towns, cities and rural areas whilst tackling the climate emergency
- 3.7 The following section of the report provides a summary of the key elements of the "minded-to" Deal in terms of key devolved powers and funding commitments; a description of the mayoral combined authority model; the process for its establishment and to provide for other associated changes set out in the Deal; the

Review geography and scope; and the key elements of any subsequent Scheme. A copy of the Deal is attached as **Appendix 1** to this report.

3.8 **Deal proposals**

3.9 The devolution deal includes the following headline commitments:

- £38m for 30 years into West Yorkshire Investment Fund with a 25%/75% capital/revenue split
- Government commitment to work with West Yorkshire to develop modern mass transit system through access to a new five-year integrated transport settlement
- £317m from the Transforming Cities Fund to dramatically improve access to public transport, cycling and walking
- Access to bus franchising powers
- Control of the £63m annual Adult Education Budget for West Yorkshire to closer align spending on skills to the opportunities and needs in the local economy
- A £25m heritage fund to support the development of a British Library North in Leeds
- £500,000 of Government funding to support master planning in Bradford City Centre to maximise regeneration opportunities from Northern Powerhouse Rail
- £75,000 to support the creation of a Digital Skills Partnership
- The creation of a West Yorkshire Mayor to be elected in May 2021
- A commitment to work towards policing and crime powers to be transferred to the Mayor in 2024.
- Government commitment to engage with the Combined Authority on priorities emerging from the Future Ready Skills Commission
- Access to the Government's new Brownfield Regeneration Fund to support housing growth and £3.2m to support the development of a pipeline of housing sites across West Yorkshire.
- £200,000 funding to support the work of the Yorkshire Leaders Board

3.10 Under the deal, West Yorkshire Combined Authority would retain its current powers in relation to economic development, regeneration and transport functions (with the Mayor taking responsibility for preparing the transport plan and strategies). Working with the Mayor, these will be strengthened with additional powers as set out in legislation:

- Finance – power to borrow up to an agreed cap for non-transport functions
- Adult education and skills functions
- Economic development – duty to prepare an assessment of economic conditions
- Housing functions relating to compulsory purchase (subject to the consent of the constituent council affected by the exercise of the function), plus provision of housing and land, land acquisition and disposal, and development and regeneration of land

- Transport powers to set up and coordinate a Key Route Network on behalf of the Mayor (unless otherwise agreed locally, all operational responsibility for Key Route Network roads will remain with the constituent councils)
- Powers to collect contributions from utility companies for diversionary works needed as a result of highways works carried out on the Key Route Network
- Powers to operate a permit scheme designed to control the carrying out of works on the Key Route Network
- The Combined Authority will be able to seek consent to raise a Strategic Infrastructure Tariff

3.11 The directly elected Mayor for the West Yorkshire Combined Authority would autonomously exercise their new functions with personal accountability to the electorate, devolved from central Government and set out in legislation. These functions will be:

- The functional power of competence
- Housing and planning
 - Statutory spatial planning powers to produce a spatial development strategy; exercisable with the unanimous consent of the constituent authorities
 - Power to designate a Mayoral Development Area and then set up a Mayoral Development Corporation (subject to the consent of the council in whose area this would apply)
 - Housing and land acquisition powers (subject to the consent of the council in whose area this would apply) to support housing, regeneration, infrastructure and community development and wellbeing
- Finance
 - Power for the Mayor to set a precept on council tax to fund Mayoral functions (resulting from the setting of the Mayoral budget as set out below)
 - Power to charge business rate supplement (subject to ballot)
- Transport
 - Power to draw up a local transport plan and strategies (The Combined Authority will be able to amend the Mayor's transport strategy if a majority of members agree to do so)
 - Power to request local regulations requiring large fuel retailers to provide Electric Vehicle charging points
 - Bus franchising powers
 - Ability to pay grants to bus service operators
- Police and Crime Commissioner functions from the Mayoral election in 2024

3.12 **Mayoral combined authority model**

3.13 To secure the functions and funding set out above, the Government requires a mayoral combined authority to be established and the election of a directly elected Mayor by 2021 for the area of the 5 West Yorkshire authorities of Bradford, Calderdale, Kirklees, Leeds and Wakefield (the Constituent Councils).

- 3.14 As reflected in the Deal, the proposed Mayoral Combined Authority would provide local accountability and exercise decision-making including over newly-devolved functions and funding in relation to transport, skills, economic development and regeneration, and allow for strategic prioritisation across the Combined Authority's area and integrated policy development.
- 3.15 **Appendix 2** outlines the key features of any mayoral combined authority.
- 3.16 The Governance section of the Deal (Appendix 1) includes the proposed constitutional arrangements. Key features of the constitutional arrangements are outlined below.
- 3.17 Membership
- 3.18 Voting members to include:
- The elected Mayor
 - Five elected members, one appointed by each of the five Constituent Councils
 - Three elected members agreed by the Constituent Councils to reflect the balance of political parties across the Combined Authority area
- 3.19 In addition there will be:
- An elected member appointed by the city of York Council (which will remain as a non-constituent member of the West Yorkshire Combined Authority)
 - The Chair of the Leeds City Region LEP
- 3.20 These members will be non-voting unless the Combined Authority resolves to give them a vote on any issue.
- 3.21 Voting arrangements in relation to non-mayoral functions
- 3.22 The Mayor will have one vote as will all other voting members of the Combined Authority. Any questions that are to be decided by the combined Authority are to be decided by a simple majority of the members present and voting, unless otherwise provided for in legislation. Where the decision relates to a new function which the Combined Authority acquires pursuant to the Deal, or where required by the Authority's constitution, that majority must include the vote of the Mayor.
- 3.23 In addition, for the following decisions the majority of members must include the consent of three of the five members for the Constituent Councils (but not that of the three additional Constituent Council members appointed for political balance):
- Approving the Combined Authority's budget (excluding decisions which relate to the Mayor's budget)
 - Setting a levy
- 3.24 Constraints on the Mayor's decision-making
- 3.25 The Mayor will be required to consult the Combined Authority on their strategies, and this will be subject to the following specific conditions:
- The spatial development strategy will require the unanimous consent of all five members for the Constituent Councils (but not that of the three additional Constituent Council members appointed for political balance)
 - The Combined Authority will be able to amend the Mayor's budget if five eighths of the members agree to do so

- The Combined Authority will be able to amend the Mayor’s transport strategy if a majority of members agree to do so

3.26 **Process**

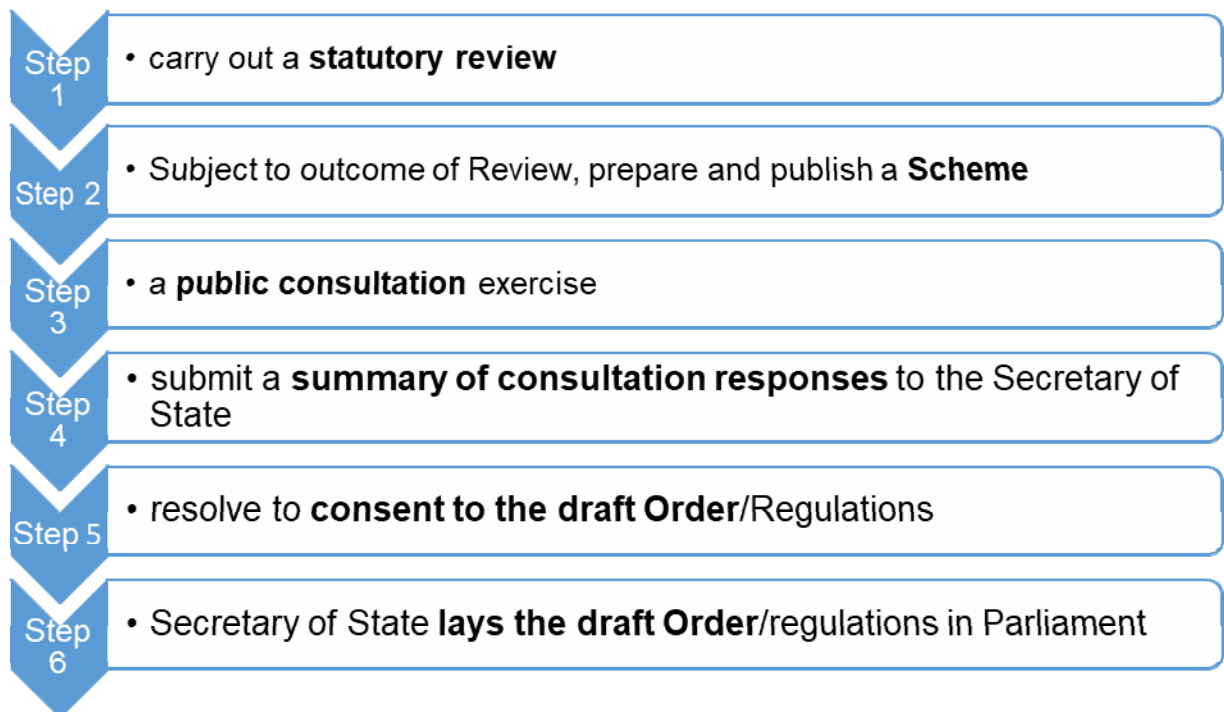
3.27 The Local Democracy, Economic Development and Construction Act 2009 (the 2009 Act) sets out statutory processes to be followed before any Order is made to:

- Adopt a mayoral combined authority model
- Provide for the Mayor to carry out and delegate mayoral general functions
- Provide for the joint exercise of general functions by the Mayor
- Change the constitutional arrangements of a Combined Authority (voting, membership)
- Delegate Secretary of State functions to the Combined Authority, and
- Delegate local authority functions concurrently to the Combined Authority.

3.28 Each aspect listed in 2.15 above has a specific statutory procedure to be followed. In addition, the consent of each Constituent Council and the Combined Authority is required to any Regulations giving the Combined Authority powers to borrow for non-transport functions.

3.29 It is proposed that the process set out in the flow chart below is followed. This process addresses all statutory procedural requirements, facilitates an understanding of the overall impact of the changes, and maximises engagement with stakeholders including the public. Further details about each step are set out in **Appendix 3**.

3.30 Flow chart of proposed process:



3.31 **Appendix 4** to this report is a timeline which outlines the main decisions and estimated timescales involved in obtaining the necessary secondary legislation to implement the 2020 Deal. Significant parts of the process are outside of the control of the Constituent Councils and the Combined Authority (the Secretary of State drafting the Order and placing it before Parliament).

3.32 The proposals in this report do not include any proposals to progress at this time, the transfer of either PCC functions or fire and rescue functions to the Combined Authority. However, the Deal anticipates that responsibility for PCC functions will be taken on from 2024, but this will be subject to a separate statutory process.

3.33 **Review area**

3.34 The proposed area of the Review is the Combined Authority's area, namely the area which comprises the Constituent Councils of Bradford, Calderdale, Kirklees, Leeds and Wakefield. It is proposed that the Combined Authority jointly carries out the review with the Constituent Councils.

3.35 Options to enable wider collaboration will be explored as part of the Review, including the wider City Region, Yorkshire and the North.

3.36 **Review scope**

3.37 The Review will be required to test the proposition, including by drawing on evidence from stakeholders, that any Order relating to the proposed constitutional arrangements or conferral of functions to the Combined Authority would be likely to improve the exercise of statutory functions.

3.38 Specifically, the Review would need to consider the relevant systems, structures and procedures that are in place across the area to make decisions, set strategy, manage delivery, assess performance and report on progress. Analysis of options (such as leaving existing governance unchanged, strengthening or restructuring existing governance arrangements, or adopting a mayoral combined authority model) would be undertaken.

3.39 Any final report of the Review process which concludes that the proposed revised constitutional arrangements and the additional functions proposed to be exercised by the Combined Authority would be the most beneficial option in terms of improved outcomes would in effect provide the business case for the mayoral combined authority arrangements. It would inform the preparation of a Scheme of governance.

3.40 **Scheme**

3.41 The Scheme would form the basis for a revised Order establishing the mayoral combined authority. It would contain information on:

- proposed membership, voting and any other constitutional arrangements;
- functions to be conferred on the mayoral combined authority and how they are exercised, that is, by the Combined Authority, concurrently with Constituent Councils or by the Mayor (including any constraints or limitations to the Mayor's powers);
- any changes to the way in which the Combined Authority will be funded, including power for the Mayor to issue a precept, or prudential borrowing powers for functions other than transport;
- practical arrangements, including any property transfers and ensuring transparency via enhanced scrutiny arrangements.

3.42 It will be important to ensure that any revised sub-regional arrangements secure and enhance effective working arrangements between the Mayoral Combined Authority and the Constituent Councils and their democratic arrangements, to facilitate a joined-up and collaborative approach to policy, delivery and decision-making.

3.43 **Next Steps**

- 3.44 With regard to next steps, it is proposed that (subject to the outcome of the statutory Review) a draft Scheme is prepared for consideration by Constituent Councils and the Combined Authority before the wider public consultation and with business and other stakeholders. It is proposed that there is one consultation exercise co-ordinated by the Combined Authority, but that this is led by each council in relation to their district. Following this, a summary of consultation responses will be brought back to the Constituent Councils and the Combined Authority to approve before the Scheme is submitted to the Secretary of State.
- 3.45 Details of the Scheme would then be embodied in the draft statutory Order to establish a mayoral combined authority, and consents sought in due course from each of the Constituent Councils and the Combined Authority in respect of the draft Order and any related Regulations.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 As mentioned in paragraphs 1.2 and 3.30, and detailed in Appendix 3, a public consultation exercise will be undertaken on the draft Scheme. The exercise will inform councils' decision to move forward and a summary of the responses will be sent to the Secretary of State.
- 4.1.2 A future report will seek authorisation to undertake a public consultation on an adopted governance Scheme, and set out the consultation process and methodology including digital and other appropriate means in order to ensure accessibility.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 There are no specific equality, diversity, cohesion (EDCI) or integration implications of this report. As the devolution process moves forward, it is possible that EDCI implications may arise, but this will be assessed and considered as appropriate at that time.

4.3 Council policies and the Best Council Plan

- 4.3.1 Both the current and several previous versions of the Best Council Plan have been clear that securing a devolution agreement for Leeds and the wider region have been a notable priority for the council.
- 4.3.2 Devolution continues to be a highly complex and dynamic policy agenda with a number of potential short, medium and long term implications for citizens, communities and businesses in Leeds. The full impact of the deal agreed on the council will be considered over the coming weeks, and through the processes set out in this report elected members and members of the public will be able to discuss and influence its implementation.

Climate Emergency

- 4.3.3 As part of the Deal text, the Government has welcomed West Yorkshire's commitment to becoming a net zero carbon economy by 2038, with significant progress by 2030. Leeds City Council's local commitment – as set out in the March

2019 climate emergency declaration – remains for the city to achieve net zero carbon emissions by 2030.

4.3.4 Although there are no immediate implications on Clean Growth arising as a direct result of the report, the Review and Scheme to be commissioned and considered and consulted upon will look at the potential for Mayoral Combined Authority governance arrangements to deliver West Yorkshire's clean growth ambitions.

4.4 Resources, procurement and value for money

4.4.1 The Deal includes a number of flagship funding arrangements including £38m for 30 years into the West Yorkshire Investment Fund, £317m from the Transforming Cities Fund and control over the £63m annual Adult Education budget. The implications of these and the other funding provisions contained within the Deal will be considered as part of the Review and subject to future reports.

4.4.2 In due course, it is possible that the establishment of the Mayoral Combined Authority may have some limited staffing implications for the council. At the current time it is not clear what, if any, these implications may be, but further consideration will be given to this matter at the appropriate point to ensure continued operational effectiveness and efficiency of both the council and the Combined Authority.

4.5 Legal implications, access to information, and call-in

4.5.1 Statutory processes need to be followed, before any Order or regulations may be made to implement the Deal.

4.5.2 S101(5) Local Government Act 1972 provides that two or more local authorities (defined to include a Combined Authority) may discharge any of their functions jointly and may arrange for the discharge of those functions by an officer of one of the authorities.

4.5.3 With regards to this paper, and specifically to the recommendation made that it is exempt from the Call In process, this is requested on the grounds of urgency. Any delay caused by the Call In process would delay the start of the statutory review of constitutional arrangements required upon agreement of a deal, which would in turn have a detrimental impact on the timeline (as set out in Appendix 4) which would need to be achieved to ensure the successful implementation of a devolution deal for the region. Additionally, it was not possible to bring this paper forward within the agenda as published on 10 March as it was only announced on 11 March and then signed on 12 March.

4.6 Risk management

4.6.1 There is currently a risk identified regarding devolution on the corporate risk register. This takes account of the need to secure a deal and the opportunities this presents for the city. The risk ensures that any deal to be considered is in the best interests of the people of Leeds.

4.6.2 In light of these recent developments, the corporate risk around devolution will now be reviewed.

5. Conclusions

- 5.1 The agreement of a devolution deal for West Yorkshire provides significant opportunities for the Leeds and the wider region. The freedoms, powers and funding aligned to the Deal will enable local decision makers to make progress on some of the long-term priorities as set out in this paper.

6. Recommendations

- 6.1 Executive Board is asked to:

- 1) To note and endorse the Deal agreed and attached as Appendix 1 to this report.
- 2) To agree that Leeds City Council should be party, together with the Combined Authority and the other four constituent councils of Bradford, Calderdale, Kirklees and Wakefield to a Review of the Combined Authority's constitutional arrangements and of the functions carried out by the Combined Authority over its area, as set out in section 3 of this report and pursuant to S111 of the Local Democracy, Economic Development and Construction Act 2009.
- 3) To authorise the Combined Authority's Managing Director, in consultation with the Chief Executive of each constituent council, to carry out the Review on behalf of each constituent council and the Combined Authority.
- 4) To authorise the Combined Authority's Managing Director, in consultation with the Chief Executive of each constituent council, and on behalf of each constituent council and the Combined Authority to prepare a draft Scheme for consideration by the constituent councils and the Combined Authority, subject to the outcome of the Review.
- 5) To note the provisional timetable set out in Appendix 4 to this report and the next steps including, if appropriate, the submission of a summary of the consultation to the Secretary of State by the end of July 2020, so that a mayoral combined authority model and associated changes may be adopted and implemented by May 2021, as set out in the Deal.
- 6) To delegate authority to the Chief Executive, in consultation with the Leader of Council, to take any action and decisions necessary which would ordinarily be taken by Executive Board, to ensure progress of the required statutory process and procedural steps for the timely progress of the Deal. That authority must be exercised only if there is disruption / cancellation of Executive Board / Council meetings, and it excludes authority to take the decision to give the council's required consent to an Order.
- 7) To resolve that this decision is exempt from call-in on the grounds of urgency, for the reasons set out in paragraph 4.5.3 of this report.

7. Background documents¹

- 7.1 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.