

## **TEMPLATE DRAFT REPORT FOR COMMENT – 18 March 2013**

### **Review of Governance Arrangements in West Yorkshire**

#### **Summary of main issues**

1. Executive Board/Cabinet received a report in October/November 2012 which set out that the Leeds City Region (LCR) 'City Deal', which had been concluded with the Government in July 2012, includes significant devolved powers and funding covering: transport; an economic infrastructure investment fund; trade and inward investment; and skills and worklessness.
2. Executive Board/Cabinet members have noted that:
  - As a condition of the City Deal, the Government's requirement is that West Yorkshire's Local Authorities of Calderdale, Bradford, Kirklees, Leeds and Wakefield put in place a Combined Authority for the area by spring 2014.
  - A Combined Authority is a statutory body which takes on the roles of Local Transport Authority and Economic Prosperity Board for an area, which can only be established by the agreement of the constituent Local Authorities, including the Integrated Transport Authority (where there is an ITA operating in the area), and with Government.
  - The constituent Local Authorities, including the WYITA which would need to be dissolved with the introduction of a Combined Authority, will be required to undertake a statutory Review of strategic economic and transport functions. The Review is to ensure that the governance arrangements for these are sufficiently visible, stable and accountable and to test whether a Combined Authority for the area would be the most appropriate governance model moving forward.
  - A governance Scheme would be needed which would include: the area of the Combined Authority; its proposed membership; voting arrangements; its proposed functions (to be exercised by the Combined Authority or with the constituent District authorities); the way in which it will be funded; and any practical arrangements, including staffing, property transfer, and supporting structures.
3. Executive Board/Cabinet members agreed that:
  - The Council should be party, together with other West Yorkshire Authorities (including the ITA), to a Review of governance arrangements relating to transport, economic development and

regeneration in West Yorkshire pursuant to S108 of the Local Democracy, Economic Development and Construction Act 2009 and Sec 82 of the Local Transport Act 2008.

- For the Chief Executive, in consultation with the Leader, to commission the preparation of the Review, in consultation with the other West Yorkshire Authorities.
- For the Chief Executive, in consultation with the Leader, to commission the preparation (in consultation with the other West Yorkshire Authorities) of a draft Scheme for a Combined Authority for consideration by Executive Board/Cabinet and Council, if the Review recommends that a Combined Authority would be the most beneficial option for West Yorkshire.

4. This report seeks the views of Executive Board/Cabinet on:

- The draft Review (which is contained at Annex A) which finds that a Combined Authority is the most appropriate option for the area of West Yorkshire.
- The draft consultation Scheme for a West Yorkshire Combined Authority (at Annex B).

5. Subject to authorisation of Executive Board/Cabinet, it is proposed that a consultation and engagement exercise with partners and stakeholders is undertaken on the draft Review and the draft Scheme. Following this exercise, it is proposed that Executive Board/Cabinet and Council receive a report by July 2013 to consider a final review and draft Scheme for submission to the Secretary of State.

## **Recommendations**

It is recommended that Executive Board/Cabinet

1. Consider and comment on the draft Review of governance arrangements relating to transport, economic development and regeneration, pursuant to Section 108 of the LDEDCA 2009 and Section 82 of the Local Transport Act 2008, which concludes that for the area of West Yorkshire, the ITA should be dissolved and a Combined Authority created, both as the best option for the area going forward in terms of delivering the City Deal and because it would be likely to improve:
  - the exercise of statutory functions relating to economic development, regeneration and transport in the area;
  - the effectiveness and efficiency of transport; and

- the economic conditions in the area.
2. Consider and comment on a draft Scheme for the establishment of a Combined Authority for West Yorkshire to form the basis for public and stakeholder consultation by the individual WY District authorities and the ITA.
  3. Authorise the partner and stakeholder consultation exercise outlined in Section XX to test the findings of the draft Review and to seek views on the provisional proposals contained in the draft Scheme for the Combined Authority, including in terms of how it will interact with these organisations and to refer the Review and Scheme to the Resources Scrutiny Board.
  4. Receive a further report by June 2013 advising members of the outcome of the consultation and having regard to the responses received, proposing a final Review and draft Scheme for a Combined Authority, for endorsement by members and recommendation to Council to approve for submission to the Secretary of State in July 2013.

## **1. Purpose of this report**

This purpose of this report is to:

- Seek the views of Executive Board/Cabinet on a draft statutory Review of transport and economic governance arrangements in West Yorkshire, including on its finding that a Combined Authority would be the most beneficial option for the area.
- Views are sought on a draft governance Scheme.
- Authorisation is requested to consult on the draft Review and Scheme with partners and stakeholders.
- Finally, agreement is requested for a further report to be prepared for consideration by Executive Board/Cabinet and Council, including a final Review and final draft Scheme of governance for a Combined Authority.

## **2. Background information**

The Leeds City Region (LCR) City Deal, concluded in July 2012, includes the offer of significant devolved powers and funding. As a condition, the Government's requirement is that West Yorkshire Local Authorities covering Calderdale, Bradford, Kirklees, Leeds and Wakefield put in place a Combined Authority for their area by spring 2014.

In order to secure Government approval for a Combined Authority, the West Yorkshire Local Authorities, including the Integrated Transport Authority (ITA), are required to undertake a statutory Review of strategic economic and transport functions to ensure these are sufficiently visible, stable and accountable at the West Yorkshire level and also to consider whether a Combined Authority for West Yorkshire would be the most appropriate governance model moving forward.

Following agreement by Executive Board/Cabinet in October/November 2012, the Council has been party, together with the other West Yorkshire Authorities (including the ITA), to a Review of governance arrangements relating to transport, economic development and regeneration in West Yorkshire pursuant to S108 of the Local Democracy, Economic Development and Construction Act 2009 and Sec 82 of the Local Transport Act 2008.

As authorised by Executive Board/Cabinet, that Review has been commissioned by the Chief Executive in consultation with the Leader and the other West Yorkshire Authorities. Also, because the draft Review recommends that a Combined Authority would be the most beneficial option for West Yorkshire, the Chief Executive has, in

consultation with the Leader the other West Yorkshire Authorities, commissioned the preparation of a draft Scheme for a Combined Authority.

### **3. Main issues**

#### **3.1 Statutory Review**

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

- the evidence that WY (and the wider City Region) economy are not performing to their full potential;
- the opportunities and commitments related to securing devolved powers and funding through the City Deal which could address these issues;
- an overview of the current WY and wider City Region governance arrangements;
- an appraisal of the options for improving WY governance against the relevant statutory test and their comparative ability to deliver the City Deal; and
- conclusions.

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

The draft Review considers the alternative options of: retaining the status quo; improving existing arrangements incrementally; creating an Economic Prosperity Board; and establishing a Combined Authority. It concludes that going forward the status quo option would not enable LCR to draw down significant powers and funding on offer via the City Deal and that, for the following reasons, the best option would be to create a Combined Authority:

- There is currently no single strategic transport and economic development decision making body at the West Yorkshire level.
- There is evidence of fragmentation and lack of integration in decision making, which will be an impediment to delivering proposals to establish a £1bn West Yorkshire Plus Transport Fund.

- Current governance arrangements not being optimal is one of the reasons why the WY and wider City Region economy is underperforming.
- The existing governance arrangements in WY can be improved upon.
- Various options have been considered, including leaving arrangements unchanged, strengthening or restructuring existing governance arrangements, and establishing a Combined Authority.
- A Combined Authority would be able to bring together key decision making powers into a single body.
- A strong Combined Authority, exercising appropriate strategic transport and economic functions, would provide a visible, stable and statutory body, and could for example act as the accountable body for the LCR Single Capital Pot proposed in the Heseltine Review, 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 wider representation, including e.g. LEP and York associate membership, a WY Combined Authority would also streamline the relationship between the individual authorities and the LCR LEP and LCR Leaders Board.
- A strong Combined Authority would help in engagement with national agencies and create the opportunity for various types of collaborative effort with adjoining and other northern Combined Authorities to put in place a much needed counter-balance to London and to Scotland e.g. for devolving the power to let rail franchises at the pan regional level.
- The economic conditions of WY and the wider City Region would as a result likely be improved by putting in place a Combined Authority.

### **3.2 Draft Consultation Scheme**

If a Combined Authority were to be created in line with the LCR City Deal Implementation Plan, 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 submitted to Government by July 2013 and if the Secretary of State agreed, he would then propose the new arrangement to Parliament for approval. If Parliament agreed, a Combined Authority could be created in April 2014.

The draft consultation Scheme shown at Annex B confirms that a Combined Authority should be created under Section 2013 of the LDEDC Act 2009, and for the time being that it should just cover the five West Yorkshire District authorities. The creation of the Combined Authority would require the WYITA to be dissolved, pursuant to Section 91 of the Local Transport Act 2008. The Combined Authority would not be a directly elected body. It is proposed that District authority Leaders directly represent their individual councils on the Combined Authority, in the best

long term interest of the local economy, to include other political representatives from opposition groups to ensure there is stability over time.

West Yorkshire and York Leaders have written to the Minister for Cities to confirm their ambition to include York in the Combined Authority area but this raises some technical issues which it might be possible to resolve by a legislative change at a later date. In the meantime, it is proposed York should be invited to become an associate member, as should a representative from the LEP, with door being left open for other associate members over time.

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. It would enable the control over powers and funding which would otherwise be managed from Whitehall. There is also the possibility that the Combined Authority could take on other responsibilities in the future if its member Councils decide that this would be a good idea. These, together with any Economic and Transport functions are specified in the "Scheme". All other functions not mentioned would remain the direct responsibility of individual District authorities.

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 final Scheme would need to consider whether it required additional committees to oversee the delivery of its key activities.

### **3.3 Partner and Stakeholder Consultation**

The Government's consultation on draft statutory guidance for establishing a Combined Authority notes that relevant authorities will need to engage partners and stakeholders very closely both to receive their input into the design of the new body and to determine how the new body will interact with these organisations. Whilst there is no legal requirement to carry out a formal public consultation the authorities may wish to consider doing so, and the Secretary of State will wish to see evidence that the views of stakeholders have been sought and taken into account when preparing the Scheme. The Scheme or accompanying documents should therefore make clear what consultation has been carried out and provide a summary of the views received.

Whilst it is not proposed to carry out a formal public consultation exercise, it is proposed that the draft Review and Combined Authority Scheme are published subject to Executive Board/Cabinet approval, and that following organisations and businesses will be directly consulted during April and May 2013:

- LCR Local Enterprise Partnership

- Other City Region Local Authorities (York, Craven, Selby, Harrogate, North Yorkshire County Council and Barnsley)
- Chambers of Commerce (Bradford Chamber of Commerce, Mid Yorkshire Chamber of Commerce and Leeds and York and North Yorkshire Chamber of Commerce)
- Confederation of British Industry (CBI)
- Institute of Directors
- Federation of Small Businesses
- Sector organisations such as: the Calderdale and Kirklees Manufacturing Association; EEF (the manufacturers' organisation for UK manufacturing); Institute of Chartered Accountants in England and Wales (ICAEW); National Federation of Builders; Print Yorkshire; and Royal Institute of Chartered Surveyors
- Local key employers and business businesses including HE and FE providers
- Yorkshire MPs and Lords
- Government Departments, including DfT, DECC, DCLG, BIS, and the Cabinet Office
- Government agencies, such as HCA, Highways Agency and Network Rail.
- Infrastructure providers and operators, eg Utility companies, Bus Operators and Rail Operators.

In addition, Executive Board/ Cabinet are recommended to refer the proposals to the [Resources] Scrutiny board.

The proposed Consultation questions are shown at Annex C, which seek to prompt views the above partners and stakeholders along with members of the public.

It is proposed that the consultation exercise is commissioned by the West Yorkshire Chief Executives and the Clerk to WYITA, and supported by the officer task group established to undertake the Review and prepare the Scheme.

#### **4. Corporate Considerations**

##### **4.1 Consultation and Engagement**

As outlined above.

##### **4.2 Equality and Diversity / Cohesion and Integration**

##### **4.3 Council Policies and City Priorities**

*E.g. for Leeds:*

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

#### **4.4 Resources and value for money**

Although the consultation draft statutory guidance states that Combined Authorities are not primarily aimed at producing efficiency, it is recognised that they need to operate in an environment of reducing public sector budgets. The draft Review recognises that is the financial reality in which a West Yorkshire Combined Authority would be established. The draft Review continues that:

- As a strategic body for West Yorkshire, a Combined Authority has potential to be cost neutral, subject to the creation of no significant new staffing structures and by utilising existing capacity within the constituent District authorities and, in the case of statutory transport duties, the PTE.
- There is no proposal to create an additional layer of bureaucracy: the ITA would be dissolved upon the creation of the CA, which would assume all of its transport powers duties and functions.
- There may 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 identifying the most effective transport priorities in support of accelerating economic growth.
- Prior to submission to the Secretary of State, it is proposed that any governance Scheme would need to be tested as far as possible for financial efficiency and impact.

#### **4.5 Legal Implications, Access to Information and Call IN**

There are no specific legal implications arising from this report. If, however, a Combined Authority is established in due course this will have a separate legal identity from the Council and the other constituent authorities and will have separate statutory powers and duties.

#### **4.6 Risk Management**

The devolution in relation to powers and funding on transport contained in the LCR City Deal are contingent upon the establishment of a Combined Authority. Failure to establish a Combined Authority may therefore constitute a risk to the economic recovery of the City Region.

In addition, the process for establishing a Combined Authority is not fully under this Council’s control and its establishment by April 2014 in line with the City Deal

implementation Plan is subject to approval by the other West Yorkshire Authorities, including the ITA, and also by both Houses of Parliament.

The recommendations contained in the final Review and Scheme should be consistent with the Council's commitment to accountability and decision making at the local level and this will be an important element to consider to achieve an appropriate balance between sub-regional and local need.

## **5. Conclusions**

## **6. Recommendations**

It is recommended that Executive Board/Cabinet

- Consider and comment on the draft Review of governance arrangements relating to transport, economic development and regeneration, pursuant to Section 108 of the LDEDCC Act 2009 and Section 82 of the Local Transport Act 2008, which concludes that for the area of West Yorkshire, the ITA should be dissolved and a Combined Authority created, both as the best option for the area going forward in terms of delivering the City Deal and because it would be likely to improve:
  - the exercise of statutory functions relating to economic development, regeneration and transport in the area;
  - the effectiveness and efficiency of transport; and
  - the economic conditions in the area.
- Consider and comment on a draft Scheme for the establishment of a Combined Authority for West Yorkshire to form the basis for public and stakeholder consultation by the individual WY District authorities and the ITA.
- Authorise the partner and stakeholder consultation exercise outlined in Section XX to test the findings of the draft Review and to seek views on the provisional proposals contained in the draft Scheme for the Combined Authority, including in terms of how it will interact with these organisations, and to refer the Review and Scheme to the Resources Scrutiny Board
- Receive a further report by June 2013 advising members of the outcome of the consultation and having regard to the responses received, proposing a final Review and draft Scheme for a Combined Authority, for endorsement by

members and recommendation to Council to approve for submission to the Secretary of State in July 2013.

### **Background documents**

## **Appendix C**

### **Proposed questions for the consultation on the draft Review of Governance in West Yorkshire, and the draft consultation Scheme for a West Yorkshire Combined Authority**

#### **Draft West Yorkshire Governance Review**

- In recognition of the challenging economic context, do you believe that securing devolved powers and greater freedom over funding through the City Deal is a positive step forward for West Yorkshire?
- Does the evidence presented in the draft Review enable you to arrive at the conclusion that a Combined Authority for West Yorkshire would improve:
  - The exercise of statutory functions relating to economic development, regeneration and transport in the area?
  - The effectiveness and efficiency of transport? and
  - The economic conditions in the area?

#### **Combined Authority Scheme**

- Do you think the draft Scheme supports the economic rationale for Bradford, Calderdale, Kirklees, Leeds, Wakefield to come together to drive the competitiveness of West Yorkshire and the wider City Region?
- Can you support the establishment of a Combined Authority which has a primary focus on economic investment and transport?
- Are there any key functions which you feel the Combined Authority should be exercising, either exclusively or concurrently, which are not mentioned in the Scheme?
- Is the 'West Yorkshire Combined Authority' the most appropriate name for the new Statutory Authority should it be established?
- Based on the proposed membership of the Combined Authority, which includes partner membership of City of York Council and the LEP, will it be

able to exercise strong strategic leadership to drive economic growth in West Yorkshire and York?

- Do you believe that a ‘joint scrutiny committee’, will ensure the Combined Authority is held to account for its actions and that it will promote transparency in its decision making?
  
- Do you feel the proposed supporting sub-structures for the Combined Authority are generally appropriate? In terms of delivering the proposed transport and economic investment functions is there anything missing or is anything included which shouldn’t be?
  
- The role of the existing passenger transport executive will need to be considered, what do you feel are the advantages and disadvantages of the following options:
  - Option 1 –transfer the PTE to the CA and the CA then delivers the functions.
  - Option 2 - the PTE delivers the functions for the CA as a separate body reporting directly up to the CA.
  
- Do you feel the proposed links between the Combined Authority and the Local Enterprise Partnership would be strong enough? If not, how do you think this relationship should be further strengthened?