

Report of Chief Economic Development Officer

Report to Executive Board

Date: 24th April 2013

Subject: Review of Governance Arrangements in West Yorkshire

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

Summary of main issues

1. The purpose of this report is to provide an update on the Review of governance arrangements in West Yorkshire, and the proposed next steps towards establishing a West Yorkshire Combined Authority.
2. The Leeds City Region City Deal was agreed with national Government in July 2012. This secured for Leeds City Region genuine freedoms and flexibilities to raise funding and to invest in transport and economic infrastructure, alongside measures to improve skills, and to promote trade and investment. There is now a need to ensure the right governance arrangements are in place to oversee and manage the investment resulting from city deal, and to help secure further devolution from Whitehall of powers and funding to promote economic growth.
3. The City Deal included a commitment towards establishing a Combined Authority for West Yorkshire. A draft statutory Review of governance arrangements in West Yorkshire has now been undertaken. This was required legally to encompass economic development and regeneration, as well as transport. Consideration has also been given as to how York could be included in a potential Combined Authority.
4. The conclusions of the draft Review are that there is a strong case for a Combined Authority to secure further funding and devolved powers. The proposed main focus of a Combined Authority is on transport, with it also having general power of competence on economic well-being matters of cross-boundary significance. A draft

governance Scheme has been produced to set out the proposed roles and structure of a Combined Authority.

5. This report seeks the views of Executive Board/Cabinet on:
 - The draft Review (which is contained at Appendix 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 Appendix B).
6. Subject to authorisation of Executive Board, 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 and Council receive a report by July 2013 to consider a final review and draft Scheme for submission to the Secretary of State.

Recommendations

7. It is recommended that Executive Board:
8. Consider and comment on the draft Review of governance arrangements relating to transport, economic development and regeneration, pursuant to Section 108 of the Local Democracy Economic Development and Construction Act 2009 and Section 82 of the Local Transport Act 2008, which concludes that for the area of West Yorkshire, the Integrated Transport Authority 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.
9. 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 West Yorkshire District authorities and the Integrated Transport Authority.
10. Authorise the partner and stakeholder consultation exercise outlined in Section 4.1 to test the findings of the draft Review and to seek views on the provisional proposals contained in the draft Scheme for a 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.
11. 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

1.2 This report provides an update on the Review of governance arrangements in West Yorkshire, and the proposed next steps towards establishing a West Yorkshire Combined Authority.

1.3 This purpose of this report is to:

- Seek the views of Executive Board 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;
- Seek the views of Executive Board draft governance Scheme, setting out the role and governance arrangements for the proposed Combined Authority;
- Request authorisation from Executive Board to consult on the draft Review and Scheme with partners and stakeholders; and
- Seek agreement for a further report to be prepared for consideration by Executive Board and Council, including a final Review and final draft Scheme of governance for a Combined Authority.

2 Background information

2.1 The Leeds City Region has a population of around 3 million, and 1.3 million jobs. The case for powers and funding to be devolved from Whitehall is based on the size and significant of Leeds City Region and its importance to the national economy.

2.2 The Leeds City Region 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.

2.3 In order to secure Government approval for a Combined Authority, the West Yorkshire Local Authorities, including the Integrated Transport Authority, have been required to undertake a statutory Review of strategic economic and transport functions, under the provisions of the Local Democracy Economic Development and Construction Act 2009. The purpose of the Review has been to ensure the governance arrangements are sufficiently visible, stable and accountable at the West Yorkshire level, and to consider whether a Combined Authority for West Yorkshire would be appropriate.

2.4 Executive Board received a report in October 2012 on the proposal to undertake the Review of governance arrangements. Executive Board noted the following points.

- 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. A Combined Authority can only be established by the agreement of the constituent Local Authorities, including the Integrated Transport Authority, and with Government.

- The constituent Local Authorities, including the West Yorkshire Integrated Transport Authority 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 future governance model.
- 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 concurrently with the constituent District authorities); the way in which it will be funded; and any practical arrangements, including staffing, property transfer, and supporting structures.

2.5 Executive Board agreed that:

- The Council should be party, together with other West Yorkshire Authorities (including the West Yorkshire Integrated Transport Authority), to a Review of governance arrangements relating to transport, economic development and regeneration in West Yorkshire pursuant to Section 108 of the Local Democracy, Economic Development and Construction Act 2009 and Section 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; and
- For the Chief Executive, in consultation with the Leader, to commission the preparation (in consultation with the other West Yorkshire Authorities) of a draft Scheme for a Combined Authority for consideration by Executive Board and Council, if the Review recommends that a Combined Authority would be the most beneficial option for West Yorkshire.

2.6 As authorised by Executive Board, a review of governance was commissioned. The draft Review recommends that a Combined Authority would be the most beneficial option for West Yorkshire. Therefore the Chief Executive has, in consultation with the Leader and the other West Yorkshire Authorities, commissioned the preparation of a draft Scheme for a Combined Authority.

3 Main Issues

3.1 Statutory Review

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

- the evidence that West Yorkshire (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 West Yorkshire and wider City Region governance arrangements;
- an appraisal of the options for improving West Yorkshire governance against the relevant statutory test and their comparative ability to support delivery of the City Deal; and
- conclusions.

3.1.2 The draft Review concludes that the economy of West Yorkshire (and the wider City Region), is not doing as well as it should when compared to other areas, nationally and internationally. It concludes that for West Yorkshire to do better, its Local Authorities should work more closely together on transport and economic investment.

3.1.3 The draft Review considers the alternative options of: retaining the current arrangements; improving existing arrangements incrementally; creating an Economic Prosperity Board; and establishing a Combined Authority. It concludes that the current arrangements would not enable Leeds City Region to draw down significant powers and funding on offer through 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 West Yorkshire and wider City Region economy is underperforming.
- The existing governance arrangements in West Yorkshire 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, it could for example act as the accountable body for a city region Single Capital Pot proposed in the Heseltine Review, building on the proposed Leeds City Region £400m Economic Investment Fund.
- A Combined Authority would attract greater devolved powers and funding, which would otherwise be controlled by Whitehall.
- With appropriate wider representation, including e.g. Local Enterprise Partnership and York associate membership, a West Yorkshire Combined Authority would also streamline the relationship between the individual authorities and the Leeds City Region Local Enterprise Partnership and Leeds City Region Leaders Board.

- A Combined Authority would help in engagement with national agencies and create the opportunity for various types of collaborative effort with adjoining and other Combined Authorities in the north of England 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 West Yorkshire and the wider City Region would be improved by putting in place a Combined Authority.

The main issues for Leeds City Council relate to the scope of the Combined Authority. The Combined Authority will replace the Integrated Transport Authority. The principle of pooling transport powers is accepted widely and already established. Beyond transport, there has been concern that a Combined Authority could cut across the strategic roles of Leeds City Council in areas such as economic development, regeneration and spatial planning.

The main conclusion from the Review of governance is that beyond transport, the proposed remit of the Combined Authority would be fairly limited. It is proposed that it would oversee economic investment, and would provide a mechanism for drawing down from national Government additional funding powers, for instance through a second City Deal, and in the context of the Government's response to the Heseltine Review.

These proposed powers are fairly limited given the potential scope of a Combined Authority. The main focus is on securing devolution of powers and funding down from Whitehall rather than pooling together what are currently local responsibilities. The proposals are in line with the principle of subsidiarity. The proposed general power of competence of the Combined Authority to promote economic well-being will be held concurrently with the Districts. The proposed powers of the Combined Authority are less extensive than those of the Greater Manchester Combined Authority.

3.2 Draft Consultation Scheme

- 3.2.1 If a Combined Authority is to be created in line with the Leeds City Region City Deal Implementation Plan, there is a legal requirement to prepare and publish a 'Scheme' which will be the basis for the creation of the new body. The Scheme must contain certain prescribed information which will then be included in the statutory order that is needed to create the new body. This information includes details of 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 Local Authorities), and the way in which it will be funded. Other details to consider include 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 or she would then propose the new arrangement to Parliament for approval. If Parliament agreed, a Combined Authority could be created in April 2014.
- 3.2.2 The draft consultation Scheme at Appendix B proposes that a Combined Authority should be created under Section 103 of the Local Democracy Economic Development and Construction Act 2009 covering the five West Yorkshire District

authorities. The creation of the Combined Authority would require the West Yorkshire Integrated Transport Authority 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 represent directly 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.

- 3.2.3 West Yorkshire and York Leaders have written to the Minister for Cities to confirm their ambition to include York in the Combined Authority. This would raise some technical issues which it might be possible to resolve by a legislative change at a later date. In the short term, it is proposed York should be invited to become an associate member, as should a representative from the Local Enterprise Partnership.
- 3.2.4 It is proposed that a Combined Authority would have power to act for economic investment and transport. This would allow many of the benefits of the City Deal to be gained. A Combined Authority could control powers and funding that would otherwise be managed from Whitehall.
- 3.2.5 The draft Scheme sets out a proposed Governance structure for a Combined Authority. It is proposed a Combined Authority would comprise the five West Yorkshire Authority Leaders, the Leader of York, three opposition Members from across West Yorkshire, and the Chair of the Leeds City Region Local Enterprise Partnership. The proposed sub-structures are yet to be determined, but it is envisaged these will provide opportunities for the involvement of a wider range of elected Members.
- 3.2.6 For those areas of activity which a Combined Authority would have power to act directly it could become the employer of officers delivering those activities. The final Scheme would need to consider whether it required additional committees to oversee the delivery of its activities.
- 3.2.7 Further work is to be undertaken to consider the staffing structures to support the Combined Authority.

4. Corporate Considerations

4.1 Strategic Consultation and Engagement

- 4.1.1 The Government's consultation on draft statutory guidance for establishing a Combined Authority states 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.

4.1.2 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. The following organisations and businesses will be directly consulted during April and May 2013:

- Leeds City Region 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 Peers;
- Government Departments, including DfT, DECC, DCLG, BIS, and the Cabinet Office;
- Government agencies, such as HCA, Highways Agency and Network Rail; and
- Infrastructure providers and operators, eg Utility companies, Bus Operators and Rail Operators.

4.1.3 In addition, Executive Board are recommended to refer the proposals to the relevant Scrutiny Board (Resources).

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

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

4.2 Equality Diversity / Cohesion and Integration

4.2.1 As the proposals for the Combined Authority are developed, due regard will be given to equality, diversity, cohesion, and integration matters.

4.3 Resources and value for Money

4.3.1 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 Passenger Transport Executive;
- There is no proposal to create an additional layer of bureaucracy; the Integrated Transport Authority would be dissolved upon the creation of a Combined Authority, which would assume all of its transport powers duties and functions; and
- 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.

4.4. Legal Implications, Access to Information and Call In

4.4.1 There are no specific legal implications arising from this report. If 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.

4.5 Risk Management / Options Analysis

4.5.1 The devolution in relation to powers and funding on transport contained in the LCR City Deal are contingent upon the establishment of a Combined Authority. Failure to establish a Combined Authority may therefore constitute a risk to the pace and scale of future growth in the Leeds City Region.

4.5.2 The process for establishing a Combined Authority is not fully under the 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 Integrated Transport Authority, and also by Parliament.

4.5.3 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.

5.0 Conclusion

5.1 The draft Review of governance has concluded that a West Yorkshire Combined Authority is the best option to ensure the delivery of the existing Leeds City Region City Deal, and to secure from Whitehall further devolution of powers and funding to support economic growth. The draft Scheme sets out the proposed role and structure of a Combined Authority. It is proposed that a Combined Authority would have extensive transport powers, and would take on the functions of the Integrated Transport Authority (which would be dissolved). It would also have powers to oversee economic investment, and a general power of competence to support economic well-being which would be held concurrently with the District Authorities. Consultation is proposed on the draft Review and the draft Scheme, and it is proposed that the final proposals will be considered by Executive Board in June, to

make a recommendation to Council to approve for submission to the Secretary of State in July 2013.

6. Recommendations

6.1 It is recommended that Executive Board:

6.2 Consider and comment on the draft Review of governance arrangements relating to transport, economic development and regeneration, pursuant to Section 108 of the Local Democracy Economic Development and Construction Act 2009 and Section 82 of the Local Transport Act 2008, which concludes that for the area of West Yorkshire, the Integrated Transport Authority 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.

6.3 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 West Yorkshire District authorities and the Integrated Transport Authority.

6.4 Authorise the partner and stakeholder consultation exercise outlined in Section 4.1 to test the findings of the draft Review and to seek views on the provisional proposals contained in the draft Scheme for a 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.

6.5 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.

7 Background documents¹

None

8 Appendices

8.1 Appendix A: The draft Review of Governance in West Yorkshire.

8.2 Appendix B: The draft consultation Scheme for a West Yorkshire Combined Authority

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.

8.3 Appendix C: Proposed questions for the consultation on the draft consultation Scheme for a West Yorkshire Combined Authority