

**“PROPOSALS FOR A WEST MIDLANDS COMBINED AUTHORITY”**

**1. Introduction**

- 1.1 Having established that Combined Authorities are the preferred mechanism through which central government plan to devolve further powers and funding to local areas and that this authority has been invited to join a proposed West Midlands version of the entity, it is essential that all Members understand the functions of a CA and the arrangements relating to potential membership.
- 1.2 This section of the report also seeks to inform Members of some of the key elements of the proposal, how it links to the local enterprise partnerships and how Tamworth Borough Council may use the benefits of its potential membership to the advantage of its communities.

**2. Functions of a Combined Authority/Economic Prosperity Board**

- 2.1 A combined authority is a type of local government institution introduced in England outside Greater London by Section 6 of the Local Democracy, Economic Development and Construction Act 2009. Combined authorities are created voluntarily and allow a group of local authorities to pool appropriate responsibility and receive certain delegated functions from central government in order to deliver transport and economic policy for effectively over a wider area.
- 2.2 The Act also introduced the power to set up Economic Prosperity Boards (EPBs) which are also legal entities and can have devolved powers and hold funding but with more limited scope than combined authorities eg., there is no provision in the Act for EPBs to be given borrowing or tax raising powers, nor to have the power to issue a levy to constituent authorities, nor to retain business rates.
- 2.3 Any proposal to establish a Combined Authority or Economic Prosperity Board must meet the statutory tests set out in part 6 of the Local Democracy, Economic Development and Construction Act 2009. These tests are that a combined authority is likely to improve
  - The exercise of statutory functions relating to transport in the area;
  - The effectiveness and efficiency of transport in the area;
  - The exercise of statutory functions relating to economic

- development and regeneration in the area;
- Economic conditions in the area.

The Secretary of State will also have regard to the need:

- To reflect the identities and interests of local communities;
- To secure effective and convenient local government.

2.4 The Secretary of State should normally undertake formal public consultation lasting 8 weeks on any Scheme to establish a combined authority unless he considers that no further consultation is necessary. Subject to Ministerial agreement, a draft Order to establish the combined authority would then be laid before Parliament.

2.5 Once established, a combined authority is a legally recognised entity able to assume the role of an integrated transport authority and economic prosperity board. This gives the combined authority the power to exercise any function of its constituent councils that relates to economic development and regeneration, and any of the functions that are available to integrated transport authorities. For transport purposes, combined authorities are able to borrow money and can levy constituent authorities. The draft Cities and Local Government Devolution Bill proposes to confer additional powers on combined authorities (see below).

2.6 Combined authorities should consist of two or more contiguous English local government areas. The creation of a combined authority is voluntary and all local authorities within the area must give their consent before it can be created. The geographical footprint for a combined authority should be based on a coherent functional economic area.

2.7 The Cities and Local Government Devolution Bill was introduced in the House of Lords on 28<sup>th</sup> May 2015 and had its third Reading on 21<sup>st</sup> July before it passes to the House of Commons. It covers England and Wales and is proposing the following key changes:

- Makes provision for elected mayor (and chair) of a Combined Authority and appointment by the elected mayor of a deputy mayor (drawn from one of the constituent council leaders).
- Power for elected mayor to exercise the powers of a Police and Crime Commissioner in the CA area.
- Makes provision for a CA to be responsible for any local authority function or functions of public bodies outside of local government.
- Makes provision for the CA to exercise general power of

competence (Localism Act 2011) with consent of constituent councils.

- Granting powers to a mayoral CA to levy a precept.
- Power for elected Mayor to approve any subsequent change to the combined authority boundary.
- Makes provision for CA's to have Overview and Scrutiny Committees and Audit Committees.
- Removal of geographical restrictions in relation to CA's.
- Enables the Secretary of state to devolve certain health service functions subject to meeting various conditions.

The Act is expected to be passed in February 2016.

### **3. Membership, Governance and Two Tier Arrangements**

3.1 The 2009 Act enables the Secretary of State to make an order establishing a combined authority for an area which meets specified geographic conditions that:

- The area is contiguous and forms a continuous area;
- Consists of the whole of an upper tier authority.

There are only two types of CA membership – constituent and non-constituent. Constituent Councils are whole unitary or county councils (upper tier authorities) and non-constituents are District/Borough Councils and Local Enterprise Partnerships. Based on the current legislation, it is not an option for the District to join as a constituent member as it is not an upper tier authority. At present, a district may only be a constituent member if the county within which it sits, and all of the districts in that county, are also constituent members. However, not all Districts are members of the Greater Birmingham & Solihull LEP and so have not been invited to join the WMCA – therefore, this District cannot become a constituent member via this option either. There is a restriction at the current time about part of a County Council area joining a CA outside of its administrative boundaries.

3.2 The Government proposes to remove this geographical restriction and allow local authorities that are in the same Functioning Economic Area without contiguous boundaries to form or join a CA or EPB. Draft regulations were published in March 2015. This would make it possible for other authorities, adjacent to the constituent authorities, including districts from neighbouring counties, to be non-constituent members. The regulations would also allow a county council to agree to transfer its functions for only part of its area. This issue is now included in the Cities and Local Government Devolution Bill expected to come into force from February 2016.

- 3.3 The legislation also requires that there is no local government area that is surrounded by local government areas that are within the CA or EPBs, but the 'surrounded' local government area is not within the CA or EPB, preventing a 'doughnut shape' CA or EPB being formed.
- 3.4 A local authority can be a member of multiple combined authorities but can only become a constituent member of one combined authority. Even if the draft regulations come into force, Tamworth Borough Council can only become a constituent member of the West Midlands CA if Staffordshire County Council agreed to transfer certain functions to the District eg., transport. If that does not occur, the Borough Council can only join the WMCA on a non-constituent basis as a result of its existing powers.
- 3.5 Although it would not be set out in the Order it is open to the combined authority to determine locally how the non-constituent members are involved in decision making via the CA constitution. It is also open to authorities to delegate functions to other authorities, which includes a combined authority or EPB, under s 101 of the Local Government Act 1972. This could be in the form a Joint Committee.

### **Functional Economic Area**

- 3.6 The Heseltine Review of economic growth in the UK outlined a policy agenda that put increased emphasis on the role of Functional Economic Area (FEAs) in securing increased economic productivity and prosperity. To strengthen FEAs, Lord Heseltine recommended that Government should 'remove all legislative barriers that are preventing local authorities from collaborating within FEAs' including legislation relating to CAs and EPBs as part of a wider agenda on local growth and fiscal devolution'.
- 3.7 In its White Paper response to the Heseltine review, the Government set out a "view of a future where local authorities put economic development at the heart of all they do; collaborating, including with private sector partners across a FEA". This consultation outlines that the Government regard the amendment of legislation relating to CAs and EPBs as a key policy in enabling local authorities within FEAs to create 'opportunities for greater collaboration and increased economic development'.
- 3.8 A combined authority must reflect the area's economic geography and provide a collective voice and enable collective decision making by the local authorities that make up the combined authority.

3.9 In order that members are aware of the economic linkages that support the recommendation, a summary is attached as **Appendix 5**.

#### 4. **Proposal to establish a West Midlands Combined Authority (WMCA)**

4.1 The seven metropolitan authorities of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton have made a commitment in principle to develop a proposal to establish a West Midlands Combined Authority by 1 April 2016. The seven metropolitan authorities published a Statement of Intent on 6 July 2015. The Statement identifies an ambition for the WMCA to encompass a much wider and important geography across the three Local Enterprise Partnership areas (Greater Birmingham and Solihull; Black Country; and Coventry & Warwickshire). The WMCA would also incorporate the functions of the existing West Midlands Integrated Transport Authority.

4.2 The rationale for a 3 LEP combined authority covering some 20 local authorities is that it is a much more coherent functional economic market area. Evidence to support this includes a much higher self-containment ratio across the 3 LEP area than any individual LEP. Self-containment ratio means the percentage of people who live and work in a given geography. The self-containment ratio for the proposed WMCA (3 LEP area) is 90% whereas the same measure for each LEP is as follows: Black Country LEP (71%), Coventry & Warwickshire LEP (77%), and Greater Birmingham & Solihull LEP (77%). 90% is at the higher end of most proposed or established combined authorities to date. What this means is that if the 3 LEPs join the proposed WMCA, then any decisions taken by this body would directly relate to 90% of the resident working population.

4.3 Delivering the 3 LEP area ambition means that 13 Councils within the LEP areas have been invited to join and all are considering their position. It has been suggested that 20 October 2015 is the deadline for any authority to be named in the Scheme setting up the WMCA.

The Statement of Intent has identified five early delivery priorities for the WMCA:

- Developing an overarching Strategic Plan for the West Midlands
- Access to Finance and Collective Investment Vehicle
- Getting the transport offer right for the long term

- Creation of an economic policy and intelligence capacity
- A joint programme on skills

4.4 The Statement also proposes to establish three major new independent commissions to help shape the future of the Combined Authority. It will be seeking support from government to deliver these commissions. They are:

- The West Midlands Productivity Commission
- The West Midlands Land Commission
- The West Midlands Commission on Mental Health and Public Services

Additional details regarding the early delivery priorities and commissions can be found within the Statement of Intent (see Background Papers).

4.5 The three key steps for the creation of a combined authority are:

- A review of existing governance arrangements for the delivery of economic development, regeneration and transport. The conclusion based on evidence must be that there is a case for change as it will bring about real improvement that could not otherwise be delivered.
- Drafting a Scheme which sets up the WMCA and contain issues such as membership, funding, functions and executive arrangements.
- The Secretary of State will consider the scheme and undertake formal consultation lasting 8 weeks. If he is satisfied with the outcome and persuaded that the improvements are likely to be delivered, a draft Order will be laid before both Houses of Parliament for adoption.

Any changes to the membership of a CA need to undergo the same process of consultation by the Secretary of State. If Cabinet is recommending to Council to join the WMCA as a non-constituent member, then it should also recommend approval of the Governance Review and draft Scheme which are attached as **Appendix 2 and 3**.

## 5. Relationship with GBSLEP

5.1 Local Enterprise Partnerships will continue to operate alongside any combined authority that is established. The Chairs of the Greater Birmingham & Solihull LEP, the Black Country LEP and the Coventry & Warwickshire LEP have written in support of the proposal to establish a WMCA and look forward to jointly creating "... an economy that is the strongest outside London

and contributes fully to the Government's vision of a wider Midlands Engine for Growth".

- 5.2 If the Cabinet determine not to join the emerging West Midlands CA, it still remains as a full and proactive member of the Greater Birmingham and Solihull LEP and also of the Staffordshire and Stoke on Trent LEP. It is understood that the three LEPs identified above intend to join the WMCA as non-constituent members. If that occurs, it does not mean that District/Borough Councils who are part of a LEP would be automatically committed to non-constituent membership through LEP membership of the CA. Similar to District/Borough Councils, LEPs can only be non-constituent members of a combined authority. The longer term role of the three LEPs may need to be reviewed in light of any approval given to establish a West Midlands CA.
- 5.3 **Note:** This is consistent with the Cabinet resolution of 9<sup>th</sup> July, 2015.

**"That the Council seek assurance that any new entity created to support devolution will not be to the detriment of existing relationships with LEPs"** (Minute 20 refers).

## 6. Devolution Deal & Public Sector Reform

- 6.1 It is important to recognise that the formation of a Combined Authority does not guarantee the devolution of powers or funding from central government. The emerging CA will be required to produce a set of devolution proposals for submission to and negotiation with Government prior to the final agreement. As with all submissions based upon the "offers and asks" principle, these proposals must demonstrate **"added value"** in other words, they must exceed the current output levels achieved by the relevant government department or be delivered in less time or for less cost. In short; the CA must present a compelling case for devolution and reach agreement with Government.
- 6.2 Alongside these negotiations the Government will require clear and robust mechanisms for holding the Combined Authority to account. It is this Government's view that for an area to benefit fully from a devolution deal, it must accept the need for an elected mayor. In the event it does not, it is highly likely that devolved powers and funding could be significantly limited. **Note:** Based upon information to date, it is likely that a **'Mayoral CA'** would have substantially more powers than a **CA** without an elected mayor particularly if the Cities and Local Government Devolution Bill is passed in its current form.

6.3 Members are also advised that as part of any devolution deal or agreement with Government, the CA will be required to make and deliver against a commitment to public sector reform which would result in reducing and managing demand for services in a period when financial pressures on local government will be immense – a challenge in its own right. This will require us all to consider new ways of looking at old problems. In the case of the WMCA, it has set up a Public Services Board co-chaired by local government and West Midlands Police to look at reform, whole system change with a focus upon issues such as reducing re-offending rates. It will come as no surprise that part of the challenge will be to re-engineer services within a substantially reduced financial envelope as further funding restrictions are applied through the course of this Parliament.

6.4 Detailed proposals are currently under development for submission to government by 4<sup>th</sup> September, 2015. The key areas being worked upon include:

- **Education, employment and skills**
- **Transport infrastructure and connectivity**
- **Land development**
- **Enterprise & innovation**
- **Capital investment fund**
- **Mental health services**
- **Financial freedoms including ESIF**
- **Inward investment/FDI**
- **Criminal justice and public service reform**

6.5 It is anticipated that the first stage devolution 'deal' will focus upon the functions exercised by the Metropolitan Boroughs. However; information from other areas such as Manchester suggests that devolution is an ongoing process and the first 'deal' is a foundation upon which other forms of devolution will be agreed over time.

The author sees this as an advantage in that having made a decision about membership of the first 'wave' or 'tranche', greater understanding and focus on how non-constituent members may benefit from devolution can be progressed.

## **7. How could Tamworth Borough benefit from non-constituent membership of the WMCA?**

7.1 There are several Members and Senior Managers who will recall the challenging and often torrid times when decisions on LEP membership were required. The limited guidance from government departments (DCLG & BIS) simply stated that Council's should:



- **Disregard administrative boundaries**
- **Follow the views of local businesses**
- **Have full regard to your ‘functioning economic geography’**

..... other than that, it was a case of negotiating the best possible position for your place and your people.

This time around, it is different; there is legislation in place that sets out what can and cannot be done; clear information on the issue of membership, robust data and insight on the functioning economic area and a strong, cohesive and ambitious offer on the table.

7.2 What is absolutely clear at this stage is that the only form of membership available to Districts and Boroughs in **non-constituent member**. The reasons are as follows:

- a) The current and proposed legislation effectively place that restriction on districts and boroughs **unless** the relevant county council (**Staffordshire**) transfers the relevant powers to or joins the CA together with all its districts and boroughs.
- b) The legislation does not therefore provide for districts and boroughs to play a full part in a CA. However; it is expected that the Leader of any Council wishing to join the CA as a constituent or non-constituent member would be invited to sit on the WMCA Leaders Board. Voting rights are determined locally and may relate to all/some/none of the issues on the agenda.

7.3 Given that the devolution deal is a work in rapid progress and has yet to be considered by government, it is clearly impossible to describe or forecast with any precision what the specific benefits might be for Tamworth. Should Council resolve to join the WMCA as a non-constituent member, it will receive further reports, details and information on the arrangements, benefits, risks and rewards.

7.4 Notwithstanding the uncertainty relating to the final basis of the Devolution Deal, the Council will be aware that the Borough has significant linkages and interdependencies with the conurbation both in its own right and through its positioning as a ‘link’ in the economic belt around the City. The economic future of the conurbation and its ability to compete in global markets such as ‘automotive’ is directly relevant to the economic prospects of Tamworth. Having benefitted from its role on the GBSLEP Board, the combined authority is viewed as a further opportunity to build upon the achievements, relationships and ambitions of

the last five years.

The economic geography of Tamworth goes beyond the administrative boundaries of local government and this is a key consideration for members and central to the decision to join the WMCA or not.

- 7.5 Whilst it would be fair to say that the position in relation to devolution, decentralisation and collaboration in Staffordshire is less clear, various discussions at Leader and CEO level have taken place involving all 10 local authorities. Discussions have been widened to include other public sector organisations and the local enterprise partnership.
- 7.6 The discussions have recognised that due to differences in functional economic geography, some local authorities are actively involved in exploring devolution opportunities outside the county boundaries.
- 7.7 At the current time, there are no specific proposals agreed on devolution for Staffordshire. Further meetings are planned involving all local authorities in September 2015 to explore options and related feasibility. Should any proposals emerge, they too will be submitted to Cabinet for consideration in the same way as the WMCA proposals are progressing now.

GOVERNANCE REVIEW

West Midlands authorities' statutory  
governance review

*Undertaken in accordance with section 108 of  
the Local Democracy, Economic Development  
and Construction Act 2009 and section 82 of  
the Local Transport Act 2008*

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## Executive summary

### **The region will benefit from improving governance.**

A Combined Authority would be the most appropriate governance model for the local authorities to act together to deliver their economic development, regeneration and transport functions. This stronger governance will deliver a more joined up strategic approach. It will bring together policy interventions in transport and in respect of the key economic drivers that will deliver enhanced growth. By working this way, members of a Combined Authority can deliver shared strategic priorities that are best addressed at a scale above local boundaries.

The area has a good track record of collaboration between local authorities and with the Local Enterprise Partnerships on issues that affect the area covered by the local authority areas of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton – referred to as the “West Midlands”. However, the governance needs to change if the West Midlands is to demonstrate stronger, more efficient and more effective delivery of economic development, regeneration and transport responsibilities.

To do this, a Combined Authority needs the means and flexibilities to tailor the delivery of national scale interventions to address local issues. To support this there needs to be clear and effective governance arrangements in place with a long term strategic focus.

### **There are a number of alternative models of governance that could be adopted.**

The following options have been considered:

Option 1 – status quo;

Option 2 – establish an Economic Prosperity Board; and

Option 3 – establish a Combined Authority.

This review examines the options above and concludes that the most appropriate option for the West Midlands is to establish a Combined Authority. Stakeholder engagement will be undertaken and views reflected in the final version of this Governance Review.

### **The West Midlands is a functional economic market area.**

There is compelling evidence that the area covered by the contiguous local authority areas of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton (for the purposes of this review this area is defined as the “West Midlands”) forms a functional economic market area. This is one of the statutory requirements under proposals to change governance requirements under section 108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA). A review of the evidence detailing the economic structure of the region shows high levels of economic integration, in terms of the labour market, travel to

work areas and a number of the area's key sectors.

**Furthermore, the West Midlands sits within a broader and even better defined functional economic market area covered by three Local Enterprise Partnerships.**

The broader area covered by the three Local Enterprise Partnerships (LEPs), Black Country, Greater Birmingham and Solihull and Coventry and Warwickshire ("the three LEP area"), is in fact a stronger functional economic market area. The Leaders of the seven local Authorities of the West Midlands agree that a Combined Authority collaborating across the much wider and important geography across the three LEPs is crucial.

**The challenge for the West Midlands is to address the complex and inter-related issues which have held back its growth.**

The three LEP area annually contributes more than £80bn of Gross Value Added (GVA) to the UK economy. In 2012/13, the region's output grew by more than 4%, one of the fastest growth rates in any region of the UK, demonstrating the impact of our growing public and private sector collaboration. However there are a numbers of challenges to be addressed that if successfully addressed could accelerate this growth further.

These include a skills deficit at the lower and higher ends of the skills spectrum which has led to high levels of unemployment in the region and low levels of productivity. If unemployment rates moved into line with the England average, there would be 14,500 fewer claimants resulting in a benefits saving in excess of £35 million per annum.

The pressure on public services is becoming more complex. Current ways of running services do not appear to help people out of dependency. There is a need to tackle the hard issues on a collective, collaborative and jointly funded basis, for example in areas such as complex dependency, mental health and the challenges of aging well.

The region does not yet have an effective fully integrated public transport network. It needs quick and frequent services that connect people to employment opportunities and effective freight transport and business travel options to connect businesses to supply chains, key markets and strategic gateways.

**Addressing the West Midlands contribution to the country's prosperity is a driver for enhancing the governance of the area.**

The West Midlands' aim is to lead the national effort to rebalance the British economy. This would see the region closing the gap between its current performance and national output. This currently stands at £4,000 per head less than the national average.

The West Midlands intends to create the most effective Combined Authority in the

country, in order to propel the economy to further growth than can be achieved at present. The region's leaders are committed to delivering growth, prosperity and well-being for the benefit of all residents. Collaboration will enable the creation of a wider regional economy that aims to be the strongest outside of London and which contributes fully to the vision of a wider Midlands Engine for Growth.

**National and international evidence suggests that dealing with regional issues is best achieved at a regional level.**

In a recent speech the Chancellor of the Exchequer, George Osborne MP stated that "the old model of trying to run everything in our country from the centre of London is broken". Furthermore, economic analysis from the Organisation for Economic Co-operation and Development ("OECD") demonstrates that strategy integration across key policy areas can deliver economic benefits at the regional scale in terms of sustainable economic growth and employment. For example, dealing with regional skills shortages with locally developed policies.

The research emphasised the importance of having governance capacity at the level at which the local economy functions, this is a level which would be consistent with the proposed West Midlands Combined Authority area. A Combined Authority, with appropriate resources, offers the most beneficial option to enhance the region's ability to address its underlying economic challenges.

**The Combined Authority will have a strategic focus and will not be bureaucratic.**

The Combined Authority will not be another layer of politicians. It is a way of bringing together existing activities to create greater coherence. It will be a streamlined and strategically focussed body, appropriately resourced to ensure more effective and efficient delivery of economic growth, skills and transport functions across the West Midlands.

It will be underpinned by strong research, intelligence and advocacy functions. It will deliver area-wide functions around the co-ordination of funding streams, seeking investment and collective resourcing and other responsibilities devolved from central government and other agencies. This will lead to greater self-reliance as the West Midlands will have the means to unlock its economic potential.

Although the consultation draft statutory guidance states that Combined Authorities are not primarily aimed at producing efficiencies, it is recognised that such a body will need to operate in an environment of reducing public sector budgets. There is a potential for a Combined Authority to be cost neutral and it will not create more levels of bureaucracy.

**The Combined Authority will be democratic, accountable, transparent and effective.**

A Combined Authority that reflects the functional economic market area, would

enable decisions to be made by the democratically elected Leaders from the seven local authorities, together with the Chairs of the LEPs and other non-constituent members. This joint accountability and leadership would increase collective responsibility. It would create a transparent and effective decision making process. The Combined Authority would provide a visible, stable and statutory body which could act as an Accountable Body to attract further funding to the West Midlands. It would be a vehicle capable of seeking additional powers which can be devolved from Government.

**Collaboration will continue and improve.**

The Combined Authority would build on and give legal form to successful public and private sector partnerships established through the working of the LEPs. It will enhance the close working relationships that already exist between the local authorities, LEPs and the West Midlands Integrated Transport Authority (“WMITA”) to make them more effective and efficient. A Combined Authority would bring together the strategic decision making powers relating to economic development, regeneration and transport. By creating a sub-regional body with legal personality and a governance mechanism that collaborates across the region, the prospects for improvements in the economic conditions of the area are most likely to be maximised. The need for issues to be considered at various bodies will be significantly streamlined through the strengthened governance process.

**The partnerships between the private and public sectors will be central to the ambition of the West Midlands.**

The Combined Authority will bring together authorities from the three LEP areas. There is a shared recognition of the importance of enabling further economic growth at a faster pace whilst undertaking necessary public sector reform. The private sector Chairs of the LEPs will have a place on the Combined Authority board. This will ensure that the partnerships between the private and public sectors will be central to the considerations of the decisions that will affect the region. Existing enduring partnerships can be built upon through the Combined Authority and offering an opportunity to show how public and private sectors working together can deliver jobs and growth.

**The creation of a Combined Authority is the best way forward.**

The Combined Authority will operate across a broad area and will be able to achieve a greater impact than the sum of its parts as a result of more effective and efficient governance.

The Combined Authority option brings together the governance of economic development, regeneration and transport. It therefore affords the area the best possible chance of addressing the issues that have held the region back. Working together across geographic boundaries and sectors and recognising the crucial role the private sector has to play will deliver conditions for growing businesses, more



skilled and better paid jobs, increased investment, improving health outcomes and reducing the region's welfare bill.

## Review Conclusions

In order to deliver the identified improvements in the efficiency and effectiveness of governance of economic development, regeneration and transport in the West Midlands, a Combined Authority should be established pursuant to Section 103 of the Local Democracy, Economic Development and Construction Act 2009. The Leaders of the seven Metropolitan authorities of the West Midlands are all committed to a Combined Authority for their area. They agree that a Combined Authority collaborating across the much wider and important geography across the three LEPs is crucial and that LEP representation on the board will be key to the area's success and aligned priorities. Additionally, the West Midlands Integrated Transport Authority shall be dissolved pursuant to Section 91 of the Local Transport Act 2008 and its functions transferred to the Combined Authority.

## The statutory process of the governance review

### Introduction

This report has been prepared by the seven West Midlands Chief Executives; Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton, on behalf of their Leaders. It sets out the findings of the governance review undertaken in accordance with section 108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA) and Section 82 of the Local Transport Act 2008.

### Purpose of the review

The purpose of the review is to determine:

- Whether the area covered by the local authorities of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton can properly be seen as constituting a functional economic area for the purpose under consideration under the review;
- Whether the existing governance arrangements for economic development, regeneration and transport are effective or would benefit from changes;
- The options available and in relation to each option, to evaluate the likely improvement in:
  - The exercise of statutory functions relating to economic development, regeneration and transport in the area
  - The effectiveness and efficiency of transport in the area; and
  - The economic conditions in the area

Having examined these questions the report draws conclusions on what is considered to be the most effective form of governance.

### Legal context

Part 6 of the LDEDCA enables the creation of economic prosperity boards (EPBs) or combined authorities (CAs). These sub-national structures have a separate legal personality to the local authorities who come together to create them. The bodies are available to support the effective delivery of sustainable economic development and regeneration and in the case of CAs, transport.

### Delegation of additional powers from Central Government

The Localism Act 2011 contains powers for the Secretary of State to transfer certain powers between authorities (including Combined Authorities) and also to transfer ministerial functions to such authorities. Property, assets and liabilities relating to those functions can also be transferred. Notably, transfers and delegations of additional functions under this legislation can be made at any time and independently from the procedure to create EPBs or Combined Authorities.

## Transport

A Combined Authority is differentiated from an EPB due to the inclusion of transport functions. There are intended similarities between Part 6 of the 2009 Act and part 5 of the Local Transport Act 2008 (the LTA) which provides for Integrated Transport Authorities (ITAs). When a Combined Authority is established in an area where an ITA already exists, the ITA is dissolved and the Combined Authority assumes all the functions of the ITA for the area.

Whilst there are differences, the process for review is broadly similar under both Acts. In preparing a scheme under the 2009 Act, regard must be had to the provisions of the LTA as well as any guidance published by the Government relating to both pieces of legislation.

## The Four Steps to Creation of a Combined Authority or Economic Prosperity Board

The process for creating an Economic Prosperity Board or Combined Authority involves four main steps:

1. A review of existing governance arrangements for the delivery of economic development, regeneration and transport. This must lead to a conclusion that there is a case for changing these arrangements based on improvements;

2. A period of engagement with stakeholders to ascertain their views. This is not a statutory requirement, but to ensure views are understood engagement will be undertaken;

3. Drafting a Scheme for the Combined Authority. The Scheme will be the basis for the creation of the new body and should contain information on the area it will cover; its membership, voting and any executive arrangements; its functions and the way in which it will be funded. All constituent councils are required to approve the Scheme and governance review for submission to the Secretary of State for Communities and Local Government.

4. Finally, the Secretary of State will consider the Scheme and undertake a formal consultation. If he is satisfied with the proposals a draft Order will be laid before both

Houses of Parliament for adoption by affirmative resolution. To approve a Scheme the Secretary of State must be satisfied that (in accordance with section 91(5) (for Economic Prosperity Boards) or 110(1) (for Combined Authorities) of the 2009 Act) that improvements are 'likely' if the Scheme proposed is adopted.

## **Flexibility and Control**

A Combined Authority or an Economic Prosperity Board is not a merger or a takeover of existing local authority functions. Instead they seek to complement local authority functions and enhance the effectiveness of the way they are discharged. In particular, it is the enhancement of collaboration, strength of decisions and accelerating growth across the region at a strategic level.

Once established both Combined Authorities and Economic Prosperity Boards have wide general powers. However, the mechanisms by which those powers can be exercised, the functions to be discharged and the resources available will be determined by the members through the drafting of the constitution.

## **Creating the right governance arrangements for growth**

The further purpose of this governance review is to consider ways to secure greater influence over key levers and resources affecting local growth that are currently in the control of central government.

The Growth Deals that have been agreed in the region have sought to capitalise on the region's strengths to attract investment into the area and create additional jobs. However, other areas have shown that in order to maximise opportunity to enhance local growth a strengthened governance model is required.

In the absence of improved governance, the West Midlands risks lagging behind areas which have taken this step and will not meet its ambition to support the re-balancing of the UK economy. The establishment of the region's ITA demonstrated the desire to work together on strategic issues. However, this does not provide a legal link between decisions made in relation to economic development/regeneration and transport. By joining up governance in a more transparent and effective decision making process, decisions will be made in a more effective and efficient way. Any new governance arrangements must eliminate time consuming bureaucracy in the making of strategic decisions for the benefit of the region.

## The West Midlands

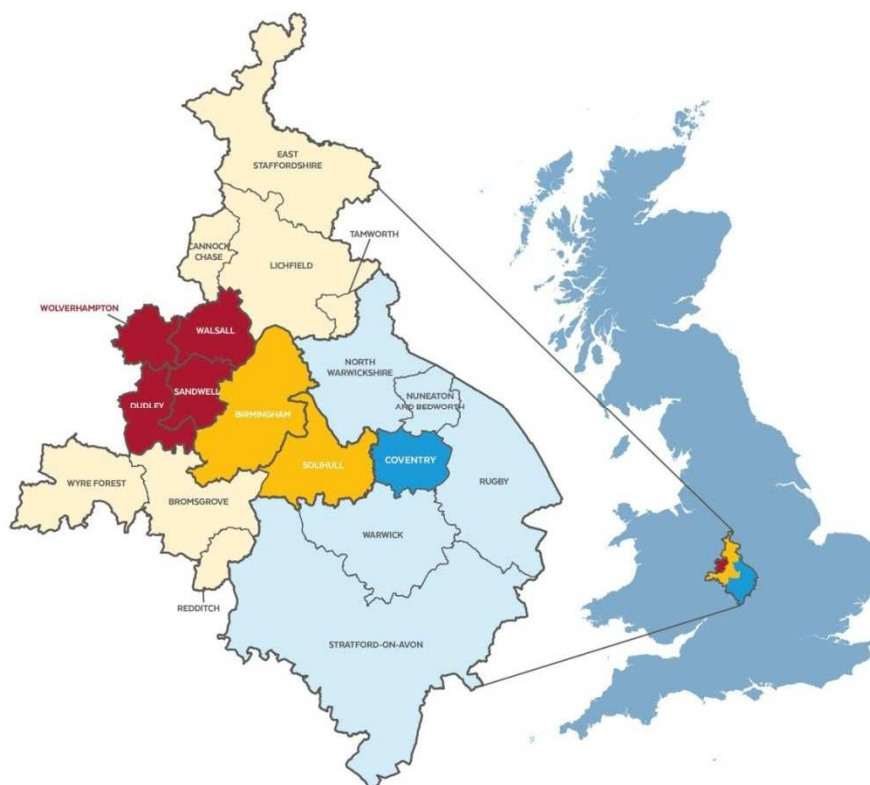
### Geography

This governance review covers the seven local authority areas of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton ('the West Midlands').

Leaders of all the seven Metropolitan Councils are committed to collaboration across the West Midlands. In addition, they agree that collaboration over a much wider and important geography across the three Local Enterprise Partnerships area is crucial. This could involve thirteen more local authorities.

The Local Enterprise Partnerships are partnerships between public and private sector. This collaboration has been responsible for the setting of strategic objectives and the development of innovative and cost effective delivery models, leading to growth and job creation in the area.

The three LEP area is shown on the map below:



## Local context

The three LEP area shown in the map above make up a major economy of national significance with an annual Gross Value Added (GVA) of £80bn. GVA measures a specific area's contribution to the national economy, and is a measure of the value of goods and services produced in that region. In 2012/13, the area's output grew by more than 4%; one of the fastest growth rates in any region of the UK, demonstrating the impact of our growing public and private sector collaboration. The area has 1.7 million jobs and over 130,000 businesses. The region houses just 6% of the UK population but provides 10.5% of its exports. While 40% of the area's exports are to the EU, the top international markets for the area are China and the USA. There were 172 inward investment projects in 2013/14 (74% rise), creating over 9,000 jobs.

There is a world class higher education and further education offer with eight Universities across the area. The Universities have particular strengths in digital technology and computer science, healthcare, business administration, engineering and technology, and education. Additionally, the area has a range of internationally recognised research institutions. These specialise in fields such as automotive design and development, polymer research, ceramics and science and technology.

The area is England's manufacturing heart, home to a critical cluster of the UK's most important and biggest manufacturing businesses and leading centres of advanced engineering research. There are 300,000 jobs in high value manufacturing in the area. It is also home to one of the largest professional and financial centres outside of London, burgeoning creative and cultural industries and is the location of choice for world leading companies such as Cadbury, Deutsche Bank, Jaguar Land Rover, JCB, Aston Martin, BMW, Eon, Rolls Royce and Carillion PLC.

The area lies at the heart of the nation's transport network. The location at the centre of the UK's motorway and rail network means that it is within four hours travel time of 90% of the UK's population and business.

There are ambitious plans to build on the strong foundations, as the largest infrastructure project in Europe, high speed 2 (HS2) will be an economic catalyst for the West Midlands. Complemented by a local connectivity programme to ensure its benefits ripple out across the region, HS2 will attract and develop new skills, generate news jobs, reshape the region's road and rail networks and simulate significant growth in supply chains.

## Challenges to address in the West Midlands

Despite the many positive features highlighted above, the West Midlands is not maximizing its potential to grow output and productivity. There are a number of challenges that will need to be overcome. These are summarised below.

### **A Skills Deficit**

The West Midlands suffers from a significant shortage of skills both at the lower and higher ends of the skills spectrum. The region's share of people with no qualifications is higher than the national average. The percentage of the population with skills training at or above level 4 is only 21% of the population, significantly worse than the average across England and Wales at 27%. The skills deficit across the region is reflected in the high level of unemployment (9.3%) across the seven Metropolitan Authorities.

If unemployment across the West Midlands was to fall to match the England average there would be some 14,500 less claimants resulting in a saving in excess of £35 million per annum in benefit spending. If the skills profile of the West Midlands was to match just the England average, so that an additional 19,000 people were qualified to level 4, GVA would increase by an estimated 1.7%. Furthermore, raising the skills levels to be best in class would increase GVA by 9.9%.

Addressing the region's skills deficit is a priority. The proposed establishment of the West Midlands Productivity Commission indicates the dedication to tackling the relatively low levels of productivity in the area and the causes for them. Innovative work aimed at tackling low skills levels is already being conducted by the Greater Birmingham and Solihull LEP and there is an ambition to spread this best practice more widely across the region.

### **A Legacy of Worklessness**

The region has an economic activity rate of 74.1% compared to a national average of 77.2%, meaning that there are 77,700 people out of the labour market. There are encouraging signs of improvement with the unemployment claimant count across the West Midlands falling to 67,078 in May 2015 from a high of 146,160 in 2010.

There are excellent examples of innovative employment initiatives in operation across the West Midlands, such as the recently announced Work Coaches programme. However, the area has not recovered at the rate of comparable locations and more needs to be done to address the issue. There is a need to collaborate regionally on the underlying causes of worklessness, which are often inter-related and wide ranging. Driving economic growth and increasing the understanding of these issues will move more West Midlands residents into work permanently.

### **A Public Service Challenge**

Financial pressures are mounting. Traditional ways of running services seem not to help people out of dependency and reducing budgets create the need to look again



at how costs can be reduced and outcomes improved. That means tackling the hard issues: complex dependency, mental health and the challenges of ageing well.

The seven Metropolitan Leaders propose to deliver the West Midlands Commission on Mental Health. It will take an innovative approach to Public Services to tackle the issues which give rise to a number of social and employment challenges.

Collaboratively, it will examine best practice and pilot new ways of working to test effectiveness of interventions, as well as advising on how to best use public sector reform to make real change.

### **A Connectivity Challenge**

The region does not have an effective fully integrated rail and rapid transport network that connects its main centres with quick frequent services, and that increases the number of people who can readily access HS2 stations and main centres. By delivering this, there will be a reduced impact on the environment, improved air quality, reduced carbon emissions and improved road safety. The resulting network will enable the efficient movement of goods to support businesses to connect to supply chains, key markets and strategic gateways.

## Review of the economic evidence

### Overview

The initial step for the governance review was to underpin the case for change with the preparation of a detailed review of economic evidence. This section summarises this evidence which addresses the following key question:

- Can the geography be understood as a ‘functional economic market area’?

### Analysis of functional economic market areas (FEMAs)

**Introduction** The Department for Communities and Local Government (DCLG) define FEMAs as, “the area over which the local economy and its key markets operate”. They vary in size and boundary, depending on the issue under consideration (e.g. labour market, housing markets) and the criteria used to define them.

FEMAs reflect the real world in which the economy operates; they do not respect the boundaries of administrative areas. Collaboration across these borders is therefore essential to deliver transport and economic development and regeneration in the most effective way.

The seven Metropolitan authorities commissioned a study<sup>1</sup> to consider whether the following geographies could be considered to be FEMAs:

<sup>1</sup> Functional Economic Market Area (FEMA) study – initial findings can be found at [http://www.westmidlandscombinedauthority.org.uk/pages/wmca\\_docs.aspx](http://www.westmidlandscombinedauthority.org.uk/pages/wmca_docs.aspx)

- The seven authorities that make up the West Midlands (Coventry, Solihull, Birmingham, Wolverhampton, Sandwell, Dudley and Walsall);
- Each of the Black Country, Coventry & Warwickshire, and Greater Birmingham & Solihull LEPs individually and on a combined basis. On a combined basis, this comprised the seven unitary authorities noted above, and 13 other local authorities.

The study analysed three separate metrics:

- Travel to work areas (TTWA) as an effective definition of the local labour market;
- Migration data as a tool for analysing the local housing market, and;
- Industrial specialization.

Each of these is discussed in more detail below.

## Travel to Work Areas

A TTWA is a collection of areas for which "at least 75% of the resident economically active population work in the area, and also, that of everyone working in the area, at least 75% live in the area". The ratio of the population who live and work in the area is known as the self-containment ratio.

Our work considered whether (a) the areas of the seven Metropolitan authorities, (b) each of the individual LEP areas of the Black Country LEP, Coventry & Warwickshire LEP and Greater Birmingham & Solihull LEP, and (c) the three LEP areas combined are a TTWA. The results of this work is shown in the table below:

Area	Resident in-work population working with the area	Total resident in-work population	Self-containment ratio
Black Country LEP	298,000	419,000	71%
Greater Birmingham & Solihull LEP	514,000	677,000	77%
Coventry & Warwickshire LEP	263,000	341,000	77%
7 metropolitan authorities	837,000	976,000	85%
3 LEPs combined	1.29m	1.44m	90%

Each of the three LEPs broadly meets the definition of a TTWA, with self-containment ratios varying between 71-77%. However, the self-containment ratio rises considerably when the seven metropolitan areas are considered as a TTWA to 85%, and to 90% when the three LEP areas are combined.

The table below shows how these self-containment figures compare with established Combined Authorities:

Area	Self-containment ratio
North East CA	93%
West Yorkshire CA	91%
West Midlands 3 LEPs	90%
West Midlands 7 Metropolitan authorities	85%
Sheffield CA	85%
Liverpool CA	83%

The conclusions drawn from this work is that TTWAs exist at all three levels considered in this study – at LEP level, at seven Metropolitan authority level, and at the three LEP combined level. The three LEP geography has the highest rate of self-containment.

The travel to work relationships between Birmingham and the Black Country, and between Birmingham and Solihull, are particularly strong and so form the basis of any consideration of a functional economic market area. Whilst Coventry's travel to work relationship with the Greater Birmingham & Solihull and Black Country LEPs areas is less strong, there are important commuting routes into and out of both Birmingham and Solihull which are evidence of the shared labour markets between these areas. Almost 10,000 commuters travel daily between Birmingham and Coventry, and more than 7,000 people commute daily between Coventry and Solihull.

It is evident from the analysis of individual travel to work patterns that there is a high level of inter-connectivity across the seven metropolitan authorities and a higher level of connectivity across the three LEP area. It is precisely this level of interconnectivity that provides the evidence of employers in one area accessing labour pools in a connected area, and is the basis for the conclusion in respect of the existence of TTWAs across our area.

### **Migration data**

Migration data is derived from an analysis of where individuals were moving to and from in the year preceding the 2011 Census. It broadly replicated the pattern of the TTWA data, although with a considerably smaller number of transactions. Again, there was a very strong linkage evident between the Black Country and Greater Birmingham & Solihull. Coventry's principal relationship was with Warwick, but again there were important linkages between Birmingham and Solihull with Birmingham being the third most popular destination for Coventry residents to relocate to.

### **Industrial specialisation data**

In order to look at industrial specialisation a data set called "location quotients" is considered. These compare the number of people employed in a particular industry in an area to the national average. The industrial specialisation data demonstrated that the area has a particularly strong representation in the manufacturing, wholesaling and automotive sectors.

To put this into context, there are 60,000 more people employed in the manufacturing sector than would be expected from a comparison with the UK average. In addition, the three LEP area employs 25% of all Great Britain's automotive manufacturing workforce.

All three LEP areas are particularly closely linked in these three sectors, showing Location Quotients well in excess of 1, indicating there is a significantly above average employment level across the sector compared to the rest of the country. These Location Quotients are evidence of both the clustering effect evident in these industrial sectors and the impact of the supply chains for many of the end user manufacturers which extend across all three LEP areas.

## Conclusion

A FEMA exists at the level of the seven unitary authorities. This gives a positive rationale for collaborative working in a stronger governance arrangement in this area. The strongest self-containment figure in the region comprises of the three LEP area.

Under the current legislation relating to Combined Authorities and Economic Prosperity Boards, not all local authorities are able to join as constituent members. However, since the three LEP area can be seen as a stronger FEMA, if an alternative model of governance is chosen as the way forward, there is an ambition to collaborate across this boarder area.

In some instances, economic markets extend beyond the three LEP boundaries, and in formulating its economic strategy, these linkages and markets will need to be taken into account.

## The current governance arrangements and the case for change

### Introduction

This chapter sets out the current arrangements in relation to the local government functions that are the subject of this review and seeks to establish if an alternative model of governance is likely to improve:

- (a) the exercise of the statutory functions relating to transport in the area;
- (b) the effectiveness and efficiency of transport in the area;
- (c) the exercise of statutory functions relating to economic development and regeneration in the area; and
- (d) the economic conditions in the area.

The alternative models of governance considered were as follows:

Option 1 – status quo;

Option 2 – establish an Economic Prosperity Board; and

Option 3 – establish a Combined Authority.

### Current governance in relation to transport

Integrated Transport Authorities (previously Passenger Transport Authorities) are a type of joint authority established with responsibilities for transport strategy and passenger transport across metropolitan areas. It is worth noting that the original ITAs in Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear and West Yorkshire have been dissolved as part of the move to Combined Authority status in those areas, with the Combined Authorities taking on the role of the ITA. The West Midlands Integrated Transport Authority (“WMITA”) is the only remaining ITA.

The WMITA, (formerly the West Midlands Passenger Transport Authority), was established in 1986. The WMITA comprises the Leaders of the seven Metropolitan Authorities of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton. It also includes a non-voting representative from each of the LEPs. The ITA is currently chaired by the leader of the City of Wolverhampton Council, Councillor Roger Lawrence.

The ITA is responsible for formulating the transport strategy and policy for the Metropolitan Area, incorporating strategic highways, freight, rail, bus and rapid transit networks. The ITA is directly supported by the Policy and Strategy Team, who are producing a new Strategic Transport Plan which will align with LEPs Strategic Economic Plans, to connect people and places and support economic growth and jobs. The ITA has an important role as the Local Transport Authority for the West Midlands.

Following a review of the transport governance in November 2013, an improved set of governance arrangements were established for the ITA.

The changes were specifically designed to improve the co-ordination and delivery of transport in the West Midlands, and the integration of policy on economic development, planning and transport priorities. The ITA, with the Leaders as its members, has a:

- Stronger focus on the role of transport in supporting economic development and regeneration, through effective collaboration between the Leaders, supported by a Secretariat with resources to provide expert advice;
- Strong interfaces with the LEPs: the seven Leaders are active on the Boards of the three LEPs and, alongside the LEP private sector representatives, are central to ensuring that the LEPs' growth priorities are fully reflected in the planning, commissioning and delivery of transport in the West Midlands.
- Stronger focus by Leaders on the whole of the West Midlands transport network, including roads, to ensure effective connectivity to address the needs of our future economy, whilst connecting communities in greatest need with future opportunities;
- Proven expertise of the Leaders in taking strategic decisions to drive transport forward in the West Midlands;
- Streamlining of decision-making facilitating more rapid and efficient decision-making;
- Strong shared commitment from the Leaders in working together to deliver the best outcomes for the West Midlands.

As part of the November 2013 governance review the establishment of a Combined Authority, with a strong focus on transport functions, was considered. The Combined Authority option was not pursued at that point as it did not have the necessary stakeholder support to ensure that the option was deliverable. This position has now changed and the Combined Authority receives broad support, which in turn removes the barrier in terms of deliverability. The next logical step now is to formally cooperate on strategic transport, economic development and regeneration to support economic growth and job creation in the West Midlands.

The option pursued in November 2013 (in respect of transport responsibilities) was to change the membership structure of the ITA. The seven councils appointed a single member to the ITA in accordance with the provisions of schedule 10 of the Local Government Act 1985 (as amended). This also included three non-voting members from the Greater Birmingham & Solihull, Black Country and the Coventry & Warwickshire LEPs. The Secretary of State for Transport made a Parliamentary Order in exercise of the powers conferred by section 29(2) of the Local Government Act 1985(a) with the West Midlands Integrated Transport Authority (Decrease in Number of Members) Order 2014 coming into force on 4 June 2014.

### **Current governance in relation to economic development and regeneration**

Currently, there is no overarching body which deals with economic development and regeneration across the region. However, there is already successful collaboration on this issue across the region, examples of which are detailed below.

### **The West Midlands Joint Committee**

A joint committee for the West Midlands comprising the seven Metropolitan councils of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton was established in 1986 following the abolition of the West Midlands County Council. The Committee is a joint committee for the purposes of Part VI of the Local Government Act 1972. The Constitution was updated to reflect changes as set out in the Localism Act 2011 in relation to strategic planning and cross boundary infrastructure matters which must now be dealt with via the Duty to Cooperate.

The overall objective of the joint committee is to co-ordinate actions on important issues affecting the local authorities in the West Midlands. Key functions have focused on collaborative working with the West Midlands Joint Authorities for example the WMITA and Police and Fire & Rescue Authority. Following the creation of the Police & Crime Panel in 2012 (established under the Police Reform & Social Responsibility Act 2011) and the establishment of the new ITA in June 2014, the Council Leaders as the voting members of joint committee have maintained their close relationship through membership on both these bodies. The joint committee makes nominations or appointments to key partner bodies i.e. appointing to the five balancing places of both the West Midlands Police & Crime Panel and ITA Overview and Scrutiny Joint Committee.

More recently, the focus of the joint committee has been closer collaboration on social policy activities/issues affecting the conurbation. For instance, the protection of vulnerable children and adults, preventing Child Sexual Exploitation as well as health and social welfare issues. The joint committee provides a vehicle for communicating these joint actions and their needs to Government and other influential bodies.

Other functions of the joint committee relate to the exercise of the Metropolitan councils' powers and rights as shareholders of Birmingham Airport Company Ltd as well as making nominations/appointments to other bodies.

The current joint committee has been set up as a formally constituted body with some delegated powers and can agree its level of delegated responsibilities as it sees fit with the agreement of the seven metropolitan districts. However, it is not a 'body corporate', but is an arrangement for collaborative working. These arrangements have not been set up on a permanent nor binding basis and could, in theory, be wound up by the members. As such, the Joint Committee cannot hold funding in its own right, nor can it take on devolved powers from Government. It is not an accountable body within the definitions of the LDEDC and as a result, any decisions, outside of the functions in the joint committee constitution, still need to be taken through individual, constituent local authorities.

Accordingly, the Leaders of the authorities considering changing governance arrangements do not believe that the joint committee governance provides them



with the opportunity to respond to the potential freedoms and flexibilities offered through devolution.

### **The Local Enterprise Partnerships (LEPs)**

The seven Metropolitan councils sit within three LEPs: the Black Country, Greater Birmingham and Solihull, and Coventry and Warwickshire LEP. Although three separate growth deals have been agreed, the LEPs have worked collaboratively across the region on issues such as transport, access to finance, supply chains, business growth hubs, housing, inward investment, skills, and enterprise zones.

The Chairs of the three LEPs meet with other regional LEP Chairs on a quarterly basis to drive forward shared agendas. These working relationships are key to effective collaboration across the region. The senior LEP Executives also meet on a bi-monthly basis to support cross-working. There are West Midlands' wide groups for Transport and Finance. These groups have respectively developed a joint Transport Statement, working with the East Midland LEPs in support of the broader Midland's transport strategy, "Midland Connect" and are taking forward Joint European Resources for Micro to Medium Enterprises proposals having already collaborated on an Advanced Manufacturing Supply Chain funding initiative.

### **The Greater Birmingham and Solihull Supervisory Board**

The nine Local Authority Leaders that form the Greater Birmingham and Solihull LEP have established a Supervisory Board to ensure there is effective decision-making and clear political accountability for the management of significant funding streams such as the Local Growth Fund and business rates retained through the Enterprise Zone.

The Supervisory Board is a Joint Committee and each local authority has delegated to it the economic development functions covered by the general power of competence contained in Section 1 of the Localism Act 2013. The GBSLEP Chair is a member of the Board (using the power to co-opt non-authority members on to a committee contained in Section 102(3) of the Local Government Act 1972) but is non-voting.

### **The Black Country Joint Executive Committee**

The Black Country Joint Executive Committee was established by Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Walsall Metropolitan Borough Council and City of Wolverhampton Council. It acts as a strategic body in relation to the City Deal and Growth Deal – with full delegated authority from each of the four applicable Local Authority Cabinets to make decisions on setting and reviewing objectives for strategic investment across the Black Country. It provides a coherent single position on the major strategic City Deal and Growth Deal issues, agreeing the allocation of spending and major priorities. The four local authorities and Black Country Consortium Limited have entered into a Collaboration Agreement that establishes a legal framework for joint working in relation to the functions of the Joint Committee. This agreement places equal responsibility on all four Black Country Local Authorities and the Black Country

Consortium for the underwriting of the Joint Committee programme.

**Joint Committee for Growth and Prosperity** A formal Joint Committee for Growth and Prosperity was created in Coventry and Warwickshire as part of the City Deal process and now operates closely with the Coventry and Warwickshire Local Enterprise Partnership. This Joint Committee is made up of Coventry City Council; Warwickshire County Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Warwick District Council and Hinckley and Bosworth Borough Council. This reflects the geography of the Coventry and Warwickshire Local Enterprise Partnership and the Coventry and Warwickshire Growth Deal.

The Coventry and Warwickshire City Deal was signed with central government in January 2014 and covers the area of Coventry and Warwickshire and also the adjacent district of Hinckley and Bosworth (in Leicestershire) to reflect the close economic links and innovation assets across this area in advanced manufacturing and engineering, particularly in the automotive sector.

The City Deal also committed these councils to work together to form an Economic Prosperity Board with an ultimate aim of creating a Combined Authority for this geography – recognising that this was difficult because Coventry City Council was part of the West Midlands Integrated Transport Authority.

The functional economic market assessment has made the case that the wider area covered by the three LEP area would give greater economic self-containment and that working together at this scale would yield greater benefits from agglomeration.

Regardless of the final membership arrangements of the Combined Authority, a close working relationship will be maintained between the members of the Joint Committee for Growth and Prosperity.

## Options analysis

### **Preservation of the status quo**

The leaders of the seven Metropolitan authorities are committed to the pursuit of collaborative working. Under the status quo there is not strong enough governance arrangements in place for the more ambitious agenda for the region. This option would leave the region without a single strategic transport and economic development decision-making body at the West Midlands level. The region would miss out on the benefits of working collaboratively on economic regeneration/development and transport issues which are inherently closely linked.

Maintaining the status quo would leave the region behind a number of other parts of the country who have already, or are in the process of, strengthening and aligning their decision making process in relation to transport and economic development/regeneration.

The deficiencies of the current joint committee i.e. the fact that it is not a body corporate nor can it hold funding in its own right would remain. The lack of a formal link between development, regeneration and transport would also continue.

The current arrangements are insufficient to take advantage of the move towards greater devolution from central government to the regions.

### **Establishing an economic prosperity board**

An economic prosperity board would be a statutory body and would share many of the features of a Combined Authority. It would be a basis for taking on devolved powers and funding relating to economic development and regeneration. However the integrated transport authority would remain as a separate entity and the benefits of bringing economic development/regeneration and transport together would not be realised.

This does not align with the aspiration held across the region to fully exploit the potential to unite economic development/regeneration and transport and reap the benefits of a joined up approach to transport strategy.

### **Establishing a Combined Authority**

The existing governance arrangements in the West Midlands can be improved. The governance structures in the West Midlands have worked well to date through a series of ad-hoc and informal arrangements. However, the ambition set out in this document and those reflected in the 'launch statement' requires stronger governance to deliver the agenda. Specifically, there is not a single strategic transport and economic development decision making body at the West Midlands level. These benefits would be best realised through the creation of a Combined Authority.

A Combined Authority governance model would ensure long-term effective engagement with the business and other sectors. Engagement and integration with the three LEPs in a statutory body is likely to lead to more effective interventions and

an improvement in the realisation of economic objectives. A Combined Authority would be an integral part of a 'Midlands Engine' which would build on the strong foundations which have been laid in the region over the past 20 years, and help to rebalance the UK economy.

A Combined Authority would bring together, in a single legally recognised body, the key decision making powers for strategic transport and economic development. The Combined Authority could act as the Accountable Body for funding to support economic development and regeneration. The relevant legislation allows the Combined Authority to take on devolved powers from Government. This would enable the Combined Authority to engage with Central Government to discuss the powers that will best serve the people of the West Midlands if they are held locally.

A Combined Authority would help maximise growth in output and jobs. A region-wide focus on productivity, competitiveness and raising skill levels would put the region in the best position to achieve its economic vision and economic goals. The three commissions proposed by the seven metropolitan Leaders, (Productivity, Land, and Mental Health and Public Services) will seek to address the underlying causes of some of the most challenging societal and economic issues in the area, on a collaborative and regional basis. In addition, a strong and effective West Midlands Combined Authority would seek to address misperceptions about public sector collaboration in the West Midlands and help in engagement with national agencies. It would also create the opportunity for various types of collaborative effort. Creating a Combined Authority would enable the former 'workshop of the world' to be reinvigorated to become part of the wider Midlands Engine, driving economic growth in the region and developing the strongest economy outside London

**Overview of the options** The following table sets out the assessment of the potential options considered.

<b>Maintain status quo</b>	<b>✗</b>	The current structures leave space for ambiguity and overlap between the various roles and functions of the sub-regional bodies. The opportunity to address the deficiencies highlight in this review would be missed.
<b>Establish an economic prosperity board</b>	<b>✗</b>	The downside of this option is that it misses out on the opportunity to fully achieve coordinated transport and economic benefits.
<b>Form a Combined Authority</b>	<b>✓</b>	A Combined Authority affords the area the best opportunity to address its underlying economic needs. This is as a result of the creation of a legally independent and accountable body that combines powers in respect of economic development/regeneration and transport. In addition it provides for the potential for powers to be devolved from central government.

## Conclusions

In conclusion, the recommendation of this review is that the functional economic area of the West Midlands will be best served by a Combined Authority model of governance, bringing together local authorities, LEAs and other partners to drive growth.

Coordination of economic development and transport is a central rationale for the statutory basis for a Combined Authority, and therefore fundamental to its creation in the area. The CA will be ideally placed to provide leadership and area-wide voice on key strategic transport issues. A Strategic Transport Plan integrated within economic strategy, will allow strong representation from the area on topics such as High Speed Rail 2 ('HS2'), the West Coast Main Line, franchising of local rail services, aviation connectivity, the development of the rail and rapid transport network and the strategic road system, the heart of which is in the West Midlands.

Transport is recognised as key to affecting real improvements and changes at a strategic level and will be a core function of a Combined Authority in the West Midlands. The seven local authorities are in a unique position in bringing together the existing West Midlands ITA. As an aid to long term integration, key transport powers transferred to the Combined Authority could be exercised through a carefully designed integrated governance model by constituent authorities on

certain key issues.

The skills of the workforce of the West Midlands will need to improve in order to benefit from the opportunities that arise. There is an opportunity to up-skill the region's workforce to take advantage of the existing job opportunities and those that will be created in the future. The West Midlands has some of the most deprived areas in the country. Nationally-led initiatives have found it difficult to allow certain areas to share in wealth creation. Unemployment rates across the region currently stand at 9.3% and only 21% of residents have qualifications level 4 and higher, significantly less than the national average. Therefore a key focus of the Combined Authority will be to address this issue at a more manageable local scale. Up-skilling the workforce in the West Midlands will be a priority in order that residents share in the growth that strengthened governance will lay the foundations for. The Combined Authority will ensure that the benefits of economic progress are distributed broadly across the West Midlands.

### **The Combined Authority Area**

The Combined Authority Area will be the area of the seven Local Authorities of the West Midlands (Birmingham, Coventry, Dudley, Sandwell, Solihull Walsall and Wolverhampton).

The broader three LEP area described earlier in this review covers an additional thirteen local authorities. These local authorities can be non-constituent members of the Combined Authority and can be engaged in the strategy for delivering growth in the three LEP area.

Many of the local authorities outside of the metropolitan area are considering their position at this time. The aspiration is for collaboration across the three LEP area.

### **Governance model**

In order to maximise the use of available resources to the benefit of the whole of the West Midlands a new governance structure is required. The challenges of the region in respect of skills, job creation, and attractiveness of inward investment are not being tackled as effectively as they could be.

The Combined Authority option would afford the West Midlands the best prospect of improving the efficiency and effectiveness of economic development, economic regeneration and transport.

### **Summary of benefits**

The Combined Authority will:

- facilitate closer partnership working;
- increase the effectiveness and efficiency of the relevant functions and improve outcomes for local people through a co-ordinated approach to tackling the area's priorities;
- improve the exercise of statutory functions through stronger centralised evidence collection and analysis function;

- lead to an improvement in the economic conditions of the area;
- bring together the Integrated Transport Authority functions with Economic Development and Regeneration.

## **Draft Scheme for the establishment of a Combined Authority for the West Midlands**

### **Introduction - Engagement with the three Local Enterprise Partnerships (“LEPs”) and the wider business community**

The establishment of a Combined Authority represents a major opportunity to have a strong, shared voice for the region and to make a step change in our collective efforts to drive the economic prosperity of the area. Effective engagement with the LEPs and the wider business community is critical to the delivery of this ambition.

The relationship between the LEPs and the Combined Authority will be seamless and will engage the wider business community, ensuring that all partners play to their strengths in contributing to a wider ambition for more and better jobs.

The Leaders of the seven constituent authorities are members of the LEPs and the Chair of the LEPs will have non-constituent status in respect of the Combined Authority.

A shared economic strategy will be developed and agreed. This will build on the findings of the economic evidence commissioned to support the establishment of the Combined Authority.

Investment decisions taken by the Combined Authority will reflect business views. These views, both in terms of shaping prioritisation and scheme design will ensure that public investment is targeted to maximise business benefit, which is key to economic growth.

The Combined Authority and the LEPs will ensure that executive and staff resources are used in the most effective way to deliver the shared economic strategy. Underpinned by the principle that all communities benefit, but not at the same time and not in the same way. The Combined Authority would seek to achieve this by using objective means by which to assess interventions, or the design of interventions, so that these are aligned to our balanced economic outcomes for the West Midlands Combined Authority area.



## Section 1 – Intention to establish a Combined Authority

### Establishment of the Combined Authority

1. A Combined Authority will be established pursuant to section 103 of the Local Democracy, Economic Development and Construction Act 2009 (“LDEDCA”). It shall come into existence on 1 April 2016.

### Area of the Combined Authority

2. The Combined Authority’s area shall be the whole of the following seven constituent authority areas:-

Birmingham City Council  
City of Wolverhampton Council  
Coventry City Council  
Dudley Metropolitan Borough Council  
Sandwell Metropolitan Borough Council  
Solihull Metropolitan Borough Council and  
Walsall Metropolitan Borough Council

Each of the above authorities will be the Combined Authority’s constituent members.

Within this scheme “West Midlands” refers to the area covered by the seven local authorities of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton.

### Name of the Authority

3. The name of the Combined Authority will be the West Midlands Combined Authority.

### Membership of the Authority

4. The Combined Authority shall consist of [ ] members as set out below:-

- Seven members of the Combined Authority shall be elected members of the constituent authorities, referred to as “constituent members”.
- Non-constituent members will be appointed, one each from the following Councils and LEPS:
  - Greater Birmingham and Solihull LEP
  - Black Country LEP,
  - Coventry and Warwickshire LEP
  - [ ]

5. Each constituent authority, non-constituent authority and LEP will also appoint two other people (“substitute members”) to act as members of the Combined Authority in the absence of the named member.
6. Each member will act in the best interests of the West Midlands as a whole, taking into account all relevant matters. Any substitute member will have the same decision-making authority and voting rights as the person whose place they are taking.
7. Where a member, or substitute member, of the Combined Authority ceases (for whatever reason) to be a member of the constituent or non-constituent authority/LEP which appointed them, the member will cease to be a member of the Combined Authority, and the constituent or non-constituent authority/LEP will appoint a replacement member as soon as possible.
8. Each constituent authority, non constituent authority and LEP may at any time terminate the appointment of a member or a substitute member appointed by it to the Combined Authority.
9. The Combined Authority may co-opt additional non-voting representatives to the Combined Authority by majority vote
10. The Chair and Vice Chair are appointed from its constituent members by majority and appointed annually.
11. No Basic or Special Responsibility Allowance will be payable by the Combined Authority to its members.
12. The reimbursement of travel and subsistence expenses will be the responsibility of the member’s authority/body.

## Voting

13. All constituent members of the Combined Authority will have one vote. The Chair and Vice Chair will not have a second or casting vote.
14. Non-constituent members in accordance with section 85(4) LTA2008, shall be non-voting members of the Combined Authority. The constituent members may, in accordance with section 85(5) LTA2008, resolve to extend voting rights to all or any non-constituent members by unanimous vote on defined matters.
15. Subject to the provisions of any enactment the Combined Authority will aim to reach decisions by consensus. If, exceptionally, it is not possible to reach consensus on any matter on which it is necessary to reach a decision, the matter will be put to a vote which will be decided in accordance with paragraph 16 below.

16. Decisions will be made by simple majority of the members present and voting apart from the following matters will require a 2/3 majority vote of members of the Combined Authority, present and voting:

- Adoption of growth plan and investment strategy and allocation of funding
- Agreement of functions transferred to the Combined Authority
- Such other plans and strategies as determined by the Combined Authority
- Approval of specific proposals for individual co-optees to the Combined Authority
- Use of the general power of competence beyond the powers provided within the Local Democracy Economic Development and Construction Act 2009
- Approval of land use plans
- Adoption of the local transport plan
- Approval of the Combined Authority's annual budget
- Setting of the transport levy
- Allocation of local transport plan funding to the individual constituent authorities
- Financial matters which may have significant implications on constituent members budgets
- Extension of voting right to all or any non-constituent member
- Approval of borrowing limits, treasury management strategy including reserves, investment strategy and capital budget of the Combined Authority
- Establishment of arms-length companies
- Establishment of committees and sub committees

17. It is a requirement of the Local Transport 2008 85(1)(a) that the majority of members of the Combined Authority are appointed by the Combined Authority's constituent Councils. Therefore, [ ] additional representatives will be appointed from each constituent member authorities.

### **Executive Arrangements**

18. Executive arrangements (within the meaning of the Local Government Act 2000) shall not apply to the Combined Authority. However, the discharge of the functions of the Combined Authority will be subject to scrutiny arrangements set out in paragraph 21 and 22 below.

## Dissolution of West Midlands Integrated Transport Authority

19. The West Midlands Integrated Transport Authority (WMITA) will be dissolved pursuant to section 91 of the Local Transport Act 2008 (LTA). Upon the abolition of the WMITA the functions powers and duties, and the properties, rights and liabilities of the WMITA shall be transferred to the Combined Authority.

## Passenger Transport Executive and ancillary functions

20. The West Midlands Passenger Transport Executive (“Centro”) shall be dissolved and the functions, powers and duties and the properties, rights and liabilities of Centro shall be transferred to the Combined Authority.

21. The Combined Authority will fulfil the role of a Transport Authority for each of the seven constituent members, replacing the existing West Midlands Integrated Transport Authority (WMITA). Individual constituent members will also continue to exercise some delivery functions, for example in respect of highways management, but will operate within an agreed framework and plan established through the Combined Authority.

## Scrutiny Arrangements

22. The constituent authorities of the Combined Authority will establish joint overview and scrutiny arrangements to exercise scrutiny functions over the Combined Authority and any sub-boards and structures.

23. The Combined Authority may co-opt additional non-voting representatives to the joint overview and scrutiny arrangements as necessary.

## Section 2 - Functions, Powers and Duties of the CA

24. The Combined Authority’s ambition will be to help to increase competitiveness and productivity, create more skilled and better paid jobs, bring more investment into the area, reform public services and reduce the regions welfare bill.

25. The Combined Authority will drive these ambitions through its primary focus to improve the effectiveness and efficiency of transport in the area, the exercise of statutory functions relating to economic development and regeneration in the area, and economic conditions in the area.

26. The Combined Authority will manage a significant programme of investment in transport and economic infrastructure, and influence and align with government investment, in order to boost economic development and regeneration.

27. The related interventions will have differential spatial impacts across the Combined Authority area - Underpinned by the principle that all communities benefit, but not at the same time and not in the same way. The Combined Authority would seek to achieve this by using objective means by which to

assess interventions, or the design of interventions, so that these are aligned to our balanced economic outcomes for the West Midlands Combined Authority area.

## Functions – Economic Growth

28. By virtue of sections 99 and 102A of the Local Transport Act 2008 (LTA) the Combined Authority will have broad well-being powers to promote economic growth which can be exercised in conjunction with the general powers granted to it by section 113A of the LDEDCA (as amended by the Localism Act 2011).

It is proposed that the Combined Authority will be focused on strategic Combined Authority wide economic growth issues that could include, but are not restricted to, functions such as:

- Setting the Combined Authority wide strategic growth plan and investment strategy, in conjunction with the LEPs for the West Midlands.
- Ensuring effective alignment between decision making on transport and decisions on other areas of policy such as land use, economic development and wider regeneration.
- Using Combined Authority wide economic intelligence and analysis as a basis for strategic planning and coordination.
- Acting as an accountable body for a range of devolved funding.
- Strategic decision-making on the skills agenda across the West Midlands.
- Enabling the Combined Authority to act as the forum for local authorities to exercise the Duty to Cooperate, in respect of strategic planning matters.
- Coordinating inward investment activity through the development of a range of investment mechanisms.

29. The General Power of Competence under Section 1 of the Localism Act 2011 will enable maximum flexibility in dealing with economic development and regeneration issues. Accordingly the Combined Authority requests that the Secretary of State exercises his power and to provide that the Combined Authority has been delegated General Power of Competence under section 1 of the Localism Act 2011.

30. In addition to the above, the Combined Authority will have the following

specific powers. These are viewed as complementary to the broader powers to address economic development and regeneration identified above:

- The duties under section 15ZA, 15ZB, 15ZC, 17A, 18A (1)(b), of the Education Act 1996 and the power under sections 514A and 560A of that Act (duties and powers related to the provision of education and training for persons over compulsory school age).
- It is considered appropriate that the Combined Authority is designated a local authority for purposes of section 84(2) of The Apprenticeships, Skills, Children and Learning Act 2009 (duty of the Chief Executive of Skills Funding to co-operate with local authorities in relation to apprenticeship training).
- The Power under section 144 of the Local Government Act 1972 (the power to encourage visitors and provide conference and other facilities).
- The duty under section 69 of the Local Democracy, Economic Development and Construction Act 2009 (duty to prepare an assessment of the economic conditions of the local authority's area).
- Such other powers as may be appropriate and any new powers granted by government.

31. Unless otherwise stated, these powers will be exercised by the Combined Authority on a concurrent basis i.e. no powers have been ceded to the Combined Authority from the constituent members.

### **Functions - Transport**

32. All functions powers and duties of the WMITA and the WMPTE (Centro) shall be transferred to the Combined Authority and shall be functions exercisable by the Combined Authority. Specific powers required for bus franchising or similar and the prioritisation, assessment, allocation of funding, and the monitoring and evaluation of major schemes (currently a LEP function) are exercisable by the Combined Authority.

33. In the application of s101 of the Local Government Act 1972 any other transport functions delegated to the Combined Authority from time to time by the constituent councils (or any of them) shall be functions of the Combined Authority. Any functions which the constituent authorities might subsequently choose to delegate to the Combined Authority eg management of the road network to improve the flow of freight across the area. The Combined Authority to have concurrent street, highways and transport powers with the constituent authorities.

34. The Power of Wellbeing under chapter 3 of the LTA 2008 will apply to the Combined Authority by virtue of that Act.

35. The Combined Authority will have ancillary general powers pursuant to section 113A of the LDEDC 2009.

36. The Combined Authority will exercise any function of the Secretary of State delegated to the Combined Authority by the order of the Secretary of State pursuant to section 86 of the Local Transport Act 2008 (LTA) and section 104(1)(b) LDEDCA. Such functions will be exercised subject to any condition imposed by the order.

### **Incidental Provisions**

37. The Combined Authority shall exercise any function of the Secretary of State delegated to the Combined Authority by order of the Secretary of State pursuant to Section 86 of the LTA 2008 AND Section 104(1) (b) of the LDEDCA 2009. Such functions shall be exercised subject to any condition imposed by the order.

### **Section 3 - Funding, Transfer of Property, rights and liabilities.**

38. The Combined Authority as a levying body under section 74 of the Local Government Finance Act 1988 shall have the power to issue a levy to its constituent authorities in respect of the expenses and liabilities of the Combined Authority which are reasonably attributable to the exercise of its functions relating to transport.

39. The costs of the Combined Authority that are reasonably attributable to the exercise of its functions will be met by its constituent members. Such costs shall be apportioned between the constituent members in proportion to the total resident population. The Combined Authority will agree an annual budget for the purpose of expenditure.

40. On the abolition of the WMITA and the WMPTE (Centro) their property, rights, assets and liabilities will be transferred to the Combined Authority, including any rights and liabilities (if any) in relation to contracts of employment.

### **Section 4 – Substructures and Internal Scheme of Delegation**

41. The Combined Authority will take over responsibility for the local transport authority and local transport executive for the Combined Authority area and act as the strategic decision making body. Therefore, in order to fulfil the significant range of operational duties, powers and functions transferred, which are currently delivered by the local transport authority and executive, the CA and the constituent councils will establish a committee under section 101(5) of the Local Government Act 1972 to be called the Transport Delivery

Committee. The Transport Delivery Committee will be a sub-committee of the CA providing oversight of operational delivery and as requested advice on transport policy matters and will be responsible for the discharge of specified transport functions delegated by the Combined Authority.

42. The Combined Authority may establish further joint committees or sub-committees and delegate powers and functions as considered by it to be appropriate.



## SCOPE OF WEST MIDLANDS COMBINED AUTHORITY

Greater Birmingham and Solihull LEP area

Redditch Borough Council  
 Bromsgrove District Council  
 Wyre Forest District Council  
 Worcestershire County Council  
 Birmingham City Council  
 Solihull Borough Council  
 Lichfield District Council  
 Tamworth Borough Council  
 East Staffordshire Borough Council  
 Cannock Chase District Council  
 Staffordshire County Council

Black Country LEP area

Dudley Borough Council  
 Walsall Borough Council  
 Wolverhampton City Council  
 Sandwell Borough Council

Coventry & Warwickshire (including Hinckley & Bosworth) LEP area

Warwick District Council  
 Stratford District Council  
 Rugby Borough Council  
 Nuneaton & Bosworth Borough Council  
 North Warwickshire Borough Council  
 Hinckley & Bosworth Borough Council  
 Coventry City Council  
 Warwickshire County Council

LEP Area	Population 2013 (million)	Total GVA (£ billion)	GVA per head (£ million)
Coventry & Warwickshire	0.87*	19.7	22,443
Black Country	1.15	19.5	16,958
Greater Birmingham & Solihull	1.96	41.3	20,969
3 LEP areas	3.98	80.6	**
Greater Manchester	2.70	56.2	20,724

Source: ONS analysis for LEP partnerships (published February 2015)

\*Population is c.1m with Hinckley & Bosworth

\*\* official figures not available roughly calculates to £20,248

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