

Council

3 September 2015

Combined Authority & Devolution – Engagement on the West Midland Combined Authority Proposal

Recommendation(s)

That Full Council:

1. Decides whether or not it wishes to enter into the West Midlands Combined Authority.
2. Decides whether to continue to pursue the Coventry-Warwickshire Combined Authority as its preferred devolution model.
3. Tasks officers to continue to engage with Government on the Devolution issue and to develop and evaluate alternative devolution models for Warwickshire.

1. Background

- 1.1 Proposals to create combinations of local authorities working together as Combined Authorities (CAs) or Economic Prosperity Boards (EPBs) were first introduced in the Sub-National Review of Economic Development (2007) and later brought forward in the Local Democracy, Economic Development & Construction Act (2009).
- 1.2 Combined Authorities/Economic Prosperity Boards are designed for groups of local authorities (unitary, county or district) who wish to work more closely together to deliver improvements in economic development, regeneration and, in relation to CAs transport across the designated area. These arrangements are voluntary and no area can be forced to join a CA/EPB should they not wish to do so.
- 1.3 The whole set-up process for a new formal governance arrangement (CA or EPB) can take around 12-18 months and is resource intensive, commencing with a governance review, followed by the preparation of a scheme for submission to the Secretary of State, a period of consultation and finally, parliamentary approval. Approval is only likely to be given if the proposed arrangements can evidence expected improvement in economic growth and transport.

- 1.4 Once established, CAs or EPBs are legal entities holding powers and their own financial accounts. Each constituent member of such a body can appoint one elected member as its representative. Other councils or organisations, such as Local Enterprise Partnerships (LEP), can participate as non-voting members and can be given a vote by agreement of the CA/EPB. CAs or EPBs derive their powers and resources from the local authorities which comprise their voting membership. The detailed constitution of the Combined Authority or Economic Prosperity Board, which is a matter for local agreement, establishes how power and resources are to be allocated between the local authorities and the Combined Authority/EPB. This means that until agreements are reached, it is not possible to judge how significant the powers of a particular Combined Authority/EPB will be.
- 1.5 To date, five areas have been established as Combined Authorities. None have decided to establish an EPB as they have felt that the inclusion and integration of transport powers was critical to enabling and facilitating economic growth. The five Combined Authorities that have been established are:
- Greater Manchester (created April 2011)
 - Sheffield City Region (created April 2014)
 - North East Combined Authority (April 2014).
 - Liverpool City Region (April 2014).
 - West Yorkshire Combined Authority (April 2014).
- 1.6 So far the Combined Authorities areas have all been large metro areas however, a number of other areas are now being actively considered. These include:
- Derby & Derbyshire and Nottingham & Nottinghamshire Combined Authority known as 'D2N2'
 - "Creative Counties" – Buckinghamshire, Oxfordshire and Northamptonshire have announced their intentions to form a CA.
 - West of England.
 - Tees Valley
 - Hampshire and the Isle of Wight (covering Hampshire County Council, 11 district councils and the three unitary councils of Portsmouth, Southampton and the Isle of Wight)
 - Leicestershire & Leicester City.
- 1.7 Greg Clarke (the Secretary of State for Communities & Local Government who is leading the Government's devolution agenda) has stated that he does not consider the Combined Authorities/Economic Prosperity Boards and the elected mayor models to be the only options. He has indicated that alternative arrangements may be more suitable for county areas. A case in point is the Devolution Deal for Cornwall, which was announced in July 2015 and represents a different devolution model from the other Combined Authority models on the table. The deal will see the Cornwall Council (already a unitary structure based on previous county boundaries) take responsibility for bus services (by 2018) and local investment (including acting as Intermediate Body

status for two European Structural Funds with responsibility to select projects from April 2016). Additionally, health and social services will integrate and the area will be working towards submitting proposals to create a low carbon enterprise zone linked to geo-thermal energy.

- 1.8 Gloucestershire have also put forward proposals for Devolution to government. The 'We are Gloucestershire' statement of intent was developed by Gloucestershire County Council, the six district councils, GFirst LEP, the Police and Crime Commissioner (PCC) and the Clinical Commissioning Group (CCG)
- 1.9 The Gloucestershire statement of intent pulls out five areas that the partners would like to focus on and take more responsibility for:
 - Economy, skills and employment - devolved accountability and budgets to enable county-wide economic planning to be driven by GFirst LEP
 - Planning, transport and infrastructure - simplified decision making for strategic planning, accelerated delivery of housing and investments into better transport links
 - Health and social care - fully delegated authority for all health care budgets, fully integrated health and social care and a single vision for health and wellbeing for the county
 - Community safety - community based budgets to focus support where needed, joined up interventions on domestic violence, sexual abuse and child sexual exploitation, more investment in prevention and diversion from crime
 - Collective decision making and accountability - pooling together public sector funding to get the best from spending power and a single point of accountability.

2. The West Midlands Combined Authority (WMCA) Proposal

- 2.1 It is clear that the constituent members of the WMCA are the seven metropolitan authorities.
- 2.2 The five leaders of the Birmingham and Black Country Local Authorities wrote to the Chancellor of the Exchequer in November 2014 stating that collectively, they had agreed to establish a West Midlands Combined Authority. The proposed constituent members of the WMCA has risen to include the seven metropolitan authorities of Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council, City of Wolverhampton Council. The West Midlands Area therefore refers to the wider area of the Black Country, Greater Birmingham and Solihull, and Coventry and Warwickshire Local Enterprise Partnership areas, which would potentially involve another 13 local authorities in the Combined Authority. The Combined Authority area can only cover the area of the local authorities who agree to be constituent members. Government has indicated

that in two tier areas it would not be acceptable for one tier to be in the Combined Authority and the other tier not to be.

- 2.3 The proposal assumes that Warwickshire County Council and any of the Districts and Boroughs of Warwickshire would only be able to join on a non-constituent basis (i.e. not as a voting member).
- 2.4 WMCA proposition is based upon the geographies of the three LEP areas, not the local authority geographies. This is not meaningful unless the local authorities themselves agree to join, since the devolution of powers and the legislation applies to local government functions and not to LEPs who in practice hold no such powers themselves. The Combined Authority area cannot be based on the LEP areas unless all the Councils in those areas agree to their areas being included. This would in essence mean constituent member status as it is unlikely that any local authority would agree to allow the Combined Authority to exercise powers in its area without ‘voting rights’ in the Combined Authority.
- 2.5 The overall time line is for the WMCA to be established by April 2016, with the WMCA needing to indicate its intention to form the CA to The Treasury by 4th September, hence the need for this Council to clarify its position in advance of that date.
- 2.6 As noted above, the current legislation creates some barriers in two tier areas which would hinder/prevent some of those other authorities from becoming ‘constituent authorities’. Changes to remove some of these barriers are contained in the Cities and Devolution Bill currently proceeding through parliament. The current and proposed position on memberships is attached in the form of a **briefing note from DCLG as Appendix 1**.
- 2.7 Constituent members of the West Midlands Combined Authority would be expected to transfer relevant functions relating to economic development, regeneration, housing and transport to this new body, for it to either hold and administer these functions *instead* of the member authority, or to do it *concurrently* with the member authority. Relevant functions within County Council and District/Borough Councils are listed in Table 1 below:

County Functions	District/Borough Functions
<ul style="list-style-type: none"> • Transport Planning • Transport Operations • Inward Investment • Business Support • Employment & Skills activity • Strategic Planning • Regeneration 	<ul style="list-style-type: none"> • Planning Policy • Housing Policy • Business Support • Regeneration

- 2.7.1 The proposed West Midlands Combined Authority published a **Launch Statement (Appendix 2)** on 6th July 2015, with the endorsement of the three LEP Chairs. The Launch Statement is high level and vague in terms of the

specific activities that the Combined Authority intends to undertake, what the likely outcomes would be, and how they would be delivered.

2.8 This Launch Statement sets out the early priorities the WMCA would focus on, which are:

- Development of an **overarching Strategic Economic Plan for the West Midlands**;
- Access to Finance and a **Collective Investment Vehicle**;
- **Strategic Transport** Networks;
- Creation of an **Economic Policy & Intelligence Capacity**;
- **Joint Programme on Skills**.

2.9 To facilitate this work, three independent commissions will be established to look at:

- Productivity – to develop a clearer understanding of the extent and causes of the lower than average productivity levels in the West Midlands, and what actions could be undertaken to improve these
- Land – to explore how a constant and sufficient supply of land for housing and employment; looking at the viability of existing sites; the extent and need for remediation; and developing appropriate tools, mechanisms and partnerships to successfully develop sites
- Mental Health and Public Services – exploring the role that mental health problems play in some of the key social and employment problems faced in the West Midlands, the cost and impact across the whole of public services, and explore best practice and new ways of working

2.10 The Government's expectation to date has been that major devolution to metropolitan areas must involve the creation of an elected mayor. The WMCA proposal currently does not address this question, although it is understood that the issue is being discussed by the metropolitan authorities. It is clear however that the appointment of an elected mayor would have significant implications for example, in relation to the cost of administration, and in respect of the existing governance arrangements including for the local police and fire and rescue services. In a Warwickshire context there are already two or three tiers of local government with the County Council, District/Borough Councils and Town/Parish Councils.

2.11 At the end of July 2015 the West Midlands Combined Authority published its **Statutory Governance Review (Appendix 3)**. This proposes that the best option for the area is to enter into a Combined Authority arrangement with associated governance structures to maximise the use of available resources.

3.0 Analysis of the WMCA Launch Statement & Governance Review

- 3.1 In order to inform the discussion at the Special Council, we have considered (with support from SQW Consulting) the opportunities and threats for Warwickshire based on a reading of the published WMCA Launch Statement and Governance Review. This assessment is limited as the launch document itself contains comparatively little detail. Specifically, it does not explain why priorities have been identified (and why other possible priorities have not been pursued); it says nothing about resourcing; it contains no implementation detail; and it does not discuss the scale of ambition.
- 3.2 This exercise was challenging given the lack of detail: neither document provides any firm plans as to what specific functions and activities the West Midlands Combined Authority is seeking to undertake, or what positive difference the Combined Authority arrangement will make to the performance of the local economy. The comments below are therefore both preliminary and high level. It has therefore been impossible given this lack of detail to undertake any impact assessments or to assess the financial implications for Warwickshire. Clearly the WMCA's proposal is still under development, and little actual detail has been made publicly available as yet. It may be that statements made within the WMCA public documents will be subject to further refinement, shortly after, or even during, this period of consultation
- 3.3 A more **detailed analysis is provided in Appendix 4**. However, the review highlighted some key questions for Warwickshire. These are summarised below:
- A key argument made for the WMCA is the size and scale of the geographic area. The "local context" is described in terms of the geography of the "3-LEP" area; this is identified as including – for example – a contribution of c. £80bn of Gross Value Added to the UK economy in 2012/13, 10.5% of all UK exports, 172 inward investment projects, and major companies (like JLR). The territory to which these relate includes Warwickshire and is significantly bigger than the area covered by the seven metropolitan authorities included in the Governance Review. The differences between these two geographies are important.
 - For Warwickshire – and on whatever basis – there are some advantages to be had from being part of something "big". With scale comes a potentially louder and stronger voice on both national and international stages; and this could be important in seeking to "be heard". In principle, size also potentially brings economies of scale (and therefore efficiencies) and the ability for greater specialisation – although the Launch Statement and Governance Review do not explicitly detail how these benefits would manifest themselves.
 - Another issue is the extent of self-containment for the proposed geographic area, which (for the wider 3 LEP area) means that some 90% of people live and work in the economic area. While this is a high figure (and higher than other Combined Authority areas), it is partly a function of

size. In practice, there are a series of smaller catchments within the larger one. Overall, around a fifth of Warwickshire workers commute into the Metropolitan Area – but the majority of these commute to Coventry. Warwickshire’s links with Coventry are much stronger than with the wider Metropolitan Area as a whole

- In the main, the issues and priorities set out within the Launch Statement refer to the challenges facing the urban areas of the West Midlands. Some of these are similar to those facing Warwickshire – but even so, it is not inevitable that either the causes, or the solutions, are (or should be) the same. For example, the skills challenges in Warwickshire are rather different from those which exist in (say) Sandwell; and it will be important to consider whether the WMCA – with its inevitable focus on the Metropolitan Areas – is the appropriate vehicle (and geography) for addressing skills issues in Warwickshire. Similar questions ought to be posed in relation to the other core strands of the Launch Document. From a Warwickshire vantage point, the case for joint working across the WMCA may be stronger on some fronts than others.

4.0 Local Partner Positions on the WMCA proposal

4.1 It is understood that Coventry City Council approved recommendations in a report presented on the 14th July 2015 where the City Council agreed that “joint consultation by the seven West Midlands Metropolitan Councils on setting up a combined authority for the West Midlands should take place in Coventry”. A further Full Council meeting is understood to be planned in October to enable the Council to make a final decision on becoming a member of the WMCA.

4.2 In terms of Warwickshire’s district and borough councils, their positions are as follows:

Location	Position
Rugby Borough Council	Special Council meeting to consider Devolution – 22 September 2015 .
Stratford District Council	Public Consultation taken place ahead of a special Council meeting on 1st September 2015 .
Nuneaton and Bedworth Borough Council	On 20 May 2015, Full Council made the following resolution: It was resolved that Nuneaton and Bedworth Borough Council continues to support the City Deal, monitors the developments of Combined Authorities and seeks to join the best

	<p>option for the residents of the Borough when appropriate.</p> <p>A further meeting is planned for the 16th September to consider the issue.</p>
North Warwickshire Borough Council	<p>Full Council meeting was held on the 7th July 2015 to consider devolution. A further meeting has been arranged for the 7th October to consider the issue</p>
Warwick District	<p>Full Council meeting was held on 14th March 2015 to discuss the membership of a potential combined authority.</p>

- 4.3 The West Midlands Combined Authority Statement of Intent is based on the Functional Economic Geography of the seven metropolitan authorities and the three LEP geographies which includes Coventry & Warwickshire. This creates a complication for Warwickshire as it is part of the CWLEP around which a Coventry and Warwickshire Combined Authority could have been created.
- 4.4 This Council will need to consider the ongoing implications of such a future arrangement, including the future of the CWLEP and this council's ongoing relationship with it. Clearly, there may be reconfiguring to be done around the CWLEP along with current and future Growth Deals depending on the ultimate membership of the West Midlands CA.
- 4.5 This Council will also wish to consider continued pursuit of a Coventry and Warwickshire Combined Authority. The issue of minimum population/scale is one that remains untested nationally and more recent emerging CA models elsewhere indicate that a Coventry and Warwickshire CA would be of sufficient scale. It would certainly be of sufficient economic weight and impact.

5.0 Wider Public Sector Reform

- 5.1 The reform of the public sector is at the heart of the Government's agenda on devolution. In plain terms it is about the transfer of responsibility and risk to local government. Central Government will not simply hand over powers or resources to devolved bodies without local government assuming more 'up front' risks. Locally the County Council needs to decide the outcomes it would wish to achieve through a devolution proposition. We should then identify how it meets both the public sector reform agenda and challenges in respect to the transfer of risk accompanying any devolution of powers/functions.

- 5.2 Council has previously expressed a preference to support the CWLEP geography and work within the existing sub-region of Coventry & Warwickshire. The present political choices are not necessarily pulling us in the same direction but regardless of political differences our Functional Economic Geography remains the same and the county would need to continue to work under local partnership arrangements with other bodies.
- 5.3 Within the context of wider public sector reform there could be a number of key strands to a “Warwickshire” model for devolution:
- a) Integration between national benefits agencies, e.g. DWP and the function of the councils in delivering the government’s welfare agenda.
 - b) A public sector wide asset function whereby we deliver the planned growth in housing stock using the whole public sector “land bank” available through one delivery vehicle.
 - c) A health and social care integration which takes responsibility for the commissioning/market management of the whole health economy.
 - d) An integration of national skills’ programmes with local delivery vehicles aligning the skills agenda to the LEP priorities.
 - e) A single Strategic Economic Growth Plan for all public bodies.
- 5.4 The County will need to work at whatever scale makes most sense under any devolution model i.e. work at the most appropriate geography to deliver that particular area of work. The list above provides examples of potential elements of a devolution deal. To achieve the best success the county would need collaboration and agreement from partners. The county needs to continue to evaluate the level of interest from other public bodies and to engage with them around joint working.

6.0 Options for the County Council

6.1 The West Midlands Combined Authority is currently consulting about its devolved model. There is currently a lack of clarity over the level of membership open to the county if we were to join. It is for Warwickshire to decide what the best options are for the county and to ensure the right decision is made for the county.

6.2 The options include:

- a) That the County Council join the West Midlands Combined Authority as a non-constituent member (non-voting member).
- b) That the County Council opt not to join the West Midlands Combined Authority.
- c) That the County Council continues to pursue the Coventry & Warwickshire Combined Authority Model.
- d) That the County Council undertakes further work to investigate an enhanced Warwickshire model.
- e) That the County Council undertakes further work to investigate working with different partners on a variety of issues.

7.0 Timescales associated with the decision and next steps

- 7.1 The West Midlands Combined Authority sought responses to their engagement on the launch statement no later than 28th August 2015. Following council's decision a 'Position Statement' can be issued in response to this engagement to the WMCA.
- 7.2 By September 2015 the WMCA aims to produce a scheme which will outline the area that will be covered along with the constitution and functions. This will include details of membership of the authority, voting and how meetings will be chaired and recorded. During October 2015 each constituent council obtains Cabinet and full Council approval of the scheme and subsequently submits this to the Department for Communities & Local Government (DCLG). The Department would then undertake a consultation on the proposals November 2015-January 2016, with a view to the WMCA being operational by 1st April 2016.

8.0 Appendices - attached

- 1. DCLG Briefing Note
- 2. West Midlands Combined Authority Launch Statement.
- 3. West Midlands Combined Authority Governance Review.
- 4. Analysis of the West Midlands Combined Authority Proposals

9.0 Background Papers

None other than the appendices listed under 8.0.

	Name	Contact Information
Report Authors	David Hill Jane Pollard Louise Richardson Sian Stroud	davidhill@warwickshire.gov.uk Tel: (01926) 418603 janepollard@warwickshire.gov.uk louiserichardson@warwickshire.gov.uk sianstroud@warwickshire.gov.uk
Heads of Service	Mark Ryder Sarah Duxbury	markryder@warwickshire.gov.uk sarahduxbury@warwickshire.gov.uk
Strategic Director	Monica Fogarty David Carter	monicafogarty@warwickshire.gov.uk davidcarter@warwickshire.gov.uk
Portfolio Holder	Cllr Izzi Seccombe	cllrseccombe@warwickshire.gov.uk