

PAPER NO. 7

REPORT TO THE EXECUTIVE MEETING OF 30 NOVEMBER 2015

Meeting: Executive
Date: 30 November 2015
Subject: Proposed Leicester and Leicestershire Combined Authority
Report of: Verina Wenham – Head of Legal and Democratic Services and Monitoring Officer
Portfolio Holder: Councillor Pain - Leader
Status: Recommendation

1 Purpose of the Report

1.1 The purpose of this report is to seek Executive approval to support the countywide proposal to create a Combined Authority for Leicester and Leicestershire and to refer the matter to Council on 14 December 2015.

2 Recommendations:

That Council is recommended to:

- 2.1 **Approve the Scheme for the Combined Authority (“the Scheme”);**
- 2.2 **Approve the Governance Review;**
- 2.3 **Authorise the publication of the Scheme and its submission to the Department for Communities and Local Government;**
- 2.4 **Authorise the Corporate Director Community Services following consultation with the Leader to make any final amendments to the Scheme and Governance Review prior to their submission to the Department for Communities and Local Government in December 2015 or January 2016;**
- 2.5 **Authorise the Corporate Director – Community Services following consultation with the Leader, to enter into discussions with the Department for Communities and Local Government and such other Government departments and other persons as are considered necessary by the Corporate Director to agree the terms of Order establishing the Combined Authority and to approve the final form of the Order on behalf of the District Council; and**

2.6 Authorise the Corporate Director – Community Services, following consultation with the Leader:

- (i) To negotiate, agree and execute all ancillary documents in support of the operation of the Combined Authority, including (without limitation) the constitution of the Combined Authority; and**
- (ii) To take all decisions and actions necessary to enable the establishment of the Combined Authority.**

3 Summary of Reasons for the Recommendations

3.1 The Scheme and Governance Review documents are both requirements under the Local Democracy, Economic Development and Construction Act 2009 for any area wishing to establish a combined authority. Approval from all the constituent councils is required before the Government will consider making an Order to establish the Combined Authority.

3.2 The nine councils in Leicester and Leicestershire are considering the Scheme, Governance Review and outcome of the consultation during November and December 2015. It may be necessary to make some minor amendments to the Scheme or Governance Review as a result of this process. In addition to the Order, the Combined Authority will require a full constitution and other operational documents.

4 Impact on Communities

4.1 As set out in the body of this report, particularly in paragraph 5 and paragraph 7.

5 Key Facts

5.1 Combined authorities are established under the Local Democracy, Economic Development and Construction Act 2009 (“2009 Act”) by Order of the Secretary of State for Communities and Local Government. A combined authority operates as a public body with its own legal personality but it is not a merger of existing local authorities.

5.2 A Combined Authority Order can be made for an area that meets the following conditions:

- (i) it consists of the whole of two or more council areas in England;
- (ii) no part of the area is separated from the rest of the combined authority by a non-constituent council (e.g. Leicester and Leicestershire could not be in a combined authority area with Nottingham City because Nottinghamshire would be between the two areas);
- (iii) the combined authority area does not surround a non-constituent council (e.g. Leicestershire could not form a combined authority without Leicester);

(iv) no part of the area is part of another combined authority, economic prosperity board or integrated transport area (this does not apply to non-constituent membership of another combined authority);

(v) all parts of the area were included in the scheme prepared and published.

In addition for an area to be included in a combined authority area, all councils for that area must consent (in the case of a two-tier area, both the district councils and the county council must consent).

Prior to submitting a proposal to the Secretary of State, Councils must conduct a governance review of their area, propose a draft scheme meeting the conditions set out in the 2009 Act and then publish and consult on the proposals.

5.3 Procedure to Establish a Combined Authority

5.3.1 There is a rigorous legal process to follow in order to establish a combined authority. It involves the following steps:

- (i) completion of a governance review for the area;
- (ii) preparation of a Scheme that demonstrates that it meets the statutory conditions set out in the 2009 Act;
- (iii) engagement with stakeholders and the public to establish their views on the governance review and Scheme;
- (iv) publication of the Scheme and submission to the Department for Communities and Local Government;
- (v) preparation of a draft Order by the Department for Communities and Local Government;
- (vi) a two month Government consultation on whether the combined authority will fulfil the statutory conditions. This will be undertaken by the Department for Communities and Local Government and is separate to the engagement undertaken by the constituent councils in September and October 2015; and
- (vii) the laying of the draft Order before Parliament for approval. It is currently anticipated that this will take place in Autumn 2016.

5.4 Governance Review

5.4.1 The governance review is an assessment of:

- (i) the effectiveness and efficiency of transport within the review area; and
- (ii) the effectiveness and efficiency of arrangements to promote economic development and regeneration within the review area.

5.4.2 The Governance Review, attached as Appendix A to this report, was undertaken by the constituent Councils during August and September 2015. The findings of the review are clear that the best governance model to enable economic and transport improvements in the local area is a combined authority.

The benefits of the combined authority model include the provision of a simple means of fully aligning and coordinating transport planning and wider economic development and regeneration, including strategic planning, across a sub-region. This would enable economic development and regeneration and transport initiatives to be aligned, co-ordinated, and delivered swiftly and efficiently by a single body.

5.4.3 The Combined Authority will also enable a shared understanding about Leicester and Leicestershire as a single economic area across the nine local authorities and will create a strategic framework for economic development and transport which will ensure consistency in local decision making. It will also increase the control and influence of the constituent councils across the key drivers of economic growth.

5.4.4 The Review considered alternatives to having a combined authority; for example that the constituent councils could continue to work together as they are, or form a joint committee, or an economic prosperity board. However, as analysed in the Governance Review, none of these options would give the full benefits of a combined authority. This is shown in the table below:-

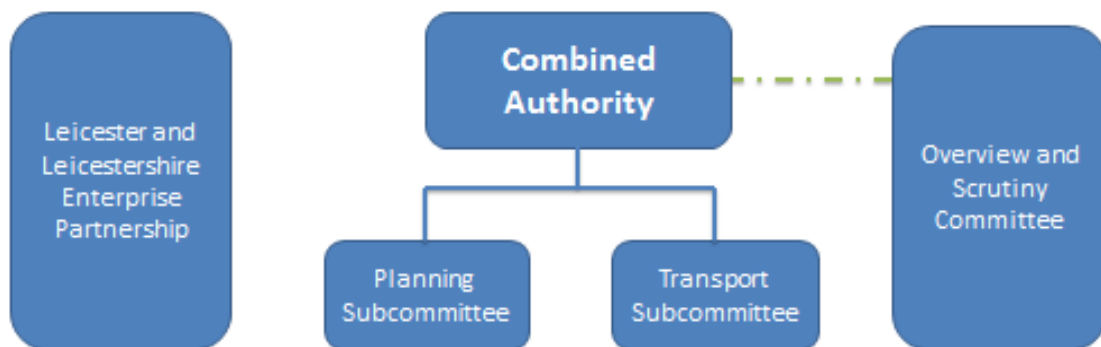
Option	Evaluation
Maintain the Status Quo	Maintaining the status quo would mean difficulties in accessing new funding and powers in line with the ambitions of the area. It would leave Leicester and Leicestershire behind other areas and would therefore be likely to have a detrimental impact on the economy of the area in the future. It would not strengthen the governance processes which largely rely on informal arrangements.
Joint Committee	The establishment of a Joint Committee would strengthen the current partnership arrangements and place them on a more formal basis. However, there is a lack of stability and certainty which is unlikely to secure long term funding commitments. In addition, the

	lack of legal status and financial accountability means that the same difficulties in accessing new funding and powers presented by status quo are likely to be encountered.
Economic Prosperity Board	An Economic Prosperity Board would provide strategic direction and accountability for economic development and regeneration and would ensure that a single formal decision-making body was in place for this. However, strategic transport would not be included in these arrangements, thus greatly limiting the scope for increased effectiveness and efficiency.
Combined Authority	A Combined Authority with devolved funding would create a clear and effective platform for accelerating economic prosperity in Leicester and Leicestershire through the creation of integrated, strategic frameworks to enable the delivery of investment plans for planning, transport and skills.

5.5 Combined Authority Draft Scheme

5.5.1 The Scheme is attached as Appendix B to this report. It will form the basis for the Order made by the Secretary of State. Part 1 of the Scheme clarifies arrangements relating to membership, voting, and scrutiny. The Scheme is based on a concurrent powers model with no transfer of existing powers. No constituent council is ceding existing functions to the Combined Authority. This is consistent with established and emerging combined authorities.

5.5.2 The diagram below sets out a proposed governance model for the Combined Authority:-



5.5.3 As the Combined Authority will be a form of local authority in its own right, it will be able to form committees/subcommittees in the same way a constituent council would, but could only delegate decisions to such committees which the Combined Authority itself could make. The above is a proposed model only and the number and purpose of any such committees would be subject to agreement between the constituent councils and included in the Combined Authority's constitution.

- 5.5.4 Each of the nine constituent councils will appoint a full voting member of the Combined Authority, with the Chair of the LLEP being a non-voting Member.
- 5.5.5 Each constituent council will appoint elected members to the joint Overview and Scrutiny Committee as are required to achieve political balance across the area of the Combined Authority. Members of the Overview and Scrutiny Committee cannot also be members of the Combined Authority itself, or a member of the Executive of a constituent council. Government advises that the Chairman of the Overview and Scrutiny Committee should not be a member of the major political party represented on the Combined Authority. This has been carried through into the current version of the Cities and Local Government Devolution Bill.
- 5.5.6 The role of the Overview and Scrutiny Committee will be to review and scrutinise decisions or other actions taken by the Combined Authority, through inviting the relevant members or officers to attend meetings and to make reports or recommendations to the Combined Authority. Further details are included in the Scheme.
- 5.5.7 Part 2 of the Scheme sets out the powers and duties of the proposed Combined Authority and gives examples of how it might utilise them. In summary, these are:
- (i) **Planning:** councils working together to agree a clearer, long-term framework to meet future housing and employment needs for the whole area and identify future growth locations.
 - (ii) **Transport:** focussing on long-term investment in road, rail and other public transport infrastructure.
 - (iii) **Skills:** setting the strategic direction for making improvements in skills and training, to give local people the chance to get better qualifications and employment.
- 5.5.8 Part 2 has been updated to remove skills devolution from central Government. Following consultation this is part of the devolution bid that has been submitted and will be pursued separately to the establishment of the Combined Authority.

6 Legal Issues

- 6.1 The Cities and Local Government Devolution Bill proposes to broaden the scope of powers that it is possible to confer on a combined authority, beyond those relating to economic development, regeneration and transport. It will make it possible for the Secretary of State to transfer functions from an existing public authority (a Minister of the Crown or Government Department but not a County or District Council) to the Combined Authority. In addition, the Secretary of State will have power to confer on the combined authority the general power of competence under the Localism Act 2011.

- 6.2 The Bill makes changes to Governance structures for combined authorities by enabling the Secretary of State to make an order to 'provide for there to be a mayor for the area of a combined authority'. The current version of the Bill provides that this cannot be used by the Secretary of State as a condition for agreeing to the transfer of local authority or public authority functions.
- 6.3 At present it is not known what the final changes to the Cities and Local Government Devolution Bill will be and when those changes will be brought into force, however the intention is that the Bill achieves Royal Assent by the end of 2015. The Leicester and Leicestershire Combined Authority Scheme and proposals set out in this report are therefore based on existing legislation (The Local Democracy, Economic Development & Construction Act 2009) rather than the Bill.

7 Resource Issues

- 7.1 Over the last four years, there have been significant reductions in the Government's funding of local authorities. Reductions in local government have been higher than in other parts of the public sector. It is therefore imperative that all future governance models are efficient and reduce duplication and waste wherever possible.
- 7.2 The costs of the Combined Authority that are reasonably attributable to the exercise of its functions relating to economic development and regeneration (and any start-up costs) will be met by the constituent councils. These will be identified in more detail in due course.
- 7.3 The Combined Authority will agree an annual budget for the purpose of this expenditure to enable it to develop and implement the following:-
- (i) a joint economic vision for the area of the Combined Authority;
 - (ii) a strategic growth plan looking to 2050 for the area of the Combined Authority;
 - (iii) a strategic asset management plan;
 - (iv) a single strategic transport master plan for the area of the Combined Authority and associated transport infrastructure investment strategy;
 - (v) a long term investment strategy for the Combined Authority area;
 - (vi) a growth deal framework.
- 7.4 The costs relating to the Combined Authority shall be met by the Constituent Council. The budget for the Combined Authority will be the subject of further detailed work in consultation with the Section 151 Officers from the Constituent Councils.

7.5 The staffing and servicing for the Combined Authority will need to be agreed between the Constituent Councils, which will be supported by a number of contractual arrangements between those parties. These will need to be negotiated and agreed while the DCLG is considering the draft Scheme and preparing the Order.

8 Equality Impact Assessment Implications/Outcomes

8.1 The equality impact assessments will be completed for the key decisions of the combined authority.

9 Impact on the Organisation

9.1 The CA will provide a formal structure for joint working on strategic planning and dealing with strategic growth throughout the county. This will help to ensure that HDC has an opportunity to influence the growth agenda and will help when it comes to submitting statutory plans such as the Local Plan. It also provides a stable mechanism for long term strategic decision making through a single body representing the needs of Leicester and Leicestershire. Decisions taken within the Combined Authority would be stronger than the current partnership agreements and will consequently be more able to withstand challenge. The formal framework will assist the assessment of major development proposals and will help to plan for major infrastructure projects.

9.2 The Combined Authority will be able to apply for funding and can borrow to fund transport infrastructure. Whilst some of the funding benefits have yet to be clarified it is likely that the CA will benefit from accessing funding sources which may not be available to HDC. It will also enable a strong, single, collective position to be reached which will demonstrate strength and confidence, supporting applications for central government funding.

9.3 The vehicle for delivering any devolved powers from the national government will be the Combined Authority and without this in place it will not be possible to seek these devolved powers. Whilst it is difficult to assess at this stage what those powers may be but it is clear that issues such as funding for skills and learning could be resolved at a local level to provide a better service for residents. Understanding demographics across a wider field will help to identify potential new growth sectors and will enable matching of skills, housing and jobs.

10 Community Safety Implications

10.1 None as far as this report is concerned.

11. Carbon Management Implications

11.1 None as far as this report is concerned.

12. Risk Management Implications

- 12.1 The body of the report addresses the risks associated with the proposed Combined Authority.

13. Consultation

- 13.1 Stakeholder and public engagement was undertaken between 21 September and 20 October 2015 to establish the level of support for the Scheme and findings of the Governance Review. This involved a survey of residents, staff and stakeholders, but also included the invitation to submit views by letter or email. The survey was made available on the council website from 21 September 2015. This was accompanied by supporting information which set out the proposals in more detail.

- 13.2 260 responses were received through the Combined Authority Consultation. An analysis of the responses is attached as Appendix C to this report. A full set of the questions asked is set out in Appendix D attached to this report.

- 13.3 There was a high level of support for establishing a Combined Authority, with 68.8% of respondents either 'strongly agreeing' or 'tending to agree' that, to enable economic and transport improvements, a combined authority is the best governance model for Leicester and Leicestershire, on the basis that it would avoid duplication and provide value for money. They also commented that it would improve co-ordination between authorities. Those respondents that either 'tended to disagree' or 'strongly disagreed' with the statement expressed concerns about losing local accountability and highlighted the differences between the city and the county.

- 13.4 There was a similar level of support for the proposed functions of the combined authority, with 71% of respondents either 'strongly agreeing' or 'tending to agree' that that the proposed functions are appropriate, commenting that they are key issues affecting the whole of the combined authority area. Just over a fifth of respondents did not support the proposed functions, again expressing concerns that local accountability would be lost.

- 13.5 The supportive nature of the responses to the consultation enables the nine constituent councils to proceed on the basis set out at the start of the consultation period. However, it will be important for the constitution of the combined authority to ensure that local accountability is retained through the new structures. The constitution should also include a process for the resolution of disputes.

- 13.6 The responses received through the consultation process will also feed into the work of the Combined Authority once established.

14. Options Considered

- 14.1 If Executive agrees with the recommendations, Council will consider the Combined Authority proposal at their meeting on 14 December 2015. All

Councils in Leicester and Leicestershire are following a similar process during November and December. The Leicester and Leicestershire Enterprise Partnership Board will be considering the Combined Authority at its meeting on 26 November 2015.

- 14.2 If all Constituent Councils agree, the Governance Review and Scheme will be submitted to the DCLG in December 2015 or January 2016. The DCLG will consider the Scheme and if approved will conduct a second period of consultation and draft an Order to create the Combined Authority, before laying this before Parliament. It is hoped that the Order will be made law in October 2016. Officers will work with the DCLG throughout this process.
- 14.3 In the meantime, officers of the Constituent Councils will work together to agree the practical, legal and operational arrangements for the Combined Authority, expanding upon the governance principles outlined in the Scheme. The documentation will include a full Constitution and Standing Orders for the Combined Authority, agreements between the Constituent Councils in relation to resourcing the Combined Authority and any other necessary arrangements.

15 Background Papers

- 15.1 Initial Combined Authority proposals submitted to the Secretary Of State 3 July 2015
Local Democracy, Economic Development and Construction Act 2009
Cities and Local Government Devolution Bill

Previous report(s): No

Information Issued Under Sensitive Issue Procedure: Y/N

Ward Members Notified: Y/N

Appendices: *list any appendices here including title and filename in brackets (e.g. Performance Data 2010 (perfdata.doc)).*

- A. Governance Review**
- B. Draft Scheme for the Combined Authority**
- C. Consultation Summary Report**
- D. Consultation questionnaire**