

**DEVOLUTION AND ECONOMIC GROWTH – OPTIONS FOR A COMBINED AUTHORITY**

|                                 |                    |
|---------------------------------|--------------------|
| Relevant Portfolio Holder       | Cllr Bill Hartnett |
| Portfolio Holder Consulted      | Yes                |
| Relevant Head of Service        | Kevin Dicks        |
| Ward(s) Affected                | All                |
| Ward Councillor(s) Consulted    | None Specific      |
| Key Decision / Non-Key Decision | Non-Key Decision   |

**1. SUMMARY OF PROPOSALS**

1.1 This report sets out information about the new Government's developing policy on devolution, growth and combined authorities and current proposals for the West Midlands / Worcestershire. The report proposes responding to this rapidly moving agenda by entering into discussions with other local authorities and the Government to establish how the Council's strategic purposes might be achieved through membership of a combined authority(s); requiring the Council Leader and Chief Executive to feedback on these discussions to Council.

1.2 There are 2 potential Combined Authority options being considered that the Council could be part of:

- a West Midlands Combined Authority; and / or
- a Worcestershire Combined Authority

It is fair to say that the West Midlands Combined Authority proposal is at a more advanced stage currently.

1.3 This report is not seeking a decision as to membership of a Combined Authority at this stage but simply to delegate authority to the Leader and Chief Executive to enter into discussions on behalf of the Council. A decision on membership will be a matter for full Council to determine.

**2. RECOMMENDATIONS**

**Executive Committee is asked to:**

2.1 That the Council should delegate authority to the Leader and Chief Executive to enter into discussions on behalf of the Council on a possible combined authority and devolution options so that proposals can be considered by the Council at the earliest opportunity.

**3. KEY ISSUES**

**Financial Implications**

- 3.1 At this stage the cost of participating in the discussions is minimal (and is predominantly in relation to officer time). If the concept were to go further then there may well be costs associated with legal advice and undertaking consultation. It is very difficult to estimate with any precision at this stage the full cost to the authority of such participation. However, if the matter were to proceed to a more detailed stage then a further report to the Executive Committee would in any case be required. Equally, at this stage it is difficult to be precise about the potential gain to the Council of participating. In a very real sense, it is not possible to clarify costs or benefits unless the Council does participate further in discussions.

**Legal Implications**

- 3.2 None at this stage as the report is only seeking to delegate authority to the Leader and Chief Executive to continue discussions. Any formal decision on a Combined Authority would need to be made by full Council.

**Service / Operational Implications**

- 3.3 There are two elements to this issue – one is the creation of a Combined Authority (a legal entity) and the other is the devolution package that may be negotiated with the Government on the back of creating a Combined Authority. The creation of a Combined Authority has to follow a number of steps including wide consultation. This is summarised at Appendix 1.

**What is a Combined Authority?**

- 3.4 Combined Authorities are the primary mechanism identified by central government for the devolution of powers and funding to local areas. They were introduced in the *Local Democracy, Economic Development and Construction Act 2009*, sections 103-113. The power to set them up extends to England only. Local authorities must trigger a review process in advance of setting a combined authority up, but the power actually to create a combined authority lies with the Secretary of State, via statutory instrument. The membership and functions of the combined authority are to be specified in the order setting it up. Local authorities are included in the Combined Authority by consent.
- 3.5 Combined authorities may take on transport and economic development functions. Transport functions include that of an integrated transport authority so long as the ITA's area is covered by the combined authority and the functions of a passenger transport executive may also be transferred to a combined authority. Combined authorities may also take on the functions of Economic Prosperity Boards which would allow the combined authority to take on the economic development role of their constituent local authorities. They have a

power of general competence, and can be passed functions by the Secretary of State under the general power to pass functions down in the Localism Act 2011. (this includes the transfer of any public function from other bodies s15-20).

- 3.6 Combined authorities are not intended to replace existing local authorities. Member councils continue to deliver local services and retain civic responsibility for their areas. Nor are combined authorities a replacement for Local Enterprise Partnerships which are made up of local businesses and local authority representatives and which would continue to operate alongside combined authorities. Greater Manchester, regarded as the most advanced combined authority, is to be given powers over health and social care – although this is being linked to the creation of a metro mayor for the area. Maintaining sovereignty of the council would be of paramount importance.
- 3.7 At the current time, a Combined Authority cannot include part of County Council area as a full member. A local authority can be a member of multiple combined authorities. However, unless their area is part of that combined authority area, they will not be full (or “constituent”) members. Associated (or “non-constituent”) membership usually means limited voting rights (it would be up to the full members to decide which particular matters they will let the associate members vote on). However, associate members can still influence and contribute to combined authorities as non-voting members. Before an area can be included in a combined authority area, it must be included in a section 109 scheme. In two – tier areas, an area can only be included in a scheme with the consent of the county council and district council. Presently, the county council would be unable to delegate any of its transport or economic development and regeneration functions to a combined authority for only part of its area. This means that a county council would be unlikely to agree to only part of its area being included in a scheme and the Secretary of State would be unlikely to see the sense of including an area for which functions could not be delegated. An order would not, therefore, currently be progressed for only part of a county council area.
- 3.8 Draft regulations were published in March 2015, to try and remove this barrier. The regulations would allow a county council to agree to transfer its functions for only part of its area. This would effectively mean that Redditch Borough could be included in the West Midlands CA as long as the County Council agreed. No exact date has yet been given as to when these new regulations would come into force, but it is likely to be soon. Currently, there would be no prospect of Redditch Borough being included in the West Midlands CA area as a constituent member. However, RBC could look to become an associate member.
- 3.9 The new Government has quickly announced that it intends to pursue its policy of economic growth through devolution and has published the Cities and Local Government Devolution Bill to assist with this process. The first speech given by the Chancellor of the Exchequer after the election focused on the Northern Powerhouse and devolution.

- 3.10 In his speech the Chancellor stressed the importance of the cities and their areas in the north to improve productivity and to rebalance the UK economy. This policy is based on the economic theory that significant increase in productivity requires areas to work together at scale i.e. that there are real benefits to be had from economic agglomeration where places collaborate on key economic initiatives. The Chancellor promised greater powers and autonomy through devolution deals to cities with ambition elsewhere in the UK, particularly to those who choose to have an elected Metro mayor.
- 3.11 This offer from the Chancellor, along with the publication of the Cities and Local Government Devolution Bill, has added further impetus to the development locally of a combined authority for the West Midlands which is now the only metropolitan area in England that does not have a combined authority.
- 3.12 Initially seen as predominantly a vehicle for metropolitan areas for the city deals negotiated with the last Government, the last year has seen many areas looking to create a combined authority for a variety of city, county, district council or a mixture of these in areas across England. Discussions have been held with regard to the potential formation of a Combined Authority for Worcestershire.
- 3.13 Redditch Borough Council, along with Bromsgrove District Council and Wyre Forest District Council are members of both the Greater Birmingham and Solihull Local Enterprise Partnership and the Worcestershire Local Enterprise Partnership as this reflects the economic geography and functional market area of our sub-region.
- 3.14 Last November Birmingham City Council and the four metropolitan district local authorities that make up the Black Country announced that they intended to create a combined authority for their area and invited other neighbouring authorities to consider joining them in a combined authority for the West Midlands. This precipitated informal discussions in North Worcestershire which have taken place during the last six months. Similar Informal discussions have been undertaken about the possibility of creating a Combined Authority for Worcestershire. As can be seen above things have moved on rapidly since the general election, particularly over the last month or so which has necessitated this report. Before the election it was thought districts would be invited to express an interest in becoming members of the West Midlands Combined Authority however we have now been advised districts need to make the approach to the metropolitan councils to be able to “get round the table” and discuss options.
- 3.15 As the West Midlands is the only metropolitan area in England without a combined authority it is viewed as being behind other areas of the country. It is also perceived that the Midlands is at risk at missing out on the Government’s devolution agenda – particularly as the Northern Powerhouse concept is developed and supported by Government including specific provision in the last budget and the creation of a minister responsible for the Northern Powerhouse in the new Government. In their recent visit to Birmingham on 1st June 2015, the Chancellor, along with Greg Clark, the Secretary of State for Communities and

Local Government, and Lord Heseltine made it clear that there was an opportunity for the West Midlands to respond to the Government's devolution agenda but this required a speedy and ambitious response from local councils. They urged engagement with the wider adjoining area including district councils.

- 3.16 Economic analysis undertaken by the metropolitan authorities has now led them to propose that a combined authority should be created for the West Midlands base on three Local Enterprise Partnership areas of Coventry and Warwickshire, Greater Birmingham and Solihull and the Black Country. It is proposed these three functioning economic areas working together could provide fresh opportunities for businesses, job creation, transport improvements, skills programmes and housing investment.
- 3.17 The area proposed would be the biggest combined authority area in the country with a population of 4 million and would run from northern Worcestershire (Redditch, Bromsgrove and Wyre Forest) in the south to southern Staffordshire (including Tamworth, Burton on Trent) in the north. This would be a new West Midlands larger than the metropolitan area itself and considerably bigger than Greater Manchester (see Appendix 2). The Local Authorities that could be involved and their political control are listed at Appendix 3.
- 3.18 In Worcestershire the County Council and all of the District Councils have commissioned support to prepare a case to support a "conversation with Central Government" on the scale and scope of devolution of greater fiscal and management powers relevant to Worcestershire (and/or a wider area for specific drivers of growth that this might be relevant to). This case will cover both strategic and economic elements. The case will seek to be clear on why we want greater devolution including but not limited to greater local accountability and proven ability to reform services, what we want devolved building on high level consensus established between local government leaders and finally how we will enact devolution and consequent reform and greater economic growth. The final report is due between September and October of this year.

"Asks" for Redditch Borough Council

- 3.19 Initial thoughts as to the objectives ("Asks") that Redditch Borough Council could want to achieve by working together with other local authorities through a combined authority are:
- The provision of a large capital investment which can be used on a revolving basis to forward fund infrastructure to support employment and housing growth but also to deliver social elements, such as, schools, leisure, open space and health, and transport solutions;
  - An amendment to the New Towns Act to enable Councils to better capture any enhanced land values in order to be able to invest in long term infrastructure and promote development in appropriate locations;
  - The removal of the borrowing cap on Council's Housing Revenue Accounts in order to allow them to be able to invest in more affordable housing;

- Devolved control over key HCA's capital investment programmes and its local assets;
- Transport – including devolved control over the Highways Agency and Network Rail capital investment programmes and their surplus local assets;
- A duty to co-operate requirement on all other Government departments and agencies to co-ordinate their capital investment and service delivery programmes locally with the Combined Authority;
- DWP funding
- Local control over the Work Programme and similar programmes to enhance and better tailor apprenticeships and job opportunities for our local communities;
- Local control over any BIS programmes to support local businesses and to attract inward investment;
- A range of financial instruments, such as retention of all of business rate growth and Tax Increment Financing (TIF) to both enable Councils to become more self-supporting financially but also to be able to both fund and obtain a return on infrastructure and economic development;
- The ability to set regulatory fees and charges at levels that allow for full cost recovery to ensure that Councils can maintain the services that will aid economic recovery;
- Multi-year financial settlements to help provide stability for service provision.
- Full control/retention of business rates and council tax
- Skills – (including FE / HE / Schools and Investment Zone)
- Health: commissioning
- Public sector assets
- Public Sector reform – this has been a key programme over the last few years for the Council and could provide more momentum for agencies to work together and truly redesign services to our communities.

3.20 Redditch Borough Council considers that a package along these lines would unleash the latent growth potential of the local economy leading to a better business environment; more and better jobs, more security for such jobs; more housing for families of all incomes; and, put a supportive economic and social infrastructure in place. It would also enable Councils, communities and families to be more financially self-supporting and therefore independent.

3.21 Redditch Borough Council considers that this approach could also translate into a reduced welfare bill by enabling more local, working age people to enter well paid jobs and so be less reliant on welfare payments. However, to maximise this latter potential RBC believes that a second priority area for the Combined Authority would be to seek from Government, the local management of Job Centres and national welfare payments systems to allow a local integration of all benefit systems but also to allow for the integration of job creation activities (economic development) with job filling activities (getting more local people into local and better jobs).

3.22 RBC believes that if the Combined Authority(s) can demonstrate success in the areas above it would then be well placed to then seek further devolution in the fields of Health and Social Care; and in Policing and Community Safety leading ultimately to the brief for a complete Whole Place budgeting over all public policy areas that can be localised. This is very much in line with our locality approach.

### **Governance**

3.23 RBC realises that all of the above represents a tremendous "Ask" and will no doubt be accompanied by "Asks from Government". It understands that such trading is part of the discussions the Combined Authority(s) will have to enter into with the Government. However, at this stage it does not consider that an "Ask from Government" for an elected Mayor is an acceptable "Ask". Another tier of authority and decision making in an already complicated field is not the approach our communities are seeking nor that they deserve.

3.24 In terms of Governance the options open to membership of the West Midlands Combined Authority are:

- constituent membership (7 metropolitan councils) can vote on all matters including the setting of any levy or differential levy (as ITA doesn't affect everyone),
- Non constituent (voting) - some form of membership fee. Economic regen, investment activity, skills agenda, public services reform, devolved powers from central govt, land and spatial activity as agreed
- Non constituent non voting - contractual nature - contract will outline elements of co-operation and financial and legal obligations for both combined authority and non constituent member council

3.25 The discussions with regard to a Worcestershire Combined Authority as stated above are less well advanced but membership for RBC would be constituent membership.

3.26 The additional impetus provided by the election of a new Government keen to promote economic growth and devolution through devolution deals means that the Council will need to be able to respond quickly to a rapidly moving agenda and so it is recommended that the Council continues to explore whether joining a combined authority(s) would enable it to achieve its strategic purposes. In particular, it is recommended that the Council responds to the proposal from the West Midlands Metropolitan Councils to consider creating a combined authority for the West Midlands covering three Local Enterprise Partnerships which includes Redditch Borough. The 3 LEP chairs (Greater Birmingham and Solihull, Black Country and Coventry / Warwickshire) are all seemingly in favour.

3.27 Devolution discussions with the Government about what is best for the West Midlands are now beginning and it is recommended that Redditch Borough Council should look to take an active part in these to enable the Council to decide what the benefits to the businesses and residents of Redditch Borough

might be from joining a combined authority and taking part in any devolution deal. For information, the initial detail received is that the Government is looking for the Combined Authority to start at the beginning of next financial year meaning that consultation may begin at the end of this summer.

- 3.28 Clearly then this agenda is moving at pace it is recommended that authority should be delegated to the Leader and Chief Executive to take part in discussions so that these can reported back to the Council so that any proposals can be considered and determined at the earliest opportunity. Other Officer and Portfolio Holder time may also be required as is appropriate.
- 3.29 The potential for being part of a Combined Authority(s) is great for: business, skills, educational achievement, productivity, increased investment, greater output, reformed public sector, more joined up working , more partnership working – everything that we have been trying to achieve within the Council.

**Customer / Equalities and Diversity Implications**

- 3.20 None at this stage

**4. RISK MANAGEMENT**

- 4.1 At this stage the most identifiable risk is about participation in what may be termed the “talking stage” of setting up a CA. Participating in discussion raises little direct risk to the Council other than the time potentially wasted by Officers and Councillors if the discussion leads nowhere. On the other side, the risk of not participating is greater in that an agenda will be set out without this Council’s input or agreement; funding and powers may be awarded to those that do participate and not to those who did not. On balance the risk is greater in relation to non-participation at this stage.
- 4.2 However, it is clear at this stage that there is a distinct North / South split and the County Council is adamant that it does not want to enter into discussions with the forming of a West Midlands Combined Authority and wants to consider setting up a Combined Authority for Worcestershire. There may be reputational and relationship risks to all concerned as a result of this divergence. This risk can best be mitigated by making sure of continuous communication between all of the sub regional authorities potentially involved but this Council will need to be alert to signals of fall out and any consequences.
- 4.3 Given that no final decision is sought at this stage, it is again difficult to be precise about the risks of particular elements of a devolution deal. All of this requires more discussion and negotiation in order to be clearer about the respective risk and rewards. In any event another decision would be required of the Council before it formally enters a Combined Authority and agrees a devolution deal.

**5. APPENDICES**



|            |   |
|------------|---|
| Appendix 1 | Process for setting up a combined authority                                 |
| Appendix 2 | Relative size of LEP areas  |
| Appendix 3 | Potential Local Authority members of a West Midlands Combined Authority     |
| Appendix 4 | Exert from Explanatory Notes on Clause 10 of the Cities and Devolution Bill |

**6. BACKGROUND PAPERS**

Cities and Local Government Devolution Bill

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**Process for setting up a combined authority**

Combined authorities are a type of authority which may be set up by the Secretary of State, at the request of local authorities in a specified area. Their purpose is to undertake joint functions through a body with its own legal personality. They were introduced in sections 103-113 of the Local Democracy, Economic Development and Construction Act 2009. This applies in England only.

Local authorities must trigger a review process in advance of setting a combined authority up, but the power to actually create a combined authority lies with the Secretary of State, via a statutory instrument.

The statutory process begins with two or more councils undertaking a review of their area specifically in relation to the effectiveness and efficiency of transport and arrangements to promote economic development and regeneration within the area covered by the review. The review may recommend the established authority for their area, or including their area.

As part of this review, there will be a consultation to seek the views of local residents, councils; business and other local organisations across the area that is subject to the review so that these can be considered by the councils before they decide to proceed.

The local authorities then publish their “scheme” for a proposed combined authority which is submitted to the Secretary of State. Publication of the scheme requires the consent of the local authorities covered by it.

The scheme is then considered by the Secretary of State who undertakes a further formal process of consultation and must consult the authorities that would be covered by it. There are no powers for public bodies other than local authorities to join a combined authority.

Under current legislation the areas within a combined authority must be contiguous. The Secretary of State must consider whether a combined authority will improve the exercise of statutory functions relating to transport and economic development in that area and the economic conditions in the area. The Secretary of State also must have regard to the need to reflect the identities and interests of local communities and to secure effective and convenient local government.

The Secretary of State then makes an order for a combined authority to be approved before Parliament. This whole process usually takes 9-12 months.

**Changes to legislation on setting up a combined authority**

The Government has published a draft order which will change the current regulations and allow non-contiguous areas to become part of a combined authority and will also permit part but not all of a county council area to become a member of combined

authority which is not currently the case (and has led to the concept of associate membership being developed). The Secretary of State would still have to be convinced that the proposed area was a functional economic area and would be required to take into account the possible effects of establishing a combined authority on adjoining areas.

Local authorities may not be full members of more than one combined authority. However there is no such thing in law as “associate member” of a combined authority, and a district council is free to be an “associate member” of more than one combined authority, or an “associate member” of one and a full member of another.

**Relative size of LEP areas**

| LEP area                           | Population 2013<br>(million) | Total GVA<br>(£ billion) | GVA per<br>head<br>(£ million) |
|------------------------------------|------------------------------|--------------------------|--------------------------------|
| Coventry and<br>Warwickshire       | 0.87*                        | 19.7                     | 22,443                         |
| Black Country                      | 1.15                         | 19.5                     | 16,958                         |
| Greater Birmingham and<br>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 and Bosworth

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

**Appendix 3**

**Potential Local Authority members of a West Midlands Combined Authority**

Coventry and Warwickshire (including Hinckley and Bosworth) LEP area

|                                       |                  |
|---------------------------------------|------------------|
| Warwick District Council              | Conservative     |
| Stratford District Council            | Conservative     |
| Rugby Borough Council                 | Conservative     |
| Nuneaton and Bosworth Borough Council | Labour           |
| North Warwickshire Borough Council    | Conservative     |
| Hinckley and Bosworth Borough Council | Conservative     |
| Coventry City Council                 | Labour           |
| Warwickshire County Council           | Conservative led |

Greater Birmingham and Solihull LEP area

|                                    |              |
|------------------------------------|--------------|
| Redditch Borough Council           | Labour       |
| Bromsgrove District Council        | Conservative |
| Wyre Forest District Council       | Conservative |
| Birmingham City Council            | Labour       |
| Solihull Borough Council           | Conservative |
| Lichfield District Council         | Conservative |
| Tamworth Borough Council           | Conservative |
| East Staffordshire Borough Council | Conservative |
| Cannock Chase Borough Council      | Labour       |

Black Country LEP area

|                            |                            |
|----------------------------|----------------------------|
| Dudley Borough Council     | Labour                     |
| Walsall Borough Council    | Conservative led coalition |
| Wolverhampton City Council | Labour                     |
| Sandwell Borough Council   | Labour                     |

15 Conservative or Conservative led  
7 Labour

7 Unitary Councils  
3 County Councils  
13 Borough/District Councils

**Exert from Explanatory Notes on Clause 10 of the Cities and Devolution Bill**

Local authorities: governance and constitution

Clause 10: Governance arrangements etc of local authorities in England

26 Clause 10 provides for the Secretary of State to make regulations making provisions about local authorities' governance arrangements, their constitution and membership, and structural and boundary arrangements. For these purposes a local authority is a county council in England, a district council or a London Borough.

27 Governance arrangements mean the arrangements an authority operates for taking decisions - executive arrangements, the committee system, or prescribed arrangements as provided for under Part 1A of the Local Government Act 2000.

28 For structural, boundary, or other changes, the context in which this power could be used is where Devolution Deals, conferring powers and budgets on an area, are agreed by Government with areas where it may not be appropriate simply for the existing councils to establish a combined authority, or indeed where a combined authority is not appropriate.

29 An example may be where a single county, which may or may not be a unitary authority, covers a functional economic area which may be the basis for a Devolution Deal, and all the constituent councils involved agree that the strong and accountable governance needed for the new powers and budgets to be conferred on the area necessitates simplifying the local government structures for the area. That may involve mergers of councils, moves to unitary structures, or changing the democratic representation of the area with different electoral cycles and fewer councillors.

30 This power is intended to enable the Secretary of State to effect those changes simply and efficiently. Regulations under this clause are to be made only with the consent of the local authorities to which the regulations apply. Such regulations would be subject to the affirmative procedure in Parliament and may include transitional, transitory or saving provision.