

Cabinet – 19 October 2015

A combined authority for the West Midlands

Portfolio: Councillor M Bird Leader of the Council

Related portfolios: Councillor A Andrew, Deputy Leader, Portfolio Holder Economy, Infrastructure and Development

Service: Chief Executive

Wards: All

Key decision: No

Forward plan: Yes

1. Summary

- 1.1 This report provides a further update on the proposals to create a combined authority for the West Midlands and builds upon the report received by Cabinet at its meeting 12 August 2015. The report provides Cabinet with an overview of the engagement outcomes on the draft 'West Midlands Combined Authority Governance Review' and provides Cabinet with the final version of the Governance Review for their consideration ahead of it being submitted to Government.
- 1.2 The report also provides Cabinet with information relating to the 'West Midlands Combined Authority Scheme' ahead of it to being submitted to Government. The Scheme is the result of the work being undertaken by the seven Leaders in consultation with the three Local Enterprise Partnership (LEP) geography, to develop the framework for the powers, duties and functions of the proposed West Midlands Combined Authority (WMCA), what it will do and how it will operate.

2. Recommendations

- 2.1 That Cabinet note the outcomes of the engagement on the strategic 'Governance Review' for the West Midlands.
- 2.2 That Cabinet approve the final Governance Review (**appendix 1**) for the West Midlands Combined Authority.
- 2.3 That Cabinet agree the final Scheme (**appendix 2**) for the West Midlands Combined Authority,
- 2.4 That Cabinet agree to recommend to Council that the final 'Governance Review' and 'Scheme' for the West Midlands Combined Authority be approved and

submitted to the Secretary of State for Communities and Local Government; confirming that Walsall Council will join the West Midlands Combined Authority as a 'Constituent Member'.

- 2.5 That Cabinet agree to receive a further report outlining the final proposals for a West Midlands Devolution Deal which in turn can be presented to a future Council meeting.

3. Report detail

West Midlands Combined Authority- Update

- 3.1 The seven Local Authorities in the West Midlands have a long history of collaboration at a scale that reflects the 'functional economic geography' of the area. The seven metropolitan councils operate within the constituted body of the West Midlands Joint Committee with some delegated powers and responsibilities. Alongside the constituted Joint Committee is another example of collaborative working across the West Midlands, that of the integrated Transport Authority (ITA); the body that has responsibility for Transport Strategy and passenger transport across the metropolitan area. The current way of working under the Joint Committee structure does not operate as a 'body corporate' and therefore is not permanent, could be dissolved if the members chose to do so, and cannot hold funding or receive devolved powers from Government in the same way that the proposed WMCA might.
- 3.2 Here in the Black Country, the collaboration between the four Local Authorities takes the form of the Black Country Joint Committee (BCJC) where the Committee acts as a strategic body in relation to the City Deal and Growth Deal – with full delegated authority from each of the four Local Authority Cabinets to make decisions on setting and reviewing objectives for strategic investment across the Black Country, providing 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 Ltd. 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.
- 3.3 Cabinet received a report in August 2015 outlining proposals to form a combined authority for the West Midlands and sought agreement for the Leader of the Council to continue to participate in negotiations to form a Combined Authority covering the metropolitan area and geography of the three LEP areas forming the wider West Midlands. It was resolved at that meeting that the Leader would continue the negotiations and participate in the work being undertaken to establish the strategic vision and associated work programme priorities for the proposed Combined Authority, and also continue to shape the future governance and functions of the WMCA. In this vein the Leaders have agreed to form a Shadow Board for the WMCA, which has amongst its terms of reference for the Board has a provision for the Board to make all necessary preparations for the

West Midlands Combined Authority to ensure it is in place for April 2016. The Leaders have nominated a Chair- Councillor Sleigh, Leader Solihull Council and a Vice Chair- Councillor Cooper, Leader Solihull Council, and held its inaugural meeting on 21 August 2015. It was also resolved at the same Cabinet meeting that the Council would engage upon the draft strategic Governance Review which contained an options appraisal of the most effective way of collaborative working across the local authorities forming the West Midlands.

- 3.4 Cabinet will recall that in late July, the West Midlands Leaders were invited by Government to commence negotiations on an initial 'Devolution Deal' as the means by which Government might conceive devolving powers and resources from Whitehall to the region in support of local economic outcomes. Ministers initially encouraged West Midlands Leaders to be ambitious in the requests for budgets, powers and responsibilities. The initial West Midlands proposal was submitted to Government on 4 September 2015 and contained an ambition to receive powers, functions and flexibilities on how important budgets can be utilised to deliver the overall aim of the WMCA; to closing both the productivity and the public spending gap. The devolution proposal seeks significant funding and financial flexibilities to support an investment fund to invest in transport and increase development land; investment to implement the High Speed Growth Strategy for the benefit the whole area, an integrated new employment and skills system for the West Midlands, and the transformation of services for targeting support for "troubled" individuals. Since September work has continued in the preparation of propositions for devolved powers/ resources to ensure they contribute to overcoming the barriers to growth in the region. It is anticipated that any agreement to a devolution deal will form part of the autumn Comprehensive Spending Review. In parallel with West Midlands negotiations, several other urban areas across the country are also progressing devolution negotiations.
- 3.5 Cabinet will recall that the request by Government to the West Midlands Leaders to commence its consideration of the 'Devolution Deal' is a separate process from that of the administrative and political process to create a combined authority. As per recommendation 2.5, any agreement to the terms of a devolution deal will be subject to a Full Council decision in future.

The Governance Review

- 3.6 A draft Governance Review was prepared for stakeholder engagement in August 2015. The draft Governance Review covered the seven local authority areas of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton ('the West Midlands'). There was recognition that the three LEP areas of the Black Country LEP, the Greater Birmingham and Solihull LEP and the Coventry and Warwickshire LEP also constituted a Functional Economic Market Area. However, for the purposes of the draft review, the governance arrangements of the seven metropolitan local authorities were considered.
- 3.7 In accordance with Section 108 of the Local Democracy, Economic Development and Construction Act 2009 a governance review in relation to a potential combined authority addresses the effectiveness and efficiency of: (a) transport within the area covered by the review and (b) arrangements for economic development and regeneration within the review area. The statutory tests for the governance review in relation to a potential combined authority are set out in the Local Transport Act 2008 and the Local Democracy, Economic Development and

Construction Act 2009. The process of the review examined the options available to the West Midlands in relation to each of the following and evaluates the likely improvement going forward:

- The exercise of statutory functions relating to economic development, regeneration and transport;
- The effectiveness and efficiency of transport; and
- The economic conditions in the area.

3.8 The draft Governance Review considered three options available to the West Midlands, a 'maintain the status quo' scenario whereby the existing arrangements for collaborative working would continue, create an economic prosperity board, or create a combined authority. The review demonstrated that the seven councils in the West Midlands have a track record of working together on areas of mutual benefit. After evaluating the current evidence, the conclusion from the strategic Governance Review is to recommend a combined authority model as would give legal form to the close working relationships that already exists between the seven local authorities, the ITA and the LEPs by creating a sub-regional body with legal personality and a governance mechanism that can act across the combined area.

3.9 Between 3 August and 11 September 2015, the seven West Midlands local authorities undertook engagement with key stakeholders on the proposals to form a combined authority and the draft Governance Review. Across all the 'constituent' authorities a total of 305 responses (a response rate of 65%) were received to an on line survey issued to those identified stakeholders. The survey was also available online via the WMCA website (see below). A short summary of the responses suggests that;

- 69% of respondents believed that the WMCA provided a platform for better, joined-up working with local enterprise partnerships.
- 67% of respondents felt that the WMCA would make an improvement to economic development and regeneration and impact on growth and prosperity.
- The positive impact on growth and prosperity was ranked the highest statement agreed within Wolverhampton, and 2nd in both Sandwell (83% agreed) and Dudley (43% agreed). This issue was ranked no lower than 4th in all areas. The positive impact on economic development and regeneration was ranked highest by two local authorities – Solihull (78%) and Walsall (77%)

Walsall sought feedback from local stakeholders via a number of channels that included;

- Letter and Emails - The Leader sent 69 letters to Walsall partners and stakeholders inviting them to review the Governance Review.
- Social Media (via Twitter) - Walsall Council sent 62 tweets using the hashtag #WMCA resulting in 112,485 accounts reached and 270,678 impressions. A further 100 Tweets using the phrase 'West Midlands

Combined Authority' reached 256,829 accounts and created 367,851 impressions

- Website- Just over 7% of all web traffic to walsall.gov.uk has visited the CA webpage to date. An online survey has also been hosted at www.westmidlandscombinedauthority.org.uk

The results of the CA wide listening and engagement process was reported to the seven West Midlands Shadow Board at a meeting 09 October 2015 as part of the approval of the final Governance Review. The final Governance Review forming **appendix 1** will be submitted to Government as part of the statutory process for creating a combined authority.

The Scheme

3.10 The process by which the Councils wishing to form a combined authority make proposals to the Government to form a combined authority is through a scheme. A scheme sets out the overall framework for the powers, duties and functions of a combined authority, what it will do and how it will operate. The Scheme (**see appendix 2**) for the proposed WMCA is the document upon which Government will legislate whether a combined authority for the West Midlands can be established and the Government have to have regard to its contents, albeit not adopt all of its contents for the purposes of making the Order establishing the Combined Authority.

3.11 A summary of the WMCA Scheme is provided here. The Scheme sets out the functions and powers to be held by the seven Constituent Members of the WMCA; the seven members being the Council's forming the metropolitan area of Birmingham City Council, Coventry City Council, Dudley Metropolitan Borough Council, Sandwell Metropolitan Borough Council, Solihull Metropolitan Borough Council, Walsall Metropolitan Borough Council and the City of Wolverhampton Council. The voting rights afforded through the Scheme to the Constituent Members are set out in **appendix 2**; these are matters upon which each of the seven Councils will use their 'one vote' (see appendix 2 page 4, paragraphs 13 to 17) rights to make decisions. It is proposed in the Scheme that on matters that require a vote then a consensus will be sought but should this not be possible then votes will only be carried when a 2/3 majority of the Constituent Councils is achieved. There are however exceptions and matters which have been resolved to require a unanimous decision of the Constituent Members only, those matters include:

- Approval of land use plans
- Such other plans and strategies as determined by the Combined Authority
- Financial matters which may have significant implications on Constituent Authorities' budgets
- Approval of borrowing limits, treasury management strategy including reserves, investment strategy and capital budget of the Combined Authority
- Agreement of functions transferred to the Combined Authority
- Extension of voting rights to all or any non-constituent member
- Approval of specific proposals for individual co-optees to the Combined Authority

- Use of general power of competence beyond the powers provided within the Local Democracy Economic Development and Construction Act 2009, including in relation to spatial strategy, housing numbers and compulsory purchase powers
- Establishment of arms-length companies
- Approval to seek such other powers as may be appropriate and any new powers granted by government.
- Amendments to the Constitution
- Changes to transport matters currently undertaken by the ITA

As well those items in this list above, the following items listed below are all reserved to the 7 Constituent Members only to vote upon as they are either by law matters only relevant to the 7 Constituent Councils and or considered to be matters of nature that only the 7 Constituent Councils should make determination upon them:

- Adoption of Local Transport Plan
- Setting of the transport levy
- Approval of the Combined Authority annual budget and capital budget
- Allocation of local transport plan funding to the individual constituent councils
- Establishment of committees , joint committees and sub committees

3.12 Cabinet will be aware of the proposals being considered to enable the WMCA to also include Non-Consistent members in its future governance arrangements. Such members are those Councils forming the non-metropolitan area- in most cases the District and County Councils within the 3- LEP area geography have been invited to participate along with the LEP Chairs. In law the Scheme cannot deal with the functions and powers of the Non-Constituent members, this has to be dealt with in the Constitution of the Combined Authority but there is recognition by the Constituent Members of the role these areas have in supporting the economic prosperity of the region. As such the Constituent Councils have explored a way of creating a forum for collaborative working. A number of District Councils have resolved to be part of the WMCA (a list of the final membership is contained in **appendix 2**), as have the LEP Chairs. The proposal is that the District Councils, that have agreed to join, and LEP Chairs both being Non Constituent members be afforded limited voting rights on matters not specifically reserved to the Constituent Councils referred to in paragraph 3.11. Further, any matter that the Non-Constituent (including the LEP Chairs) members can exercise their limited vote upon, will be subject to the 2/3 majority approval of the 7 Constituent Councils rule. Putting aside the Constituent Council reserved decision list in paragraph 3.11, the effect of this provision is to lock into any decision that Non Constituent members may get a vote upon a requirement for the approval of 2/3 majority Constituent members in any event.

3.13 The WMCA constitution will contain greater detail on the powers and how these will be carried out than the present Scheme does. The WMCA Constitution is not yet fully drafted and is subject to further negotiations as such the Constitution may be the subject on a future report to Cabinet/ Council should this be necessary.

- 3.14 The next stage of activity associated with the creation of the proposed Combined Authority is to ask each Council defined as 'constituent members' of the metropolitan area to seek Cabinet/ Full Council agreement to submit the Governance Review and Scheme to Government. Thereafter the decision to set up the WMCA rests with the Secretaries of State for Communities and Local Government and for Transport. Government will consider the submission and conduct statutory consultation. If it is found that the Combined Authority meets the statutory tests and has local support then an order will be laid before Parliament. It is therefore anticipated that this process will take place during the latter part of 2015 and into early 2016, with the Combined Authority being formally established in April 2016. During this intervening period whilst Government undertake their work, it is fully anticipated that the work programme of the WMCA will continue; Leaders will meet as a Shadow Board of the WMCA and continue to take decisions in the best interests of moving forward the economic vision for the West Midlands.

The 'Devolution Deal'

- 3.15 Work has been undertaken to identify local economic priorities and propositions for devolution prepared that seek to address the barriers to the West Midlands economic performance. The propositions for devolution have been informed through both best practice and lessons learnt and a view that these powers and budgets could be deployed more effectively at a regional level. In due course it is expected that the propositions for devolution will be formed into a series of programmes and intervention only fully formed after the Autumn Comprehensive Spending Review. The devolution documentation was submitted to Government on 4 September 2015 and forms the basis for the West Midlands Leaders negotiation over the 'Devolution Deal'. These negotiations have now commenced and are being led by representatives from the Shadow Board.
- 3.16 It should be noted that the request by Government to the West Midlands Leaders to participate in the consideration of the 'Devolution Deal' is a separate process from that of the legal and political process to create a combined authority. To participate in the devolution negotiations the seven Leaders do not need a formally constituted body to be in place, they will however need the Combined Authority to be in place to receive the outcomes of any negotiated deal.

3.17 A potential elected Metro Mayor

At the time of preparing this report, no commitment to requesting or accepting an elected Metro Mayor has been given by West Midlands Leaders. However, Ministers have indicated that they believe that in order to approve a significant devolution deal they would expect the West Midlands Combined Authority to request/accept an elected Mayor. There is currently legislation going through Parliament that will enable Metro Mayors to be established with the consent of the Councils that would be covered by the area of a Metro Mayor. Again with the consent of the Councils affected, it will also enable devolution to take place as it puts in place the statutory power to transfer local and central government powers to the Combined Authority and or Mayor. It is not clear from the present drafting of the legislation whether the Government intends any consent to be a decision of Cabinet, Full Council or both. The draft legislation is subject to further Parliamentary debate as well as potential amendment, and the final enactment is not anticipated for a number of months. The matter of therefore whether a Metro

Mayor will form part of the governance arrangements for the West Midlands remains under consideration.

4. Council priorities

- 4.1 The Council's Corporate Plan 2015-2019 seeks to improve lives and life chances for everyone who lives and works in the Borough of Walsall and in so doing- Minimise the help that residents need from the state.

The five priorities that will support this purpose are;

- Supporting business to thrive and supporting local people into work
- Improving health and well being, including independence for older people and protection of vulnerable people
- Creating safe, sustainable and inclusive communities
- Improve safeguarding, learning and life chances of Children and Young People, raising aspirations
- Create a modern, dynamic and efficient workforce designed around what residents need.

The proposed Combined Authority has an overall ambition to increase the economic prosperity of the area through reformed public services and in doing so should have a positive impact on communities in Walsall and support the priorities contained in the Corporate Plan 2015-2019.

In its Statement of Intent, the proposed Combined Authority stated that its principles are:

- We are committed to collaborative working on the creation of a Combined Authority at the heart of a Midlands Engine covering the geography of the three LEPs.
- The prize is strong economic growth for the West Midlands as part of Midlands Engine and a rebalancing of the UK economy.
- Growth requires smart investment; investment will be focussed where the biggest outcome for the Combined Authority can be achieved.
- Our pursuit of growth will be accompanied by an agenda of innovation and public service reform that will reduce the overall level of public spending.
- We are committed to collaborative working with the private sector as the primary driver of economic growth and will work with them in establishing the economic priorities of the West Midlands Combined Authority.
- All communities will benefit from growth but not necessarily at the same time or in the same way.

5. Risk management

- 5.1 There is a risk that the West Midlands cannot close the gap in economic performance to England. This will be mitigated by proposing the establishment of a combined authority to draw together strategic work across economic development, transport, housing and employment and skills and to potentially access additional funding from Government.

- 5.2 There is a risk that the advantages and disadvantages of the proposal to create the WMCA may not be fully appreciated by local communities and the benefits not seen as being tangible at the outset. This has been mitigated to date through the engagement process and the results as shown in paragraph 3.9. Elected Members who represent Walsall communities have been engaged in the process to date via meetings of its Scrutiny Committee, Cabinet and Council where in the case of the latter two forums, Members have, and will be, invited to make informed decisions throughout the process of creating the proposed Combined Authority. In addition to the engagement process, the WMCA website contains a large amount of information and a frequently asked questions section that keeps the audience regularly updated on matters concerning the ambition and governance arrangements of the WMCA.

6. Financial implications

- 6.1 Cabinet at its meeting 12 August 2015 resolved to set aside a budget of £300,000 from reserves to support the set up costs associated with the proposed Combined Authority. This was a contribution to a total budget that is being shared equally between the seven proposed constituent members. To date expenditure has been associated with the commissioning of consultancy teams who have provided fresh capacity and expertise to assist the local authorities through the statutory process, drawing upon their experience of undertaking similar roles for other combined authorities.
- 6.2 It should be noted that the budget set aside to date does not relate to the ongoing operating costs of a combined authority. The Councils contribution to that will be subject to a further report once the eventual functions of the WMCA for non- transport function is more fully understood. However, it has been resolved through the Shadow Board, and reflected in the Scheme, that the apportionment of budget provided by each Constituent Member of the WMCA will be calculated on a population size basis.
- 6.3 It should also be noted that the draft Scheme for the WMCA is also proposing that the Combined Authority be set up in such a way that enables it to become a levying body under section 74 of the Local Government Finance Act 1998 (as is, for example, the current West Midlands Integrated Transport Authority). The Act enables the Combined Authority to issue a levy to its Constituent Members in respect of the expenses and liabilities of the Combined Authority which are reasonably attributable to the exercise of its functions relating to transport. The matter of whether an elected Metro Mayor may have the power to set a local precept is still being explored through the devolution deal discussions

7. Legal implications

- 7.1 The formation of a combined authority will create a new form of public body responsible for the carrying out of certain public functions. Under present legislation those functions are primarily around transportation and regeneration and as a result there is a statutory process to be undertaken to amend how these functions are performed. The statutory process includes for Cabinet and Council

decisions being obtained. The legislation that enables a combined authority to be formed is explained in paragraphs 3.7.

- 7.2 However in short, a combined authority is a separate corporate body which derives its legal powers from those given to it by the Secretary of State. A combined authority can hold the same powers that local authorities hold in relation to transportation and regeneration, and can exercise those powers concurrently with the local authorities within its area as well as having the legal powers transferred to it from a local authority by order of the Secretary of State. The Secretary of State is currently considering widening the powers that can be given to a Combined Authority to include all powers currently exercised by central and local government as set out in paragraph 7.3 below.
- 7.3 The Cities and Local Government Devolution Bill is currently progressing through Parliament, this will create the statutory power for devolution that will enable the Secretary of State to devolve any central and local government powers to a Combined Authority as well as the power to create a Metro Mayor. The current drafting of the Bill requires the consent of the Constituent Members of the Combined Authority before the establishment of a Metro Mayor, and/ or any legal powers are transferred to a Combined Authority or Mayor can be put in place. It is not clear through the present drafting of the Bill whether the government intends any consent to be a decision of Cabinet, Full Council or both. The draft legislation is subject to further Parliamentary debate as well as potential amendment to any of its provisions, and the final enactment is not anticipated for some months to come.

8. Property implications

- 8.1 There are currently no property implications arising directly from this report.

9. Health and wellbeing implications

- 9.1 There are currently no direct health and well being implications arising from this report but the current ambition for the Combined Authority- to support economic prosperity through public service reform- may have future positive impacts on resident's health due to the opportunity for collaborative working on interventions that support both economic and social well being.

10. Staffing implications

- 10.1 There are currently no direct staffing implications arising from this report. Existing staff resources from across a number of service areas are providing support to the formation of the Combined Authority; their role is to represent Walsall Council and its priorities through partnership working in officer-led working groups. Staff are therefore being encouraged to play an active role in the discussions and negotiations. As a result of this active role, some staff are being asked to prioritise this activity above their existing work programmes, which from time to time may have a short term impact on the delivery of services locally. If a Combined Authority is formally approved, it will continue to be important that

Walsall officers play a full part in its activities into staffing arrangements for the Council.

11. Equality implications

- 11.1 At this stage of the proposal there are no immediate equality implications. Equality analysis, legal requirements and good practice issues will be considered throughout the project, and will include engagement and consultation.

12. Consultation

- 12.1 A phase of listening and engagement on the draft 'Governance Review' took place between 3 August and 11 September 2015 which sought the views and feedback of local stakeholders and others on the proposed WMCA. The results of the feedback are presented in paragraph 3.9 of this report. There will be further opportunities for engagement and consultation including the statutory consultation that is undertaken by the Secretary of State on the draft order containing the WMCA Scheme. Government best practice guidance will seek stakeholder feedback on the proposals and locally the expectation is that local councils will raise awareness of Government's consultation with their local partners, businesses and residents through promotion of the consultation exercise. To assist this process both the WMCA and the Council's own website will in time contain more information on the Government's consultation process, the timeline and how interested parties can provide their feedback.

Background papers

Cabinet Report 12 August 2015 'Proposals for a combined authority for the West Midlands'

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9 September 2015



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Leader of the Council
9 September 2015

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 £3,427 per head compared to the UK 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 from the three LEP area and economically linked authorities. 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 and economically linked authorities. 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. A Combined Authority Strategic Economic Plan will be developed by the Combined Authority, overseen by a steering group comprising of LEP and Local Authority Leadership. 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.

The draft governance review has received broad support from engagement across the seven metropolitan areas

A draft of this governance review was used as the basis of an engagement process which took place during August and September 2015.

Over 300 respondents completed an on-line survey which was established to collate the answers to a number of specific questions and provide an opportunity to comment on the governance review. The feedback was broadly positive with over 60% of respondents agreeing or strongly agreeing that a Combined Authority would improve the efficiency and effectiveness of transport and economic development and regeneration. Details of the engagement are included on pages [28-30].

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

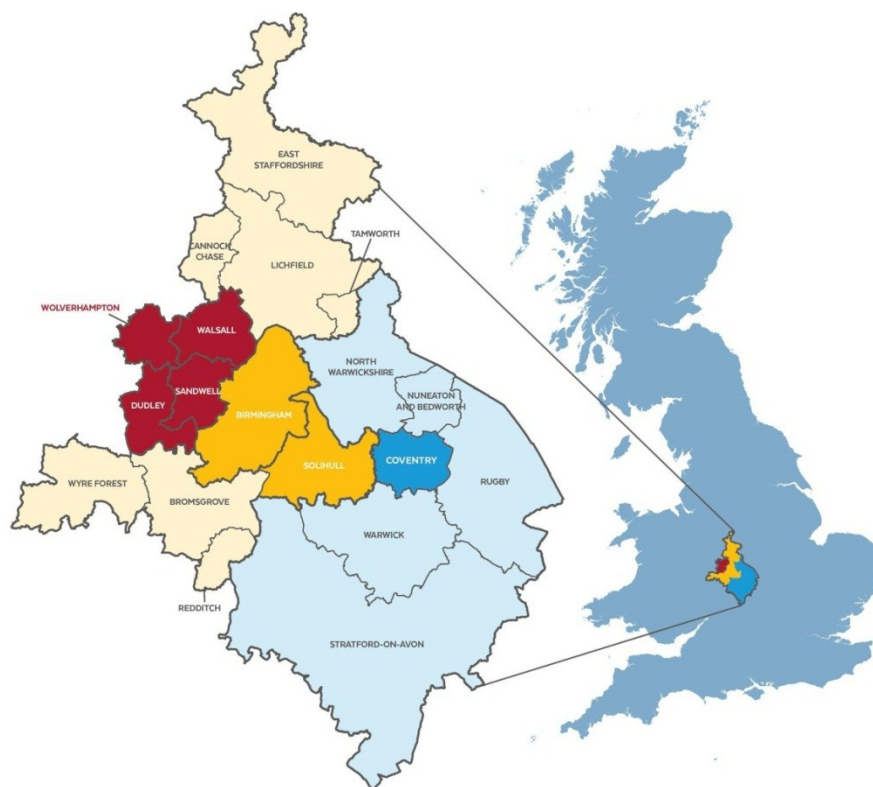
Geography

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 and economically linked authorities is crucial.

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 1.9 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 new jobs, reshape the region's road and rail networks and stimulate 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 study¹ to consider whether the following geographies could be considered to be FEMAs:

- 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.

¹ Functional Economic Market Area (FEMA) study – initial findings can be found at <http://www.westmidlandscombinedauthority.org.uk/assets/docs/WestMidlandsFEMAStudy26June2015.pdf>

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%
Greater Manchester CA	89%
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. This area and the economically linked neighbouring authorities are crucial to collaborative working across the region.

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 is the stronger FEMA, there is an ambition to collaborate across this broader area and in some instances, economic markets extend beyond the three LEP boundaries, and in collaboration and formulating its economic strategy, these economic linkages and markets will be crucial.

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 Midlands LEPs in support of the broader Midlands' 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.

Option	Evaluation	Rationale
Maintain status quo	✗	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.
Establish an economic prosperity board	✗	The downside of this option is that it misses out on the opportunity to fully achieve coordinated transport and economic benefits.
Form a Combined Authority	✓	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.

Engagement on the draft governance review

Introduction

A process of engagement was run by the seven metropolitan authorities during August and early September 2015. The approach taken was similar for six of the seven metropolitan areas. Coventry City Council's approach differed as a result of a greater degree of local concern over the potential establishment of the Combined Authority and calls for a referendum on the issue. The processes followed are set out below.

Metropolitan area (Excluding Coventry)

A period of engagement ran during August and early September 2015 and involved:

- Writing to a representative sample of over 465 stakeholders comprising key private sector employers, public sector bodies and third sector organisations;
- The establishment of an on-line survey to collate the views of parties whose views were requested, and
- A number of briefings with the business and third sector communities.

The on-line survey was completed by over 300 respondents and had free text fields for general comments together with 8 questions in respect of:

- the efficiency and effectiveness of transport and economic development/regeneration;
- the impact on local communities, and
- the prospective of more joined up working with Local Enterprise Partnerships.

A selection of the questions asked are set out on the following page. The results indicate broad support with over 60% of respondents agreeing or strongly agreeing that the statutory purposes for the Combined Authority will be achieved. There was a fairly even split between public sector, private sector and not for profit organisations within the responses, illustrated below.

Image 1

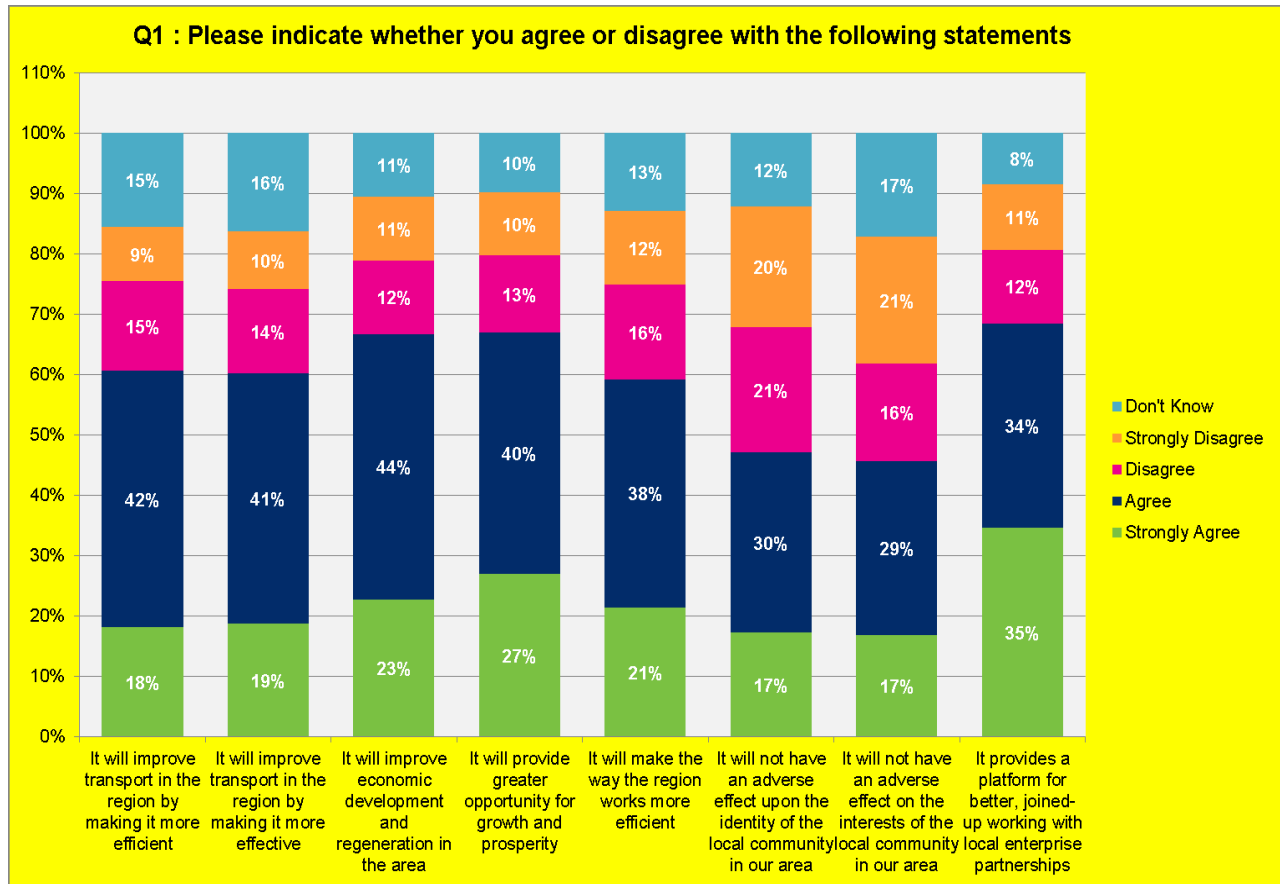


Image 2



The survey (and the e-mail address set up for the Combined Authority) provided an opportunity for respondents to leave comments. As is expected from a large sample there were a range of comments from those who questioned the worth of the proposals and the choice of the Combined Authority's name, to those who were very positive.

Engagement in Coventry

In the run up to and following Coventry City Council's agreement in principle to form a Combined Authority covering the three LEP there was widespread media coverage of the issue and a lively debate locally on the implications.

Some residents feared that the move could see Coventry losing its identity and sovereignty as a major English city and become part of a larger council dominated by Birmingham, losing the city's historic links with Warwickshire. Two petitions were stated calling for the issue to be put to a referendum.

In recognition of the concerns raised, Coventry City Council carried out a comprehensive engagement process that was well beyond that which is required as part of the process. The process involved:

- Supply of factual information to ensure there were less misunderstandings about the role and power of a combined authority.
- Establishing a "Citizen's Panel" – a representative group of residents from across the city provided with detailed reports and information and with the remit to call in external expert witnesses for questioning and discussions.
- Face to face engagement, including discussion and debate at July ward forums, throughout the city and open to all residents. Public debates/panel discussions to include politicians, business leaders, academics and residents and drop-in sessions for the public at a key city centre location to allow people to talk to council officers and councillors informally about Combined Authority.

Specific feedback from Ward forums:

- 18 held, 379 attendees, 168 comments.
- 66 of the total comments made at Ward Forums focused on the view that more effort to inform the public should be made and that more information regarding the benefits of joining a CA needs to be made available.
- 58 of the comments mentioned the fact that Coventry would lose out in terms of funding and local decision making.

- A number of comments (18) related to the fact that Coventry should consider going into a CA only if Warwickshire joined or otherwise create a Combined Authority just with Warwickshire not Birmingham.
 - 15 residents voiced concern about the prospect of an Elected Mayor being imposed, with reference to a previous referendum on an Elected Mayor in Coventry.
 - 9 residents mentioned wanting a referendum to be held.
 - 2 residents expressed the view that the council has no other choice but to enter into negotiations on a WMCA.
- Digital and social media, including a dedicated web engagement portal that contains all public information and used council social media channels (Facebook, Twitter, YouTube etc). Social media engagement included active two way conversations and debates with the public.
 - Print and broadcast media interviews with key Coventry politicians and live web forum debates.

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 the Combined Authority strategic economic plan, 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 and economically linked authorities described earlier in this review covers an additional fifteen local authorities. These local authorities have been invited to be members of the Combined Authority and all members will help to develop the Combined Authority Strategic Economic Plan 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.

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 Combined Authority Strategic Economic Plan will be developed and agreed. This will build on the findings of the economic evidence commissioned to support the establishment of the Combined Authority which identified the 3 LEP geography as the functional economic area.

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 Combined Authority Strategic Economic Plan. The Strategic Economic Plan will be underpinned by the principle that all communities benefit, but not necessarily at the same time and in the same way. The Combined Authority would seek to achieve this by using evidence based 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 (“Constituent Authority” and “Constituent Authorities” will be construed accordingly).

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 15 members as set out below:-

- Seven members of the Combined Authority shall be elected members of the constituent authorities, referred to as “Constituent Members” namely

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

- 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
 - Cannock Chase District Council
 - Nuneaton and Bedworth Borough Council
 - Redditch Borough Council
 - Tamworth Borough Council
 - Telford and Wrekin Borough Council

The term “Members” will refer to both Constituent Members and Non-constituent members

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. Any Substitute Member will have the same decision-making authority and voting rights as the person whose place they are taking.

6. Each Member will act in the best interests of the Combined Authority as a whole, taking into account all relevant matters.

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.

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.

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. It is intended that decisions will be made by consensus. When this is not possible, matters will be put to a vote and will require a 2/3 majority vote of Constituent Members of the Combined Authority present and voting, apart from the following matters which require unanimity of Constituent Members present and voting:

- Approval of land use plans
- Such other plans and strategies as determined by the Combined Authority
- Financial matters which may have significant implications on Constituent Authorities' budgets
- Approval of borrowing limits, treasury management strategy including reserves, investment strategy and capital budget of the Combined Authority
- Agreement of functions transferred to the Combined Authority
- Extension of voting rights to all or any non-constituent member
- Approval of specific proposals for individual co-optees to the Combined Authority
- Use of general power of competence beyond the powers provided within the Local Democracy Economic Development and Construction Act 2009, including in relation to spatial strategy, housing numbers and compulsory purchase powers
- Establishment of arms-length companies
- Approval to seek such other powers as may be appropriate and any new powers granted by government.
- Amendments to the Constitution
- Changes to transport matters currently undertaken by the ITA

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 Authorities. Therefore, one additional representative will be appointed from each Constituent Authority.

Executive Arrangements

18. Executive arrangements (within the meaning of the Local Government Act 2000) shall apply to the Combined Authority. The discharge of the functions of the Combined Authority will be subject to scrutiny arrangements set out in paragraph 22 and 23 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 Authorities, replacing the existing West Midlands Integrated Transport Authority (WMITA). Individual Constituent Authorities 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 which reflect the political balance of the Combined Authority, 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 region's 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 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 evidence based 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).

29. It is proposed that the Combined Authority will be focused, through the Combined Authority Strategic Economic Plan, economic growth issues that could include, but are not restricted to, functions such as:

- Setting the Combined Authority Strategic Economic Plan and investment strategy, in consultation with the LEPs and non-constituent Members of the Combined Authority
- 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.

30. The General Power of Competence under Section 1 of the Localism Act 2011 will enable maximum flexibility in dealing with economic development and regeneration powers provided in the Local Democracy, Economic Development and Construction Act 2009. 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.

31. 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).
- 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.

32. 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 Authorities

Functions - Transport

33. 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) within the Combined Authority area are exercisable by the Combined Authority.

34. In the application of s101 of the Local Government Act 1972 and regulations under s9EA of the Local Government Act 2000 any transport functions delegated to the Combined Authority from time to time by the Constituent Authority (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 The intention being that in application of these sections by the Constituent Authorities subsequently choosing to delegate as considered appropriate to enable the Combined Authority to have concurrent street, highways and transport powers with the Constituent Authorities.

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

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

37. 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) LDEDC. Such functions will be exercised subject to any condition imposed by the order.

Incidental Provisions

38. 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 LDEDC 2009. Such functions shall be exercised subject to any condition imposed by the order.

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

39. 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.

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

41. 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

42. 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 Combined Authority and the Constituent Authorities 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 Combined Authority 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.

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