

Cabinet

28 May 2015

Name of Cabinet Members:

Cabinet Member for Policy and Leadership – Councillor A Lucas

Cabinet Member for Business Enterprise and Employment – Councillor K Maton

Director Approving Submission of the report:

Chief Executive

Ward(s) affected:

City-wide

Title:

Devolution and Economic Growth - A Combined Authority for the West Midlands

Is this a key decision?

Yes – the proposals in the report would impact on all the Wards in the City

Executive Summary:

Coventry City Council is committed to promoting growth and prosperity for Coventry residents and businesses and to making Coventry a top ten city. The new Government has said a Cities Devolution Bill will be announced in the Queen's Speech to continue their policy of promoting economic growth in England through the devolution of powers and funding to larger cities with appropriate sub-regional governance arrangements. The West Midlands is now the only large metropolitan area without a combined authority. The Chancellor of the Exchequer's recent speech on the Northern Powerhouse and devolution deals of powers to "metro-areas" has underlined the need for other cities to respond rapidly to this agenda.

To ensure that Coventry is placed, like other areas of the country, to benefit from this policy it is proposed that Coventry City Council should look to create a combined authority based on the Coventry and Warwickshire sub-region (including Hinckley and Bosworth), reflecting the city's economic geography, along with councils from the Greater Birmingham and Solihull and Black Country Local Enterprise Partnerships' areas. A combined authority for the West Midlands for this new wider area based on these three Local Enterprise Partnerships would reflect economic geography and be the largest in the country. It would be closer in scale to London; providing new opportunities for economic growth and benefits for residents and local businesses and increased productivity and the re-balancing of the UK economy.

Recommendations:

The Cabinet is recommended to:

- (1) Agree in principle to create a combined authority with a preferred option of councils from Coventry and Warwickshire (and Hinckley and Bosworth) with councils from the Greater Birmingham and Solihull and the Black Country Local Enterprise Partnership areas

- (2) Delegate authority to the Leader of the Council with the Chief Executive to enter negotiation and discussions on a potential devolution deal so that proposals can be considered by full Council in due course
- (3) Allocate a budget of up to £250,000 to facilitate engagement with residents, local businesses, the city's Universities and other key partners and undertake and strengthen the economic analysis required to inform the work on a devolution deal

List of Appendices included:

None

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: Devolution and Economic Growth - A Combined Authority for the West Midlands

1. Context (or background)

1.1 The new Government has announced that it is continuing its approach to promoting economic growth in England through the devolution of powers and funding to larger cities through devolution deals. The Government has said that councils should look to come together into a combined authority to promote economic growth for their area. Combined authorities do not replace existing local councils but undertake only functions and powers that are best dealt with at sub-regional level area such as transport, skills, investment in infrastructure, and support for businesses.

2. Options considered and recommended proposal

- 2.1 The new Government quickly announced that it intends to move quickly on its manifesto commitment to devolve considerable powers to larger cities with a Cities Devolution Bill to be announced in the Queen's speech. This has been reinforced by the Chancellor of the Exchequer who has made it clear that this policy is based on economic theory that future growth and increased productivity will come from large cities and that scale is essential. The development of the "Northern Powerhouse" concept across the north of England reflects this theory and it is notable that in his recent speech the Chancellor referred to international examples and groupings and networks of cities – *metro areas* - with multi-million populations. He also re-emphasised the Government's preferred option for an elected "Metro Mayor" to form part of any future devolution negotiations.
- 2.2 The other major metropolitan areas of the country have already established combined authorities: Greater Manchester, Liverpool, West Yorkshire, Sheffield, and the North East. Some like Greater Manchester, Sheffield and West Yorkshire have agreed deals with Government, whilst others are still negotiating their deals. Most other areas in England are currently planning to have a combined authority and these include: Nottingham and Nottinghamshire; Derby and Derbyshire; Cornwall; the West of England and Tees Valley. The West Midlands is widely viewed as being behind other areas of the country and perceived by some to be at risk of losing out to the north of England whilst being squeezed from the south.
- 2.3 Last November the councils of Birmingham and the Black Country (Dudley, Sandwell, Walsall and Wolverhampton) declared their intention to set up a combined authority and asked Coventry and other neighbouring authorities to consider whether they too wished to join. Solihull Metropolitan Borough Council has recently indicated that it is likely to join this proposed combined authority. The Birmingham and Black Country proposal means that there is no "status quo" option for Coventry. A combined authority includes responsibility for transport so the current arrangements for Coventry as part of the West Midlands metropolitan area through the West Midlands Integrated Transport Authority would have to come to an end.
- 2.4 Coventry is a member of the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) and is working closely with the other local authorities, the Universities and local businesses to promote economic growth in the Coventry and Warwickshire sub-region. Last year the City Council signed a City Deal with Government along with CWLEP, Warwickshire County Council, the Warwickshire district councils and Hinckley and Bosworth Borough Council. Economic analysis shows that the Coventry and Warwickshire sub-region (including Hinckley and Bosworth) reflects Coventry's economic geography. To facilitate this joint working the local authorities have formed a Coventry and Warwickshire Economic Growth and Prosperity Joint Committee that has been operating as a shadow Economic Prosperity Board.

- 2.5 It is now clear that transport should be included within the remit of any new arrangements so it is recommended that the Council needs to be part of a Combined Authority rather than a Joint Committee or an Economic Prosperity Board.
- 2.6 Whilst the Government is not imposing a particular model or size on local authorities, key announcements since the Parliamentary election have reinforced that scale and ambition is critical for cities. There are real benefits to be had from economic agglomeration for local areas and for the UK economy: namely more productivity can be achieved by multiple areas where places collaborate on key economic initiatives. The Coventry and Warwickshire LEP area is one of the smallest in the country (population 0.87m) with Hinckley and Bosworth added the sub-region's population rises to around one million. It is therefore proposed that the Council's preferred option should be for a combined authority to include Coventry and Warwickshire (plus Hinckley and Bosworth) to reflect the city's economic geography but also to encompass a wider area so that the sub-regional economy can benefit from greater economic influence and investment.
- 2.7 The Greater Birmingham and Solihull LEP area runs from northern Worcestershire (Redditch and Bromsgrove) in the South to southern Staffordshire (Tamworth and Burton on Trent) in the north. Adding this wider area to our sub-region plus the four Districts that make up the Black Country to Coventry and Warwickshire (and Hinckley and Bosworth) would create a new bigger area of some four million people. This would offer fresh opportunities for businesses; job creation; transport improvements; skills programmes; and housing; and be a real combined authority for the West Midlands based on three LEP areas that reflect economic geography rather than the old metropolitan area of the West Midlands. It would be the biggest combined authority in the country and the biggest area outside London.
- 2.8 The West Midlands will need to respond very quickly to Government's devolution agenda and other combined authorities are ahead. Discussions and negotiations with other authorities and with Government need to take place immediately. It is therefore recommended that the Cabinet delegates authority to the Leader of the Council with the Chief Executive to enter discussions on a potential devolution deal for the West Midlands. This will enable proposals to be developed by authorities with Government so when they are ready they can be considered by full Council.
- 2.9 There is a formal statutory process required to set up a combined authority which will involve residents, businesses, Universities and other key partners. However this is such an important issue for the city that the Council needs to ensure that proper engagement takes place in addition to any formal process. Such engagement will help raise public awareness, inform negotiations and any future decisions to be considered by full council.
- 2.10 To assist this process and to provide strengthened economic analysis to support the development of a devolution deal it is recommended that funding of up to £250,000 be allocated to support this work.

3. Results of consultation undertaken

- 3.1 On-going discussions with key partners including neighbouring councils and Coventry Warwickshire Local Enterprise Partnership has already been undertaken to inform this work and will continue throughout this process. In addition to the public engagement referred to in paragraph 2.9, the Council will also be required to consult on any proposed scheme for a combined authority. This would be followed by a further round of consultation carried out by the Secretary of State.

4. Timetable for implementing this decision

- 4.1 If the proposals are agreed, it is expected that negotiations will begin immediately alongside the preparation of a public engagement plan. The formal process to set up a combined authority is partly dependent on Parliamentary timetables but the intention is that a combined authority could be set up by April 2016.

5. Comments from Executive Director of Resources

5.1 Financial implications

At this initial stage there are no direct financial implications other than the allocation of up to £250,000 of funding to facilitate engagement and provision of further economic analysis. A devolution deal has potentially considerable impact on the provision and use of public funding and investment in the city. The £250,000 will be funded from reserves in the first instance. The Executive Director of Resources will consider whether and how it can be funded from within the budgeted bottom line for 2015/16 through the normal budgetary control process.

5.2 Legal implications

The Local Democracy, Economic Development and Construction Act 2009 provides for the establishment of combined authorities. To establish a combined authority local authorities must carry out a Governance review which may recommend the establishment of a combined authority for their area. Local authorities must then consult on their proposals for a combined authority before referring them to the Secretary of State. The Secretary of State must then consult the authorities to be covered by a combined authority and such other persons that the Secretary of State considers appropriate. If approved the recommendations in this report would be a preliminary step towards this process.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The aim of setting up a combined authority is to promote economic growth and prosperity and social justice by ensuring that local people, including those who are most disadvantaged, are able to benefit from that growth.

6.2 How is risk being managed?

At this initial stage no additional risks to the Council have been identified.

6.3 What is the impact on the organisation?

The setting up of a combined authority and the negotiation of a devolution deal will use the time and resources of Councillors and senior officers. A combined authority will not replace the Council and its responsibilities and services will remain the same.

6.4 Equalities / EIA

At this initial stage no adverse impact on any group is anticipated.

6.5 Implications for (or impact on) the environment

None identified at this stage.

6.6 Implications for partner organisations?

The proposals set out in this report have implications for neighbouring local authorities, the Coventry and Warwickshire Local Enterprise Partnership and neighbouring local enterprise partnerships. These will be considered and addressed through the engagement programme: discussions and negotiations on setting up a combined authority and pursuing a devolution deal.

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