

Cabinet
Council

13 October 2015
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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 – Scheme for setting up a West Midlands Combined Authority

Is this a key decision?

Yes

Executive Summary:

A combined authority is a statutory body that facilitates the collaboration and joint working between local authorities to improve economic development, regeneration and transport in a functional economic area. It is a public body in its own right. On 28 May 2015 Coventry City Council's Cabinet agreed 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.

Coventry City Council and the other six West Midlands Metropolitan District Councils have undertaken a governance review on current sub-regional working arrangements that has concluded that the creation of a combined authority would improve economic development, regeneration and transport in the metropolitan area, and a geography that includes other councils from the wider Local Enterprise Partnership areas of Coventry and Warwickshire and Greater Birmingham and Solihull could bring even greater economic benefits.

The seven West Midlands metropolitan district councils undertook a joint engagement exercise on proposals for a combined authority in the West Midlands over the summer. As a result of this some district councils from the surrounding area have opted to join the proposed combined authority as non-constituent members. Coventry City Council undertook its own engagement and consultation programme in the city in addition to the West Midlands exercise.

Over the summer the Government has continued its devolution agenda and asked areas to come forward with proposals for a devolution deal with Government for inclusion in the Comprehensive Spending Review in November 2015. Some 38 areas, including the West Midlands, have done so. The decision to set up a combined authority is subject to specific legislative tests about the benefits such an authority would bring and is separate to any decision on a devolution deal.

The next stage in the process for setting up a combined authority is for the local authorities concerned to agree to submit proposals in a Scheme to the Secretary of State for Communities and Local Government. A draft Scheme for a West Midlands Combined Authority has been prepared for submission to the Secretary of State that sets out the proposed membership of the West Midlands Combined Authority and how it would work. This would inform the provisions of any Order creating a combined authority.

Recommendations:

Cabinet is asked to agree and recommend to Council:

- 1) That Coventry City Council should join the proposed West Midlands Combined Authority after considering the information available including the West Midlands statutory governance review and Statement of Intent for the Combined Authority (appendices 1 and 2) and the results of the local engagement and consultation process (appendices 3 and 4)
- 2) That Coventry City Council should approve the Scheme for a West Midlands Combined Authority for submission to the Secretary of State for Communities and Local Government (subject to recommendation 3 below)
- 3) That in the event that a finalised version of the Scheme is not available for Council to approve at its meeting on 13 October 2015, Council should approve the draft Scheme at appendix 5 and delegate authority to the Chief Executive in consultation with the Leader of the Council, the Cabinet Member for Business, Enterprise and Employment and the Cabinet Member for Strategic Finance and Resources to agree the final version of the Scheme
- 4) That any devolution deal would be subject to a separate and detailed decision by Cabinet and Full Council which would include an analysis of the benefits and risks and the value of the deal to the city of Coventry along with any proposed changes in governance including whether or not to have an elected metro mayor
- 5) That any devolution deal for the seven West Midlands metropolitan councils must require a unanimous decision by all the councils concerned
- 6) To undertake continued engagement across the city on the development of a combined authority and devolution
- 7) To continue to take a full part in the Coventry and Warwickshire Local Enterprise Partnership
- 8) To take a full part in and develop the Coventry and Warwickshire sub-regional local authority arrangements jointly with the other councils
- 9) That the Executive Director of Resources is given delegated authority in consultation with the Cabinet Member for Strategic Finance and Resources to make decisions on the Council's behalf to withdraw from the existing Coventry and Warwickshire Business Rates Pool and agree the terms for entering a new wider West Midlands business rates pool where appropriate

Council is recommended to:

- 1) Agree that Coventry City Council should join the proposed West Midlands Combined Authority after considering the information available including the West Midlands statutory governance review and Statement of Intent for the Combined Authority (appendices 1 and 2) and the results of the local engagement and consultation process (appendices 3 and 4)
- 2) Approve the Scheme for a West Midlands Combined Authority for submission to the Secretary of State for Communities and Local Government (subject to recommendation 3 below)
- 3) In the event that a finalised version of the Scheme is not available for Council to approve at its meeting on 13 October 2015, approve the draft Scheme at appendix 5 and delegate authority to the Chief Executive in consultation with the Leader of the Council, the Cabinet Member for Business, Enterprise and Employment and the Cabinet Member for Finance to agree the final version of the Scheme
- 4) Agree that any devolution deal would be subject to a separate and detailed decision by Cabinet and Full Council which would include an analysis of the benefits and risks and the value of the deal to the city of Coventry along with any proposed changes in governance including whether or not to have an elected metro mayor
- 5) Agree that any devolution deal for the seven West Midlands metropolitan councils must require a unanimous decision by all the councils concerned
- 6) Agree to undertake continued engagement across the city on the development of a combined authority and devolution
- 7) Agree to continue to take a full and active part in the Coventry and Warwickshire Local Enterprise Partnership
- 8) Agree to take a full part in and develop the Coventry and Warwickshire sub-regional local authority arrangements jointly with the other councils
- 9) Agree that the Executive Director of Resources is given delegated authority in consultation with the Cabinet Member for Strategic Finance and Resources to make decisions on the Council's behalf to withdraw from the existing Coventry and Warwickshire Business Rates Pool and agree the terms for entering a new wider West Midlands business rates pool where appropriate

List of Appendices included:

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| Appendix 1 | West Midlands Authorities' Statutory Governance Review |
| Appendix 2 | " <i>Growing the UK Economy through a Midlands Engine</i> " – statement of intent for a West Midlands Combined Authority |
| Appendix 3 | Summary of Coventry City Council's engagement and consultation on proposals for a West Midlands Combined Authority |
| Appendix 4 | Coventry Citizens' Panel – Democratic Society |
| Appendix 5 | Draft Scheme for a Combined Authority for the West Midlands |

Other useful background papers:

West Midlands Functional Economic Market Area Study
<http://www.westmidlandscombinedauthority.org.uk/assets/docs/WestMidlandsFEMAStudy26June2015.pdf>

Local Democracy, Economic Development and Construction Act 2009
<http://www.legislation.gov.uk/ukpga/2009/20/contents>

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?

Yes

Report title: Devolution and Economic Growth – Scheme for Setting up a Combined Authority for the West Midlands

1. Context (or background)

- 1.1 A combined authority is a statutory body that facilitates the collaboration and joint working between local authorities to improve economic development, regeneration and transport in a functional economic area. It is a public body in its own right. The provisions of the Local Democracy, Economic Development and Construction Act 2009 enable local authorities, if they wish, to ask the Secretary of State for Communities and Local Government to establish a combined authority for their area. A number of conditions or tests must be met before the Secretary of State can make an Order, subject to Parliamentary approval, to set one up. A Council can only be a constituent member of one combined authority.
- 1.2 Coventry City Council is committed to promoting growth and prosperity for Coventry residents and businesses and to making Coventry a top ten city. To do this the Council works with a wide range of partner organisations both within and outside the city. Coventry City Council has long standing formal statutory arrangements for thirty years for working jointly with the other six West Midlands metropolitan councils for strategic services such as police and fire, joint working and shared investment, and of particular relevance to a combined authority, public transport latterly through the West Midlands Integrated Transport Authority. More recently Coventry City Council has also become a member of the Coventry and Warwickshire Local Enterprise Partnership (January 2011) and a member of the Coventry and Warwickshire Joint Committee for Economic Growth and Prosperity (January 2014).
- 1.3 The Government announced a Cities and Local Government Devolution Bill 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 and the Bill is currently being progressed through Parliament. The West Midlands is now the only large metropolitan area in England without a combined authority.
- 1.4 To ensure that Coventry is best placed to improve economic growth and transport through its arrangements to work with others at a sub-regional level and, like other areas of the country, to be able to enable to benefit from future opportunities, Coventry City Council’s Cabinet agreed in principle to create a combined authority based on the preferred option of councils from 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 the Black Country Local Enterprise Partnerships’ areas.

2. Options considered and recommended proposal

Functions of a Combined Authority

- 2.1 The fundamental aim of a combined authority is to improve economic growth and transport for all the local authorities in the proposed economic area to be covered by the authority. The local authorities concerned and the Secretary of State must consider that establishing a combined authority is likely to improve:
 - a) the exercise of statutory functions relating to economic development and regeneration in the area
 - b) the exercise of statutory functions relating to transport in the area
 - c) the effectiveness and efficiency of transport in the area, and
 - d) economic conditions in the area.

- 2.2 Before deciding to set up a combined authority the Secretary of State must also have regard to the need to:
- a) reflect the identities and interests of local communities; and
 - b) secure effective and convenient local government.
- 2.3 The Council's engagement and consultation process has shown that there has been widespread misunderstanding about the functions and status of a combined authority. The establishment of a combined authority does not result in the merger of the constituent authorities, nor does it mean that individual authorities become responsible for each other's services or finances. A combined authority enables local councils to collaborate together on issues that are best dealt with at a sub-regional level and, potentially through future devolution, to take on functions and powers currently held by central Government.
- 2.4 Combined authorities have already been set up in Greater Manchester; Sheffield City Region; Liverpool; West Yorkshire and the North East. A number of other areas have made proposals to set one up for their area – including Nottingham and Nottinghamshire; Derby and Derbyshire and Leicester and Leicestershire in the East Midlands. The West Midlands is the only large urban area in England not to have a combined authority.

Governance Review for the West Midlands

- 2.5 The process for setting up a combined authority is set out in legislation. Local authorities that wish to establish a combined authority must undertake a review of their governance arrangements to consider how the options for collaboration between the authorities available impact on the effectiveness and efficiency of arrangements to promote economic development and regeneration within the areas and the effectiveness and efficiency of transport within the area.
- 2.6 Following extensive discussions, the seven West Midlands metropolitan district councils of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton have undertaken a governance review to establish whether or not setting up a combined authority would improve economic development, transport and regeneration in the West Midlands metropolitan and the wider sub-regional area. This is attached at appendix 1.
- 2.7 The governance review has included the commissioning of economic analysis, including a functional economic market assessment for the area covered by the seven metropolitan district councils along with the wider area covered by the three local enterprise partnership which include the seven metropolitan councils: the Black Country; Coventry and Warwickshire; and Greater Birmingham and Solihull Local Enterprise Partnerships.
- 2.8 In addition to economic analysis and assessment of data, the review has also taken into account information and opinions from a range of other sources and discussions have taken place with the three local enterprise partnerships and the West Midlands Integrated Transport Authority. Discussions have also taken place with neighbouring county and district local authorities.
- 2.9 Economic analysis shows that the West Midlands metropolitan area covered by the seven metropolitan councils is a functional economic area that would see additional economic development benefits and improved transport arrangements through further collaboration by local authorities across the metropolitan area – meeting the tests for setting up a combined authority on this geography.
- 2.10 In addition the analysis of the functional economic market area of the West Midlands goes on to show that, whilst the areas covered by the three Local Enterprise Partnership areas do function as individual economic market areas, the combination of all three areas

together has significant advantages. It gives greater benefits both in terms of increased market self-containment and scale and also in shared economic sector specialisation giving additional potential benefits for the development of supply chains.

- 2.11 This “economic-plus argument” makes the case that the wider area covering the three local enterprise partnerships of Coventry and Warwickshire, the Black Country and Greater Birmingham and Solihull offers potentially greater economic benefits for both the individual council areas and the West Midlands as a whole and even greater benefits would come to the area by local authorities working together in collaboration through a combined authority that covers a wider area.
- 2.12 For this reason the seven West Midlands metropolitan district councils are keen to include at least part of the wider area within a new combined authority for the West Midlands, working closely with three Local Enterprise Partnerships.
- 2.13 Transport is a key function for a combined authority and has been a key area for activity and investment for the existing combined authorities. Public transport and strategic transport planning has been undertaken jointly by local authorities of the West Midlands metropolitan area for over thirty years through a range of formal mechanisms – most recently through the West Midlands Integrated Transport Authority. The proposals for a West Midlands combined authority build on this geography, historic joint working and strategic and delivery arrangements. Becoming a combined authority would offer new opportunity for improvement to transport including investment in transport infrastructure from the additional financial freedoms that such a body would bring over and above those of the current arrangements.
- 2.14 Proposals for a combined authority that did not include the core area of the seven West Midlands metropolitan district councils is considered unlikely to meet the legislative tests on the statutory transport function and the effectiveness and efficiency of transport within the West Midlands. Whilst it would be possible to extend the function across a wider area, in two tier areas the statutory transport function is the responsibility of the county councils and the counties concerned have decided not to join a West Midlands combined authority.

Aims of a West Midlands Combined Authority

- 2.15 A statement of intent by the seven West Midlands metropolitan district councils, supported by the three Local Enterprise Partnerships, “*Growing the UK Economy through a Midlands Engine*” was issued on 6 July 2015. This document sets out the challenges facing the West Midlands in an international and national context along with aspirations for further growth across in the West Midlands by working together on increasing productivity across the area of the proposed combined authority along with early priorities around investment, skills, transport and the establishment of commissions on productivity; the supply of land; and mental health. The statement of intent has been welcomed by Government and it is set out in appendix 2.
- 2.16 Currently the three Local Enterprise Partnerships are working with councils on a fresh economic analysis covering the wider area to provide better understanding about how to improve economic growth at this level with the view to produce a strategic economic plan. This would enable areas to work together to promote and benefit from this economic-plus area where this is appropriate to deliver increased productivity and prosperity across the area by harnessing the benefits of economic agglomeration.
- 2.17 More recently the Chancellor of the Exchequer asked areas to submit proposals to the Treasury by 4 September 2015 for “devolution deals” for potential inclusion in the Comprehensive Spending Review due to be announced in November 2015. The Cities and Local Government Devolution Bill sets out proposed legislation to facilitate these. Such

deals are the result of negotiation with central Government and are separate to the decision to set up a combined authority.

- 2.18 Along with 37 other areas across the country (including areas that already have a devolution deal) the West Midlands submitted initial proposals to the Treasury looking for the devolution of significant funding and financial flexibilities to support an investment fund to invest in transport and increase development land, the implementation of a High Speed Growth strategy to benefit the whole area, an integrated new employment and skills system for the West Midlands, and the transformation of services for “troubled” individuals.
- 2.19 Any powers, functions and funding and future changes to governance arrangements agreed through a devolution deal cannot be imposed on an area. Any such deal -including whether or not to have a metro mayor - would need to be agreed and decided separately by all parties and does not form part of this report. The Scheme for the West Midlands Combined Authority would require unanimity from its all constituent members before any deal could be agreed.
- 2.20 A combined authority must meet the key tests of the legislation to promote economic growth and improve transport whether or not the area has a devolution deal. The governance arrangements for a combined authority set out in existing legislation do not include a metro mayor.

Conclusions from Coventry’s engagement and consultation programme

- 2.21 The formal consultation process for setting up a combined authority is undertaken by the Secretary of State. Although it was not a statutory requirement the Council undertook an extensive engagement and consultation exercise in Coventry, including setting up a Citizens’ Panel. Details of the activities and views are set out in section 3 below and in a summary document set out in appendix 3 with the results from the Citizens’ Panel set out in appendix 4.
- 2.22 A number of consistent themes emerged across all the engagement and consultation activities. The issue that was most cited was the need for more information about the proposed combined authority and what it could achieve before people felt they would be able to make a decision. The next most frequently raised concerns were losing out on funding and local control, and being governed by Birmingham and/or preferring to form a combined authority with Warwickshire.
- 2.23 Issues that were raised less frequently were concerns about an elected mayor and the need for a referendum and some respondents said that a combined authority would be a good thing for Coventry. Businesses raised a number of specific issues relating to the proposals including the need for business to have a voice and influence economic plans and recognised the arguments for a critical mass of a larger area whilst there was still a need for Coventry to continue to work with Warwickshire – there was no single choice that had to be made.
- 2.24 The Citizens’ Panel in particular explored the future identity of the city and recommended:
- the Council should continue to provide information about the decision and development of a combined authority,
 - ensures that it takes concerns about identity into account (although perceptions about the impact of the combined authority on this are perhaps greater than the impact is likely to be)
 - address concerns that Coventry would lose its voice and that the authority would be “out-voted”
 - ensure that benefits do not just come to the city centre but to suburbs too
 - ensure that links to Warwickshire are not lost

The people on the Panel also expressed the view that continuous conversations at a neighbourhood level with the Council on issues would be helpful.

Scheme for a West Midlands Combined Authority

- 2.25 The latest version of the draft Scheme drawn up for the proposed West Midlands Combined Authority is set out at appendix 5. The proposed primary focus is to improve the effectiveness and efficiency of transport in the area, the exercise of statutory functions relating to economic development and regeneration and economic conditions in the area.
- 2.26 **Membership** – a combined authority must hold the statutory transport function for the area, only local authorities that have the statutory function for transport can be constituent members, so this means the area to be covered by the proposed combined authority will be the West Midlands metropolitan area: Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton, reflecting the current transport arrangements. This builds on and reflects the current West Midlands Joint Committee arrangements that have been in place for almost thirty years. It is proposed that the three Local Enterprise Partnerships will be non-constituent members of the combined authority (only local authorities can be constituent members): Black Country LEP, Coventry and Warwickshire LEP and Greater Birmingham and Solihull LEP. Coventry and Warwickshire LEP took a unanimous decision to join the West Midlands Combined Authority as a non-constituent member at its Board meeting on 5 October 2015.
- 2.27 The three county councils of Staffordshire, Warwickshire and Worcestershire have decided not to join the combined authority although each of them could look to join at a future date as long as they do not become constituent members of another combined authority. At the time of writing both Tamworth Borough Council and Nuneaton and Bedworth Borough Council have agreed to become non-constituent members of the proposed West Midlands Combined Authority whilst a number of other local authorities are considering whether or not to join as non-constituent members and their decisions should be known in time for the consideration of this report by Cabinet and Council on 13 October 2015.
- 2.28 **Voting** - it is the intention that the proposed combined authority will operate through consensus. It is anticipated that decisions on activity and funding will be based on robust economic and impact modelling and the principle that all communities will benefit from membership of the combined authority but not at the same time and in the same way. If there was a need for a formal vote all the constituent members would have one vote and decisions would require a two thirds majority apart from decisions on a range of key issues that will require unanimity.
- 2.29 The key issues that will require unanimity from all the constituent councils include the agreement of plans and strategies determined by the combined authority, the allocation of funding, financial matters which might have significant implications on constituent authorities' budgets, approval of borrowing limits, investment strategy and capital budget, agreement of functions transferred to the combined authority and the approval to seek new powers and acquire any powers granted by Government. This means that any devolution deal would require a unanimous decision by all of the constituent members. It also addresses some of the concerns expressed through the engagement and consultation process about Coventry City Council being "out-voted" by other councils on joint funding and investment decisions.
- 2.30 The proposed West Midlands Combined Authority would replace the West Midlands Integrated Transport Authority and West Midlands Transport Executive (Centro) which would be dissolved.

2.31 The proposed West Midlands Combined Authority will also look to work across the wider sub-regional area with neighbouring councils that are not members of the combined authority where this is appropriate. Options for this include setting up a Joint Committee of local authorities from the wider area with the combined authority.

Other options

2.32 Coventry Council could opt not to join a combined authority, it is not compulsory and the Secretary of State cannot make decision for the Council. However, there are clear benefits of working with other authorities on issues at a sub-regional level which the Council would forgo. It would also mean that a devolution deal with Government, although not impossible, would be less likely.

2.33 Across England cities have joined or are joining together in combined authorities to collaborate on economic and transport issues, including cities that have historically been regarded as rivals. Examples include Bradford working with Leeds in the West Yorkshire Combined Authority and linking with York; Doncaster and Rotherham working with Sheffield in the Sheffield City Region Combined Authority; Newcastle with Sunderland in the North East Combined Authority and more recently Southampton with Portsmouth in the south. It is understood that the Government is encouraging Nottingham to work with Derby and to have discussions with Leicester and the Secretary of State for Communities and Local Government has recently spoken of a grouping across the old county of Yorkshire. If Coventry was to opt to remain outside a combined authority with its neighbouring cities it would be outside this national trend and could risk isolation.

2.34 If the Council opts not to join the West Midlands Combined Authority it would have serious repercussions for Coventry's transport arrangements. Not only would this decision be subject to ministerial approval and would require a formal change in legislation, the Council would need to set up a new transport service and the existing arrangements for travel by Coventry residents to other parts of the West Midlands including rail subsidies would need to be renegotiated.

2.35 The Council could look to explore setting up a combined authority on a different geography, Options for this are limited as much of the surrounding area including Solihull, Leicester and Leicestershire is already committed to other proposals and Warwickshire County Council is looking at its own potential county devolution deal. The Council's preferred option was for the combined authority to include Warwickshire as well as the metropolitan area and the economic analysis has shown that wider area would deliver the greater economic benefits. A preference to be in a combined authority with Warwickshire rather than Birmingham was one of the issues raised through the city's engagement and consultation exercise. Although Warwickshire County Council has opted to remain outside the proposed West Midlands Combined Authority and is exploring other options, Nuneaton and Bedworth Borough Council has opted to be in the West Midlands Combined Authority as a non-constituent member. At the time of writing the other four district councils of Warwickshire - North Warwickshire Borough Council, Rugby Borough Council, Stratford-on-Avon District Council and Warwick District Council - are considering whether or not to join.

2.36 The Government has indicated that it welcomes the proposal for a combined authority that includes the seven metropolitan councils and it is considered less likely that the Secretary of State would approval something that breaks up existing statutory arrangements for transport and other services across the West Midlands.

2.37 Concerns about Coventry losing funding, local control and its voice through joining with Birmingham or by being outvoted in the proposed West Midlands Combined Authority have been raised through the consultation process. The proposed Scheme for the West Midlands Combined Authority makes it clear that Birmingham City Council will have one

vote as a member of the Combined Authority and that the aim will be for the combined authority to always reach its decisions by consensus. In addition a number of key decisions will require unanimity and the proposed combined authority will look to develop robust modelling to ensure that decisions are taken based on evidence and will ensure that all areas of the combined authority will benefit although not necessarily at the same time or in the same way.

- 2.38 Government policy is very much focused on the Northern Powerhouse and it is important that the Midlands is not squeezed out between investment in the North and continuing growth and investment in infrastructure in London and the South East. The “Midlands Engine” – the equivalent of the Northern Powerhouse – requires authorities to work together across the Midlands and some of this work is already started on transport through the Midlands Connect project. With combined authority proposals being developed in the East Midlands it will be important for the councils in the West Midlands to be able to work together with the new sub-regional arrangements in the East Midlands as they develop.
- 2.39 On balance it is considered that the proposed West Midlands Combined Authority offers the best route for councils to work together to both develop transport and, through the joint working with the three local enterprise partnerships, develop a shared sub-regional approach to the local economy and future investment that would add real value to the current arrangements, providing the scale that is needed to compete on an increasingly competitive national and international stage.

Recommended proposals

- 2.40 It is therefore recommended that, after considering the information available including the West Midlands statutory governance review and Statement of Intent for the Combined Authority (appendix 1 and 2) and the results of the local engagement and consultation process (appendix 3 and 4), Coventry City Council should join the proposed West Midlands Combined Authority.
- 2.41 The next stage of the process in setting up the proposed combined authority is the submission of the Scheme to the Secretary of State to consider. It is therefore recommended that the Council should approve the Scheme for a West Midlands Combined Authority for submission to the Secretary of State for Communities and Local Government.
- 2.42 At the time of writing the report the final version of the Scheme is not available, although it is anticipated that this will be available at the meetings on 13 October 2015. In the event that a finalised version of the Scheme is not available for Council to approve at its meeting on 13 October 2015, it is recommended that Council approves the draft Scheme at appendix 5 and delegates authority to the Chief Executive in consultation with the Leader of the Council, the Cabinet Member for Business, Enterprise and Employment and the Cabinet Member for Finance to agree the final version of the Scheme.
- 2.43 The decision to set up a combined authority is different and separate to any decision about a devolution deal with Government. A combined authority should meet the key tests of improving economic regeneration and transport across its functional area whether or not it has a devolution deal. The creation of a combined authority would facilitate a future devolution deal with Government as already happened in Greater Manchester and more recently Sheffield City Region.
- 2.44 Devolution deals cover significant transfer of powers and funding and potentially changes in governance – including the potential option of a metro mayor in return for the devolution of specific powers for an area. Such a deal can only be made following extensive discussions and negotiation with central Government – particularly with the Treasury. Coventry City Council could only agree any deal if it was satisfied that the benefits

outweighed any risks and that any change in governance that affects the city would be justified by the benefits that would be delivered for the city, its businesses and for its residents.

- 2.45 It is therefore recommended that the City Council should agree that any devolution deal negotiated for the West Midlands or any other deal with Government that includes Coventry City Council must be subject to a separate and detailed decision by Cabinet and Full Council which would include an analysis of the benefits and risks and the value of the deal to the city of Coventry along with any proposed changes in governance including whether or not to have an elected metro mayor.
- 2.46 The proposed Scheme for the West Midlands Combined Authority sets out the rules for voting which mean that any devolution deal for the proposed combined authority would need to have unanimous support by all its constituent members. It is recommended that this is endorsed by Coventry City Council and that the Council should agree that any devolution deal for the seven West Midlands metropolitan councils must require a unanimous decision by all the councils concerned.
- 2.47 There has been considerable debate in Coventry about the setting up of the proposed West Midlands Combined Authority and the need for further information for residents and businesses was the issue raised most frequently through the engagement and consultation programme. There is clearly an interest and a need for the provision for further information on an on-going basis about the combined authority and any future devolution proposals including any devolution deal and, in particular, to take note and address concerns about the Coventry voice and access to funding and the benefits from the combined authority. It is therefore recommended the Council agrees to undertake continued engagement across the city on the development of a combined authority and devolution.
- 2.48 Coventry will continue to have close economic links with its surrounding area. Local businesses have made it clear that they continue to value the “Coventry and Warwickshire brand” whilst at the same time seeing the benefits of working with a wider area. The City Council will continue to be a member of the Coventry and Warwickshire Local Enterprise Partnership and it is recommended that the Council agrees to continue to take a full and active part in the Coventry and Warwickshire Local Enterprise Partnership.
- 2.49 The Council will also need to continue to work on issues with its neighbouring local authorities including planning and housing across the Coventry and Warwickshire geography, including councils that are not part of the proposed combined authority. The City Council is currently a member of the Coventry and Warwickshire Joint Committee for Economic Growth and Prosperity along with Warwickshire County Council, the five Warwickshire District Councils and Hinckley and Bosworth Borough Council. It is recommended that the Council agreed take a full part in and develop these Coventry and Warwickshire sub-regional arrangements for joint local authority working with the other councils.
- 2.50 Alongside Combined Authority developments, initial officer discussions including all relevant authorities have explored the establishment of a Business Rates Pool across the sub-region. A Business Rate pool is a mechanism to allow local government to retain a greater share of business rates growth rather than this being returned to Government. Coventry is currently a member of a Coventry and Warwickshire Pool.
- 2.51 A wider West Midlands pool could include any of the local authorities within the Greater Birmingham and Solihull, Black Country and Coventry and Warwickshire Local Enterprise Partnerships dependent upon individual decisions within each authority – including all those currently in the Coventry and Warwickshire Pool. Subject to approval of the West

Midlands Combined Authority it is likely that the seven West Midlands Metropolitan Districts including Coventry will join this new pool.

- 2.52 It is not yet clear whether the new pool will be established for the 2016/17 or 2017/18 financial year but in order to establish the pool for 2016/17 it would require dissolution of all existing pools by 31st October 2015. In order to give maximum flexibility it is recommended that the Executive Director of Resources is given delegated responsibility to make decisions on the Council's behalf to withdraw from the existing Coventry and Warwickshire Business Rates Pool and agree the terms for entering a new wider West Midlands Business Rates Pool – this would be done in consultation with the Cabinet Member for Strategic Finance and Resources.

3. Results of consultation undertaken

- 3.1 On 28 May Coventry City Council's Cabinet agreed 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. Cabinet further agreed to allocate a budget of up to £250,000 to facilitate engagement with residents, local businesses, the city's universities and other key partner and undertake further analysis and research.
- 3.2 In light of the public interest shown on this topic, Cabinet agreed, on 17 June, to a wider programme of engagement than is necessary under the statutory process, including supply of factual information, establishment of a Citizen's Panel, face to face engagement, use of digital and social media, dedicated web engagement and print and broadcast media. It was agreed that a referendum on the subject of a combined authority was unfeasible and should not be considered further. The total cost of this engagement and consultation activity so far has been £41,550.
- 3.3 Before the consultation began a petition with 60 signatures was submitted to Coventry City Council saying: "*We the residents of Coventry do not want to join up with Birmingham to form a super power. The only benefactors of such a move would be Birmingham as they were when the West Midlands County Council was in place.*" This petition is being considered by the Cabinet Member for Policy and Governance at her meeting on 8 October 2015.
- 3.4 The engagement programme ran from July to September 2015 and included Facebook promotion (15,700 reach), Twitter promotion (581,500 reach), presentations at ward forums and drop in sessions (nearly 500 attendees), dedicated website pages (1,680 users), online forums (375 comments), an electronic survey (38 responses), meetings with local businesses and a Citizens' Panel organised by DemSoc. Before the consultation programme began, a telephone survey was carried out by an independent market research company, reaching 1,117 Coventry residents. Responses from the engagement and consultation programme have been analysed and are summarised in the report attached at appendix 3, and the detailed report from the Citizens' Panel is attached at appendix 4.
- 3.5 A number of consistent key messages emerged across the consultation activities, including: people wanting more information to make a decision, concern Coventry could lose funding and local control to other local authorities or the combined authority, preference to form a combined authority with Warwickshire only, reluctance to having a metro mayor after having rejected the idea of an elected mayor for Coventry, demand for a referendum about whether we become part of a Combined Authority and becoming part of a combined authority would be a good thing for Coventry.
- 3.6 A large proportion of people felt they could not make a decision until more information was available about the combined authority and what it means for Coventry. Currently there are

regularly updated web pages in place providing a central point of combined authority information. Social media updates and press releases are sent when key developments or decisions are made. It is recommended the provision of information and engagement about the combined authority and devolution, should continue on an on-going basis, particularly with a view to address issues of identity and concern about loss of voice identified by the Citizens' Panel.

- 3.7 Further concerns were expressed about losing local decision making powers, being governed by Birmingham and losing out financially. Some preferred the idea of a combined authority with Warwickshire only, with references made to the strength of the current Local Enterprise Partnership. These issues are addressed partly by the proposed Scheme for the West Midlands Combined Authority (see paragraphs 2.28 and 2.29 above) and by the recommendations that the Council continues to play a full part as member of the Coventry and Warwickshire LEP and to continue to work with other councils in the Coventry and Warwickshire sub-region and to develop the arrangements that facilitate this.
- 3.8 Some communicated reluctance to having a metro mayor following a referendum on 3 May 2012 on how Coventry City Council is run, with residents voting against an elected mayor. Currently this issue is addressed in the online question and answer webpage, noting current central government guidance on this topic. The Scheme to be submitted to Secretary of State will not include any reference to a metro mayor, as this would be considered separately as part of the devolution deal discussions. A metro mayor is not the same as an elected city mayor and would not replace the current Council nor be responsible for current council services but would have powers devolved to this role currently held by central Government or other regional arrangements such as the Police and Crime Commissioner. Provision for such a role is currently being considered by Parliament as part of the Cities and Local Government Devolution Bill. Such a change would require a formal decision by the City Council and all the members of the proposed combined authority and is separate to the decision on setting up a combined authority.
- 3.9 A consistent theme, brought up by a small number of respondents, was a demand for a referendum on whether Coventry should become part of a combined authority. It was agreed by Coventry City Council's Cabinet on 17 June to not consider a referendum further because doing so was deemed unfeasible. The engagement activity carried out by Coventry City Council is beyond statutory requirements and the other West Midlands councils, excluding Stratford-on-Avon District Council, have not undertaken any formal consultation on the topic. Information about the engagement sessions are still shown on the dedicated Combined Authority webpages.
- 3.10 There were some participants who felt, based on the information available, that becoming part of a combined authority overall is a good thing for Coventry. The comments made include mention of the good opportunity, potential for improvements and the potential of missing out if Coventry does not join.
- 3.11 There was a considerable amount of press and social media coverage throughout to promote the programme of engagement.
- 3.12 Coventry City Council was also part of the joint engagement exercise undertaken by all seven West Midlands metropolitan councils. This included writing to a representative sample of stakeholders across the area, an on-line survey and briefings. The results indicated broad support for the proposed combined authority with over 60% respondents agreeing that the statutory purposes for a combined authority would be achieved by the proposals for a West Midlands combined authority.

4. Timetable for implementing this decision

- 4.1 If all the constituent authorities agree the draft Scheme the intention is to submit this to the Secretary of State immediately. The timing of the next stage of the process lies with central Government. It is currently anticipated that if the Scheme is submitted to the Secretary of State by the end of October this would be followed by consultation by the Secretary of State on his proposals to set up a combined authority in December 2015 leading to and Parliamentary approval early in 2016 so that a West Midlands combined authority would be set up from April 2016.

5. Comments from Executive Director of Resources

5.1 Financial implications

Expected set up costs

The 1st Quarter 2015/16 Revenue and Capital monitoring report to Cabinet (11th August 2015) approved an increased Coventry sum of £500,000 to support West Midlands wide costs to develop the devolution deal and enter negotiations with Government to maximise the benefit that can be achieved through a Combined Authority.

As the report made clear it is difficult to be precise about the sum required, and the amount indicated was a provisional estimate based on the best information available to officers and this may be subject to further change as the complicated Combined Authority arrangements emerge over time. Although it is expected that a further update will be provided on this position shortly this was not available at the time of writing this report. Officers will provide a further update on this as soon as the information becomes available.

Business Rates Pooling

Business Rates pooling benefits are driven by the actual future growth in business rates within the pool area so it is not possible to predict accurately the level of future pooling benefit. Although these can fluctuate significantly pool arrangements are such that authorities cannot lose financially by being members of a pool. Any new business rate pool will include a guiding principle that broadly, no authority should be worse off by joining the new pool relative to membership of its existing pool. Initial planning assumptions have been based on pooling benefits in the region of £0.4m.

Delegated authority is requested on the basis that a decision on pooling arrangements for the following financial year need to be communicated to the Department for Communities and Local Government by 31st October each year, and the potential for a new Combined Authority pool from 2016/17 is still emerging.

5.2 Legal implications

The Local Democracy, Economic Development and Construction Act 2009 allows two or more local authorities to form a combined authority which is a separate public body and which may exercise certain functions of the member authorities. The decision to create a combined authority rests with the Secretary of State who will consider the Scheme as submitted by the member authorities. The Secretary of State will conduct his own consultation exercise and will only make an order creating the new Combined Authority if he is satisfied that to do so is likely to improve:

- the exercise of statutory functions relating to transport in the area,
- 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.

Once a council is a full member of a combined authority, it may not become a full member of another combined authority at the same time. The Council needs to approve the Scheme to enable it to be put forward to the Secretary of State for consideration.

6. Other implications

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard)?

The aim of setting up a combined authority is to promote economic growth and improve the provision of transport. This is in line with the Council's aim to be a top ten city and to deliver 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?

Combined Authority will be a statutory organisation and its members would be required to manage the risks associated with its activities.

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

The setting up of a combined authority enables local authorities to work collaboratively to improve economic outcomes and transport in the area. No adverse impact on any group protected under the Equality Act is anticipated by this decision. Once set up a combined authority is expected to meet the requirements of the Equality Act as a public sector body.

6.5 Implications for (or impact on) the environment

None identified at this stage.

6.6 Implications for partner organisations?

Partner organisations will be encouraged to take part in the consultation process outlined above.

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