

HALTON BOROUGH COUNCIL



*Municipal Building,
Kingsway,
Widnes.
WA8 7QF*

10 September 2013

**TO: MEMBERS OF THE HALTON
BOROUGH COUNCIL**

You are hereby summoned to attend an Ordinary Meeting of the Halton Borough Council to be held in the Council Chamber, Runcorn Town Hall on Thursday, 19 September 2013 commencing at 6.00 p.m. for the purpose of considering and passing such resolution(s) as may be deemed necessary or desirable in respect of the matters mentioned in the Agenda.

A handwritten signature in black ink, appearing to read 'David W. R.', is positioned above the title 'Chief Executive'.

Chief Executive

-AGENDA-

Item No.		Page No.
1.	APOLOGIES FOR ABSENCE	
2.	DECLARATIONS OF INTEREST	
3.	MATTERS REQUIRING A DECISION OF THE COUNCIL	
a)	LIVERPOOL CITY REGION REVIEW OF STRATEGIC GOVERNANCE - KEY DECISION (Minute EXB 74 refers) Executive Board will consider a report of the Chief Executive at its meeting on 19 September 2013, and will make a recommendation to Council.	1 - 70

REPORT TO:	Executive Board
DATE:	19 September 2013
REPORTING OFFICER:	Chief Executive
PORTFOLIO:	Leader
SUBJECT:	Liverpool City Region Review of Strategic Governance
WARDS:	Borough-wide

1.0 PURPOSE OF THE REPORT

- 1.1 This report informs Executive Board of the current position in relation to the consultation on the Liverpool City Region Strategic Governance Review and the proposals to establish a Liverpool City Region Combined Authority.
- 1.2 The report invites Executive Board to recommend to Council, that Council agree to submit the Liverpool City Region Strategic Governance Review document and Scheme for the establishment of a Combined Authority to the Government by 30 September 2013 following endorsement by the proposed constituent Councils.
- 1.3 The report also recommends that Executive Board should recommend to the Council that Halton Council should become a constituent member of the Liverpool City Region Combined Authority, thereby sharing appropriate economic development and transport powers with other Councils within the Liverpool City Region Combined Authority in accordance with the provisions of the Local Democracy, Economic Development and Construction Act 2009 (the 2009 Act) and the Local Transport Act 2008 (the 2008 Act).

2.0 RECOMMENDATION

Members of Executive Board are recommended to endorse the work undertaken to date and agree to recommend to the next meeting of the Council:

- (1) The submission of the Liverpool City Region Strategic Governance Review and Scheme to the Department for Communities and Local Government for the establishment of a Liverpool City Region Combined Authority on the basis of the drafts attached at Appendix 1 and Appendix 2 to this report;**
- (2) That Halton Council should formally become a constituent member of the Liverpool City Region Combined Authority, thereby sharing appropriate economic development and transport powers with other**

Councils within the Liverpool City Region Combined Authority in accordance with the provisions of the Local Democracy, Economic Development and Construction Act 2009 and the Local Transport Act 2008; and,

- (3) Agree that approval to make any technical amendments to the Liverpool City Region Strategic Governance Review and Scheme before it is submitted to the Secretary of State on 30 September 2013 be delegated to the Chief Executive in consultation with the Leader of the Council.**

3.0 BACKGROUND

- 3.1 Liverpool City Region has a population of 1.5 million covering the local authority areas of Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral and over 36,000 active businesses.
- 3.2 The Liverpool City Region vision is to create a thriving, international City Region; and to achieve this, the Liverpool City Region must accelerate the opportunities for economic growth and utilise all means necessary. There is strong evidence that the Liverpool City Region has latent potential for additional economic output: if the City Region performed at the national average an additional £8.2bn of output would be generated per annum for the national economy.
- 3.3 To achieve this vision, the City Region would need to deal with the economic challenges that are aggravated by the current global economic climate: productivity is 75% that of national rates, there is a gap of 18,500 businesses compared to national rates, a jobs deficit of 90,000, a skills deficit at all levels and one in ten residents are in receipt of either Job Seeker's Allowance or sickness benefits. In combination, these deficits contribute to the average household per-head being £1,700 less wealthy than the average nationally.
- 3.4 The six local authorities in the Liverpool City Region have a long history of collaboration at a scale that reflects the 'functional economic geography' of the area covering Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral. This dates back before the development of the Liverpool City Region Development Plan, which was agreed in 2007. This collaboration was formalised with the creation of the Liverpool City Region Cabinet in 2008 as an advisory body and, most recently, the establishment of the Liverpool City Region Local Enterprise Partnership (LEP) in 2012 and the establishment of the Local Transport Body to serve the City Region in 2012.
- 3.5 The benefit of this collaboration was exemplified in the agreement of the Liverpool City Region Deal in 2012. Other examples include: prioritising investment activity to support the City Region's transformational growth areas of Low Carbon, SuperPort, the Knowledge Economy and Visitor Economy; and, in 2012/13 when the City Region attracted £16m of Empty Homes funding from the Homes and Communities Agency after taking a joint approach, which

contrasts sharply with the £0.700m attracted the previous year when individual local authority level bids were submitted.

- 3.6 At their meeting on 21 June 2013, the Liverpool City Region Cabinet agreed to formally review strategic governance arrangements in relation to a potential Combined Authority model. The intention was to consider potential options to strengthen the existing governance arrangements to enable the Liverpool City Region to optimise its economic growth potential and to create a thriving, international City Region.
- 3.7 The Executive Board at its meeting on 11th July 2013 supported the principal of a strategic review being undertaken to explore the proposals for the establishment of a Combined Authority across the Liverpool City Region.
- 3.8 On the 15th August 2013 the Executive Board endorsed the results of the strategic review and the contents of a draft scheme for the establishment of a Combined Authority and agreed that a period of consultation take place on those documents. Following that consultation period a further report was to be made to the Board.

4.0 LIVERPOOL CITY REGION GOVERNANCE REVIEW

- 4.1 The remit of the Strategic Governance Review, as commissioned by the Liverpool City Region Cabinet was to determine:
 - Whether the area covered by the local authorities of Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral can properly be seen as constituting a functional economic area for the purpose under consideration in the review; and
 - Whether the existing governance arrangements for strategic economic development, regeneration and transport are effective or would benefit from changes.
- 4.2 There is no widely accepted definition of economic development: for the purpose of the governance review, economic development and regeneration was taken to cover strategic activity related to business support, inward investment, trade and export, strategic housing and employment and skills functions that can be better delivered if this is done collaboratively across the Liverpool City Region. This is in addition to the strategic transport functions also being considered. Further, only matters that are of City Region significance have been considered to be within the remit of this review: strategic decisions that are specific to a Council geography relating to economic development, regeneration and housing or operational decisions in these areas would still be made by individual Councils.
- 4.3 The statutory tests for the governance review in relation to a potential Combined Authority are set out in the 2008 Act and the 2009 Act. The process of the review examined the options available to the City Region in relation to each of the following and evaluated 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.

4.4 An officer-led working group was tasked with undertaking the governance review, comprising senior officers and relevant experts from each of the constituent local authorities, Merseytravel and the LEP. This included the following activities:

- Review of economic evidence to test the rationale for working across the Liverpool City Region geography as a functional economic area. This included a review of previous strategies and identification of key information to assess the economic conditions of the area. The work was aligned to the strategy development process being led by the LEP to prepare the evidence base for the City Region Growth Plan. It also considered the key findings from evidence base work and engagement activity to develop the City Region EU Investment Fund framework for 2014 – 2020.
- Desk research of the current governance arrangements and structures.
- Workshops to collect views and evidence from stakeholders in each constituent authority, Merseytravel and the LEP to consider the functions or activities that could benefit from strengthened collaborative governance arrangements.
- One to one interviews with external stakeholders, including LEP members, Chambers of Commerce and neighbouring local authorities, to collect views on the draft proposals.
- Options assessment based on this evidence.

5.0 THE EXISTING GOVERNANCE ARRANGEMENTS

5.1 The collaboration between the Liverpool City Region authorities was formalised with the creation of the Liverpool City Region Cabinet in 2008 and, most recently, the establishment of the Liverpool City Region Local Enterprise Partnership in March 2012 and the establishment of the Local Transport Body to serve the City Region later in 2012.

5.2 There are currently a number of Boards across the City Region bringing together the democratic leadership and senior business leaders to support our vision to be a thriving, international City Region, with those particularly relevant to the governance review of economic development, regeneration and transport summarised below.

5.3 Liverpool City Region Cabinet: The six Councils in the City Region have a track record of working together on areas of mutual benefit, dating back before the Liverpool City Region Development Plan, which was agreed in 2007. Following

this, the Liverpool City Region Cabinet was established in 2008 as an advisory body to take forward this and other work. The City Region Cabinet is made up of the Mayor of Liverpool and Leaders of the five Councils. The Cabinet demonstrates high level leadership and has been effective at setting the strategy for the City Region and working in partnership with business leaders to develop the conditions for economic growth.

- 5.4 In 2008 the Cabinet agreed that each Leader/nominated member would lead on one of the portfolios identified in the City Region governance structure, and each Portfolio Holder would be supported by a Chief Executive acting as Lead Advisor. This led to a series of thematic City Region Boards, across transport, economic development, employment and skills, housing, health, and child poverty and life chances. Many of these Boards bring together the democratic mandate and the contributions of the private sector and other partners.
- 5.5 Liverpool City Region Local Enterprise Partnership (LEP) was established in March 2012 and formally incorporated: as such, it has a unique structure with over 400 members contributing to the success of the Partnership. This provides the LEP Company with an income stream which adds value to public funding for economic development, including European monies and sees the private sector playing a direct role in setting the economic agenda for the City Region. The Mayor of Liverpool and the other five Leaders also sit on the LEP Board alongside the private sector.
- 5.6 The LEP has established sector committees and panels around the key sectors for economic growth: Low Carbon Economy, SuperPort, Visitor Economy, Advanced Manufacturing and Innovation. This provides the opportunity for businesses and public bodies to work together on identifying the key actions and opportunities that will support the delivery of jobs and growth. The LEP has also been given a set of strategic responsibilities by Government in terms of prioritising investment (such as with Growing Places Funds) as well as setting future economic strategy for the City Region through the requirement for a Growth Plan by Spring 2014 and the determination of European Funding priorities. It is not however an entity that can have 'accountable body status' and therefore receive significant funding from Government.
- 5.7 Merseyside Integrated Transport Authority (MITA) covers Knowsley, Liverpool, Sefton, St Helens and Wirral areas. This Council acts as a local transport authority in its own right. There has been extensive collaboration and joint working on transport issues between City Region Councils, Merseytravel and increasingly the LEP, with the establishment of the Local Transport Body to serve the City Region as a case in point: (this was agreed as part of the City Deal in 2012). The aligned Local Transport Plans and implementation plans are a further example of the close work that is in place.
- 5.8 The Liverpool City Region has a track record of working together on Employment and Skills strategy across the functional economic area. The City Region's Employment and Skills Board leads work on jobs and skills on behalf of the City Region Cabinet and the LEP. This includes providing governance arrangements for a range of different devolved funding streams, securing over

£100m of investment for the City Region in the past few years. The Board focuses on implementing the existing 10-year Employment and Skills Strategy and the City Region Deal for Jobs and Skills. It oversees the City Region's Labour Market Information Service, which communicates economic opportunities to the vast array of colleges, training providers and employment support providers. It also provides governance arrangements for a range of different devolved funding streams.

- 5.9 Liverpool City Region Strategic Housing and Planning Board - There is already considerable collaboration on strategic housing priorities and public sector assets aligned to the City Region's economic growth and regeneration ambitions. We have prepared a joint Local Investment Framework, for the delivery of our housing priorities, since 2009 and we have secured over £80 million pounds of investment as a result. The Board has recently been working on the Local Investment Framework for 2014 – 17, which will include a spatial framework, to support the Local Growth Plan. This Local Investment Framework will continue to identify and promote all housing opportunities which support economic growth and will identify all potential funding resources to support the delivery and to bridge funding gaps.

6.0 OPTIONS ASSESSMENT

- 6.1 The Strategic Governance Review (attached at Appendix One) has considered the four main options available to the Liverpool City Region at the present time assessed against the statutory tests identified in section 4.3 of this report:

- Option 1 - Leaving existing governance unchanged (status quo);
- Option 2 - Establishing a Supervisory Board;
- Option 3 - Establishing an Economic Prosperity Board; and
- Option 4 - Creating a Combined Authority.

- 6.2 The review demonstrated that the six Councils in the Liverpool City Region have a strong track record of working together on areas of mutual benefit. Collaborative working has evolved over the years and a number of City Region Boards bring together democratic leadership and senior business leaders, including the LEP. The City Region made further strides towards improving its governance arrangements, with the establishment of the Local Transport Body in 2012. However, the overarching arrangements remain informal without any independent legal status and could be improved, particularly around providing democratic leadership, transparency and accountability. There is a general consensus that the City Region has outgrown these existing arrangements and the time is now right to take the strategic governance arrangements to the next level, moving from a process of informal collaboration to joint decision making.

- 6.3 The findings of this review are summarised in the following table:

Option Assessment

Status quo

Maintaining the status quo would provide the basis for economic growth (as it has done for some time) but may not make sufficient improvements in the economic conditions of the area in the timescales required.

Establishing a Supervisory Board

A Supervisory Board would address some of the governance and accountability issues around economic development and regeneration but would be a less formal arrangement and would still leave issues around transport outside these arrangements.

Establishing an Economic Prosperity Board

An Economic Prosperity Board would address some of the governance and accountability issues around economic development and regeneration but would still leave the issues around transport outside the formal joint arrangements.

Creating a Combined Authority

Building on existing arrangements and supporting the LEP, the creation of a Liverpool City Region Combined Authority, with the alignment of accountability, governance and geographies for economic development, regeneration and transport would provide the City Region with the best possible chance of securing significant and lasting improvements in economic development, regeneration and transport. This model will further strengthen democratic and financial accountability.

- 6.4 After evaluating the current available evidence, the conclusion from the Strategic Governance Review is to propose a Liverpool City Region Combined Authority model, and to include the transport functions currently separately exercised by MITA and this Council, as the preferred governance option. This would give legal form to the close working relationships that already exist between the six local authorities, the MITA and the LEP by creating a sub-regional body with legal personality and a governance mechanism that can act across the combined area.
- 6.5 A strong Combined Authority would be able to bring together key decision making powers into a single body, exercising appropriate strategic transport and economic development and regeneration functions. It would provide a visible, stable and statutory body which could act as the accountable body to attract further funding to the Liverpool City Region to support economic growth, alongside additional powers which may be devolved from Government.
- 6.6 A Combined Authority is not a merger or a takeover of existing local authority functions nor would it be a 'Super-Council'. Instead it would seek to complement local authority functions in economic development, regeneration and transport and enhance the effectiveness of the way they are discharged. In particular, it is the enhancement of decisions and information to a strategic level that are most frequently cited as the advantages of such a body. On this basis, the proposal to establish a Liverpool City Region Combined Authority

would not have any additional resource implications for constituent Councils and would be expected to be cost neutral.

7.0 CONSULTATION

- 7.1 On 2 August 2013, the Liverpool City Region authorities, Merseytravel and their partners began consultation on the Review of the Strategic Governance arrangements for the City Region and the proposal to create a Liverpool City Region Combined Authority, including the functions currently exercised by MITA and Halton's strategic local transport function. This would give legal form to the close working relationships that already exist between the six authorities, MITA and the Local Enterprise Partnership by creating a City Region body with legal personality and a governance mechanism that can act across the combined area.
- 7.2 Consultation in Halton has been focused around sending out details of the review of strategic governance to businesses via Halton Chamber and partner organisations, as well as making the documentation available on the Council's website and articles in the local press.
- 7.3 A report of the City Region consultation will be available at the meeting. This sets out the interim findings of the consultation as at 3 September 2013, including the detail of how stakeholders have responded to the proposals. A final version of the Report of Consultation will be completed after the conclusion of the consultation period. It is proposed that approval to make any amendments to the Liverpool City Region Strategic Governance Review before it is submitted to the Secretary of State on 30 September 2013 be delegated to the Chief Executive in consultation with the Leader of the Council.

8.0 THE REMIT OF A COMBINED AUTHORITY FOR THE LIVERPOOL CITY REGION

- 8.1 The remit of the Combined Authority for the Liverpool City Region would be strategic economic development, regeneration, transport, strategic housing and employment and skills functions that can be better delivered collaboratively across the Liverpool City Region. The City Region Cabinet has made it clear that the Combined Authority would remain a lean, focused decision making body, with responsibility over those strategic issues where it is mutually beneficial for Local Authorities and the LEP to work together.
- 8.2 It is proposed that the City Region Combined Authority would discharge thematic functions through the following arrangements:

Function Arrangements

Strategic Economic Development - Liverpool City Region Local Enterprise Partnership

Strategic Transport - Liverpool City Region Transport Joint Committee

Strategic Housing and Land Based Assets - Liverpool City Region Strategic Housing and Planning

Strategic Employment and Skills - Liverpool City Region Employment and Skills Board

The Strategic Governance Review at Appendix 1 gives further detail on these functions.

- 8.3 On the Combined Authority each Constituent Authority would be represented by one member of its Cabinet who will be the Leader or Elected Mayor. These six members would form the core membership of the Combined Authority and could co-opt additional members onto the Combined Authority, including the Chair of the LEP.
- 8.4 A model of joint scrutiny would be introduced in order to scrutinise decisions made at the City Region level in respect of those functions under the remit of the Combined Authority. This would be carried out by a panel (or pool) of Councillors nominated by the six Local Authorities in the Liverpool City Region. The role of Scrutiny would be to:
- Provide a critical friend role;
 - Undertake pre-decision scrutiny reviews into areas of strategic importance for the people of the Liverpool City Region; and
 - Monitor the delivery of the Liverpool City Region Combined Authority Strategic Plan.

9.0 POLICY IMPLICATIONS

- 9.1 The recommendations in this report are in line with Halton Council's policy to promote economic growth.

10.0 OTHER IMPLICATIONS

- 10.1 During the consultation process the Liverpool City Region authorities have undertaken financial due diligence on the proposal to create a Liverpool City Region Combined Authority. The review has covered the following key issues:
- (i) Proposed draft Scheme;
 - (ii) Transport expenditure;
 - (iii) Assets and liabilities of a Combined Authority;
 - (iv) Transport Levy options for a Combined Authority;
 - (v) Accountable body role(s);
 - (vi) VAT; and
 - (vii) Borrowing powers.
- 10.2 The financial due diligence is subject to the outcome of the consultation, which will continue as the Scheme is finalised for submission to the Department for Communities and Local Government. Further due diligence will also be required if the Government agrees to take the proposals forward and produces

a draft Order for consultation, including the development of an operating agreement that the Liverpool City Region authorities would require to support the operation of a Combined Authority. This operating agreement will set out how the Combined Authority will operate on a day to day basis and provide for various protocols on how the various functions will be carried out.

- 10.3 The financial due diligence has included on-going consultation with the Directors of Finance of the Liverpool City Region authorities to ensure that they are satisfied that the proposed scheme would not result in any adverse financial consequences and provides the appropriate powers before submission to the Department for Communities and Local Government.
- 10.4 A key principle of the draft scheme is that 'the Levy or any Differential Levy' (i.e. the total contribution from each Constituent Authority for funding transport services for the year) does not exceed the equivalent cost for the year as it would have been calculated under the previous arrangements.' The financial due diligence has included a review of the assets and liabilities of the proposed Liverpool City Region Combined Authority and benchmarked transport services budgets to allow options for a Differential Levy to be developed for a Combined Authority. This will allow over time a Transitional arrangement for Halton and ultimately the full integration of Halton into the Liverpool City Region transport levy currently covering the five Merseyside authorities.
- 10.5 A Liverpool City Region Combined Authority, if established, would be expected to be the Accountable Body for many future funding regimes. The due diligence has identified options that would ensure that no additional costs would be incurred, which would also draw upon expertise already within the Liverpool City Region authorities. The due diligence has identified that the final proposal must ensure the accountability of the funding programmes to the Combined Authority, and that agreements are put in place across the partnership to deal with the financial risks, including grant claw back and ineligible expenditure.
- 10.6 The Greater Manchester Combined Authority has encountered VAT reclaim issues, and is currently in negotiation with the Government regarding its VAT status. The Department for Communities and Local Government are confident that the VAT rules should be amended before a Liverpool City Region Combined Authority would be established. However, it would be prudent that the proposed City Region scheme requests the appropriate powers to ensure the Liverpool City Region Combined Authority does not find itself in dispute with HMRC like Greater Manchester Combined Authority. Furthermore, there are no VAT partial exemption status issues for Constituent Authorities under the proposed draft Scheme.
- 10.7 The Review of Strategic Governance within the Liverpool City Region is being conducted within existing resources. There has been a full due diligence process undertaken as part of the review of strategic governance which is covered elsewhere in this report.
- 10.8 Should the proposal to create a Liverpool City Region Combined Authority be approved, it would not have any additional resource implications for constituent

Councils. In this regard, any additional costs arising from the new arrangements would be offset by efficiencies and savings and the establishment of the Combined Authority would therefore be expected to be at least cost neutral in overall terms.

11.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

11.1 Children and Young People in Halton

The improvement of economic conditions in the Liverpool City Region will support the Borough's Children and Young people.

11.2 Employment, Learning and Skills in Halton

The improvement of economic conditions in the Liverpool City Region will support the development of Employment, Learning and Skills in Halton.

11.3 A Healthy Halton

The improvement of economic conditions in the Liverpool City Region will support the development of a Healthy Halton.

11.4 A Safer Halton

The improvement of economic conditions in the Liverpool City Region will support the development of a Safer Halton.

11.5 Halton's Urban Renewal

The improvement of economic conditions in the Liverpool City will support Halton's urban renewal.

12.0 RISK ANALYSIS

12.1 There is a risk that the Liverpool City Region cannot close the gap in economic performance to England. This will be mitigated by proposing the establishment of a Liverpool City Region Combined Authority to draw together strategic work across economic development, transport, housing and employment and skills and to potentially access additional funding from Government.

12.2 There is a risk that the proposal to create a Liverpool City Region Combined Authority may not have local stakeholder support. This has been mitigated by consulting on the review of strategic governance and potential operation of a Liverpool City Region Combined Authority with stakeholders to collect their views.

12.3 There is a risk that the potential establishment of a Liverpool City Region Combined Authority is seen as a 'Super-Council'. This will be mitigated by establishing a clear approach to the communication strategy between the Councils and MITA explaining precisely what the potential Combined Authority could and could not do.

13.0 EQUALITY AND DIVERSITY ISSUES

13.1 An Equality Impact Assessment has been completed and not identified any specific actions required.

14.0 REASON(S) FOR DECISION

14.1 One of the drivers for reviewing the Liverpool City Region's governance arrangements is to secure greater influence over key levers and resources affecting local growth, including freedoms, flexibilities and funding which would otherwise remain under the control of Government. The Liverpool City Deal, Liverpool City Region Deal and LEP Business Plan and Action Plans seek to capitalise on the City Region's strengths, assets and key sectors to attract investment into and create additional jobs within the City Region. However, they do not go far enough in terms of maximising opportunities to enhance local delivery of national programmes that are also critical to improving local growth, with a risk that other areas with Combined Authorities have a significant advantage over the City Region.

14.2 For a number of years the City Region has successfully aligned central Government funding, ERDF and private sector investment to support strategic priorities within the wider economy. Working with the LEP, a pipeline of projects spanning investment in infrastructure, business growth, housing, transport and regeneration is in place together with an agreed approach to the joint investment of ERDF, Regional Growth Fund and Growing Places funds. With the new Government funding opportunities and policies, including the Growth Deals/Single Local Growth Fund and EU Structural and Investment Funds 2014 - 2020 there is now an added impetus to ensure the City Region has the most appropriate strategic governance arrangements in place to deliver agreed priority investments and in doing so to maximise the use of these funds alongside existing resources.

14.3 Similarly, whilst the establishment of the Local Transport Body has been seen as a positive step; it is a staging post on the journey, rather than a destination. The Local Transport Body model does not enjoy the legal transport powers or funding regimes that are currently vested with the Integrated Transport Authority, its constituent districts and with Halton Borough Council. The Department for Transport has consistently impressed upon the Liverpool City Region the importance of developing effective governance arrangements that facilitate, for example, links to other policy areas, strong leadership, streamlined structures and the ability to make difficult decisions, linked to clear priorities and a long-term investment programme and is one of the main contributors to the Single Pot to be devolved to City Regions.

14.4 The benefits of the Combined Authority would be to:

- Bring together the strategic decision making powers and processes for statutory functions and investment priorities relating to economic development, regeneration, transport and related initiatives across the natural economic area; strengthening accountability for the delivery of targets and meeting established strategic priorities;

- Remove the need for issues to be considered or ratified by numerous bodies and authorities, which is time consuming and inefficient, requiring multiple reports;
- Increase the effectiveness and efficiency of the related functions by providing integrated decision-making, a clearer read across between the different policy strands of activity and increasing opportunities for co-design and collaboration. For example, vesting multi-modal transport policy functions with the Combined Authority would ensure that policies are integrated, funding is aligned to agreed priorities for economic development, employment and skills, housing; and delivery is efficient;
- Enable all constituent partners to accomplish and achieve a bigger impact for the City Region's residents, businesses and the economy as a whole through a more effective and efficient deployment of tightening public sector resources connecting the City Region's assets to our people and communities;
- Secure long-term effective engagement with business and other sectors, including employment and skills providers and registered housing providers by formalising the existing relationship with the LEP and providing a place for the private sector at the 'top table' of decision making; and
- Provide opportunities to align strategic capacity and support services to deliver economies of scale. For example, combining Accountable Body arrangements and expertise which is currently dispersed across all six local authorities, MITA and the LEP. In the future, this could include the arrangements for devolved major transport funding and the Single Pot for economic investment, including EU funds and assets as appropriate.

14.5 The practical opportunities to achieve this run both horizontally (across thematic strands) and vertically (within thematic strands). Taken together they illustrate a compelling economic case for a move to a Combined Authority structure of governance. Some of our key proposals are summarised below:

14.6 Strategic decision-making would be brought into one City Region-wide body, with responsibility for strategy setting, the long-term strategic vision, outcomes and the alignment of priorities for the City Region. This would be achieved through the development of a long-term City Region Strategy for delivering the City Region's economic priorities, programmes and projects, co-designed with the LEP to link the City Region's strategic physical assets and 'places' to a broader economic prosperity and 'people' focused agenda. Flowing from the development of the Economic Strategy, and in line with our City Region Deal, would be an integrated Growth Plan and Investment Strategy to deliver the strategic economic vision and outcomes.

14.7 The proposed areas of Combined Authority responsibility are all interdependent. For example, activity to promote employment requires demand-side action to support businesses to create jobs as well as effective transportation policy. As these policy strands are led in different ways by different bodies we have developed partnership and consultation arrangements which do work but often result in increased timescales for taking decisions and multiple reporting lines. This approach has also led to overlapping or competing strategy priorities and in some cases an inefficient service delivery landscape that is confusing to both business and other stakeholders. The Combined Authority model provides the opportunity to bring all of this together into one approach to enable a clearer routine policy alignment, including:

- The co-ordination of the international economic strategy for the Liverpool City Region to cover inward investment, trade and export, to particularly capture benefits from the International Festival for Business and operate as a cohesive global entity;
- The co-ordination of inward investment activity across the Liverpool City Region as a whole;
- The co-ordination of strategic place based marketing across the Liverpool City Region as a whole; and
- The delivery of the employment and skills strategy across the Liverpool City Region, embedding the Skills for Growth Agreements within economic strategies.

14.8 The Combined Authority would ensure more effective targeting of strategic interventions to support the City Region's priorities. For example:

- It would also take responsibility for decision making with regard to the Liverpool City Region Investment Framework, to include the Single Local Growth Fund, EU Investment Framework and Growing Places Fund to boost local economic growth. Linked to this it will develop a pipeline of priorities to attract financial and wider support.
- Transport planning is currently vested in two separate Local Transport Plans for the City Region. These would be amalgamated to a single streamlined plan under the new arrangements, providing greater synergy, greater clarity and more effective prioritisation of strategic transport priorities across the City Region.
- The Combined Authority provides the opportunity to improve the consistency of design and implementation of Local Labour Agreements for regeneration and major employer recruitments to maximise the benefit to the City Region labour market as a whole. The clear expectation set from a Combined Authority level would better reflect the distribution of available employment and skills across the City Region as a whole, and allow businesses to better understand consistent expectations.

14.9 An important function is to ensure a single economic intelligence evidence base is in place to support and inform strategic decision making for economic development, employment and skills, transport and strategic housing is a priority. Given the significant interdependency between these policy themes this would have significant advantages and deliver potential savings – particularly in a reduced requirement to commission external consultants.

15.0 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

15.1 Alternative models of governance were considered as part of the Review of Strategic Governance and were judged not to be as effective as improving the economic conditions of the Liverpool City Region as the preferred option.

16.0 IMPLEMENTATION DATE

16.1 The Review of Strategic Governance and Scheme for the establishment of Liverpool City Region Combined Authority will be submitted to the Secretary of State for Communities and Local Government by 30 September 2013.

17.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Appendix 1: Governance review.

Appendix 2: Scheme

This page is intentionally left blank

**LIVERPOOL CITY REGION
STRATEGIC GOVERNANCE REVIEW
SEPTEMBER 2013**

**Draft for Approval by Constituent Councils and the
Merseyside Integrated Transport Authority**

1. INTRODUCTION

- 1.1 This report has been prepared on behalf of the Liverpool City Region Cabinet, which brings together the Mayor of Liverpool and Leaders of the other five Local Authorities of the Liverpool City Region: Halton, Knowsley, Sefton, St Helens and Wirral. It sets out the findings from a review of Liverpool City Region strategic governance arrangements relating to ‘transport, economic development and regeneration’ pursuant to Section 108 of the Local Democracy, Economic Development and Construction Act 2009 and Section 82 of the Local Transport Act 2008, together with the results of a stakeholder consultation exercise.
- 1.2 One of the drivers for this review is to secure greater influence over key levers and resources affecting local growth, including freedoms, flexibilities and funding from Government. The Liverpool City Deal, Liverpool City Region Deal and Local Enterprise Partnership Business Plan and Action Plans seek to capitalise on the City Region’s strengths, assets and key sectors to attract investment into and create additional jobs within the City Region. However, they do not go far enough in terms of maximising opportunities to enhance local delivery of national programmes that are also critical to improving local growth, with a risk that other areas with more formal governance arrangements have a significant advantage over the Liverpool City Region.
- 1.3 The purpose of the review is to determine:
- Whether the area covered by the local authorities of Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral can properly be seen as constituting a functional economic area for the purpose under consideration in the review; and
 - Whether the existing governance arrangements for economic development, regeneration and transport are effective or would benefit from changes, including establishing a Combined Authority.
- 1.4 The governance review has considered the options available and in relation to each option, evaluated 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.
- 1.5 Having examined these issues the report draws conclusions about the nature of the Scheme being recommended for the Liverpool City Region, what this would mean in practice for future political decision-making for strategic economic development, regeneration and transport and how such arrangements would harness the City Region’s latent economic potential and boost local economic growth.

2. EXECUTIVE SUMMARY

- 2.1 The Liverpool City Region has been transformed over the last twenty years with the rejuvenation of Liverpool City Centre, greater utilisation of our indigenous assets and the growth of our key sectors. The City Region's economy is now one of the fastest growing in the UK and has closed the gap on national performance, but there remains a significant challenge to continue this. The economy is still not as large as it needs to be.
- 2.2 Working together with our businesses we have identified the potential to create up to 100,000 jobs in our growth sectors over future years, an opportunity unparalleled in the country; these forecasts will inform the City Region's Growth Plan. The role of Government and the public sector is to support and facilitate this growth where it is needed. This is not just for the benefit of the Liverpool City Region and our communities but also the UK as a whole.
- 2.3 In partnership with the private sector, we are striving to create a thriving, international City Region capitalising on our competitive strengths while ensuring we deliver an environment in which growth can occur. To achieve this, the Liverpool City Region must accelerate the market facing opportunities that exist and ensure that we better coordinate everything we do to increase investment, create jobs, and achieve growth. There is strong evidence that the Liverpool City Region has a latent potential for additional economic output: if the City Region performed at the national average an additional £8.2bn of output would be generated per annum for the national economy.
- 2.4 To do this would involve building on the existing commitments articulated in both the Liverpool City Deal and Liverpool City Region Deal, and by maximising opportunities to enhance the local delivery of national programmes that are critical to improving local growth. Ensuring that clear and effective arrangements are in place to enable long-term strategic decision making at the City Region level is an essential component to drive economic growth. The governance review undertaken is therefore essential in considering what is best for our City Region in particular the appropriate options to achieve this and make recommendations.
- 2.5 Whilst the Liverpool City Region was more robust than many other City Regions at the outset of the recession it continues to face a number of economic challenges that are aggravated by the current global economic climate: productivity is 75% of the national rates, there is a gap of 18,500 businesses compared to national rates, a deficit of 90,000 jobs, a skills deficit at all levels and one in ten residents are in receipt of either jobseekers' allowance or sickness benefits. In combination, these deficits contribute to the average household per-head income being £1,700 less each year than the average nationally.
- 2.6 The six Councils in the Liverpool City Region have a strong track record of working together on areas of mutual benefit, dating back before the Liverpool City Region Development Plan, which was agreed in 2007. Collaborative working has evolved over the years and a number of City Region Boards bring together democratic

leadership and senior business leaders, including the Local Enterprise Partnership (LEP). In 2012 the City Region made further strides towards improving its governance arrangements, with the establishment of the Local Transport Body. However, these overarching arrangements remain informal without any independent legal status and could be improved, particularly around providing democratic leadership, transparency and accountability. There is a general consensus that the City Region has outgrown these existing arrangements and the time is now right to take the strategic governance arrangements to the next level, moving from informal collaboration to joint strategic decision making.

- 2.7 It was agreed at the Liverpool City Region Cabinet meeting on 21 June 2013 that a review of strategic governance arrangements should be undertaken. One of the drivers for this review was to make sure that the City Region is well placed to secure greater influence over key levers affecting local growth, including freedoms, flexibilities and funding from Government. This approach builds on the commitments identified in the Liverpool City Region Deal which was agreed with Government in Summer 2012.
- 2.8 The approach undertaken for this governance review was in accordance with Section 108 of the Local Democracy, Economic Development and Construction Act 2009. The methodology included a review of evidence, desktop research of current arrangements, a series of workshops and discussions with stakeholders, including constituent Local Authorities, Merseytravel, the LEP, strategic partners and neighbouring authorities and an options assessment based upon this evidence.
- 2.9 The review considered the following options:
- Option 1 – status quo;
 - Option 2 – establishing a Supervisory Board;
 - Option 3 – establishing an Economic Prosperity Board; and
 - Option 4 – establishing a Combined Authority.
- 2.10 After evaluating the current available evidence and the options available to the City Region, the conclusion is that a Liverpool City Region Combined Authority model, including the functions currently exercised by the Merseyside Integrated Transport Authority (MITA) and Halton's Local Transport Authority functions, is the preferred governance option. The Combined Authority would most likely lead to improvements in economic conditions of the area and in the efficiency and effectiveness of service delivery, building on and where necessary simplifying the existing City Region governance arrangements.
- 2.11 The Combined Authority would give legal form to the close working relationships that already exist between the six local authorities, the Integrated Transport Authority and the LEP by creating a sub-regional body with legal personality and a governance mechanism that can act across the combined area. This would allow the City Region to achieve its latent potential for economic growth, thus narrowing the gap in economic output, productivity and income levels with national levels.

- 2.12 A strong Combined Authority, based on the functional economic area, would enable decisions to be made jointly by the democratically elected Leaders and/or the Elected Mayor in each of the six local authorities, together with the Chair of the LEP. It would provide a visible, stable and statutory City Region-wide body which could act as the Accountable Body to attract further funding to the Liverpool City Region to support economic growth, alongside any additional powers which may be devolved from Government.
- 2.13 There is a further need to signal to business and Government that the City Region has a clear, consistent and shared view, and that the City Region will act as a single, aligned strategic voice to maximise use of available resources to the benefit of the whole of the City Region, particularly with the challenges being faced around jobs and growth. Consequently there is a need to consider another approach.
- 2.14 In summary, the benefits of operating as a Liverpool City Region Combined Authority present a landmark opportunity for the City Region, building on the proposals in the Liverpool City Region Deal to boost economic growth, and would:
- Bring together the strategic decision making powers and processes for statutory functions and investment priorities relating to economic development, regeneration, transport and related initiatives across the natural economic area; strengthening accountability for the delivery of targets and meeting established strategic priorities;
 - Remove the need for issues to be considered or ratified by numerous bodies and authorities, which is time consuming and inefficient, requiring multiple reports;
 - Increase the effectiveness and efficiency of the related functions by providing integrated decision-making, the integration of the different policy strands of activity and increased opportunities for co-design and collaboration. For example, vesting multi-modal transport policy functions with the Combined Authority would ensure that policies are integrated with economic development, employment and skills and housing, funding is aligned to agreed priorities, and delivery is efficient;
 - Enable all constituent partners to accomplish and achieve a bigger impact for the City Region's residents, businesses and the economy as a whole through a more effective and efficient deployment of tightening public sector resources connecting the City Region's assets to our people and communities;
 - Secure long-term effective engagement with business and other sectors, including employment and skills providers and registered housing providers by formalising the existing relationship with the LEP and providing a place for the private sector at the 'top table' of decision making; and
 - Provide opportunities to align strategic capacity and support services to deliver economies of scale. For example, combining Accountable Body arrangements

and expertise which is currently dispersed across all six local authorities, MITA and the LEP. In the future, this could include the arrangements for devolved major transport funding and the Single Pot for economic investment, including EU funds and assets as appropriate.

- 2.15 The practical opportunities to achieve this run both horizontally (across thematic strands) and vertically (within thematic strands). Taken together they illustrate a compelling economic case for a move to a Combined Authority structure of governance.
- 2.16 Operating as a Combined Authority, strategic decision-making would be brought into one City Region-wide body, with responsibility for strategy setting, the long-term strategic vision, outcomes and the alignment of priorities for the City Region. This would be realised through the development of a long-term Strategy for delivering the City Region's economic priorities, programmes and projects, co-designed with the LEP to link the City Region's strategic physical assets and 'places' to a broader economic prosperity and 'people' focused agenda. Flowing from the development of the Economic Strategy, and in line with our City Region Deal, would be a Single Growth Plan and Investment Strategy to deliver the strategic economic vision and outcomes led by the LEP.
- 2.17 The proposed areas of Combined Authority responsibility are all interdependent. For example, activity to promote employment requires demand-side action on behalf of employers as well as effective transportation policy. As these policy strands are led in different ways by different bodies we have developed partnership and consultation arrangements which do work but often result in increased timescales for taking decisions and multiple reporting lines. This approach has also led to overlapping or competing strategy priorities and in some cases an inefficient service delivery landscape that is confusing to both businesses and other stakeholders. The Combined Authority model provides the opportunity to bring all of this together into one approach to enable a clearer routine policy alignment, including:
- The co-ordination of the international economic strategy for the Liverpool City Region to cover inward investment, trade and export, to particularly capture benefits from the International Festival for Business and operate as a cohesive global entity;
 - The co-ordination of inward investment activity across the Liverpool City Region as a whole;
 - The co-ordination of strategic place based marketing across the Liverpool City Region as a whole; and
 - The delivery of the employment and skills strategy across the Liverpool City Region, embedding the Skills for Growth Agreements within economic strategies.
- 2.18 The Combined Authority would ensure more effective targeting of strategic interventions to support the City Region's priorities. For example:

- It would take responsibility for decision making with regard to the Liverpool City Region Investment Framework, to include the Single Local Growth Fund, EU Investment Framework and Growing Places Fund to boost local economic growth. Linked to this it will develop a pipeline of priorities to attract financial and wider support.
- Transport planning is currently vested in two separate Local Transport Plans for the City Region. These would be amalgamated to a single streamlined plan under the new arrangements, providing greater synergy, greater clarity and more effective prioritisation of strategic transport priorities across the City Region.

2.19 An important function is to ensure a single economic intelligence evidence base is in place to support and inform strategic decision making for economic development, employment and skills, transport and strategic housing is a priority. Given the significant interdependency between these policy themes this would have significant advantages and deliver potential savings – particularly in a reduced requirement to commission external consultants.

2.20 A model of joint scrutiny would be introduced in order to scrutinise decisions made at the City Region level in respect of those functions under the remit of the Combined Authority. This would be carried out by a panel (or pool) of Councillors nominated by the six Local Authorities in the Liverpool City Region. The role of Scrutiny would be to:

- Provide a critical friend role;
- Undertake pre-decision scrutiny reviews into areas of strategic importance for the people of the Liverpool City Region; and
- Monitor the delivery of the Liverpool City Region Combined Authority Strategic Plan.

2.21 The benefits of a Combined Authority as the strategic decision making body to drive economic growth and job creation, with effective engagement of business through the LEP, together with other sectors such as employment and skills providers and registered housing providers is clear. This would allow the City Region to achieve its latent potential for economic growth, narrowing the £8.2bn economic output gap with the UK, creating an additional 18,500 businesses, a further 90,000 jobs and closing the annual £1,700 per-head wealth gap between the average household in the City Region and the average household in the UK.

2.22 Operating as a Combined Authority would ensure the work of everyone that impacts on the economy is integrated to add value and better achieve our vision and economic goals. This model would help maximise growth in output and jobs, increase the City Region's productivity and competitiveness, raise skill levels, support a rebalancing of the economy away from relative public sector dependency and stimulate greater employment and growth in the private sector. These measures would make our economy more sustainable in the long-term.

- 2.23 The introduction of a Combined Authority would provide the framework and opportunity to bring together services in new ways that would better benefit businesses and residents in support of economic growth and jobs. The integration of transport as a key driver of economic growth, along with more streamlined approaches to supporting businesses, greater clarity and consistency on investment priorities and improvements to the integration of activities across economic development, transport, strategic housing and employment and skills will contribute to achieving the Liverpool City Region's economic ambition and specifically the improved outcomes for economic growth and jobs.
- 2.24 A strong and effective Liverpool City Region Combined Authority would counter misperceptions about public sector collaboration in the City Region and help in engagement with national agencies. It would also create the opportunity for various types of collaborative effort with adjoining and other northern Combined Authorities to put in place a much needed counter-balance to London and to Wales e.g. for devolving the power to let rail franchises for Northern Rail.
- 2.25 In conclusion, these proposals for a Combined Authority approach to decision making for City Region issues of strategic importance will provide a stable model for the long-term. The introduction of a Combined Authority would put the Liverpool City Region at the forefront of national policy making and ensuring that the City Region is in the best position to access new powers and resources devolved from central Government. It would also provide a transparent and robust decision making process to improve the economic wellbeing of the constituent Local Authorities as part of a stronger Liverpool City Region economy. This model would not have any additional resource implications for constituent Councils and is expected to be at least cost neutral.

3. RECOMMENDATIONS

- 3.1 The conclusion from the work undertaken on the strategic governance review recommends that:
- a) In order to deliver the identified economic improvements, the Liverpool City Region should establish a Combined Authority model of governance relating to economic development, regeneration and transport pursuant to Section 103 of the Local Democracy, Economic Development and Construction Act 2009;
 - b) The six Local Authorities of the Liverpool City Region (Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral) agree to be constituent members of the Combined Authority;
 - c) The Chair of the Local Enterprise Partnership is co-opted onto the Combined Authority as a voting member;
 - d) Merseyside Integrated Transport Authority shall be dissolved pursuant to Section 91 of the Local Transport Act 2008 and its functions transferred to the new Combined Authority, along with the provision of such other powers

necessary for the Combine Authority to deliver the transport objectives (defined in Section 10.15 - 10.23);

- e) Local Transport Authority powers should be transferred from Halton Borough Council to the Liverpool City Region Combined Authority; and
- f) Transitional operating agreements are required in respect of d) and e) above and will be subject to further detailed discussion at the implementation stage.

4. THE LEGAL CONTEXT

- 4.1 Part 6 of the Local Democracy, Economic Development and Construction Act, 2009 (the 2009 Act) enables the creation of Economic Prosperity Boards or Combined Authorities. These are sub-national structures that have separate legal personality to the Local Authorities who come together to create them. These bodies are available to support the effective delivery of economic development and regeneration, and in the case of Combined Authorities, transport.
- 4.2 The 2009 Act sets out the process for the creation of Economic Prosperity Boards or Combined Authorities relating to their constitution and organisation. The legislation is not prescriptive and the detail of how these bodies are established, how they will operate and what their functions will be is left to be determined locally, subject to final approval by the Secretary of State.
- 4.3 The Localism Act 2011 contains powers for the Secretary of State to transfer the 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 independent from the procedure to create Economic Prosperity Boards or Combined Authorities.

5. METHODOLOGY FOR THE GOVERNANCE REVIEW

- 5.1 At their meeting on 21 June 2013, Liverpool City Region Cabinet agreed to formally review the strategic governance arrangements across the area in the context of the March 2013 Budget and the Government's response to Lord Heseltine's review 'No Stone Unturned in Pursuit of Growth'. The intention was to consider potential options for strengthening governance arrangements to enable the City Region to optimise its economic growth potential.
- 5.2 The statutory process to establish a Combined Authority or Economic Prosperity Board has three main steps:
- First, a review of existing governance arrangements for the delivery of economic development, regeneration and in the case of Combined Authorities transport. This must lead to the conclusion that there is a case for changing these arrangements based upon real improvements;
 - Second, drawing up and consulting on a scheme for the new body upon which the authorities are required to engage to secure support amongst stakeholders. All constituent Councils are required to approve the scheme for submission to the Secretary of State for Communities and Local Government; and
 - Finally, the Secretary of State will consider the scheme and undertake a formal consultation. If satisfied with the proposals, a draft order will be laid before both Houses of Parliament for adoption by affirmative resolution.

5.3 An Officer-led working group was tasked with undertaking the review, comprising Chief Executives and relevant experts from each of the constituent local authorities, Merseytravel and the LEP. This included the following activities:

- **Review of economic evidence** to test the rationale for working across the Liverpool City Region geography as a functional economic area. This included a review of previous strategies and identification of key information to assess the economic conditions of the area;
- **Desk research** of the current governance arrangements and structures;
- **Consultation workshops** to collect views and evidence from stakeholders in each constituent authority, Merseytravel and the LEP to consider the functions or activities that could benefit from strengthened collaborative governance arrangements;
- **One-to-one interviews** with stakeholders including MPs, LEP members, Chambers of Commerce and neighbouring local authorities, to collect views on the draft proposals; and
- **Options assessment** based on this evidence.

Economic Evidence

5.4 Liverpool City Region has developed, over a period of time, a strong evidence base which supports both the need for economic growth and the opportunities to achieve this. The Merseyside Economic Review, produced by the LEP, provides an important reference point in assessing the economic performance of the City Region. In parallel to this governance review, work being led by the LEP to prepare the evidence base for the 'Growth Plan' and to identify the strategic actions and activity to inform the City Region EU Investment Funds framework for 2014 – 2020 has informed and shaped the governance review findings. Crucially, all have been developed in close consultation with each other to ensure that an integrated approach is adopted.

5.5 Our starting point when deciding strategic actions and activity has been to identify what the City Region needs. This approach has informed the consultation exercise for the EU Programme development, led by the LEP, which has included engagement with representatives from business, the public sector and academic institutions from across the City Region: some 150 people attended a stakeholder event on 23 April 2013, followed by a number of thematic engagement sessions to capture further evidence and concluding with a final stakeholder event on 3 September 2013.

Stakeholder Consultation

5.6 More specifically, stakeholders have provided an important source of evidence for this governance review. On 2 August 2013, the Liverpool City Region authorities, Merseytravel and the LEP began consultation on the review of strategic governance

arrangements and on the option for a Liverpool City Region Combined Authority model, including the functions currently exercised by MITA and Halton's Local Transport Authority function. A detailed Report of Consultation summarises how the authorities and their partners have engaged with stakeholders (including businesses), partners and the public regarding the proposals, through communications, workshops, events and meetings. The report also contains a summary of the findings of this consultation, including the detail of how stakeholders have responded to the proposals.

- 5.7 This consultation exercise was undertaken from 2 August – 6 September 2013 and involved a range of activities aimed at engaging a wide range of stakeholders, partners and members of the public. It has included making materials available on Local Authority and partner websites, and publicising this through media releases, news stories, social networking tools and internal and external briefings. In addition, each Local Authority has targeted consultation materials to a wide range of partners, stakeholders and other interested parties within their area. Specific communications were sent to contacts inviting them to interviews, meetings, events, public drop in sessions and workshops associated with the consultation. A detailed list of all of these activities is included in a final Report of Consultation.
- 5.8 The findings from all this research has been analysed by the Officer-led working group and the information collected used to inform the conclusions set out in this governance review report.

6. THE LIVERPOOL CITY REGION ECONOMY AND VISION

- 6.1 Liverpool City Region has a population of 1.5 million covering the local authority areas of Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral with over 37,000 active businesses. The City Region has one of the fastest growing economies in the UK, with growth being driven across four key sectors: (the Low Carbon Economy, the Knowledge Economy, Visitor Economy and the SuperPort). The area is considered to be a functional economic area, with 84% of employed residents working within the City Region (Annual Population Survey 2012): 75% of residents living and working in an area is sufficient to justify a functional (or natural) economic area.
- 6.2 The vision for the Liverpool City Region is to create a thriving, international City Region. Partners are committed to establishing the Liverpool City Region as a top international and national investment location, with global trade, knowledge, manufacturing and tourism relationships. Our status as a thriving international City Region will be enhanced by developing the long-term sustainability of the economy through:
- Accelerating the creation of new business;
 - Supporting growth and improving productivity in local small and medium sized businesses;

- Making best use of public sector funds to induce private sector business investment and to maximise private sector leverage;
- Delivering a step change in our economic performance by prioritising our investment activity in transformational areas, such as the Visitor Economy; Knowledge Economy; Liverpool SuperPort and the Low Carbon Economy;
- Increasing the number of residents who are in work;
- Increasing the scale of economic activity and developing global markets;
- Working with business to produce a demand-led programme of investment in skills and learning;
- Promoting economic growth and meeting the demands of the low carbon agenda;
- Supporting all potential investors with planning, access and infrastructure, sites availability and finance;
- Supporting Atlantic Gateway development including Wirral and Liverpool Waters and the Daresbury Enterprise Zone, incorporating Sci-Tech Daresbury;
- Reducing dependency on benefit systems; and
- Reducing the number of families bringing children up in poverty.

6.3 The Liverpool City Region is a globally connected economic centre with real competitive advantage. Through its Port, airport accessibility, and its international companies and cultural assets it has reach far beyond the UK and will host an International Festival for Business in 2014. World leading companies including Unilever, Jaguar Land Rover, Maersk, NSG (Pilkington), Novartis, Iberdrola and Sony, are major investors in our business friendly and cost competitive environment.

6.4 The City Region has been transformed over the last twenty years with the rejuvenation of Liverpool City Centre, greater utilisation of indigenous assets and the ongoing growth of our key sectors. For example, the area now hosts some of the largest offshore wind farms in the UK, placing the Liverpool City Region at the forefront of the UK's offshore wind industry and a significant global location for offshore wind investment, with CORE (Centre for Offshore Renewable Energy) status. Collectively, our growth sectors represent outstanding opportunities for further growth - both in terms of output and jobs.

6.5 There is a latent potential within the City Region for additional economic activity. If performing at the national average an additional £8.2bn of output would be generated per annum for the national economy. To achieve this we would need to create an additional 18,500 businesses and see a further 90,000 jobs created. From doing this, we can close the annual £1,700 per-head 'wealth-gap' between the average household in the City Region and the average household in the UK - giving

our communities the resources they need to be sustainable in the long-term. This will mitigate the cost of child poverty to the City Region, which is current estimated to be £970m per year.

- 6.6 In the next twelve months alone the City Region will see £1.3bn of construction and development work begin as the Mersey Gateway Bridge in Halton (£600m), the post-Panamax, 'Liverpool 2' deep water berth at the Port (£340m), and the redevelopment of the Liverpool Royal Hospital (£330m) all get under-way. With ambitious £10bn plans to develop our Enterprise Zones at Wirral Waters and Liverpool Waters, the ongoing development of Daresbury as a national science asset, and plans to bring forward logistics and development sites across the City Region there is a real opportunity that collectively the City Region can take a huge leap forward.
- 6.7 In achieving our economic vision and objectives, it is imperative that success reaches all parts of the Liverpool City Region. This includes addressing some of the long term structural issues that if not dealt with will hinder the City Region's economic growth, including low business density, significant skills gaps, relatively high levels of unemployment and relatively low productivity.
- 6.8 Whilst the growth secured between 1997 and 2007 has narrowed the gap with the UK on a number of economic indicators, the rebalancing from a public sector dominated economy to a private sector based economy is not happening as quickly as in other areas. An example is that nationally since 2010 the private sector has created 3 jobs for every public sector job lost, whereas in the City Region, 1¼ jobs have been created for every public sector job lost.
- 6.9 The LEP is playing an important role in developing the conditions for economic growth and is working with key partners in business, the local authorities and universities to produce the Liverpool City Region Growth Plan which will underpin the delivery of the City Region's shared vision and ambition. What sets the Liverpool City Region apart from other areas is our unique set of economic assets and the willingness of our partners, especially the private sector, to contribute to achieving an improved economic performance. With over 400 members, no other City Region or LEP area in the country has the same level of private sector buy-in and support as the Liverpool City Region LEP.

7. OUR CURRENT STRATEGIC GOVERNANCE ARRANGEMENTS

- 7.1 Liverpool City Region has long advocated devolution and decentralisation to real economic geographies, the places that drive local economic growth. We are committed to working with Government to do this and to ensure we deliver economic prosperity and opportunity. Our existing governance arrangements and models of partnership working for economic development, regeneration and transport have evolved over a number of years, and the extent of this is evidenced throughout this document. There are currently a number of Boards across the City Region bringing together the democratic leadership and senior business leaders on an informal basis to support our ambition to be a thriving, international City Region, with those particularly relevant to this governance review summarised below.

- 7.2 The 2009 Act does not provide a definition of economic development as this can vary in different areas depending on local circumstances. For the purpose of this review, economic development and regeneration is taken to cover strategic activity related to business support, inward investment, trade and export, strategic housing, and employment and skills, in addition to the transport roles and functions.

Liverpool City Region Cabinet

- 7.3 The six Councils in the City Region have a track record of working together on areas of mutual benefit, dating back before the Liverpool City Region Development Plan, which was agreed in 2007. Following this, the Liverpool City Region Cabinet was established in 2008 as an advisory body to take forward this and other work. The City Region Cabinet is made up of the Mayor of Liverpool and Leaders of the five Councils. The Cabinet demonstrates high level leadership and has been effective at setting the strategy for the City Region and working in partnership with business leaders to develop the conditions for economic growth.
- 7.4 In 2008 the Cabinet agreed that each Leader/nominated Member would lead on one of the portfolios identified in the City Region governance structure, and each Portfolio Holder would be supported by a Chief Executive acting as Lead Advisor. This led to a series of thematic City Region Boards, across transport, economic development, employment and skills, housing, health, and child poverty and life chances. Many of these Boards bring together the democratic mandate and the contributions of the private sector and other partners.
- 7.5 The City Region Cabinet has been effective as an informal mechanism to foster and develop joint working and responses to City Region level issues; a recent example being the development and agreement of the Liverpool City Region Deal with Government in 2012. It does, however, lack formal underpinning arrangements and as such is unable to take formal decisions.

Liverpool City Region Local Enterprise Partnership

- 7.6 Liverpool City Region Local Enterprise Partnership was established in March 2012: it has a unique structure with over 400 paying members contributing to the success of the Partnership which has 20 years of economic development experience operating previously as The Mersey Partnership. This provides the LEP Company with an income stream which adds value to public funding for economic development, including European monies and sees the private sector playing a direct role in setting the economic agenda for the City Region. The Mayor of Liverpool and the other five Leaders also sit on the LEP Board alongside the private sector.
- 7.7 The LEP also has long-established sector committees and panels around the key sectors for economic growth: Low Carbon Economy, SuperPort, Visitor Economy, as well a Forum for Advanced Manufacturing and an Innovation Board. This provides the opportunity for businesses and public bodies to work together on identifying the key actions and opportunities that will support the delivery of jobs and growth. These structures have proved highly successful at setting joint

public/private strategies and action plans helping to secure investment such as the deep water berth at the Port of Liverpool.

- 7.8 The LEP has also been given a set of strategic responsibilities by Government in terms of prioritising investment (such as with Growing Places Funds) as well as setting future economic strategy for the City Region through the requirement for a Growth Plan by Spring 2014 and the determination of European Funding priorities. It is not however an entity that can have Accountable Body status and therefore it cannot receive significant resources from Government.

Strategic Transport

- 7.9 The current transport arrangements in the Liverpool City Region are fragmented in a formal sense. Merseyside Integrated Transport Authority, supported by its Passenger Transport Executive, is the local transport authority for Merseyside and is responsible for developing a Local Transport Plan and managing associated funding streams. The Executive is responsible for delivering passenger transport services across Merseyside. The districts of Knowsley, Liverpool, Sefton, St Helens and Wirral are highway and traffic authorities in their own right with wide ranging powers over the highway network, which includes delivery and enforcement. Halton Borough Council is a local transport authority in its own right and has a separate Local Transport Plan.
- 7.10 As a result of this fragmented structure, there has been long standing and extensive collaboration and joint working on transport issues between City Region Councils, MITA and increasingly the LEP. The establishment of the Local Transport Body to serve the City Region was an approach agreed as part of the Liverpool City Region Deal in 2012. The aligned Local Transport Plans and implementation plans are a further example of this collaboration.

Liverpool City Region Employment and Skills Board

- 7.11 The Liverpool City Region has a track record of working together on Employment and Skills strategy to support the current and future requirements of business. The City Region's Employment and Skills Board, formed in 2010, leads this work on behalf of the City Region Cabinet and the LEP. The strategic framework provided by the existing 10-year Employment and Skills Strategy, the City Region Deal for Jobs and Skills and the clear priorities that these underpin are widely supported by business, public sector partners, colleges and training providers. For example, the Board oversees the City Region's Labour Market Information Service, which communicates economic opportunities to the vast array of colleges, training providers and employment support providers. It also provides governance arrangements for a range of different devolved funding streams, securing over £100m of investment for the City Region in the past few years.

Liverpool City Region Strategic Housing and Planning Board

- 7.12 There is already considerable collaboration on strategic housing priorities and public sector assets aligned to the City Region's economic growth and regeneration ambitions. We have prepared a joint Local Investment Framework, for the delivery

of our housing priorities since 2009, and we have secured over £80 million of investment as a result. The Board has recently been working on the Local Investment Framework for 2014–17, which will include a spatial framework, to support the Local Growth Plan. This Local Investment Framework will continue to identify and promote all housing opportunities which support economic growth and will identify all potential funding resources to support the delivery and to bridge funding gaps.

- 7.13 Both the Liverpool City Region Cabinet and LEP Board regularly review the strategic management of the City Region's public sector assets held by the Homes and Communities Agency. This asset base is an important resource for the City Region particularly in providing match funding for the JESSICA regeneration fund.

8. OPTIONS FOR CHANGE

- 8.1 To ensure compliance with the relevant legislation, the governance review has been undertaken to establish if a Combined Authority would be likely to bring about an improvement in the City Region in the following:

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

- 8.2 The Department for Transport have also confirmed they are looking for partners to address the following headline issues in formulating governance arrangements:

- Political Leadership for Transport at the most senior level;
- Ability to take difficult decisions;
- A long term (ten year) investment programme, focussing on the top priorities for the functional economic area as a whole;
- A local investment budget combining local resource in addition to Departmental resource;
- Evident links to strategies and decision making processes on economic growth, housing and planning; and
- Efficient use of transport resource across the City Region (e.g. joint procurement, maintenance contracts, rationalisation of highway functions etc).

- 8.3 The review has considered the statutory tests outline in paragraph 8.1 and those in paragraph 8.2 against the following options:

- Option 1 - Leaving existing governance unchanged (status quo);

- Option 2 - Establishing a Supervisory Board;
- Option 3 - Establishing an Economic Prosperity Board; and
- Option 4 - Creating a Combined Authority.

- 8.4 This review respects there are limits to comparisons between the options, in particular between potential options and the status quo. The existing governance arrangements are context specific and a known quantity, and the alternative potential options are considered at a high level and would inevitably require further development in due course, through an agreed City Region Operating Agreement, in order to quantify, for example, their potential impact on efficiency savings, hence the transparency and scrutiny powers.
- 8.5 It is recognised that creating appropriate governance structures alone is unlikely to achieve in full the ambitious vision and growth potential for the Liverpool City Region. The importance of issues of policy design, culture and values is also considered significant. The optimal governance model needs also to confront the need for evidence and vision and ensure that the City Region fully implements its ambitious and challenging plans.

Creating the right governance arrangements for growth

- 8.6 One of the drivers for reviewing the Liverpool City Region's governance arrangements is to secure greater influence over key levers and resources affecting local growth, including freedoms, flexibilities and funding which would otherwise remain under the control of Whitehall. The Liverpool City Deal, Liverpool City Region Deal and LEP Business Plan and Action Plans seek to capitalise on the City Region's strengths, assets and key sectors to attract investment into and create additional jobs within the City Region. However, they do not go far enough in terms of maximising opportunities to enhance local delivery of national programmes that are also critical to improving local growth, with a risk that other areas, with Combined Authorities having a significant advantage over the Liverpool City Region.
- 8.7 For a number of years the City Region has successfully aligned central Government funding, ERDF and private sector investment to support strategic priorities within the wider economy. The development of the Liverpool Arena and Convention Centre generating in excess of £300m to the visitor economy is a prime example of this approach. Working with the LEP, a pipeline of projects spanning investment in infrastructure, business growth, housing, transport and regeneration is in place together with an agreed approach to the joint investment of ERDF, Regional Growth Fund and Growing Places funds. With the new Government funding opportunities and policies, including the Single Local Growth Fund and EU Structural and Investment Funds 2014 - 2020 there is now an added impetus to ensure the Liverpool City Region has the most appropriate strategic governance arrangements in place to deliver agreed priority investments and in doing so to maximise the use of these funds alongside existing resources.

- 8.8 Similarly, whilst the establishment of the Local Transport Body has been seen as a positive step; it is a staging post on the journey, rather than a destination. The Local Transport Body model does not enjoy the legal transport powers or funding regimes that are currently vested with the Integrated Transport Authority, its constituent districts and with Halton Borough Council. The Department for Transport has consistently impressed upon the Liverpool City Region the importance of developing effective governance arrangements that facilitate, for example; links to other policy areas, strong leadership, streamlined structures and the ability to make difficult decisions, linked to clear priorities and a long-term investment programme and is one of the main contributors to the Single Pot to be devolved to the City Region.

Option 1 - Status quo

- 8.9 The Government is clear that City Region structures will require greater collaboration, commitment and strengthened governance arrangements to seize any devolution opportunities that may become apparent in the future including a substantial 'Single Pot'. This is clearly evidenced in Government guidance for LEPs on Growth Deals (July 2013). Demonstrating commitment to the growth agenda and the clear expectation that Local Authorities will put economic development at the heart of all that they do and work collaboratively across the functional economic area is part of the Government's response to Lord Heseltine's review. Maintaining the status quo would set Liverpool City Region behind the other parts of the country that are in the process of strengthening their alignment between decision making on areas such as transport, economic development and regeneration in exchange for greater devolution.
- 8.10 The Liverpool City Region's current non-statutory arrangements leave the space for ambiguity and overlap between the roles and functions of various sub-regional bodies and are dependent on agreements by constituent authorities. There is no formal link between decision making in relation to economic development (including inward investment, skills and housing and regeneration), regeneration and transport. It is, therefore, more challenging for decisions to be aligned in a way that secures maximum economic and social benefit. Strengthening and clarifying these relationships would also increase transparency, accountability and the certainty of local decision making.
- 8.11 Whilst the current arrangements have served the City Region well in the past, changes in national policy coupled with the current economic conditions suggests strongly the City Region is outgrowing its existing governance structures. The voluntary partnership between local authorities is no longer sufficient to underpin the City Region's ambitions and does not meet the expectations of Government.
- 8.12 The City Region, therefore, requires a single democratic and financially accountable model, a legal entity in its own right, to provide the necessary certainty, stability and democratic accountability to allow for long-term strategic economic decisions to be made at the City Region level. In short, no change would mean the Liverpool City Region is disadvantaged both economically and politically.

Option 2- Establishing a Supervisory Board

- 8.13 Following Lord Heseltine's review of government policy, Greater Birmingham working with Lord Heseltine (The Greater Birmingham Project: The Path to Local Growth) have outlined a new form of democratic arrangement to specifically manage the Single Pot of funding; a Supervisory Board model. The Supervisory Board as set out is a Joint Committee operating across the Councils which make up the Greater Birmingham and Solihull LEP Area. This Board comprises all City Region elected authority leaders or mayors and provides the necessary political accountability for managing the distribution of financial resources.
- 8.14 The Supervisory Board is designed to work alongside the private sector led LEP and empower it. The Greater Birmingham LEP Board continues to be responsible for development and implementation of the Local Growth Strategy and strategic economic functions but with no accountability or legal responsibility.
- 8.15 This model provides Government with the necessary financial accountability for a 'Single Pot' approach, with Birmingham CC identified to act as accountable body for funding. However, it appears to be focused on economic development funding associated with the Greater Birmingham and Solihull LEP and does not include funding associated with transport and regeneration.
- 8.16 The Supervisory Board model allows an area to demonstrate effective decision making and political oversight for the management of funding that is allocated to the LEP. However, it would not address the different geographies in place for transport in the Liverpool City Region.

Option 3 - Establishing an Economic Prosperity Board

- 8.17 A third option is to put in place an Economic Prosperity Board for the City Region. As a statutory body it would share many of the features of a Combined Authority in that it would have legal personality and would provide a strong basis for taking on devolved powers and funding relating to economic development and regeneration, e.g. accountable body status for an economic development Single Pot or EU funding. The Integrated Transport Authority would however remain as a separate body responsible for transport across the Merseyside Councils, with Halton retaining its Transport Authority status. This would run counter to the recent good work being undertaken through the establishment of a Liverpool City Region Local Transport Body, which includes the Mayor of Liverpool, the five other Leaders and the Chair of the LEP.
- 8.18 The Economic Prosperity Board could not raise a levy, nor have borrowing powers to fund investment. Further, fragmented strategic transport and economic development governance at a City Region level would not provide a convincing proposition to Government for taking on with others, including Sheffield and Manchester, the devolved Northern Rail franchises.
- 8.19 An Economic Prosperity Board for the Liverpool City Region would address a number of questions and issues around the governance of economic development, but then would not address the issues around strategic transport governance at the City Region level.

Option 4 - Creating a Combined Authority

- 8.20 The Local Democracy, Economic Development and Construction Act 2009 allows the Secretary of State to create Combined Authorities. They are corporate bodies with their own legal identity which are able to take on the functions and responsibilities of sustainable economic development and regeneration and in addition transport functions available to Integrated Transport Authorities. They are controlled by their members, who are the elected politicians of the constituent local authorities.
- 8.21 A Combined Authority can be set up when two or more contiguous local authorities, covering an area's natural economic footprint, who want to collaborate more closely together, on a voluntary basis to improve economic outcomes. However, one local authority may only be part of one Combined Authority. The LEP's relationship with the Combined Authority is essential and must be designed to co-ordinate their efforts to work towards a common shared vision and Local Growth Plan.
- 8.22 Government policy confers certain responsibilities to LEPs and requires LEP representation on Local Transport Bodies while economic growth cannot be achieved without the full involvement of the private sector. The Combined Authority could act as an Accountable Body for the funds being invested by LEPs on behalf of local areas further integrating economic growth activity. The LEP can be a co-opted representative on the Combined Authority to enable this integration and co-ordination, which is the intention of the Liverpool City Region Combined Authority.
- 8.23 The benefits of operating as a Combined Authority would ensure streamlined governance arrangements. The Combined Authority would be able to bring together strategic decision making powers into a single body and improve alignment, coordination and delivery of economic development and transport related initiatives. It would provide a visible, stable and streamlined body corporate which Government could be confident in devolving powers and funding to which would again be otherwise controlled by Whitehall. It would have a separate legal entity from its own constituent authorities, be able to undertake its own administrative processes including employing staff and entering into contracts and may have statutory powers and duties conferred on it which it can exercise in its own right.
- 8.24 The maximum benefit would be gained by integrating and bringing together at a strategic level functions across the City Region in relation to economic development, transport, housing and employment and skills. This means that the Local Transport Authority functions that are currently within the Merseyside Integrated Transport Authority and Halton would be transferred to the newly created Combined Authority, along with future consideration of the provision of transport powers and functions for the defined Strategic Highway Network across all Constituent Authorities. This would ensure that the maximum improvements in efficiency and effectiveness are gained.
- 8.25 A Combined Authority is not a merger or a takeover of existing Local Authority functions. Instead it seeks to complement Local Authority functions and enhance the effectiveness of the way they are discharged. In particular, it is the

enhancement of decisions and information at a strategic level that are most frequently cited as the advantages of such a body.

Summary

8.26 A full evaluation against these tests is presented at Appendix Two and summarised in the following table.

Option	Commentary
Status quo	Maintaining the status quo would provide the basis for economic growth (as it has done for some time) but may not make sufficient improvements in the economic conditions of the area in the timescales required.
Establishing a Supervisory Board	A Supervisory Board would address some of the governance and accountability issues around economic development and regeneration but would still leave the issues around transport.
Establishing an Economic Prosperity Board	An Economic Prosperity Board would address some of the governance and accountability issues around economic development and regeneration but would still leave the issues around transport outside the formal joint arrangements.
Creating a Combined Authority	Building on existing arrangements and supporting the LEP, the creation of a Liverpool City Region Combined Authority, with the alignment of accountability, governance and geographies for economic development, regeneration and transport would provide the City Region with the best possible chance of securing significant and lasting improvements in economic development, regeneration and transport. This model will further strengthen democratic and financial accountability.

8.27 On the basis of this options analysis, it is recommended that the Liverpool City Region pursues the creation of a Liverpool City Region Combined Authority to draw together accountability and leadership for strategic economic development, regeneration and transport.

9. CONSULTATION FEEDBACK

9.1 The draft conclusions and recommendations of the review of strategic governance were open to public consultation between 2 August and 6 September 2013. Details of the proposals were sent to strategic partners and over 10,000 businesses in the City Region. The draft conclusions and recommendations were considered by the

Cabinets of constituent Councils, MITA and the LEP Board. Targeted briefing sessions were held for businesses, partners and stakeholders, with the draft conclusions and recommendations being placed upon the website of all constituent Councils, Merseytravel and the LEP.

9.2 At the time of writing this report, 76 responses had been received, with feedback being mostly positive. It is expected that this response rate will increase significantly as the consultation period progresses and particularly once the feedback from various consultation events planned for the week commencing 2 September 2013 are processed, including the Local Enterprise Partnership business event.

9.3 A summary of the interim findings is provided in the following table:

Question	Yes	No	Other	No response
Would a Combined Authority for the Liverpool City Region improve the exercise of statutory functions relating to economic development, regeneration and transport in the area?	68%	8%		24%
Would a Combined Authority for the Liverpool City Region improve the effectiveness and efficiency of transport?	63%	8%	1%	28%
Would a Combined Authority for the Liverpool City Region improve the economic conditions in the area?	66%	8%		26%
Do you think the draft Scheme proposed supports the economic rationale for Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral to come together to drive jobs and growth in the Liverpool City Region?	66%	6%	3%	25%
Can you support the establishment of a Combined Authority which will provide strategic leadership on economic development, transport, housing and employment and skills?	72%	16%	3%	9%
Based on the proposed membership of the Combined Authority, will it be able to provide strong strategic leadership to drive jobs and growth in the City Region?	53%	10%	12%	25%
Do you feel the proposed links between the Combined Authority and the Local	38%	3%	6%	53%

Question	Yes	No	Other	No response
Enterprise Partnership would be strong enough?				

- 9.4 In addition to the quantitative analysis undertaken, the detailed comments made in association with responses have been recorded and summarised. This includes analysis of the general feedback submitted by email or letter, but also analysis of the additional commentary added to the consultation feedback form. Examples of some of the comments received include the following:

The exercise of statutory functions relating to ‘economic development, regeneration and transport’ in the area

“Support for the proposed structure as allowing funding opportunities to be exploited and enable efficient service delivery for residents, businesses and investors”

“Many decisions and policies have cross-boundary impacts, and communities straddle electoral boundaries, so there should be a joined up approach”

“Existing informal arrangements with limited accountability have been outgrown. The creation of the Combined Authority will build on what has already been achieved, progress regeneration, and supported by the relevant statutory framework will enhance opportunities to provide strategic direction”

The effectiveness and efficiency of transport

“The Combined Authority will help place transport considerations at the heart of economic development, regeneration and visitor economy considerations. This will maximise efforts to align proposals and funding sources and support delivery of shared outcomes”

“Support for the creation of a Combined Authority with multi-modal transport responsibilities. Welcome bringing strategic traffic and highway management / coordination functions together, as will deliver integrated transport strategy”

The economic conditions in the area

“Support for the proposals on the basis that the authorities together will have a stronger voice than individually, and will provide a basis for the area to be heard by Government”

“To achieve the vision authorities must work collaboratively to promote economic growth. No one authority can act in isolation and the region possesses a latent potential to improve its economic output”

“Liverpool or Merseyside has a greater brand recognition as a larger strategic vehicle, which should help with national or international strategic issues and marketing”

10. PROPOSED ROLE AND FUNCTIONS OF THE LIVERPOOL CITY REGION COMBINED AUTHORITY

- 10.1 The Combined Authority would bring together key strategic decision making powers into a single body, exercising appropriate strategic transport and economic development functions to maximise the impact of what we do. It would provide a visible, stable and statutory body, which could act as the Accountable Body for the City Region to support the functions it is discharging and could attract devolved powers and resources from Government to facilitate local economic growth. This model of governance would not have any additional resource implications for constituent Councils and its operation would be expected to be at least cost neutral.
- 10.2 The remit of the Combined Authority for the Liverpool City Region would be strategic economic development, regeneration, transport, strategic housing and employment and skills functions that can be better delivered collaboratively across the Liverpool City Region and the Combined Authority would do this through setting an Economic Strategy for the City Region. The Combined Authority would remain a lean, focused decision making body, with responsibility over those strategic issues where it is mutually beneficial for Local Authorities, MITA and the LEP to work together.
- 10.3 Each Constituent Authority would be represented by one member of its Cabinet who would be the Leader or Elected Mayor, and the intention is that the Chair of the LEP would be co-opted as a member of the Combined Authority. Further members could be op-opted in due course as appropriate with unanimous agreement.
- 10.4 The City Region Combined Authority would discharge thematic functions through the following arrangements:

Function	Arrangements
Strategic Economic Development	Liverpool City Region Local Enterprise Partnership
Strategic Transport	Liverpool City Region Transport Committee
Strategic Housing and Land Based Assets	Liverpool City Region Strategic Housing and Planning
Strategic Employment and Skills	Liverpool City Region Employment and Skills Board

- 10.5 A Combined Authority would improve the effectiveness of the existing strategic economic development, regeneration, transport, strategic housing and employment and skills functions through clear, transparent and consistent leadership across the City Region as a whole. These areas have shared priorities which could be more effectively delivered through consideration of interrelated influences, implications and dependencies at a City Region level. Taking a strategic overview would

facilitate the alignment of thematic priorities and reduce the need for duplicative processes and reporting arrangements that currently require multiple documents to be approved by different organisations.

- 10.6 It is expected that the Combined Authority would deliver a number of efficiencies and economies of scale to its constituent members. The City Region has some strategic capacity to support the functions around employment and skills, economic development and transport that is dispersed across a range of different organisations. The advent of a Combined Authority for the City Region provides an opportunity to review these arrangements and provide the strategic capacity not just to continue delivery at a time of increased pressure on budgets, but to seek greater effectiveness and outcomes through increased co-ordination and/or integration of activities, embedding a wider perspective on all delivery.
- 10.7 For example, transport planning is currently vested in two separate Local Transport Plans for the Liverpool City Region. These would be amalgamated to a single, streamlined plan under the new arrangements, providing greater synergy, greater clarity and more effective prioritisation of strategic transport priorities across the City Region. The creation of a single Local Transport Plan (or successor) allows significant efficiencies to be made by removing duplication of effort in developing separate plans for Merseyside and Halton.
- 10.8 Another example would be Economic Intelligence and Labour Market Analysis: The City Region currently has a range of contracted and in house solutions to understand our economy and provide the evidence base to inform strategy, including employment and skills. Significant work has been undertaken to bring consistency in data-sets together – ensuring for instance we can invest in a single source of econometric projections. A Combined Authority could go much further and potentially bring together the economic analysis of the LEP with the Labour Market Information Service of the ESB and other intelligence functions. Similarly, there is scope to align and/or amalgamate the Strategic Housing Market Assessments and Housing Need analysis currently undertaken on an individual Local Authority footprint.
- 10.9 One of the benefits of the Combined Authority would be to deliver improvements to the economic condition of the area as a result of the integrated approach being proposed. A specific example would be through supporting delivery of more localised priorities such as transport improvements to assist cross boundary needs of economic development in neighbouring districts. An example is the delivery of improvements to the junction of the Knowsley Expressway (A5300) and Speke Road (A562) in Knowsley, which would facilitate and support opportunities for economic growth at 3MG (Halton), the mayoral development zone at Speke/Garston (Liverpool) and the expansion of Liverpool Airport (also Liverpool). In turn, the delivery of this infrastructure also improves the accessibility of the employment opportunities to Knowsley residents. Other examples are provided in the following sections.

Strategic Economic Development

10.10 The Combined Authority would add value to what we do already in terms of economic development in three important respects:

- Responsibility and accountability for setting the strategic vision, outcomes and agreeing priorities for the Liverpool City Region (single Evidence Base, Single Local Growth Plan, Single Investment Framework, developing a strategic pipeline of projects);
- Improved ability to target resources – (acting as Accountable Body for Single Investment Fund for devolved funding, responsibility for making decisions on the allocation of those resources, aligning funding streams); and
- Improved co-ordination of City Region wide activities (place based marketing, inward investment and international strategy etc).

10.11 This would result in the Liverpool City Region having for the first time a single, aligned strategic voice to maximise use of available resources to the benefit of the whole of the City Region and this would deliver tangible benefits, particularly in addressing the challenges being faced around jobs and growth. This approach is explored in more detail in the following sections.

10.12 The Liverpool City Region Deal contained a commitment from the City Region to develop a single investment framework. This is designed to attract investment and businesses to the City Region, exploit infrastructure and major projects and take opportunities to deliver a step-change in the economy. The Investment Framework will prioritise activities across a range of funds, including the Single Local Growth Fund and Growing Places Fund, to ensure that the funded activities will make the biggest impact on the wider City Region economy. Through the work already undertaken in the City Region to develop the EU Investment Funds framework for 2014 – 2020 we are setting strong foundations to demonstrate how we link EU thematic priorities, through the Strategic Growth Plan to local investment and action.

10.13 The more challenging economic conditions and competition from other European cities both underline the need for enhanced and strategic City Region level working on economic development matters and a need to enhance strategic commissioning and local delivery of national programmes that are critical to improving local growth. These opportunities encompass the following:

- Setting the strategic economic vision, outcomes and aligning strategic priorities for the Liverpool City Region;
- Ensuring there is a single evidence base in place to support and inform strategic decision making;
- Agreeing an integrated growth plan and investment strategy to deliver the strategic economic vision and outcomes;
- Co-ordinating the international economic strategy for the Liverpool City Region to cover inward investment, trade and export, to particularly capture the benefits of the International Festival for Business;

- Co-ordinating inward investment activity across the Liverpool City Region as a whole;
- Co-ordinating strategy and activity for place based marketing across the Liverpool City Region as a whole;
- Developing a strategic pipeline of priorities to attract financial and wider support and be ready for new funding calls;
- Making decisions with regard to the Liverpool City Region Investment Framework, to include the Single Local Growth Fund, European funding and Growing Places Fund; and
- Acting as the accountable body, e.g. for devolved major transport scheme funding and the single pot for economic investment, including EU funds and assets as appropriate.

10.14 Additional areas of work that could be included are:

- Co-operation in delivery of key strategic infrastructure projects which will facilitate economic development across the Liverpool City Region including Port of Liverpool, Liverpool Airport and Mersey Gateway;
- Agreement to safeguarding of strategic transport routes (both highways, rail and waterways) across the Liverpool City Region, particularly where these have been proven to have strategic economic advantages for businesses, employees and visitors;
- Agreement of complementary economic investment priorities across the Liverpool City Region, including Enterprise Zones, and facilitate improvements to transport networks accessing these areas.
- Potential to improve transport and land use integration through sub regional consideration and alignment of future priorities, together with identification of targeted investments and cost effective solutions with maximum benefit; and
- Opportunities for a greater City Regional influence in accessing and allocating available funding from Government, together with investment from other sources.

Strategic Transport

10.15 There is a key role for transport to play within a wider integrated approach to economic development, regeneration, employment and skills and strategic housing and ensuring that these decisions are taken in full accordance with their transport implications, and equally, ensuring that transport fully supports wider policy objectives. A new model for transport would be established through the Combined Authority that takes in policy, co-ordination and funding functions, fully integrating transport strategy and operations across the six local authorities. This would

include setting the long term strategic transport vision and outcomes for the City Region, and agreeing the development and approval of a single City Region Local Transport Plan. There would be the opportunity to align transport investment with wider economic development activity within the City Region, as part of a long term transport investment strategy as part of the Single Local Growth Plan.

- 10.16 The Combined Authority would fulfil the role of a Transport Authority for each of the six local authorities, replacing the existing Merseyside Integrated Transport Authority and Halton Borough Council's role as a Local Transport Authority. Individual Local Authorities would continue to exercise delivery functions, for example in respect of highways management, but would operate within an agreed framework and plan established through the Combined Authority. The Combined Authority will also contribute to strategic traffic and highway management co-ordination across the City Region.
- 10.17 The Combined Authority would also 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) LDEDCA. Such functions will be exercised subject to any condition imposed by the order.
- 10.18 The Combined Authority as a levying body under section 74 of the Local Government Finance Act 1988 would 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. However, during the transitional stage the complexities in addressing the transport responsibilities and the cost of transport services between Halton Borough Council and five Merseyside authorities are such that a single transport levy would not be appropriate.
- 10.19 The Combined Authority would, during this transitional phase, issue a levy on a basis that would accommodate the differentials in the cost of delivering transport services in the formerly separate local transport areas of Merseyside and Halton. The core principle throughout being in respect of the levy that the total contribution from each authority of funding transport services for the year does not exceed the equivalent cost for the year as it would have been calculated under previous arrangements.
- 10.20 The Combined Authority would have responsibility for a single, defined and agreed, strategic highway network, and would wish to discuss with Highways Agency the transfer of routes and funding from its network responsibilities. This would be an improved offer to highway users to be provided.
- 10.21 There are efficiencies in transport that could be delivered, which are primarily linked to a more consistent approach to service delivery which would be considered by the Combined Authority once it was fully operational. This could include transport enforcement, highway development control and multi modal delivery.
- 10.22 Similarly, a Combined Authority would enable delivery to be more effectively targeted at supporting the Liverpool City Region freight agenda, logistics is one of the transformational economic activities under the LEP. Under the new model, the

Combined Authority would be responsible for co-coordinating freight activity across the City Region and deploying funds, aided by its strategic responsibilities for the strategic road and rail network. This would enable funds to be targeted as required for:

- The development of technical or feasibility studies, leading to a pipeline of 'shovel-ready' schemes;
- Rail-based improvements to facilitate freight transfer; and
- Road based improvements on the strategic freight network (e.g. traffic management, highway and road safety improvements and the maintenance of the network).

10.23 The Passenger Transport Executive would become a Transport Executive Body of the Combined Authority. It is proposed that initially the following passenger transport delivery arrangements would remain unchanged with Halton Borough taking responsibility for delivery of these arrangements in Halton, for a transitional period and that the levy be adjusted accordingly to reflect this:

- Information Provision;
- Infrastructure Delivery;
- Commissioning/procurement of subsidised bus services; and
- Concessionary Travel.

Strategic Housing and Land Based Assets

10.24 There is a role for strategic housing to play within this integrated approach to economic development, regeneration, skills and transport and to make a genuine difference to achieving economic growth in the City Region. Liverpool City Region has an established track record of working together on housing and regeneration since 2007. The City Region is currently drafting a Strategic Local Investment Plan which is designed to identify both commercial and housing development opportunities which could be realised within a 3-year timescale. By working together across all these themes, Liverpool City Region aims to deliver new models of investment for housing and regeneration and implement priorities across Liverpool City Region.

10.25 A Liverpool City Region Local Investment Plan is being prepared which explores new and innovative ways of attracting both public and private investment for housing and regeneration and outlines the challenges and opportunities within the City Region. Working together, the Local Authorities and the LEP, have prepared an evidence base which assesses housing need, within the context of local housing markets both private and social which aims to promote community stability. We have also prepared a schedule of key strategic sites available for regeneration. This work will underpin the Local Growth Plan.

10.26 The specific activities the Combined Authority to discharge on strategic housing and land based assets are:

- Setting the long-term strategic vision for housing and regeneration investment to support economic growth;

- Working with the private sector to prepare a prospectus for housing investment in the City Region, based around shared risk;
- Agreeing a housing spatial plan and long-term investment strategy as part of the Single Local Growth Plan;
- Identifying relevant housing interventions that will facilitate and support potential economic growth and which will support vulnerable neighbourhoods;
- Increasing affordable housing supply across the City Region;
- Prioritising opportunities for supported accommodation to support the most vulnerable people in the City Region; and
- Identifying public assets that can be used to increase access to a supply of development land to support housing growth

10.27 There are additional areas for improved delivery in housing and land based assets which the Combined Authority would be able to pursue, which have informed the governance review findings and are summarised below.

10.28 Clear and Unified priorities: to succeed in an objective of promoting new housing and business development, the City Region will need to be both innovative and flexible and prioritise resources against key opportunities. This means attracting investment in the commercial sites and property schemes in the city region. In the case of business investment, this plan recognises that a wide range of factors influence the location choices of investors. These include labour market profiles and catchment, cost, connectivity to customers and markets and links to educational or research institutes. The extent to which one particular factor plays a dominant role is dependent upon individual business requirements. However, without a range of deliverable and high quality sites and properties, the opportunity to pitch and build relations with investors will be lost.

10.29 The purpose of a Strategic Investment Plan is to review the trends, and consider how this should influence the bringing forward of a series of prioritised sites for both housing and commercial development. This is not a 10 year strategic planning exercise, it is a plan targeted at identifying how the City Region should spatially prioritise to capture available investment opportunities over the next three years.

10.30 A number of commercial sites, capable of hosting economic activity in the next 3 years, together with major sites delivering economic growth over a longer period, have now been identified. This includes office space, small business space, light industrial space, distribution scale sites, industrial land and multi phase investment sites.

10.31 Strengthened accountability and monitoring: The Homes and Communities Agency (HCA) are working with Liverpool City Region on all emerging and new investment streams. A single monitoring arrangement has been established across the Liverpool City Region. The Combined Authority would take responsibility for the

delivery of targets and meeting the established strategic priorities to the communities they serve. It also affords an opportunity to make a much greater case for the devolution of powers and national resources linked to economic development and housing based on a robust analysis of trends in global and national economics, business, housing and commercial development.

- 10.32 More effective targeting of resources: Liverpool City Region working together with HCA has identified a series of emerging and new investment streams which will be matched against priorities at a City Region level. This will ensure better value for money in delivery and improved levels of effectiveness.

Employment and Skills

- 10.33 The Liverpool City Region has a track record of working collaboratively on Employment and Skills activity across the functional economic area. It is envisaged that this would continue, with the Combined Authority agreeing the long term Employment and Skills Strategy for the City Region. There are number of areas where a Combined Authority could bring more consistency and integration to existing informal arrangements for employment and skills and in doing so demonstrate more effective deployment of resources and economies of scale. In particular, through the co-ordination and oversight of employment support services in the Liverpool City Region which is currently fragmented and the priorities nationally determined.
- 10.34 Jobcentre Plus and Employment Support: The City Region benefits from having a co-terminus set of boundaries with Jobcentre Plus which presents a significant opportunity to explore how this partnership could develop further under proposed Combined Authority arrangements. With the support of Government we propose the development of a new model of delivery to benefit our residents and businesses, and improving the economic conditions of the area through a radical redefinition of Local and National approaches to the commissioning and delivery of employment support services. This would be built around the following areas of joint venture.
- 10.35 A Single Commissioning Geography: In line with local commitments we propose making the commissioning geography of services to help promote employment as being the Liverpool City Region. The Combined Authority then becomes the default commissioner – or at the very least a statutory co-commissioner of services with Central Government – enabling the pooling of investment and the delivery of additional economies of scale across the natural economic area.
- 10.36 Clear and Unified Strategic Priorities: A Combined Authority brings together a variety of policy strands which on its own reaps significant dividends. This increased and cross-cutting strategic coherence is a positive step forward, yet nationally-driven priorities may not always provide the best response to the needs of our natural economic area. We would like to propose to Government a model of devolving strategy-setting responsibility for Jobcentre Plus to the Combined Authority. This will hold together local and national public-sector investments in a single agreed strategy and eliminate the current overlap and potential for duplication in delivery. Jobcentre Plus would remain a full part of the national network but its

priorities and ability to target its resources would be agreed locally between Jobcentre Plus and the Combined Authority.

- 10.37 **Strengthened Accountability:** DWP delivered and Commissioned Services are currently accountable to Whitehall and ultimately national Ministers. A Combined Authority would present the opportunity to increase the accountability for the delivery of targets and meeting established strategic priorities to the communities they serve. There are a variety of ways that this could be enacted but key to them all would be a requirement for key Leadership figures to report into the Combined Authority to report progress against the delivery of Local Strategic Priorities. This wouldn't necessitate a change in contracts or organisational structures but would give a strong role for local areas to determine whether their strategic priorities are being met.
- 10.38 **Apprenticeships:** The Liverpool City Region is one of the leading areas of England in the promotion and delivery of Apprenticeships. Councils play an active role in encouraging their take up by businesses and even co-invest with Central Government to create financial incentive packages for businesses. Pricing of these is currently set by various national and local bodies, with different claim processes and access points. This inadvertently creates a confusing picture for employers and instances of paying different amounts for the same outcomes. A Combined Authority would improve the efficiency and effectiveness of this process by formally controlling and co-ordinating the pricing structure of Apprenticeships and other employment and skills incentives thereby streamlining the system and making it more accessible and understandable for employers, providers and residents alike.
- 10.39 **Tackling very specific shared Skills Challenge:** Our local jobs and skills challenges are quite specific and differ from the national picture considerably. An example of this is how our Level 2 Skills Gaps are now close to the national average whereas Level 3 and above diverge considerably. As individual partners we are less well equipped to deliver activity at the scale required to make headway in tackling an issue that is not as much a universal country-wide issue. Individual partners can undertake some activity but given the fact that our businesses and residents rarely reside in the same borough as each other, as demonstrated by some 4 million transport trips which start and finish across the City Region on a daily basis, we could do much more if strategies such as this were conducting to address this cross-over and fit with our natural economic area. This is particularly important given the potential business and jobs growth predicted over the next 10 years.
- 10.40 **More effective targeting of resources to meet shared priorities:** An integrated offer to individuals and employers will only be effective if it is doing the right thing for the right people in a targeted way that maximised the use of limited resources. A Combined Authority model would facilitate this, including
- Developing work focused approaches for vulnerable people and communities: this would build on and accelerate the current employment support for individuals and ensure that there are linkages with other activities, such as the Government's Troubled Families programme;

- Ensuring transport accessibility improvements are targeted effectively to assist in increasing the number of City Region residents taking advantage of the employment and skills opportunities available to them across the City Region;
- Building on the Local Sustainable Travel Fund programme, co-design with individuals, tailored and personalised support to overcome barriers to accessing employment and skills services. For example considering how the accessibility, affordability and availability of public transport, combined with low travel horizons can impact on individual travel choices. This would give individuals more influence over the support they receive;
- Continuing to be clear on the skills needs of businesses now and in the future for schools, colleges, learning providers and universities to inform curriculum design and careers education, and for providers of information, advice and guidance to inform discussions with individuals through the established Skills for Growth approach;
- Including jobs outcomes within wider economic developments, as part of a more integrated approach to securing growth; and
- Sharing data across partners can facilitate the targeting of activity that works as well as enable the evaluation of different interventions. Targeting at the right spatial level across the City Region is also critical to making a real difference in the areas where support is most needed. It has the advantage of increasing the amount of resource per capita in target areas and potentially increasing the effectiveness of delivery.

10.41 Joint Tracking: In accordance with duty under Section 12 of the Education and Skills Act 2008 Local Authorities have a statutory responsibility to record and report the education, training and employment status of their 16-18 year old residents to the Department for Education on a monthly basis. There is a significant amount of cross borough movement of young people in the City Region, which requires any tracking service to work across borough boundaries. This service is currently contracted out to Connexions and there is an option to bring a joint service in-house under the remit of the Combined Authority. This would bring efficiencies in infrastructure costs and in collecting data from schools and education and training providers. It would also provide greater synergy with other local authority data collection processes, and authorities will be able to better assess the impact of services to young people, including developing a better understanding of how public transport access is impacting on post 16 learning choice, which is often cited as the biggest barrier to continuing education post 16 for many young people across the City Region. In addition there could be opportunities to extend the tracking system to aid the 19-24 youth employment agenda and realise further efficiencies.

10.42 The Combined Authority provides the opportunity to improve the consistency of design and implementation of Local Labour Agreements for regeneration and major employer recruitments to maximise the benefit to the City Region labour market as a whole. The clear expectation set from a Combined Authority level would better reflect the distribution of available employment and skills across the City Region as a whole, and allow businesses to better understand consistent expectations.

- 10.43 Similarly, there would be scope to simplify and rationalise our approach to employer engagement. In return for a strengthened and more locally embedded Jobcentre Plus, all constituent members of the Combined Authority would operate a principle of increased collaboration and vacancy sharing between Councils and Jobcentre Plus, particularly on large-scale recruitments. This would enable us to stretch resources and opportunity further and eliminate instances of the public sector competing with itself to work with businesses for vacancies. This collaborative approach could also stretch further to ensure the inclusion of Work Programme contractors where this is of mutual benefit.
- 10.44 The City Region has high levels of children and young people living in poverty, with around 1 in 3 living in relative poverty according to the measure used by Government. The view of the City Region is that the best way out of poverty for families is to create more and better jobs, and to ensure that residents are prepared for these opportunities. This is addressed through the work in the City Region on Employment and Skills, which is held to account by the City Region's Child Poverty and Life Chances Commission.

Enabling activities

- 10.45 A model of joint scrutiny would be introduced in order to scrutinise decisions made at the City Region level in respect of those functions under the remit of the Combined Authority. This would be carried out by a panel (or pool) of Councillors nominated by the six Local Authorities in the Liverpool City Region.
- 10.46 The role of Scrutiny would be to:
- Provide a critical friend role;
 - Undertake pre-decision scrutiny reviews into areas of strategic importance for the people of the Liverpool City Region; and
 - Monitor the delivery of the Liverpool City Region Combined Authority Strategic Plan.
- 10.47 The scrutiny function would be supported by the six Local Authority scrutiny leads, providing guidance to the scrutiny panel on its work programme, advice on scoping reviews and ensuring appropriate information and advice was made available during the reviews, where appropriate through expert witnesses.
- 10.48 There is an expectation that the move towards a Combined Authority will enable the City Region to attract additional income to support economic growth and jobs. This funding will be granted to the City Region as a whole for use on a range of different activities and as such an organisation will need to act as Accountable Body for that funding. This funding will be both reactive to funding announcements and proactive, based upon implementing the City Region's agreed Economic Strategy and Growth Plan.

- 10.49 It is proposed that the Combined Authority would become the default Accountable Body for City Region level schemes once in operation. It could also become the Accountable Body for geographically focused schemes should an individual organisation not wish to do so. Existing Accountable Body arrangements would continue until their end point, as there is no rationale to novate current agreements.
- 10.50 It is ultimately the responsibility of the Accountable Body to assure itself that decisions are made in a robust and coherent fashion, relevant outcomes are achieved and grant is spent in line with the relevant funding rules and regulations. The Combined Authority therefore needs to have in place relevant staffing resources, systems and procedures to deliver this function. It is recommended that these resources, systems and procedures should be developed by building on the existing expertise within the City Region through secondments, transfer of learning etc. The expertise contained within the Combined Authority team could then be called on to support the Accountable Body needs of individual partners and may lead to some efficiency across the partnership. It is proposed that this team would be based in Merseytravel given their existing role in administering transport funding across the City Region.
- 10.51 The Combined Authority would need to have a consistent, professional and responsive secretariat function if it is to achieve its objectives and deliver improvements in economic conditions within the City Region. This would be led by Knowsley Council, who also provide a degree of secretariat support to the LEP as well as the Employment and Skills Board.
- 10.52 Should the proposal to create a Liverpool City Region Combined Authority be approved by Government, it would not have any additional resource implications for constituent Councils. The approach being proposed would build on and focus the capacity already in place in different organisations across the City Region. In this regard, any additional costs arising from the new arrangements would be offset by efficiencies and savings and the establishment of the Combined Authority would therefore be expected to be at least cost neutral in overall terms.

11. CONCLUSIONS

- 11.1 It is evident that the existing governance arrangements in the Liverpool City Region can be improved. There is a further need to signal to businesses and Government that the City Region has a clear, consistent and shared view, and that the City Region will act as a single, aligned strategic voice to maximise use of available resources to the benefit of the whole of the City Region, particularly with the challenges being faced around jobs and growth. Consequently there is a need to consider another approach.
- 11.2 The City Region has worked well to date through a series of ad-hoc and informal governance arrangements, but these current governance arrangements, not being optimal, may be one of the reasons why the Liverpool City Region economy is not achieving its full potential. As an example, there is no single strategic transport and economic development decision making body at the Liverpool City Region level.

- 11.3 The options that are currently available to the City Region have been considered, and the option that would most likely lead to improvements in economic conditions and in the efficiency and effectiveness of service delivery is the establishment of a Liverpool City Region Combined Authority. This would build on and where necessary simplify City Region governance arrangements.
- 11.4 Based on the evidence presented, a strong Combined Authority would be able to bring together key decision making powers into a single body, exercising appropriate strategic transport and economic development functions to maximise the impact of what we do. It would provide a visible, stable and statutory body, and could act as the Accountable Body for City Region funding to support long-term economic planning and could attract devolved powers from Government to facilitate local economic growth. It would co-ordinate locally the different processes of Government so that they are more efficient.
- 11.5 A Combined Authority would be a strategic decision making body, facilitate closer partnership working to drive economic growth and job creation and ensure long-term effective engagement with business, through the LEP, and other sectors including employment and skills providers and registered housing providers. This would allow the City Region to achieve its latent potential for economic growth, thus narrowing the £8.2bn economic output gap with the UK, creating an additional 18,500 businesses, a further 90,000 jobs and closing the annual £1,700 per-head wealth gap between the average household in the City Region and the average household in the UK.
- 11.6 The introduction of a Combined Authority would provide the framework and opportunity to bring together services in new ways that would better benefit businesses and residents in support of economic growth and jobs. The integration of transport as a key driver of economic growth, will contribute to achieving the Liverpool City Region's economic ambition and specifically the improved outcomes for economic growth and jobs identified in paragraph 11.5. It would also result in more streamlined approaches to supporting businesses, greater clarity and consistency on investment priorities and improvements to the integration of activities across economic development, transport, strategic housing and employment and skills.
- 11.7 Operating as a Combined Authority would ensure the work of everyone that impacts on the economy is integrated to add value and better achieve our vision and economic goals. Put simply, this model would help maximise growth in output and jobs, increase the City Region's productivity and competitiveness, raise skill levels, support a rebalancing of the economy away from relative public sector dependency and stimulate greater employment and growth in the private sector. These measures would make our local and national economy more sustainable in the long-term.
- 11.8 In addition, a strong and effective Liverpool City Region Combined Authority would counter misperceptions about public sector collaboration in the City Region and help in engagement with national agencies. It would also create the opportunity for various types of collaborative effort with adjoining and other northern Combined

Authorities to put in place a much needed counter-balance to London and to Wales e.g. for devolving the power to let rail franchises for Northern Rail.

- 11.9 It can therefore be concluded that, for the functional economic area of Liverpool City Region, a Combined Authority model of governance if created and incorporating Integrated Transport Authority functions, would be the best option for securing sustainable economic growth.

Appendices

Appendix One: Legislative Requirements of Governance Review

Appendix Two: Evaluation of Options against Tests

APPENDIX ONE

LEGISLATIVE REQUIREMENTS OF GOVERNANCE REVIEW

Local Democracy, Economic Development and Construction Act 2009

Schedule 108 Review by authorities: new combined authority

- (1) Any two or more of the authorities to whom this section applies may undertake a review of—
- (a) the effectiveness and efficiency of transport within the area covered by the review (“the review area”), and
 - (b) the effectiveness and efficiency of arrangements to promote economic development and regeneration within the review area.
- (2) This section applies to—
- (a) a county council in England;
 - (b) a district council in England;
 - (c) an EPB;
 - (d) an ITA.
- (3) Where the review is being undertaken by a county council, the review area must include—
- (a) the areas of one or more district councils that are within the area of the county council, or
 - (b) if there are no such areas, the area of the county council.
- (4) Where the review is being undertaken by a district council, the review area must include the area of the district council.
- (5) Where the review is being undertaken by an EPB, the review area must include one or more local government areas within the EPB’s area.
- (6) Where the review is being undertaken by an ITA, the review area must include one or more local government areas within the ITA’s integrated transport area.
- (7) The review area may also include the area of any county council or district council in England that does not constitute or fall within the area of an authority undertaking the review.

APPENDIX TWO

EVALUATION OF OPTIONS

	Legislative tests: would there be an improvement in these areas?		
	Exercise of statutory functions relating to economic development, regeneration and transport	Effectiveness and efficiency of transport	Economic conditions in the area.
Status quo	Improving joint working may lead to marginal gains but these are expected to be insignificant.	Current joint working is partially effective and the current duplication would continue.	The economic conditions in the area may improve on an incremental basis, as they have done in recent years.
Establishing a Supervisory Board	Mixed – yes for economic development and regeneration as these would be given democratic oversight and leadership by the Supervisory Board. However, this does not address the current issues around transport governance, accountability and areas of delivery.	This model would not address the issues around different geographies for transport and as such would not improve the effectiveness and efficiency of transport.	Possibly
Establishing an Economic Prosperity Board	Mixed – yes for economic development and regeneration as these would be given democratic oversight and leadership by the Supervisory Board. However, this does not address the current issues around transport governance, accountability and areas of delivery.	This model would not address the issues around different geographies for transport and as such would not improve the effectiveness and efficiency of transport.	Possibly
Creating a Combined Authority	A Liverpool City Region Combined Authority would provide the basis for functions around economic development, regeneration and transport to be improved, with democratic oversight, leadership and financial accountability being provided.	The creation of a Combined Authority provides a single statutory organisation to discharge strategic functions around transport, which will lead to improvements in the effectiveness and efficiency of	A Liverpool City Region Combined Authority provides the best option to facilitate an improvement in economic conditions in the area.

		transport.	
--	--	------------	--

Evaluation of Options against Department for Transport Requirements for governance

	Status quo	Establishing a Supervisory Board	Establishing an Economic Prosperity Board	Creating a Combined Authority
Political Leadership for Transport at the most senior level	The current Local Transport Body would continue with risks around duplication of activity.	The current Local Transport Body would continue with risks around duplication of activity.	The current Local Transport Body would continue with risks around duplication of activity.	A Combined Authority would provide streamlined political leadership for transport across the functional economic area at the highest level.
Ability to take difficult decisions	The current Local Transport Body would continue with the risks around duplication of activity and governance.	A Supervisory Board would not offer any improvements on the current model as transport would not be included in its' scope.	An Economic Prosperity Board would not offer any improvements on the current model.	The requirement of a Combined Authority to make decisions for the best interests of the City Region as a whole means that it will be able to take difficult decisions.
A long term (ten year) investment programme, focussing on the top priorities for the functional economic area as a whole	The current Local Transport Body would continue with the risks around short sightedness.	A Supervisory Board would not offer any improvements on the current model as transport would not be included in its' scope.	An Economic Prosperity Board would not offer any improvements on the current model.	The requirement of a Combined Authority to make decisions for the best interests of the City Region as a whole means that it will be able to develop a long term investment programme and clear priorities.

	Status quo	Establishing a Supervisory Board	Establishing an Economic Prosperity Board	Creating a Combined Authority
A local investment budget combining local resource in addition to Departmental resource	The current Local Transport Body would continue with the potential for partial resources to be considered.	A Supervisory Board would not offer any improvements on the current model as transport would not be included in its' scope.	An Economic Prosperity Board would not offer any improvements on the current model.	A Combined Authority would be responsible for the governance of the Single Local Growth Pot which would mean that it would be able to maximise resources from national and other sources.
Evident links to strategies and decision making processes on economic growth, housing and planning	The current Local Transport Body would continue with risks around gaps and duplication of activity.	The exclusion of transport from a Supervisory Board does not improve the links around relative contributions to securing growth.	The exclusion of transport from an Economic Prosperity Board does not improve the links around relative contributions to securing growth.	The inclusion of transport within a Combined Authority would allow an integrated discussion to take place on the relative contributions to growth of transport and other activities across the functional economic area.
Efficient use of transport resource across the City Region	The current arrangements would be maintained and incremental improvement in efficiencies captured.	The current arrangements would be maintained and incremental improvement in efficiencies captured.	The current arrangements would be maintained and incremental improvement in efficiencies captured.	The creation of a Combined Authority for the City Region provides the best opportunity for efficiencies to be secured in the use of transport resource across the functional economic area.

This page is intentionally left blank

Draft of a Scheme for the Establishment of a Combined Authority for Liverpool City Region

Section One – Intention to Establish a Combined Authority

1. Establishment of Authority

A Combined Authority (CA) 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 2014.

2. Area

The area of the CA shall be the whole of the following Local Government areas:

- Halton
- Knowsley
- Liverpool
- Sefton
- St Helens
- Wirral

Each of the above Authorities will be the CA’s “Constituent Authorities”. The CA will act in the best interests of the Liverpool City Region as a whole, taking into account all relevant matters.

3. Name of Authority

The name of the CA will be Liverpool City Region Combined Authority.

4. Dissolution of the Merseyside Integrated Transport Authority

The Merseyside Integrated Transport Authority (MITA) shall be dissolved pursuant to Section 91 of the Local Transport Act 2008 (LTA).

5. Membership of the Authority

5.1 Each Constituent Authority will be represented by one member of its Cabinet who will be the Leader or Elected Mayor. These six members will form the core membership of the CA (“the core members”).

5.2 The Cabinet of each Constituent Authority will appoint another of its members (“substitute member”) to act as a member of the CA in the absence of the member referred to in paragraph 5.1. The substitute member will be drawn from the Cabinet of the Constituent Authority.

- 5.3** A Constituent Authority may at any time terminate the appointment of a member appointed by it to the CA, save it may not terminate the appointment of an Elected Mayor.
- 5.4** If a member or substitute member of the CA ceases to be a member of the Constituent Authority which appointed them, the member will cease to be a member of the CA and the Constituent Authority will appoint a replacement as soon as possible.
- 5.5** The CA will appoint a Chair and Vice Chair from amongst its Members. The appointments will be the first business transacted at the Annual Meeting of the CA and the appointments will be for the forthcoming municipal year.
- 5.6** Subject to 5.7, no remuneration shall be payable by the CA to its members other than reimbursement for travel and subsistence.
- 5.7** The CA recognises the benefits which additional members may bring to the CA in carrying out its functions. If there is a unanimous decision to do so, the CA may co-opt additional members onto the CA on such terms as determined by the CA.

6. Voting

- 6.1** All voting members of the CA will have one vote. The Chair of the CA will not have a second or casting vote.
- 6.2** Subject to the provisions of any enactment, the CA will aim to reach decisions by consensus, but subject to 6.3, all matters which come before the CA will be decided by a simple majority of the members of the CA present and voting. In the case of a tied vote on any matter (whether a motion or an amendment), it shall be deemed not to have been carried.
- 6.3** The following matters will require the unanimous support of all core members of the CA for approval:
- The co-option of additional voting or non-voting members onto the CA
 - Amendments to this Scheme and its successor Constitution
 - The determination and review of any transitional arrangements on transportation

7. Executive Arrangements

Executive arrangements (within the meaning of the Local Government Act 2000) shall not apply to the CA. However, the discharge of the functions of the CA will be subject to scrutiny arrangements set out in paragraph 9.

8. Passenger Transport Executive

The Merseyside Passenger Transport Executive (MPTE) shall not be abolished, shall be the executive body of the CA in relation to its transport functions and shall be known as Merseytravel. Merseytravel shall have all the functions of the existing

MPTE and such additional functions necessary for it to act as the CA's executive body in relation to transport functions delegated to the CA by the Secretary of State or its Constituent Authorities.

9. Scrutiny Arrangements

- 9.1** The Constituent Authorities of the CA will establish a joint Overview and Scrutiny Committee to exercise scrutiny functions over the CA (including, where appropriate, over its boards, sub-boards and Merseytravel).
- 9.2** Each Constituent Authority will appoint 2 of its elected members to the joint Overview and Scrutiny Committee.
- 9.3** Subject to the approval of the CA, the joint Overview and Scrutiny Committee may appoint sub-committees to deal with matters within its remit and will have the power to co-opt additional representatives for specific scrutiny tasks.

Section Two – Functions, Powers and Duties of the CA

10. Functions – General

- 10.1** By virtue of Sections 99 and 102A of the LTA, the CA will have broad wellbeing powers, which can be exercised in conjunction with the general powers granted to it by Section 113A of the LDEDCA.
- 10.2** The CA requests the Secretary of State to explore the possibility of delegating to the CA the General Power of Competence under Section 1 of the Localism Act 2011.
- 10.3** The CA requests the Secretary of State to designate the CA as a 'Specified Body' pursuant to Section 33(3)(k) of the Value Added Tax 1994.

11. Functions – Economic Development and Regeneration

- 11.1** The primary purpose of the CA and the Local Enterprise Partnership (LEP) is to boost economic growth and performance within the Liverpool City Region. The CA will have responsibility for a significant programme of investment in transport and economic infrastructure and will influence and align with government investment in order to boost economic growth. The related interventions will have differential spatial impacts across the CA area, but should aid delivery of key growth projects in the emerging and future local plans of Constituent Authorities. Having regard to the duty to co-operate, effective alignment between decision-making on transport and decisions on other areas of policy, such as land use, economic development and wider regeneration, will be a key aim.
- 11.2** Unless otherwise stated, powers will be exercised by the CA on a concurrent basis. It is proposed that the CA will be focused on strategic economic growth issues that could include, but are not restricted to, functions such as:

- Setting the strategic economic vision, outcomes and aligning strategic priorities for the Liverpool City Region
- Ensuring there is a single evidence base in place to support and inform strategic decision-making
- Agreeing an integrated growth plan and investment strategy to deliver the strategic economic vision and outcomes
- Setting the economic strategy for the Liverpool City Region
- Co-ordinating the international economic strategy for the Liverpool City Region to cover inward investment trade and export to capture particularly the benefits of the International Festival for Business
- Co-ordinating inward investment strategy and activity across the Liverpool City Region as a whole
- Co-ordinating the strategy and activity for place based marketing across the Liverpool City Region as a whole
- Developing a strategic pipeline of priorities to attract financial and wider support
- Securing funding from a range of sources to support growth within the City Region
- Acting as the accountable body, for example, for devolved major transport scheme funding and the single pot for economic investment, including EU funds and assets as appropriate
- Making decisions with regard to the Liverpool City Region Investment Framework to include the Single Local Growth Fund European funding and Growing Places Fund
- Setting the long-term Employment and Skills Strategy and priorities for the labour market, embedding the Skills for Growth agreements within economic strategies
- Discharging the Local Authority statutory duty to record and report the education, training and employment status of their 16-18 year old residents
- Setting the long-term strategic vision for housing and regeneration investment to support economic growth
- Agreeing a housing spatial plan and long-term investment strategy as part of the Single Local Growth Plan

11.3 The powers and duties set out in Schedule 1 shall be held by the CA in support of any functions.

12. Functions – Transport

12.1 All the functions of MITA shall be transferred to the CA. All the Local Transport Authority functions of Halton BC shall be transferred to the CA. The CA will fulfil directly or commission the role of Local Transport Authority for each of the six authorities, replacing the MITA and Halton BC roles as Local Transport Authorities.

12.2 The CA will exercise any function of the Secretary of State delegated to the CA by the order of the Secretary of State pursuant to Section 86 LTA and Section 104(1)(b) LDEDCA. Such functions will be exercised subject to any condition imposed by the order.

12.3 The CA's role in this will encompass:

- Setting the long-term strategic transport vision and outcomes for the Liverpool City Region

- Agreeing the development and approval of a single, city region Local Transport Plan (or its equivalent), which will include high level policy responsibility for major investments (e.g. freight, cycle, rail, highway maintenance, new transport infrastructure, traffic management)
- Agreeing a long-term transport investment strategy as part of the Single Local Growth Plan to deliver the strategic economic vision and outcomes (which includes housing, employment and skills)
- Aligning transport investment with inward investment activity across the Liverpool City Region
- Strategic decisions relating to the Integrated Transport Block and Highway Maintenance funds across all networks
- Ensuring strategic traffic and highway management co-ordination across the City Region
- Assuming the role of the Local Transport Body in respect of major transport schemes
- Acting as accountable body for Transport Schemes, e.g. devolved major transport scheme funding
- Setting the transport levy for the City Region
- Setting a differential transport levy (“the Differential Levy”) in respect of a Constituent Authority

12.4 The powers and duties set out in Schedule 2 shall be held by the CA in support of any functions.

12.5 The following operational transport functions will be delegated to Halton BC to enable local delivery arrangements to continue during a transition period:

- Information provision
- Infrastructure delivery
- Commissioning/procurement of subsidised bus services
- Concessionary travel

13.

-

Section Three – Funding, Transfer of Property, Rights and Liabilities

13.Funding

13.1 The CA 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 CA which are reasonably attributable to the exercise of its functions relating to transport.

- 13.2 The CA shall have the power to issue a differential levy (“the Differential Levy”) to any of its Constituent Authorities, who are not contributing to the Levy, in respect of the expenses and liabilities of the CA which are reasonably attributable to the exercise, on behalf of such Constituent Authorities, of its functions relating to transport.
- 13.3 The core principle in determining the Levy or the Differential Levy shall be that the total contribution from each Constituent Authority for funding transport services for the year does not exceed the equivalent cost for the year as it would have been calculated under previous arrangements.
- 13.4 Subject to 14.3, the Levy and any Differential levy will be apportioned between the Constituent Authorities in accordance with population.
- 13.5 The costs of administering the CA that are reasonably attributable to the exercise of its functions relating to economic development, housing and regeneration, shall be met by the Constituent Authorities on a population basis.
- 13.6 The CA will approve the annual budget for the purpose of expenditure.

14. Transfer of Property, Rights and Liabilities

- 14.1 All property, rights and liabilities of MITA existing at the transfer date shall transfer to the CA, save that rights and liabilities in relation to contracts of employment of MITA employees shall transfer directly to Merseytravel. All property, rights and liabilities of MITA will be ring-fenced under the terms of a CA agreement to the five Constituent Authorities of Merseyside and will not be the responsibility of Halton.
- 14.2 Property, rights and liabilities of Halton BC as they relate directly and solely to the local transport authority function, shall be transferred to the CA on such terms to be agreed and made the subject of an operating agreement. For the avoidance of doubt, this shall not include the Mersey Gateway Bridge, the Silver Jubilee Bridge or any of the roads set out in the respective orders and applications relating thereto.

Section Four – Internal Scheme of Delegation

15. Delegations

The CA may establish such committees or sub-committees as it considers appropriate and may delegate powers and functions accordingly.

Schedule 1

1. The power under Section 144 of the Local Government Act 1972 (the power to encourage visitors and provide conference and other facilities)
2. The duty under Section 69 of LDEDCA (duty to prepare an assessment of economic conditions)
3. The duty under Section 4(1) of the Local Government Act 2000 (strategy for improving the economic, social and environmental well-being of the area)
4. The duties under Sections 152A, 152B, 152C, 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)
5. The power to borrow pursuant to Section 1 of the Local Government Act 2003
6. The duty under Section 12 of the Education and Skills Act 2008 (arrangements to identify persons not fulfilling duty under Section 2 of the Act)
7. The duty under Section 8(1) of the Housing Act 1985 (duty of a local housing authority to consider housing conditions in the area and the needs of the area with respect to the provision of further housing accommodation)

Schedule 2

1. The duty under Section 2 of the Road Traffic Reduction Act 1997, for traffic conditions in the area of the CA
2. The power to issue fixed penalty notices in respect of offences in breach of the Mersey Tunnels Byelaws 2003 or any revision thereof pursuant to Section 237A of the Local Government Act 1972
3. The powers and duties of a Local Transport Authority pursuant to the Local Transport Act 2008
4. The power to enter into agreements with local highway authorities pursuant to Section 8 of the Highways Act 1980 and for such purposes to be designated
 - (i) as a local highway authority pursuant to the said Section 8
 - (ii) as a traffic authority pursuant to Section 121A of the Road Traffic Regulation Act 1984
 - (iii) as a street authority pursuant to Section 49 of the New Roads and Street Works Act 1991
5. The power to act as a traffic authority as defined by Section 121A of the Road Traffic Regulation Act 1984 for the carrying out of such functions pursuant to the Traffic Management Act 2004 as may be agreed by the constituent authorities

This page is intentionally left blank