

BOARD MEETING: 5th December

REPORT PRESENTED BY: James Farrar

TITLE OF PAPER: LOCAL GOVERNANCE FOR ECONOMIC GROWTH

Summary:

1 Purpose of the Report

- 1.1 To consider and agree the preferred option for strengthening governance for York, North Yorkshire and East Riding for economic development and transport. to maximise the opportunities of devolution and to attract investment

2 Background

- 2.1 The Government considers a range of factors when negotiating Growth Deals, including the strength of local partnerships. Strong partnerships can ensure that there is clear decision making over large areas, underpinned by a strong democratic mandate which simplifies the local government landscape for businesses, government and their agencies so that important investment decisions can be made in one place.
- 2.2 The extent and strength of local governance has been a major factor in City Deals and Growth Deals and appears to now be directly influencing the options for English devolution, with Combined Authorities in city regions being touted as the vehicle for achieving this following a vigorous and concerted campaign. This campaign is gathering real momentum, with the enhanced Manchester Deal recently announced and other expected to follow.
- 2.3 This leaves an uncertain future for those area outwith city regions, such as the East Riding and parts of North Yorkshire. It is also reasonable to expect that the extent of governance arrangements established will also influence any review of LEP boundaries and arrangements following the election.
- 2.4 The recent Growth Deal offered by Government to the York, North Yorkshire and East Riding LEP area clearly took account of the limited progress made thus far in strengthening local governance for this area. However, the deal does require strengthened cooperation across YNYER in terms of planning and transport. The Deal requires that ‘the LEP and local planning authorities commit to getting up-to-date Local Plans in place, deliver effective strategic planning by working together and across boundaries, and ensure delivery of housing in Local Plans’.
- 2.5 The Growth Deal also requires that ‘The YNYER LEP (and its partners) and DfT (and its agencies) commit to working together proactively on long-term strategic road network planning to support local economic growth’. In order to secure greater responsibilities and finances, we need to demonstrate strong local governance.
- 2.6 **To summarise: Whilst the existing local governance structures have secured a short term growth deal via the LEP, Combined Authorities are the governments preferred governance model and will secure greatest devolution, more flexibilities and longer term settlements.**

3 Potential Governance Arrangements

3.1 There are three models that are considered by government to be suitable for strengthening governance and ensuring that there is greater accountability for any public funding under the Growth Deal and for delivery of agreed projects and investments; namely:

- (A) A Formal Joint Committee
- (B) An Economic Prosperity Board (Similar to a Combined Authority but without the transport functions)
- (C) A Combined Authority –responsibility for transport, economic development and regeneration

3.2 Transport issues remain a key barrier to delivery of strategic improvements, individual developments and many local plans. An Economic Prosperity Board, which excludes transport matters, therefore would not address the challenges and strategic growth issues of the LEP area. For the purposes of this paper we only consider Joint Committees and Combined Authorities.

3.3 The Table below provides a high level analysis of each model.

	Existing Structure	Joint Committee	Combined Authority
Addresses the long strategic economic challenges	Limited	Potentially – there is flexibility around which functions are included.	Yes – fully integrates transport and economic development and supports an agreed spatial approach and investment
Improves decision making	No. Very little joint decision making by local authorities.	Yes - Decisions can be formally delegated to a joint committee	Yes – Combined Authorities are approved by parliament with a formal legal status
Satisfies government demands for devolution	No	Partially - Recognised by Central Government as the minimum required to ensure suitable governance arrangements are in place	Yes – Recognised by Central Government as the strongest form of local governance
Likely to increase investment attracted	No	Yes – to a lesser extent. Will enable the region to meet minimum requirements but unlikely to secure longer term funding	Yes – Allows for integration of budgets and the model most likely to achieve maximum devolution and maximise government investment.
Improves deliverability of Local Plans	No	Improved over current and could support a	Yes – will support a more strategic

		more strategic approach with HCA and developers Addresses duty to co-operate	approach with HCA and developers Addresses duty to co-operate. If combined with shared elements of plan making this approach would support production of a Spatial Plan with development plan status.
Deliverable	Yes – already in place and functioning	Yes – Can be quickly and reasonably easily developed. The primary challenge will be agreeing responsibilities devolved to the Joint Committee	Would require all Local Authorities committing long term – A longer more formal process including consultation and approval by Secretary of State

4 Assessment of the Governance options in relation to YNYER requirements

Governance Model	Analysis
Existing Structures	
<p>Current structures support short term funding secured through the LEP Local Growth Deal.</p> <p>Two tier local government in North Yorkshire results in a siloed approach, and complicated negotiations between county and districts, delaying developments.</p> <p>There is no spatial plan at either a county or a LEP level and transport strategy in NY does not support Local Plan delivery. Relationships and joint working is varied across the LEP area.</p> <p>The existing model supports overlapping LEP areas for East Riding, York, Harrogate, Selby & Craven however stronger governance in neighbouring areas places significant risk of long term sustainability.</p> <p>The current model has no formal legal status and would be insufficient to secure significant devolution through a deal with government. Funding would remain short term and inflexible.</p> <p>This model does not meet local or national requirements and has significant risks in terms of achieving investment and devolution</p>	
Joint Committee	
<p>Seen by government as the minimum level of governance to support devolution. This is a flexible and relatively un-political model which allows for different relationships with different areas.</p> <p>There is flexibility around which powers are devolved to a joint committee, however a Local Authority may legally devolve powers.</p> <p>It supports spatial planning at a wider level and the duty to co-operate within local plans. This would</p>	

enable wider regional working to help address some of the housing challenges within Local Plans and would support a stronger relationship with potential investment partners such as HCA & Highways Agency. It would also likely provide greater flexibility over local growth funding received from government.

It could be created quickly and easily and provide a vehicle to better integrate and provide coherence between current bodies such as Housing Board, Devolved Local Transport Body, Spatial Planning & Transport Board.

This model works well in an overlapping LEP area. Local Authorities can be members of separate Combined Authorities and Joint Committees.

This would be an easy first step to build trust and a shared vision for the wider area. It would also demonstrate progress to government in strengthening local governance. This is the minimum recommendation

Combined Authority for York, North Yorkshire & East Riding

A combined Authority would be the optimum solution, best positioning the region to maximise investment and devolution. The benefits of a combined authority would be;

Recognised by Central Government as the highest form of governance with the ability to last in the long term.

A Combined Authority can attract additional functions and powers in their own right and Ministers have consistently stated that they would prefer to devolve powers to combined authorities because the types of powers that can be devolved would affect whole regions and across Council boundaries.

A Combined Authority has full decision making powers that are given to it through an Order from the Secretary of State.

This would enable effective spatial planning integrating strategic transport and local plans. This integrated approach would reduce delays caused by the current fragmented two tier approach and better align local growth and transport agendas.

This approach could pool the limited resources of authorities, particularly within the 2-tier area, to provide a more capable and resilient team. It would maximise the potential for devolution of powers and funding and provide greatest flexibility in identifying and investing in local priorities

A new Combined Authority is created by Order and cannot be disbanded or altered without the approval of the Secretary of State.

This model provides the least flexibility in terms of change as the structure is more secure and harder to amend.

In addition, Local Authorities are not allowed to be constituent members of more than one combined authority.

Would require all Local Authorities to commit. The current situation in overlapping areas with East Riding a member of the Humber Joint Committee and York a non-constituent member of Leeds City Region Combined Authority make this a more complicated approach at the current time.

Deliverability of this model could be revisited following the 2015 elections.

Combined Authority For North Yorkshire plus a Joint Committee with York & East Riding

As stated above a combined Authority would be the optimum solution providing greatest confidence to government to support devolution of funding and powers. The strengths of a Combined Authority are detailed above.

With the complications of the East Riding & York memberships of neighbouring LEP structures, an alternative option would be to create a Combined Authority at a North Yorkshire level with a wider Joint Committee including York & East Riding to support the LEP functional economic geography.

This would address the challenges of planning growth in a two tier authority area, whilst supporting wider spatial planning and prioritisation with York and East Riding. It would send a strong message to government about local governance and position the area for devolution.

Timeframes for creating a Combined Authority are long and it would go beyond the General Election. There would be the option for York and/or East Riding to join a Combined Authority at a later date.

This would deliver the benefits detailed in the Combined Authority section above whilst supporting the functional economic geography of the LEP

The potential downside of this model is the resource requirement to service two new entities with more complicated governance. It could also encourage the 'break up' of the LEP geography post election 2015, if accepted LEPs with overlapping boundaries are reconfigured.

This would be a strong model and a significant step forward, however with an election in 2015 it should be included as part of a review considering a Combined Authority at a LEP level post elections.

4.2 Conclusion: The optimum model, which would maximise investment into the region would be a Combined Authority. However, with overlapping LEP areas and the General Election in 2015, a Joint Committee should be progressed immediately, whilst developing the model for a Combined Authority. This will allow for informed consideration post election.

4.2 A Joint Committee can be quickly and easily delivered, and could evolve into a Combined Authority post May 2015.

4.3 It is expected that post-election, LEP boundaries will be reviewed to remove overlaps. This will need to be done in conjunction with discussions around Combined Authorities and local governance to ensure consistent boundaries across both agendas. It is expected that LEP boundaries will be required to be coterminous with one or more Combined Authority boundaries. (i.e a LEP boundaries will not overlap and could cover the whole of one or more Combined Authority areas, - they will not cover only part of any Combined Authority area).

4.4 **A key discussion point** - what powers would be devolved to a joint committee. Across the country joint committees have been created with some or all of the following functions

- Powers with regard to setting and reviewing objectives for strategic infrastructure investments across the area
- Strategic Transport
- Economic Development and Regeneration
- Creation of jobs/houses etc

4.5 Should we decide to progress to a Combined Authority post May 2015, we will need to move quickly and demonstrate;

A strong evidence base – quantifying the contribution of our area to the national economy, in a way that stands up to scrutiny by economists and policy makers;

An Economic 'Model' – Create the rationale for equitable focus, investment and devolved responsibilities.

Leadership – the ability to speak with one voice and gain consensus from all of our constituents;

Delivery Capability – convincing decision makers that there is both strength and depth in resource to carry through the proposition to delivery.

Clear Economic Priorities – demonstrating to government the ability to prioritise at a regional level and deliver maximum economic impact

A clear Business case – demonstrating value for money, impact and economic of scale

Strong governance – Clear membership, governance and voting rights.

5 Recommendations

5.1 A Joint Committee for York, North Yorkshire and East Riding is formed immediately, whilst developing a Combined Authority model to support informed decision post election 2015.

6 Appendices

6.1 **Appendix 1** provides a high level comparison of the three models and the legal issues.

James Farrar

Chief Operating Officer – York, North Yorkshire & East Riding Local Enterprise Partnership

5 December 2014

Appendix 1: HIGH LEVEL COMPARISON OF DIFFERENT GOVERNANCE MODELS

	Existing Structure	Joint Committee	Combined Authority
Achievability	Already in Place and has functioned to date.	Easy to set up with agreement by each authority.	Takes time to set up: 1. Review of existing and future arrangements 2. development of a scheme 3. approval of Secretary of State followed by draft order being laid before Parliament.
Governance	Not recognised by Central Government as a secure way to make decisions across the region	Recognised by Central Government as the minimum required to ensure suitable governance arrangements are in place Decisions can be formally delegated to a joint committee.	Recognised by Central Government as the highest form of governance with the ability to last in the long term.

Flexibility	Completely flexible	<p>Each Authority delegates its powers to the Joint Committee – could be different for each authority. Each authority, subject to any agreement, can then revoke those delegations.</p> <p>The Committee can easily flex to accommodate more powers as time develops.</p> <p>There is a concern that that such a model would not have the permanence and accountability that exists within a Combined Authority to attract, for example longer term infrastructure funding.</p> <p>Provides a flexible approach to the current position where there are overlapping LEP Boundaries.</p>	<p>A new Combined Authority is created by Order and cannot be disbanded or altered without the approval of the Secretary of State.</p> <p>This model provides the least flexibility in terms of change as the structure is more secure and harder to amend.</p> <p>In addition, Local Authorities are not allowed to be constituent members of more than one combined authority.</p>
Funding	Least likely to attract the most	Gives Government some assurance that	Provides the model that Government is promoting to

	funding	governance arrangements are in place	secure the most confidence in attracting funding.
Administration	Least burdensome administratively.	Relative lack of bureaucracy – joint committee will require officer support. The Committee will need an authority to host the Committee and provide all necessary secretarial, legal and financial support (including Section 151 and Monitoring Officer Roles).	Creates a completely new authority that needs to be administered.
Decision making	Has no formal decision making power	Has some decision making powers that are delegated from each authority. Each authority can choose what powers and functions to delegate either exclusively or mutually to the Joint Committee..	Has full decision making powers that are given to it through an Order from the Secretary of State. Functions can be exercised exclusively or mutually with each local authority.
Legal Basis	Informal arrangement	Section 101(5) Local Government Act 1972 enables two or more local authorities to discharge any of their functions jointly and arrange for the discharge of those functions by a Joint Committee. If Executive Functions are being delegated to	The Local Democracy, Economic Development and Construction Act 2009 provides the legal basis for creating Combined Authorities and Economic Prosperity Boards. A Statutory Order needs to be passed to set up a new

		<p>the Joint Committee, the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012/1019 states the Committee should contain Executive Members.</p> <p>Regulations further state that the Committee would not allow for any co-option.</p>	<p>Combined Authority/Economic Prosperity Board.</p> <p>A Combined Authority can attract additional functions and powers in their own right, including the general power of competence.</p> <p>The Localism Act 2011 allows ministers to devolve powers to Councils, but ministers have consistently stated that they would prefer to devolve powers to combined authorities because the types of powers that can be devolved would affect whole regions and across Council boundaries.</p>
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