

# WIRRAL COUNCIL

**Cabinet**  
**8 August 2013**

<b>SUBJECT</b>	<b>LIVERPOOL CITY REGION GOVERNANCE REVIEW</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>CHIEF EXECUTIVE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR PHIL DAVIES</b>
<b>KEY DECISION</b>	<b>YES</b>

## **1.0 EXECUTIVE SUMMARY**

- 1.1 This report explains why the Liverpool City Region needs to review its strategic governance for economic development, regeneration and transport and outlines the process undertaken to conduct a governance review commissioned by the Liverpool City Region Cabinet. The report sets out the recommendation of the review, after evaluating the current available evidence, to create a Liverpool City Region Combined Authority to formalise existing informal arrangements, signal to businesses and Government that the City Region is serious about working together and potentially draw down additional powers and funding from Government.
- 1.2 The report identifies how a potential Liverpool City Region Combined Authority could operate and the functions it could discharge, along with considering a draft scheme for its establishment.
- 1.3 It finally outlines the proposed approach to consultation and seeks agreement to host specific Wirral events to further consult on the Review of Strategic Governance and the operation of a potential Liverpool City Region Combined Authority.

## **2.0 RECOMMENDATIONS**

- 2.1 Cabinet is recommended to:
  - (a) Endorse the draft findings of the Liverpool City Region strategic governance review (as attached at Appendix One);
  - (b) Endorse the draft outline of the potential role for a Liverpool City Region Combined Authority (as attached at Appendix Two)
  - (c) Endorse the draft scheme for the establishment of a Combined Authority for the Liverpool City Region (as attached at Appendix Three);
  - (d) Agree to the holding of Wirral events as part of the consultation on the proposals described in the documents referred to in paragraphs (a) to (c) above;
  - (e) Request that the final versions of the documents referred to in paragraphs (a) to (c) above together with the results of the consultation exercise are submitted for consideration at future meetings of the Cabinet and Council.

### **3.0 BACKGROUND AND KEY ISSUES**

- 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. 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.
- 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 do this would involve building on the existing commitments articulated in the 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 which is why this governance review has considered the appropriate options to achieve this and made draft recommendations.
- 3.4 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% 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 jobseekers' allowance or sickness benefit. In combination, these deficits contribute to the average household per-head being £1,700 less wealthy than the average nationally.
- 3.5 Economic analysis by the OECD demonstrates that strategy integration across key policy domains can deliver economic benefits at the local level in terms of sustainable economic growth and employment. It emphasises the importance of organisational capacity at the functional spatial level, a level which would be consistent with the City Region which is considered to be a 'functional economic area', with 84% of employed residents working within the Liverpool City Region (2012 Annual Population Survey).
- 3.6 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. The City Region has made further strides towards improving its governance arrangements in recent years, with the establishment of the Local Transport Body being an example of this.

3.8 There are options for the City Region to consider around its governance if it is to make the most of the economic opportunities over the medium term, which will create jobs and growth. Having taken this information into account, Liverpool City Region Cabinet agreed at their meeting of 21 June 2013 to formally review its strategic governance arrangements in relation to exploring the option of a Combined Authority model.

#### **4.0 THE STATUTORY PROCESS**

4.1 In accordance with Section 108 of the Local Democracy, Economic Development and Construction Act 2009 a governance review in relation to a potential combined authority must address the effectiveness and efficiency of: (a) transport within the area covered by the review and (b) arrangements for economic development and regeneration within the review area.

4.2 Therefore, the purpose of the City Region strategic governance 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 strategic economic development, regeneration and transport are effective or would benefit from changes.

4.3 The statutory tests for the governance review in relation to a potential Combined Authority are set out in the Local Transport Act 2008 and the Local Democracy, Economic Development and Construction Act 2009. The process of the review will be to examine the options available to the City Region in relation to each of the following and to evaluate 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 There are three opportunities for individual Councils to confirm their approval for the proposals:

- the first when they consider the draft governance review and proposal for the operation of the preferred option
- the second in September 2013 following consultation on the draft governance review and the preferred option, ahead of any submission to Government
- the third and final opportunity in March 2014 when approval would need to be given to become a constituent Member of a potential Combined Authority

## 5. THE EXISTING GOVERNANCE ARRANGEMENTS

- 5.1 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. This collaboration 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 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.

- 5.7 Merseyside Integrated Transport Authority (MITA) which covers Knowsley, Liverpool, Sefton, St Helens and Wirral, with Halton Borough Council acting as a 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. 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. It 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.
- 5.10 One of the drivers for reviewing the Liverpool City Region's governance arrangements is to secure greater influence over key levers 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.
- 5.11 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.

5.12 Similarly, whilst the establishment of the Local Transport Body has been seen as a positive step; 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.

## 6. METHODOLOGY FOR THE GOVERNANCE REVIEW

6.1 The 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 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.
- 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.

6.2 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 Local Enterprise Partnership (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.

## 7. OPTIONS ASSESSMENT

7.1 The 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.

7.2 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.

7.3 The findings 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 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.

Option	Assessment
	This model will further strengthen democratic and financial accountability.

- 7.4 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 Halton Borough Council, as the preferred governance option. This would give legal form to the close working relationships that already exist between the six local authorities, MITA and the Local Enterprise Partnership by creating a sub-regional body with legal personality and a governance mechanism that can act across the combined area.
- 7.5 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.
- 7.6 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.
- 7.7 Cabinet is asked to endorse the draft findings of the attached Liverpool City Region Review of Strategic Governance (Appendix One).

## **8. THE POTENTIAL ROLE OF A COMBINED AUTHORITY AND DRAFT SCHEME**

- 8.1 The statutory process as laid out in the legislation requires that a Scheme is developed which outlines the role of a potential Combined Authority, which can then be laid before Parliament for approval. The Outline of the Potential Role of a Liverpool City Region Combined Authority report (Appendix Two) and draft Scheme (Appendix Three) have been completed alongside the conduct of the governance review to set out the functions and activities that the Combined Authority could perform to secure jobs and growth and improvements in the economic conditions of the Liverpool City Region.
- 8.2 The functions are proposed around economic development, regeneration and transport (and include strategic housing and employment and skills) and will build upon the existing joint working in these areas. The establishment of the Combined Authority would provide the basis for this next stage of development to take place, particularly focusing on the integration of these functions to



create mutually reinforcing systems which will lead to sustainable jobs and growth.

- 8.3 The proposed Scheme sets out the proposed membership and executive arrangements, the functions powers and duties of the proposed Combined Authority and its funding and financial arrangements. These proposed membership arrangements include the ability to co-opt other members (eg the Chair of the Local Enterprise Partnership) onto the Combined Authority in a voting or non-voting capacity. There will also be a scrutiny function as well, made up of Members from constituent Councils.
- 8.4 Cabinet is asked to endorse the attached draft Outline of the Potential Role of a Liverpool City Region Combined Authority (Appendix Two) and the attached draft Scheme for the establishment of a Liverpool City Region Combined Authority (Appendix Three).

## **9. NEXT STEPS**

- 9.1 The strategic governance review findings, the outline of the potential role of a Liverpool City Region Combined Authority and draft Scheme for the establishment of a Liverpool City Region Combined Authority, are being considered by individual local authority Cabinets and the Integrated Transport Authority all Councils across the Liverpool City Region: these meetings are scheduled to take place between 8 and 16 August 2013 as part of the consultation exercise. In addition a period of stakeholder consultation will run from 2 August 2013 to 6 September 2013.
- 9.2 The consultation will focus on whether it is considered that the proposals emanating from the governance review will meet the statutory tests in that the proposed Combined Authority would be likely to improve:
- 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.
- 9.3 Workshops and seminars will be held in local areas to ensure that there are opportunities for partners and stakeholders to contribute to the overall review and submit comments. All feedback from the consultation will be collected centrally at Knowsley Council via the single email address: [lcr.governance@knowsley.gov.uk](mailto:lcr.governance@knowsley.gov.uk). The consultation with strategic partners is being shared amongst City Region Councils.
- 9.4 At the end of the consultation period the responses will be analysed by the Officer-led working group. A final version of the governance review and Scheme for the establishment of a Liverpool City Region Combined Authority will then be prepared and reported back to individual Cabinets, Councils and the Integrated Transport Authority during September 2013. Individual organisations will be asked to adopt the Review and Scheme and agree for their submission to Government: in addition, they will be asked in principle to become constituent members of the Combined Authority. These meetings are scheduled to take place between 11 and 24 September 2013. In addition, full Council approval will also be required prior to submission to the Secretary of

State. This needs to happen before 30 September 2013 in order for the Liverpool City Region Combined Authority to be operational from 1 April 2014.

- 9.5 Schemes for a Combined Authority will be considered jointly by the Secretary of State for Communities and Local Government and the Secretary of State for Transport. They will also have regard to the following before making an order to establish a new body;
- The need to reflect the identities and interests of local communities; and
  - The need to secure effective and convenient local government.
- 9.6 Government will then consider the submission and conduct a further consultation (eg the relevant Councils, the MITA, representatives of the business community, regulatory bodies, service providers and other delivery partners and regulatory bodies) to establish that the proposal has local support and backing. If this is found to be the case, an Order will be laid before Parliament for the Authority to be created.
- 9.7 Cabinet are recommended to endorse the approach to consulting on the strategic governance review and potential operation of the Liverpool City Region Combined Authority.

## **10.0 RELEVANT RISKS**

- 10.1 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, housing, transport and employment and skills and to potentially access additional funding from Government.
- 11.2 There is a risk that the proposal to create a Liverpool City Region Combined Authority may not have local stakeholder support. This will be 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.
- 11.3 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 communication strategy between the Councils and MITA explaining precisely what the potential Combined Authority could and could not do.

## **11.0 OTHER OPTIONS CONSIDERED**

- 11.1 The Liverpool City Region Review of Strategic Governance considered maintaining the status quo, establishing a Supervisory Board and establishing an Economic Prosperity Board, as set out in Appendix One. The review concluded that the establishment of a Combined Authority offered the City Region the greatest benefits.

## **12.0 CONSULTATION**

- 12.1 Stakeholders will be consulted and invited to comment on the proposals in the Review of Strategic Governance as described in section 9 of this report.

### **13.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

13.1 There are no direct implications for voluntary, community and faith groups from the recommendations set out in this report. They will be invited to respond to the consultation on the review and preferred option.

### **14.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

14.1 The Review of Strategic Governance within the Liverpool City Region is being conducted within existing resources.

14.2 Should the proposal to create a Liverpool City Region Combined Authority be approved, it would not have any additional resource implications for constituent Councils and would be expected to be at least cost neutral.

### **15.0 LEGAL IMPLICATIONS**

15.1 The conduct of the Review of Strategic Governance and the potential establishment of a Liverpool City Region Combined Authority is set out in the Local Democracy, Economic Development and Construction Act of 2009.

### **16.0 EQUALITIES IMPLICATIONS**

16.1 Has the potential impact of your proposals been reviewed with regard to equality?

Yes and impact review has been sent to the Equality and Diversity Co-ordinator.

### **17.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

17.1 There are no carbon reduction and environmental implications directly arising from the recommendations in this report.

### **18.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

18.1 There are no planning and community safety implications directly arising from the recommendations in this report.

### **19.0 REASONS FOR RECOMMENDATIONS**

19.1 Governance in the Liverpool City Region is in need of improvement in order to formalise existing informal arrangements, signal to businesses and Government that the City Region is serious about working together and potentially draw down additional powers and funding from Government.

19.2 The draft Review of Strategic Governance and outline of the potential role for a Liverpool City Region Combined Authority are recommended to be approved and to be subject to consultation before being any final approval and submitted to Government.

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## **APPENDICES**

Appendix One – Draft Liverpool City Region Strategic Governance Review

Appendix Two – Draft Outline of the Potential Role for a Liverpool City Region Combined Authority

Appendix Three – Draft Scheme for the Establishment of Combined Authority for Liverpool City Region

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Cabinet</b>	<b>11 July 2013</b>