

**Bristol, Bath & South Gloucestershire  
delivering productivity and prosperity**

Draft Governance Review  
for Bristol, Bath & South Gloucestershire 2016

## Recommendations

- **The delivery of economic development and transport arrangements for Bristol, Bath & South Gloucestershire will be made more efficient by the formation of a Combined Authority with a directly elected mayor.**
- **The Mayoral Combined Authority will be effective over a geography comprising the local authority areas of Bath & North East Somerset, Bristol, and South Gloucestershire.**

## Introduction

1. In July 2015 the West of England Strategic Leaders' Board, comprising the Councils in the West of England area (Bath & North East Somerset Council, Bristol City Council, North Somerset Council and South Gloucestershire Council) agreed proposals to review their governance arrangements in order to deliver their ambitious plans for economic growth in the West of England (WoE).
2. This document has been prepared by Bristol City Council's Devolution Programme Management Office, on behalf of the Chief Executives and City Director of the WoE councils. It details the findings of a governance review that has been undertaken under Section 108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA)<sup>1</sup> as amended by the Cities and Local Government Devolution Act 2016 (CLGDA)<sup>2</sup> to review the exercise of statutory functions in relation to the combined areas of the Councils ("the review area") with a view to deciding whether to prepare and publish a scheme for a combined authority under section 109.
3. The geography of the 'review area' has been determined following negotiations with Government on a Devolution Agreement. These negotiations were undertaken by the four Councils noted above, but it has become clear that one council, North Somerset, does not wish to continue and so the Constituent Councils for the purpose of this review are Bath & North East Somerset, Bristol and South Gloucestershire.
4. The Councils may publish such a scheme if they conclude on the basis of this review that the establishment of a combined authority would be likely to improve the exercise of statutory functions in relation to the review area.
5. The issues set out in this document have been the subject of engagement with stakeholders. This document will also accompany the Scheme during its formal consultation, should the Councils decide to proceed with publication and consultation.

6. The findings of this governance review will be considered by each of the constituent councils who will consider whether to publish a 'scheme' for a Combined Authority (CA). If they do, the scheme will be the subject of a public consultation exercise, carried out by the Councils to inform the decision of the Secretary of State for Communities & Local Government on whether to make an order to establish a Combined Authority and transfer functions.

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<sup>1</sup> The Act can be found at <http://www.legislation.gov.uk/ukpga/2009/20/contents>

<sup>2</sup> The Act can be found at <http://www.legislation.gov.uk/ukpga/2016/1/contents>

## Executive Summary

7. In accordance with the statutory framework the purpose of this Governance Review has been to:
  - review the exercise of statutory functions in relation to the review area with a view to deciding whether to prepare and publish a scheme under section 109 of the Local Democracy, Economic Development and Construction Act 2009;
  - consider the options available for making changes to existing governance structures and arrangements with a view to improving the exercise of statutory functions;
  - determine which option is likely to be most beneficial to the review area, through strengthening the overall governance arrangements and improving the efficient exercise of statutory functions.
8. The Governance Review has found that the review area, comprising the three Councils of Bath & North East Somerset (BANES), Bristol, and South Gloucestershire, can be fairly described as a Functional Economic Market Area (FEMA). It is clear from a variety of evidence, such as the findings of the West of England Economic Development Needs, that the four-Council area (that is, including North Somerset) represents a FEMA.<sup>1</sup> However, there is a wealth of evidence that identifies the three-Council area as a distinct FEMA in its own right.
9. This review was initiated in response to growing evidence that the success of the West of England economy was showing signs of strain and overheating. This review was seen as an important part of considering whether changes to governance arrangements might not improve the efficiency of economic interventions. At the same time, West of England Councils were invited to propose a devolution agreement to support future economic growth – a deal involving devolution of significant resources (over £1bn Govt. investment) and new powers was reached in March 2016 – and it is in the context of that deal that this governance review should be considered.
10. At the level of governance and decision-making there are a number of limitations within the current arrangements, largely relating to the lack of a single, formally constituted body responsible for taking strategic decisions about economic growth across the review area. This gives rise to potential problems such as lack of clarity, duplication and inefficiency of decision making. The Review also concluded that current arrangements inhibit long term strategic decision making and are insufficient to support the ambitions of the area. A less cumbersome governance arrangement is needed to address the challenges that the review area will face in the future, as well as providing greater transparency and accountability.

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<sup>1</sup> [https://www.jointplanningwofe.org.uk/gf2.ti/f/636546/18039493.1/PDF/-/EDNA\\_final\\_report\\_4.12.15.pdf](https://www.jointplanningwofe.org.uk/gf2.ti/f/636546/18039493.1/PDF/-/EDNA_final_report_4.12.15.pdf)

11. The financial position facing local authorities should not be overlooked. Over the last four years, there have been significant reductions in the Government's funding of local authorities. Reductions in local government funding have been higher than in other parts of the public sector. It is therefore imperative that all future governance models are efficient and reduce duplication and waste wherever possible.
12. The Review notes that the devolution deal with central government is contingent on a mayoral combined authority. This is the appropriate mechanism by which the powers and funding set out in the agreement can be decentralised and devolved to the locality, enabling the efficient exercise of functions locally and benefiting local economic growth in the review area. The appropriate geography for that area being the three Councils districts as stated above, given that governance arrangements cannot be imposed upon any Council and any form of Combined Authority must be collaboration between willing parties.

## **Methodology for the Governance Review**

13. The governance review has comprised the following:-
  - A. A review of the economic evidence in order to assess the existence of a WoE functional economic market area (FEMA)
  - B. A review of the economic evidence in order to assess the effectiveness of current arrangements;
  - C. A review of current governance arrangements and their effectiveness and efficiency
  - D. Summary of proposed devolution agreement
  - E. Desk research of possible future governance structures, assessment of their contribution to economic growth and an option appraisal;
  - F. Summary of Findings

### **A. Review of Economic Evidence – Functional Economic Market Area**

14. The review of economic evidence relies heavily upon the WoE Local Economic Assessment 2015, which is available on the WoE LEP website<sup>2</sup>. The review also took account of data and analysis in the Economic Development Needs Assessment and Strategic Housing Market Area Assessment, developed as part of the WoE Joint Spatial Plan process.
15. The review area already contributes £26.7 billion to the national economy each year, and is the most productive Core City Region outside London. As an economic geography, our area makes a positive net contribution to UK Gross Domestic Product, earning more money per capita for HM Treasury than is spent on the delivery of public services.

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<sup>2</sup><http://www.westofenglandlep.co.uk/assets/files/About%20Us/Economic%20Intelligence/20150924%20WoE%20LEA%20Final%20Report.pdf>

16. Some of the most significant aerospace, advanced engineering, high technology, creative and business services in the UK are located here. We have a significant UK port and are well served by national transport links, both road and rail, to London and the rest of the country.

### **Bristol, Bath & South Gloucestershire as a Functional Economic Market Area**

17. The review area can be fairly described as a FEMA. There are some arguments for Bath having its own FEMA, based upon the Bath Travel to Work Area and Housing Market Area, but these are overlapping market areas rather than clearly distinct and are outweighed by significant commonalities across the geography.

### **Defining FEMA**

18. Defining the geography of the review area as a FEMA is one of the statutory requirements to make changes in governance arrangements, under the 2009 Act. Government advice gives no standard approach to defining a functional economic market area. However, it is possible to define them taking account of factors including travel to work areas and service market for consumers.<sup>3</sup>

### **Labour Market**

19. The review area can be described as a 'self-contained labour market', a key component of describing a functional economic market area; as shown in Table 5 below, 81% of residents aged over 16 also work in the area (including those who work at home). 67% is regarded as the threshold for the labour market being self-contained.
20. In addition, there is labour market evidence justifying the geography of the review area as opposed to that of the West of England LEP area (that is, without North Somerset)
  - As shown in Figure 1 below, Weston-super-Mare is attributed its own Travel to Work Area (TTWA) with 75% of North Somerset residents aged over 16 also working in the area (including those who work at home), see Table 5 below.
  - As shown in Tables 1-3 below, there are some qualitative differences between North Somerset and the review area in terms of key labour market characteristics (such as industrial structure, occupational structure and earnings growth);
  - In the North Somerset Local Economic Assessment 2012-13, there is a finding of multiple links with "identified economic areas covering Bath, Trowbridge, Swindon, Cheltenham, Gloucester and Bristol." It is suggested that North Somerset could sit in two separate but overlapping functional economic market areas – both the West of England (a sub-zone of the South West's 'North East Triangle') and the 'M5 Corridor', which stretches from Exeter to North Somerset.

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<sup>3</sup> <http://planningguidance.communities.gov.uk/blog/guidance/housing-and-economic-development-needs-assessments/scope-of-assessments/>

## Service Market for Consumers

21. In Javelin Group's 'Venuescore' ranking of the UK's top 3,000 retail centres, based on a variety of criteria such as quantity and quality of shops, location, regional significance and consumer attractiveness, both Bristol and Bath are ranked in the top 20 (15<sup>th</sup> and 19<sup>th</sup> respectively). These rankings demonstrate the economic significance of both Bristol and Bath as regional centres.

**Figure 1 - Travel to Work Areas (TTWA) based on 2011 Census**



**Table 1 – Major sector employment patterns by UA, 2014**

Sector	Proportion of total employment in selected sectors				
	West of England	BANES	Bristol	North Somerset	South Glos.
Health & Social Care	14.1%	18.1%	15.4%	9.0%	14.1%
Wholesale & Retail	15.0%	15.8%	14.7%	15.8%	14.5%
Education	8.9%	12.4%	9.2%	7.2%	7.4%
Professional & Scientific	9.8%	8.9%	11.5%	7.2%	8.7%
Admin & Support	8.8%	5.3%	9.8%	9.5%	8.6%
Accommodation & Food	6.7%	9.6%	5.9%	7.6%	5.8%
Finance & Insurance	5.3%	2.8%	7.1%	1.6%	5.8%
Public admin.	5.1%	2.8%	4.1%	4.6%	8.2%
Transportation & Storage	4.1%	1.9%	4.2%	5.7%	4.3%

Business Register and Employment Survey (BRES) via NOMIS

**Table 2 – Occupational employment patterns by UA, 2014**

Occupation	Proportion of total employment by occupation				
	West of England	BANES	Bristol	North Somerset	South Gos.
Managers & Directors	9.0%	9.4%	7.8%	12.6%	8.4%
Professionals	24.9%	26.4%	27.5%	19.2%	23.6%
Associate Professionals	16.4%	16.8%	16.7%	15.4%	15.4%
Admin.	10.2%	9.2%	8.3%	11.6%	13.1%
Skilled Trades	8.3%	9.6%	7.7%	7.3%	9.3%
Care & Leisure	7.8%	7.8%	8.0%	9.2%	6.6%
Sales	7.8%	6.9%	8.6%	8.1%	7.1%
Process Operatives	4.8%	4.5%	4.9%	4.7%	4.8%
Elementary Occupations	10.4%	9.3%	10.1%	10.8%	11.2%

Annual Population Survey (APS), via NOMIS

**Table 3 - Differences in earnings growth through recession & recovery by UA**

Mean annual gross pay	Earnings Growth 2008-15				
	West of England	BANES	Bristol	North Somerset	South Gos.
Workplace analysis	6.7%	16.9%	7.0%	-0.2%	5.7%
Resident Analysis	9.8%	12.9%	9.2%	0.4%	16.9%

Annual Survey of Hours & Earnings (ASHE) via NOMIS

**Table 5 - Self-contained labour market data**

<b>Excluding No fixed place and working at home</b>	WoE	Bristol, Bath & South Gos.	Comments
Live and work in (live and work in UK)	85.4	78.8	% that live in UK and work in the two combinations
Work in UK and Live in	90.1	87.2	% that work in UK and live in the two combinations
<b>Including working at home</b>			
Live and work in (live and work in UK)	86.9	80.9	% that live in UK and work in
Work in UK and Live in	91.2	88.5	% that work in UK and live in
<b>Including working at home &amp; working outside UK or offshore</b>			
<b>Live and work in (live and work in UK)</b>	<b>86.9</b>	<b>80.9</b>	<b>% that live in UK and work in</b>
Work in UK and elsewhere and Live in	91.0	88.3	% that work in UK and live in

Census 2011



## B. Review of Economic Evidence – effectiveness of current arrangements

22. In summary:

- The population of the review area is 896,000, of whom 579,000 are working age (with an economic activity rate of 81%)
- GVA equates to c.£26.7bn (2014)
- Nearly 140,000 residents live in communities experiencing comparatively high levels of deprivation.

23. The West of England LEP Economic Assessment (2015) summarises the current state of the economy as follows:

*The West of England economy has some outstanding strengths to set it in good stead for economic development and growth in future:*

- *Strong rates of entrepreneurship, presence of significant businesses, and track record in foreign direct investment*
- *Strong share of employment in high value added manufacturing and services activities; with stronger predisposition towards ‘tradeable’ activities that compete on quality, design and innovation.*
- *High rates of skills and qualifications in the workforce;*
- *High rates of economic participation and a growing workforce.*

*However, like many successful economies, the pressures of infrastructural and housing demand have often exceeded supply. In addition, the area’s productivity advantages seem to be eroding. Despite high rates of job growth, the rate of GVA growth over recent years has been low.*

*On balance, the strengths outweigh the weaknesses, and cannot be underestimated. Not many UK city regions (particularly those based around core cities) have such advantages, nor lie in such proximity to London and the South East of England. They should mean that the West of England will experience relatively strong rates of economic growth over the next decade.*

24. Overall, the City Region experiences comparatively low levels of deprivation, with 15.5% of the population living within the most deprived 20% of LSOAs (small statistical areas used for national statistics), however this still represents 139,130 residents.

25. The most deprived communities are not distributed evenly throughout the review area. Table 6 below shows the number of residents living within the most deprived 20% of English LSOAs by each Council.

Table 6 - Council Population in most deprived 20% of English neighbourhoods.

<b>Local Authority</b>	<b>No. population in most deprived 20%</b>
Bath and North East Somerset	7,301
Bristol	130,528
South Gloucestershire	1,301
Review Area Total	139,130

## **Economic Challenges**

26. Despite the review area's economic strengths outlined above in paragraph 23, the evidence base indicates there are key issues that need to be addressed in order to sustain growth:
- The review area has weathered the recession better than other areas, but post-recession growth has slowed to below the national average. Productivity, although higher than the national average, has not grown in line with the rest of the UK. Productivity in Bristol is now lower than in the surrounding area.
  - There is an emerging infrastructure deficit that is threatening to hold back the area's growth potential and competitiveness.
  - Road congestion in Bristol and the surrounding area is the highest of any comparable city in the UK. Equally, the poor public transport offer has hampered efforts to tackle unemployment and welfare dependency, with inadequate links between areas of higher employment density and persistent concentrations of unemployment and economic inactivity.
  - Housing affordability has declined rapidly over the past 15 years. Average house prices range from 6.8 times median earnings in Bristol (the highest of any English Core City) to 8.7 in Bath and North East Somerset. Private sector rents in the city region have increased faster than any other area outside London over 2011-2013 (12.5%)<sup>4</sup>.
  - ONS trend based forecasts point to a potential growth in the city region's population of almost 20% by 2035. This reflects the historic attractiveness of the region and its strengths, but is only deliverable if the region's infrastructure can cope.

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<sup>4</sup> National Housing Federation (NHF) 'Home Truths' 2014/15

- Finally, there are scattered neighbourhoods across the review area with concentrated and persistent high deprivation and overlapping issues with skills attainment, health, and access to employment. These neighbourhoods represent both an opportunity cost, in terms of unused potential, and a real cost to Government, in terms of welfare expenditure.

## **Growth and opportunity**

27. The challenges outlined above formed the rationale for the review area's ambitions for a devolution deal, following on from a clear indication that additional resources will be required to deliver both:

- Increased infrastructure investment in order to remove the current constraints to sustainable growth (including housing need, affordability and congestion), allowing the city-region to capitalise on the strong forecast population and employment growth (thereby capturing the associated agglomeration/productivity gains that this would generate); and
- An improved employment and skills offer that engages employers, to ensure that there is an appropriately qualified labour force to take advantage of this growth, and to address areas of deprivation and worklessness.

## ***The LEP Economic Assessment also summarised the following characteristics of the local economy***

### **Strengths**

28. *The West of England economy has higher rates of entrepreneurship, skills and qualifications than average. Rates of productivity are also higher. This is reflected in the product-market strategies of businesses, which tend to be more geared towards quality, innovation and design compared to nationally – as well as the higher rates of employment in the knowledge economy and high- and medium- technology manufacturing.*
29. *The West of England has demonstrated a capability for growth in the past, both in terms of economic output and jobs. And it has demonstrated resilience, as the area was only one of five LEP areas which did not experience a nominal economic contraction during the recession.*
30. *Another significant strength is the size and economic participation rates of the workforce; and the projected growth in the workforce. The West of England does not face population ageing to the extent that the national economy, and other regional economies do.*
31. *The West of England is also a significant headquarters location for businesses and has a track record in attracting foreign direct investment. This track record will help in further increasing awareness of the area as a competitive business location, and will help make the case to future investors.*

## **Weaknesses**

32. *A notable weakness has been the lower rates of economic growth and jobs growth since 2010, and the decline growth rate in productivity. Between 2010 and 2012 economic output decreased in many of the service sectors, including Information and Communications, Finance and Insurance and Business Service Activities. Historically, these have tended to be the sectors with growth potential in terms of jobs and output.*
33. *Another observation is that high rates of jobs growth are not being reflected in GVA growth rates, and that high rates of workforce qualifications and skills offer no clear premium in terms of earnings (when compared to the national average).*

## **Opportunities**

34. *Manufacturing growth, in particularly high- and medium- technology manufacturing presents a significant future opportunity. The West of England has a higher share of residents in scientific and technology professionals, which will help to potentially underpin further growth. The higher share of establishments competing on quality, innovation and design offers further advantages for market growth and export potential.*
35. *As mentioned, the track record in foreign direct investment and presence of headquarters will help to attract further investment to the West of England. Coupled with the current strengths in terms of skills and qualifications, the area has a compelling offer for business investment.*

## **Threats**

36. *The financial services sector has contracted sharply in the West of England in terms of employment and economic output. It is unlikely that this sector will be the driver of growth in jobs and for the economy going forward.*
37. *If the productivity growth rate continues to fall relative to the national rate, then the West of England's superior productivity performance will potentially erode and fall below the national average.*
38. *There is some evidence of labour market tightening (where some employers face increasing recruitment difficulties) – via the incidence of a higher rate of skills shortage vacancies; and high rates of economic participation. Of course, this may be partially offset by natural population change, and in particular an influx of young people into the labour market. However, labour demand does not always change in a smooth and gradual way, particularly in the aftermath of a recession – there are usually periods of peak recruitment that are part of the business cycles in various industries. This may prove challenging for some local employers.*
39. *One potential future threat is the deterioration in qualifications attainment of young people. Whereas the population projections paint a picture of strong*

*future labour supply and young entrants to the labour market, the trends in qualifications attainments may suggest that there could be deficiencies in the qualifications of these young people. Whereas in many economies, the cohort effect means that many older members of the workforce with no qualifications are set to leave the workforce, this may be counteracted to some degree by young people entering the workforce with low or no qualifications.*

40. *As with many local economies in the UK, the costs of housing have increased significantly over recent years, and there have been indications of increasing levels of traffic congestion. If left unaddressed, these will affect the ability to compete as an economy.*

## **C. Review of Current Governance Arrangements**

41. Current arrangements for joint working on transport, planning and economic development have developed through the West of England Partnership (WEP). This loose partnership of four Councils was formed in the late 1990's following the demise of Avon County Council to facilitate cross boundary or multi-authority working on specific issues.
42. The WEP brought together and managed the collaboration between the Councils, predominantly on joint transport planning, spatial planning and economic strategy. Having no statutory powers or resources, it relied upon consensus between the constituent Councils and was frequently able to achieve this to the benefit of the whole area.
43. In 2011, the West of England Local Enterprise Partnership was formed, covering the same geography as the WEP. In an effort to avoid duplication and to streamline sub-regional activities, there was an effective merger of WEP and LEP. WEP staff and organisation were transferred into the LEP structure and took on functions that were essentially delegated by, or 'pooled' between, the four local authorities. The move to a three-council governance arrangement will formalize this joint-working between the councils concerned, but will also facilitate the continuation of pooling of functions, especially in planning, transport and inward investment, across the LEP geography; something to which all councils and the LEP are committed.
44. This integration between the relatively informal, locally determined WEP and the Government-inspired and directed LEP has worked well and has achieved some notable successes for the city-region. In 2012, the Councils and LEP combined to secure a City Deal, which provided the city-region with an Economic Development Fund worth a minimum of £500m over 25 years. Subsequent to that, and the agreement of a Strategic Economic Plan in 2014, over £230m of Local Growth Fund was allocated to the city-region. For such "legacy" funding, partnership arrangements between all four councils in the LEP area will need to continue in order to deliver the City Deal and Strategic Economic Plan, to which all parties are committed.

## Strategic Leaders' Board

45. Governance of the West of England was enhanced, in response to taking on responsibility for these significant sums of public money, by the formation of a Strategic Leaders' Board (SLB). The SLB, consisting of the Leaders of BANES, North Somerset and South Gloucestershire and the Mayor of Bristol, is the ultimate decision making body for the city region at the head of an assurance framework and responsible for the stewardship of public money.
46. The SLB is a joint executive committee with "such powers as may from time to time be delegated to the Board by the Executives of the Authorities or by any of the Authorities".
47. The overall objective of the SLB is to focus on strategic economic issues and to unlock barriers to growth in support of delivering the Strategic Economic Plan, but its full terms of reference are to:
  - a) Provide strong collective leadership and strategic direction to realise the full economic potential of the West of England.
  - b) Provide clear direction to support the development and delivery of key strategies to improve the economic conditions across the West of England area.
  - c) Provide a means for the formulation and expression of joint views of the authorities to central government and other bodies and organisations in respect of legislation, proposed legislation and other matters of concern, interest or relevance to the West of England economy with a particular focus on removing barriers to growth and the delegation of additional powers and funding.
  - d) Strengthen the co-ordination of joint local authority activity across the West of England, including the activities of the LEP, SLB, Joint Transport Board and the Planning, Housing and Communities Board.
  - e) Identify and develop any new areas of joint working between the local authorities to further joint economic objectives.
  - f) Work with other appropriate agencies and bodies beyond the West of England in order to achieve any shared economic objectives.
  - g) Watch over, protect and promote the interest, rights, powers, functions and duties of the Authorities.
  - h) Ensuring that any proposals, actions whether agreed or considered will be subject to an obligation upon the Leader of each of the Authorities to report it to their own authority.
  - i) Take any decisions required to deliver the Strategic Economic Plan, including additional funding, freedoms and flexibilities, and delivery directly resulting from the Plan and the subsequent Growth Deal. This will not include issues covered by existing Joint Committee arrangements (JTEC or any new PHCB).
  - j) Making decisions based on recommendations from the LEP Board.
  - k) Informing LEP policies and LEP applications for funding programmes.
  - l) Provide a formal and accountable forum for decision making relating to all relevant LEP or West of England funding streams; recommendations will come from the Investment Board via the LEP Board.

### **Joint Transport Board**

48. The Joint Transport Board is actually two separate bodies that meet consecutively given that they cover similar issues. The Board is made up of four elected members, one from each of the four councils, and two members of the LEP.

### **Local Transport Body Board**

49. This board is made up of both Council and LEP members and fulfils the function of administering delegated funding to the area by the Department for Transport (DfT) by means of an assurance framework, which is discussed further below.

### **Joint Transport Executive Committee**

50. This is a joint executive committee of the four Councils. The purpose of the committee is to “develop and implement a Strategy to alleviate traffic congestion, cope with anticipated population and traffic growth and to meet local transport and development needs and to promote the economic, social and environmental improvement of their areas, which Strategy shall comprise a Local Transport Improvement Programme of local transport projects pursuant to the Highways, Transport and Planning functions of the Authorities.”
51. The Committee has a sophisticated set of procedure rules and constitution, reflecting the weight and level of expenditure involved in its decision making. This includes, express delegations, reserved matters for decision and matters outside of delegation. A key delegation, for example, is:
- To receive recommendations from each of the Councils for local transport projects to be included within the Local Transport Improvement Programme, and to develop and determine the Local Transport Improvement Programme on the basis of such recommendations, and to revise that Local Transport Improvement Programme from time to time. For clarification it is stated that the Joint Transportation Executive Committee may not include a local transport project within the Local Transport Improvement Programme except on the recommendation of the Council or the Councils within whose area(s) the project lies.

### **Planning Housing & Communities Board**

52. This Board is made up of the executive or senior council members with responsibility for planning and housing from each West of England Council. The principle purposes of the Planning, Housing & Communities Board are to
- a) Advise and make recommendations to the SLB and to Council Cabinets/Committee, working with the Joint Scrutiny Committee and Infrastructure and Place Group; and

- b) In accordance with the Duty to Cooperate, oversee and collaborate on sub-regional planning and development issues.
53. The Board has never been established as a joint committee and remains a forum for discussion alone. Nonetheless, the Board has overseen the development of the Joint Spatial Plan and makes recommendations to the SLB or their own Council.

### **Joint Scrutiny Committee**

54. This is a coming together of the overview and scrutiny committees of each Council with responsibility for exercising scrutiny over the public functions of the LEP and of the above boards. There is a degree of concern locally regarding the effectiveness of joint scrutiny, together with some frustration with an inability to fully scrutinise LEP processes due to the breath of material and its detail, including the 'one front door' approach to project selection.
55. For all normal purposes, the Committee acts as one, with one Chair, one agenda and set of minutes published and, importantly, one discussion and decision as though one meeting.
56. However, this is not the case when a decision is to be called-in. Here, the call-in is undertaken by the one Committee of four and the meeting is organised and resourced through that particular Council, rather than jointly by the LEP as normal. Although the constitution provides that the one committee of four should invite the others to join with it in their call-in process.

### **West of England Local Enterprise Partnership**

57. Local Enterprise Partnerships (LEPs) are voluntary partnerships between local authorities and businesses set up in 2011 by the Department for Business, Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area. They carry out some of the functions previously carried out by the regional development agencies (RDAs) which were abolished in March 2012
58. They are intended to have three key priorities, being (a) shifting power to local communities and businesses (b) increasing confidence to invest (c) focused investment. Some of the roles of LEPs include:
- working with Government to set out key investment priorities, including transport infrastructure and supporting or coordinating project delivery;
  - coordinating proposals or bidding directly for the Regional Growth Fund, Local Growth Fund, etc.;
  - supporting high growth businesses, for example through involvement in bringing together and supporting consortia to run new growth hubs;
  - making representation on the development of national planning policy and ensuring business is involved in the development and consideration of strategic planning applications;



- lead changes in how businesses are regulated locally;
  - strategic housing delivery, including pooling and aligning funding streams to support this;
  - working with local employers, Jobcentre Plus and learning providers to help local workless people into jobs;
  - coordinating approaches to leveraging funding from the private sector;
  - exploring opportunities for developing financial and non-financial incentives on renewable energy projects; and
  - becoming involved in delivery of other national priorities such as digital infrastructure.
59. This list omits some responsibilities previously held by RDAs, such as inward investment, innovation, and access to finance, which continue to be led by central government.
60. Two other areas that fall to the LEP are:
- Enterprise Zones, where the LEP's role will be to identify the barriers which are impeding the growth of the local economy and the necessary options from the menu on offer to overcome such barriers. LEPs will also be able to bring together a wider package of support, by working with local colleges and Work Programme providers and linking Enterprise Zones to current and planned infrastructure
  - EU Structural and Investment Funding (the European Regional Development Fund and the European Social Fund plus elements of other such funds), where LEPs are responsible for designing and delivering strategies on how best to use this funding. Whilst LEPs are responsible for the outcomes, they are not to be responsible for administering the funds themselves, which remains the responsibility of central government to ensure compliance with EU rules either directly or through local authorities.

## **SKILLS AND EMPLOYABILITY**

### **Further Education**

61. Further education is defined as being both
- a) full-time education for 16- to 18-year-olds (unless it is suitable for, or provided at a school for, younger pupils, when it is secondary education) and
  - b) education provided for persons of 19 and over (except where it is education under a particular course of secondary education which a person began before becoming 18).
62. Higher education is defined by reference to specified courses, including courses leading to degrees and higher professional examinations.
63. The governance of this sector is the responsibility of
- Educational institutions within the further education sector

- Skills Funding Agency and the Department for Business, Innovation and Skills (BIS)
  - The Councils.
  - Regional School Commissioners
- with influence formally applied through the LEP and also other business representative bodies.

64. The Councils currently have a duty to encourage participation in education and training by persons who are over compulsory school age but under 19 and those who are subject to learning difficulty assessment and are aged 19 or over but under 25, and to encourage employers to participate in education or training provision for such persons
65. The Skills Funding Agency (SFA) is an executive agency of the Department for Business, Innovation and Skills (BIS). It operates under a statutory official, the Chief Executive of Skills Funding (CE), appointed by the Secretary of State. Their principal responsibilities concern the securing of reasonable facilities of sufficient quality and quantity for the education and training of persons falling within group a) above, the securing of apprenticeship training facilities for such persons, and the encouragement of employers to contribute to apprenticeship training and its cost.
66. The further education sector consists of further education corporations and sixth form college sector. These corporations within the review area are
- Bath College;
  - City of Bristol College;
  - South Gloucestershire and Stroud College; and
  - St Brendan's Sixth Form College
67. Regional School Commissioners are the means by which the Secretary of State for Education manages their relationship with school academies and, in this context, their sixth forms providing 16-19 education.

### **Further Education Area Review**

68. The Government is currently conducting a review, including the sub-regional reviews, which has started by assessing the economic and educational needs of the area, and the implications for post-16 education and training provision, including:
- school sixth forms
  - sixth form colleges
  - further education colleges
  - independent providers
69. This approach aims to move towards fewer, larger, more resilient and efficient providers, and more effective collaboration across institution types. The Government considers that it will be important to create greater specialisation, by establishing institutions that are genuine centres of expertise, which will be able to support sustained progression in professional and technical

disciplines, alongside excellence in other fundamental areas – such as English and maths.

70. The Government feels that this will produce the right capacity to provide good education and training for our young people and adults across England. In the longer term, the greater specialisation resulting from a review is intended to help with the creation of a new network of prestigious Institutes of Technology. These new institutions will work collaboratively with other colleges and providers, including National Colleges, to deliver high standard technical and professional education at levels 3, 4 and 5.
71. Draft recommendations from the Area Review do not include any amalgamations of institutions, leaving all colleges as stand-alone and independent. The review includes a call for establishing a 'Strategic Planning Group', bringing together colleges, LEP, the Mayoral Combined Authority, North Somerset Council and Higher Education Institutions. The planning group will meet bi-annually to ensure curriculum co-ordination, the most effective use of current estates across the area and any new capital funding and coordination of other aspects of the post-16 learning agenda. Participation in this group will enable the Mayoral Combined Authority to ensure efficient collaboration with other key players in the local skills system.

### **Employability service and improved pathways to skills, qualifications and work**

72. The Department for Work and Pensions (DWP) currently holds the direct responsibility for delivery of these functions.
73. The Councils, however, also provide some services within their areas to assist in achieving related objectives of their own or in some partnership with the DWP and BIS.

### **West of England Local Enterprise Partnership Skills Group**

74. Aims and Purpose of the Skills Group
- To support the goals of the West of England Local Enterprise Partnership, as defined in the Strategic Economic Plan (SEP) and specifically:
  - Developing and sustaining a well-motivated workforce with the right skills at the right levels to meet business need now and in the future;
  - To ensure that the rate and volume of jobs growth – particularly in the five priority sectors – is not hampered by the lack of an available local skill base.
  - To determine in support of these goals:
    - Current and future skills needs and gaps across the LEP area, particularly in the priority sectors and areas identified in the SEP.
    - Appropriate business-led strategy and actions regarding young people not in education, employment or training (NEET), unemployed and up-skilling to lessen the adverse impact of low skills and unemployment on the growth economy of the LEP.

- To be responsible on behalf of the LEP for:
  - Approving the annual LEP Skills Plan.
  - Setting the focus and overseeing the delivery of this Plan and its priorities and programme of actions, and supporting the SEP Skills agenda.
  - Providing regular highlight reports to the LEP Board and escalating any key issues.
  - Horizon scanning to identify strategically relevant funding opportunities.
  - Providing a steering group function to coordinate and monitor the delivery of these strategically relevant and business-led externally funded contracts, and reviewing progress against targets, and ensuring commitments are fulfilled satisfactorily.
  - Capitalise on the LEP's strong strategic relationships including, partnerships, consortia, umbrella organisations as well as operational relationships directly with individual schools, colleges and employers.
  - Provide direction and oversee the actions of the LEP Skills client team.

### **Supporting & attracting businesses**

75. UK Trade & Investment (UKTI) is a non-ministerial department that is responsible for:
- international trade and investment
  - helping UK companies achieve their potential overseas through exporting
  - encouraging investment in the UK by overseas businesses
76. It works with UK based businesses to ensure their success in international markets through exports. It also encourages and supports overseas companies to look at the UK as the best place to set up or expand their business. There is UKTI South West office, which has staff based in London and Bristol.
77. The Councils also have a role in terms of economic development and this remains a key policy objective for them, delivered directly and jointly and in partnership with the LEP and through delivery vehicles such as the City Deal and the subsequent Strategic Economic Plan, launched in 2014.
78. Invest Bristol & Bath (IBB), which was formally known as Invest West, is the investment promotion partnership for the West of England region delivering its activity in an integrated manner between the West of England Local Enterprise Partnership and the Councils' economic development teams.
79. The service is designed to provide a central resource, intelligence and co-ordination point for generating and handling investment leads and accounts, with each Council partner fully engaged in the service in order to land and continually support investors. IBB supports investment by companies that intend to create additional jobs, or directly invest quantifiable capital in the region, which has a direct link to the region's economic development priorities.

80. IBB is now hosted by the LEP and is funded by the Economic Development Fund established as part of the City Deal. It was previously funded for a period through grant funding provided by BIS, also as part of the City Deal.

## **Transport**

81. The Councils are highway authorities for all roads except those for which the Secretary of State or a strategic highways company is the highways authority. As the local transport authority, each Council must
- a) develop policies (“local transport policies”) for the promotion and encouragement of safe, integrated, efficient and economic transport to, from and within its area; and
  - b) carry out its functions so as to implement those policies.
82. The Councils have worked together for some time to deliver a Joint Local Transport Plan over the whole of the West of England. This is co-ordinated through a Joint Transport Executive Committee, which sits alongside the Local Transport Body Board and forms the Joint Transport Board. It is administered by the West of England LEP and supported by the Joint Scrutiny Committee in the way described.
83. It is also the duty of each Council to secure the provision of such passenger transport services as they consider appropriate to secure to meet any public transport requirements within the Council’s area which would not in its view be met apart from any action taken by the Council. Once the public transport requirements have been identified, the Council is entitled when deciding the appropriate level of public transport in its area to take into consideration the funds available and the source of the funds.
84. Highways England is a Government owned company with operational responsibility for maintaining, operating and improving the strategic road network in England.
85. Local Transport Bodies (LTB) are voluntary partnerships between the Councils and the Local Enterprise Partnerships (LEPs), with other organisations as desired, established as the means by which the DfT could devolve funding for local major transport schemes from 2015.
86. The LTB’s primary role is to decide which investments should be prioritised, to review and approve individual business cases for those investments, and to ensure effective delivery of the programme. As a partnership, one of the Councils becomes the accountable body for the funding, operating through a local assurance framework agreed with the DfT to ensure that the devolved system provides appropriate safeguards for the use of public funds and is able to deliver value for money for the overall level of Government funding.
87. With the creation of the Growth Deal, devolved major schemes funding is now part of the Local Growth Fund and the continuation of Local Transport Bodies became optional. In the WoE the LTB Board has continued to meet although

arrangements for transport schemes now sit within the wider Growth Deal assurance framework.

88. The Local Transport Body Board sits alongside the Joint Transport Executive Committee and forms the Joint Transport Board. It is administered by the LEP and supported by the Joint Scrutiny Committee in the way described.
89. Large scale projects may go through a process of obtaining Orders under the Transport and Works Act 1992 (TWA), which can authorise guided transport schemes and certain other types of infrastructure project in England and Wales, including railways and tramways. This includes where the developer is Highways England or the DfT Rail Executive and Network Rail.
90. Larger schemes on the national railway network in England, and some larger offshore energy generation schemes, are likely to qualify as 'Nationally Significant Infrastructure Projects' and require a Development Consent Order (DCO) rather than a TWA order.

## **Planning & housing**

91. The Councils are the local planning authorities for their area, with the exception of major infrastructure projects.
92. The basis of planning control in any area is the development plan, delivered through the local development framework. Local plans are delivered individually by the Councils and are subjected to Examination in Public before adoption by the individual Council. The Councils have voluntarily committed to the creation of a strategic plan for the West of England 'Joint Spatial Plan' (JSP) and this is uniquely developed on a shared basis. This plan will be supported by individual Local Plans for which the National Planning Policy Framework (2012) attributes primary weight. Decisions in respect of the JSP are taken through a Planning, Housing & Communities Board (up to 2 members per council), which is drawn from councillors with planning and/or housing responsibilities within those Councils. The Board is administered by the West of England LEP, on behalf of the Councils, and supported by the Joint Scrutiny Committee in the way described.
93. Determination of individual planning applications is a function of each Council, which will be in accordance with the respective Local Plan. Where strategic proposals cross Unitary Authority boundaries, applications are required to be submitted to each individual authority and considered independently.
94. Planning and other consents for nationally significant infrastructure projects are subject to application that, once accepted, will then be examined by a single inspector or a panel of inspectors from the Planning Inspectorate.
95. The Homes and Communities Agency (HCA) exists to help create successful communities by making more homes and business premises available to the residents and businesses who need them. The HCA is responsible for:

- increasing the number of new homes that are built in England, including affordable homes and homes for market sale or rent;
  - improving existing affordable homes and bringing empty homes back into use as affordable housing;
  - increasing the supply of public land and speeding up the rate that it can be built on
  - regulating social housing providers to make sure that they're well managed and financially secure, so maintaining investor confidence in the affordable housing sector and protecting homes for tenants; and
  - helping to stimulate local economic growth by using our land and investment, and attracting private sector investment in local areas.
96. The HCA invest mostly in building new homes, including by owning public land that they sell to house builders and others, but also in creating employment floorspace and other community facilities, in cities, towns and villages across the country. The homes they fund include affordable homes for rent and sale, and homes for rent or sale at market prices. HCA investment helps build around half of all new homes built in England each year.

#### **D. Summary of Devolution Agreement**

97. Leaders of the West of England councils, the Mayor of Bristol and the Government have negotiated the agreement seeking to devolve significant powers, funding and responsibilities to the region. Negotiations have also been supported by the West of England Local Enterprise Partnership (LEP). We have had confirmation from Ministers that the Agreement will stand, unchanged, with three councils rather than the original four. The agreement includes:
- The creation of a Single Investment Fund to deliver infrastructure to boost economic growth. Government will provide £30m a year of new funding towards this fund for 30 years, or £900m. Additional sums from other sources take the total over and above £1 billion.
  - Devolution of a multi-year transport budget, providing flexible, longer-term funding which will support more efficient and effective planning, investment and economic growth. . This will be coupled with new powers over transport including the ability to franchise bus services and responsibility for a Key Routes Network of local roads.
  - New local mechanisms for raising funding to invest in growth, including the power to place a supplement on business rates to fund infrastructure in consultation with the local business community, a Mayoral precept and a Combined Authority levy.
  - Responsibility for the new Adult Education Budget from 2018/19, helping the review area ensure that adult skills provision meets the needs of local businesses and learners.
  - Enhanced powers to speed up the delivery of new housing where most needed and resist unsustainable developments that are not in line with jointly agreed planning policies.
  - Closer cooperation between Government and the review area on promoting trade and investment with the region.

- Co-design with the Department of Work and Pensions (DWP) of the new Work and Health Programme focusing on supporting those with a health condition or disability and the very long-term unemployed. The review area will also bring forward a pilot scheme to offer intensive support for those furthest from the labour market.
- Support for realising the potential of the Bristol and Bath Science Park, and the development of the West of England Growth Hub.
- Responsibility for selecting projects to receive European Structural & Investment Funds (ESIF) through the role as an Intermediate Body.

## **Limitations of the Current Arrangements**

98. The current partnership arrangements described above have delivered a significant number of development and growth projects which were above the pro-rata expectations for LEP and other funding. An effective framework has been developed to manage and commission the £500m Economic Development Fund, £230m Local Growth Fund and various other funding streams allocated to the area. For such “legacy” funding, partnership arrangements between all four councils in the LEP area will need to continue in order to deliver the City Deal and Strategic Economic Plan, to which all parties are committed.
99. However, the current partnership arrangements have a number of constraints including:
- There is no single formally constituted body with responsibility for taking decisions related to strategic economic growth across the sub-region. This has led to a lack of clarity about decision making processes and responsibilities.
  - The current arrangements that are in place are voluntary and rely on good relations between partners and a mutual interest in working collaboratively.
  - As none of the current partnerships are formally constituted, decisions relating to economic growth and transport need to be taken by all the relevant Councils. This results in longer decision making timescales, duplication of effort and a lack of transparency leading to a potential for confusion.
  - The current governance arrangements are not sufficient for the ambitions of the area in terms of long term funding commitments for transport and infrastructure investment, devolution of funding and the ability to commission skills or employment programmes locally as set out in the Devolution Agreement.
  - Although the Planning Housing & Communities Board has provided a valuable contribution to the strategic planning process, there is still no single entity with responsibility for taking strategic decisions on spatial planning. Nor is there a straightforward mechanism for coherent long term strategic planning decisions to be made collectively by all local authorities about the future direction of growth, including distribution of employment and housing land in the city-region and key infrastructure investment. It also inhibits shared understanding about the city-region as



a single economic area and a risk that each council acting alone will have limited control or influence over the key drivers of economic growth.

- There is no vehicle to provide a single, coherent response to major, national infrastructure investments such as strategic road and rail projects.
  - There are no formal arrangements for binding decisions on strategic land use planning to be taken collectively. This has an adverse impact upon the confidence and assurance investors, central government and other agencies have in the deliverability of the sub-region's plans for economic growth.
  - There is no single, strategic commissioning body to drive and deliver locally-led solutions to improve the delivery of skills training and development across the review area.
  - Decisions on local ESIF projects are taken by national managing agents, DCLG and DWP, limiting the review area's ability to align investments with locally determined priorities.
99. As a result of one of the four Councils participating in these arrangements opting to remove itself from this governance review, and thereby from enhancements of governance arrangements and a devolution deal, there will need to be some continuation of these partnership arrangements, regardless of their limitations. There could be an amended role for the LEP, or the formation of similar, informal partnership arrangements between the group of three Councils and the individual other Council. This will be of particular importance in respect of the Joint Spatial Plan, Joint Transport Plan, inward investment service, Local Growth Fund and changes to the local skills system, amongst other issues.

## **The Benefits of Change**

100. The review area Councils firmly believe that they can build upon their successes by strengthening and formalising partnership arrangements. In particular, this would allow them to work more closely together with Government and West of England LEP to enhance their collective impact on economic growth, in the context of a Devolution Agreement. There will be some complexities and issues to resolve with a split between the Councils that have worked in loose collaboration, but there remains a genuine will to continue co-operation between Councils that will bring benefits to all residents in terms of their prosperity, environment and opportunities. In addition, joint working between two authorities (the Mayoral Combined Authority and North Somerset) is likely to be more efficient than the current joint working between four authorities.
101. Strengthened partnership arrangements would create a clear and effective platform for accelerating economic prosperity in the review area, through the creation of integrated strategic frameworks to enable the delivery of investment plans for planning, housing, transport and skills. More agile and responsive governance arrangements can enhance the review area's ability to respond to time-limited opportunities to improve the local economy or

transport infrastructure.

102. In the current financial climate, where there have been significant restrictions on local government finance over recent years, it is imperative to have governance and delivery arrangements in place that are efficient and accelerate positive outcomes from investment in economic growth.
103. An alternative arrangement will represent clear, accountable and co-ordinated leadership and governance for the review area, forming the foundation for an ambitious devolution deal for the area. The opportunities offered by a devolution deal for the review area include,
  - significant additional funding devolved from central government which will enable the city region to invest in local priorities and drive economic growth, including £900m of new funding over 30 years as part of a Single Investment Fund for the city region.
  - a fully-flexible, condition-free multi-year transport settlement providing longer term funding certainty, the freedom to invest in local priorities and a reduction in the administrative burden that the current centralised system involves
  - new financial mechanisms which provide the opportunity to generate additional resources locally to invest in growth
  - the prospect of further funding through government's competitive funding process where strong governance is an essential factor in the bidding process
  - self-determination of adult education, so that it aligns with economic need and promotes economic inclusion
  - local designation of strategic development sites to accelerate housing delivery
  - access to the resources required to implement the integrated Joint Spatial and Joint Transport Plans, prioritised to deliver economic growth through rising productivity
  - new powers over transport that will support the delivery of a more integrated, effective and efficient transport network across the review area
  - enhanced accountability and transparency of decision-making, providing assurance to residents and investors
  - greater efficiency in the provision of trade and investment services to create high value jobs

## **E. Potential new governance arrangements - options for change**

104. This review considers the following options:
  - Option 1: Continuing with current arrangements;
  - Option 2: Establishing a Joint Committee;
  - Option 3: Establishing an Economic Prosperity Board;
  - Option 4: Establishing a Combined Authority;
  - Option 5: Establishing a Combined Authority with a directly elected Mayor.

104. These options are considered in the light of the requirement that the Governance Review determines whether the creation of a single entity, whether an economic prosperity board or a combined authority would improve the exercise of statutory functions in relation to the review area, in the context of a Devolution Agreement.

### **Option 1: Continuing with current arrangements**

106. As is discussed above, there are significant limitations in the current governance arrangements that would not allow for sufficient improvements in the delivery of functions across the area. The existing fragmented decision making process would continue and without a formal link between the delivery bodies concerned it is more challenging for decisions to be co-ordinated in a way that secures maximum economic and social benefit, efficiency or scrutiny, transparency and accountability.
107. The current arrangements do include collaborative working, with some functions delegated by the Councils to area-wide bodies, in the areas of economic development (especially inward investment), planning, transport and skills. Delegation of these functions is largely the continuation of arrangements for the West of England Partnership, which are now hosted by the LEP, and would form the basis of delegation (or sharing) of functions by the Councils to a Combined Authority or Mayoral Combined Authority, to provide greater accountability, transparency and the option of a legally competent entity.
108. Despite the establishment of a Strategic Leaders' Board, there is no single, legally constituted body with the capacity to hold devolved funding and undertake commissioning on a city-regional basis. In addition, because the SLB is directed by decisions of the Councils as individual authorities means that there is no binding forum where a long term view on policy and strategy can be taken. Without this, it would not be considered prudent for third parties to make long term funding commitments.
109. Continuing current arrangements would also mean that the area would miss out on the benefits of more efficient partnership working and would leave the review area behind a number of other parts of the country which have already, or are in the process of, strengthening and aligning their decision making process in relation to transport, economic development and regeneration through the establishment of combined authorities and mayoral combined authorities. In addition, it would mean that the review area would be unable to benefit from the devolution of central government powers to the benefit of the review area.
110. The current arrangements would not allow the city-region to benefit from a single democratic and financially accountable model which is a legal entity in its own right. Nor could it provide the necessary certainty, stability and democratic accountability to allow for long-term, strategic economic decisions to be made, given the devolution of new powers and resources.

111. In conclusion, continuing with current arrangements would mean difficulties in accessing new funding and powers in line with the ambitions of the area, leaving the review area behind other areas economically with all the attendant implications for local residents. It would also perpetuate the inefficiencies in the current system.

## **Option 2: Establishing a Joint Committee**

112. A further or more formal Joint Committee would address some of the governance and accountability issues but would not dramatically improve the effectiveness and efficiency.
113. The existing Strategic Leaders' Board is, in effect, a Joint Committee, albeit one that has decided to limit its powers and functions, while operating on a general consensus basis. Due to a lack of new powers and co-ordinating body the existing and fragmented decision making structures would remain. This structure does not reduce the risk created by fragmentation and political change from one element or member to the detriment of the others or the interests of the exercise of the functions across the area as a whole
114. Section 102 of the Local Government Act 1972 enables two or more local authorities to set up a Joint Committee to discharge their functions jointly. These arrangements must comply with the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012. Joint Committees may be decision-making or advisory.
115. Most Joint Committees appoint a 'lead/accountable' council; some do this on a rotating basis. They have no legal status, cannot impose financial obligations on their constituent authorities, and have no tax-raising or borrowing powers. They do not require the involvement of national Government or Parliament and so can be set up within a matter of months.
116. The Joint Committee model allows an area to demonstrate effective decision making and political oversight for the management of funding that is allocated to the LEP.
117. Joint Committees depend especially upon goodwill and the desire for collaboration, which characterises the current arrangements and so will not address the deficiencies associated with the current arrangements. Each authority would need to authorise and delegate functions to the Joint Committee. Councils are also able to withdraw the delegation at any point in the future which poses a significant risk in terms of a lack of stability and certainty which is required to enable long term, strategic economic decisions to be made.
118. Joint Committees cannot be accountable bodies for funding purposes, nor can they employ staff due to their lack of legal status. Ultimate responsibility for finances remains with a host council. This will not meet the ambitions of the review area, which include both the devolution of powers and significant resources, requiring the confidence of Government in the robustness of the

governance arrangements set out in the Devolution Agreement.

119. Securing new investment and responding to a rapidly changing landscape requires local authority partners in the review area to be able to act with agility and pace. It is not possible for a Joint Committee to act in such a way because of the need for decisions to be agreed through the formal processes at each of the constituent councils.
120. In conclusion, the establishment of a Joint Committee would not meet the ambitions for the review area. The model represents a significant risk to partnership working, which will impact on the ability to secure long term funding commitments. In addition, the lack of legal status and financial accountability means that the same difficulties in accessing new funding and powers presented by status quo will be encountered. Further, it would mean that the review area would be unable to benefit from the devolution of central government powers, additional funding and financial freedoms.

### **Option 3: Establishing an Economic Prosperity Board.**

121. An Economic Prosperity Board would address some of the governance and accountability issues around economic development and regeneration but, as above, would still leave the issues around transport and all other statutory functions referred to outside the formal joint arrangements, limiting any real scope for improvement.
122. Economic Prosperity Boards were introduced under the Local Democracy, Economic Development and Construction Act 2009 to enable the integration of economic development (but not transport functions).
123. As a statutory body, an Economic Prosperity Board would have legal personality and is thus considered by central government to provide a strong basis for taking on devolved powers and funding relating to economic development and regeneration; for example accountable body status for an economic development single pot or European Union funding.
124. Economic Prosperity Boards cannot impose financial obligations on their constituent authorities and do not have tax-raising and borrowing powers. The establishment of an Economic Prosperity Board is subject to the same process as for Combined Authorities.
125. An Economic Prosperity Board could strengthen current partnership arrangements by providing a formal structure to lead collaboration between the review area councils on city-regional economic development and regeneration. It could also provide a stable mechanism for strategic decision making on economic issues across the city-region. This would be of some benefit because it would enable long term funding commitments to be made.
126. Economic Prosperity Boards can take a strategic view of economic development and where investment should be made to support long-term, sustainable economic growth across the area. They also enable trade-offs to

be made at a strategic level, taking into account what is best for the area as a whole.

127. An Economic Prosperity Board would be a single body that could represent the economic needs and strengths of the review area to partners and investors. It would also enable partnerships of authorities to demonstrate that they are committed to long-term joint working. It would facilitate transparency, accountability and visible leadership for the review area.
128. However, the major disadvantage of an Economic Prosperity Board is that it does not include transport functions. Transport is essential to the ambitions for productivity growth in the review area. The interdependencies between productivity and transport are so significant that it would be irrational to establish a governance arrangement that addressed one but not the other. The need for separate governance arrangements to address transport issues would be cumbersome and would create a wasteful duplication of effort.
129. In addition, it would mean that the review area would be unable to implement a devolution deal and the additional funding and financial freedoms that such a deal unlocks.
130. It also worth noting that no Economic Prosperity Boards have been created to date, which means that there is no opportunity to learn from experience in other areas.

#### **Option 4: Establishing a Combined Authority**

131. Building on existing arrangements and support of the LEP, the creation of a Combined Authority, with the alignment of accountability, governance and geographies would provide the area with the best possible chance of securing significant and lasting improvements in the exercise of statutory functions across the area
132. Acting across the administrative boundaries of the area in pursuit of common interests would enhance the area's social, economic and environmental potential. This model would further strengthen democratic and financial accountability and lead to improvements and efficiency by replacing the existing and fragmented arrangements.
133. A coherent single whole brings with it a stronger scrutiny structure to ensure communication, transparency and involvement is exercised in an open, effective and efficient manner.
134. Combined Authorities were introduced under the Local Democracy, Economic Development and Construction Act 2009 (as amended by the Cities and Local Government and Devolution Act 2016) to exercise functions devolved from central government. A Combined Authority operates as a public body with its own legal personality, can impose a levy on constituent authorities and can borrow money for transport purposes.

135. It is important to note that Combined Authorities are not a merger of existing Councils; existing Councils continue to exist. Combined Authorities can take on functions with a very wide remit. In addition, the legislation allows for flexibility in establishing Combined Authorities with a model that suits local circumstances.
136. The advantages of an Economic Prosperity Board previously outlined all apply to a Combined Authority, as both options are formally constituted legal entities and would provide a stable mechanism for long term strategic decision making and a single body that can represent the needs of the review area to investors and partners.
137. Both options enable a streamlining of arrangements to take on devolved powers from national Government and can have additional powers delegated to them from constituent councils if they choose to do so.
138. The significant difference between a Combined Authority and an Economic Prosperity Board, which makes the Combined Authority option much more attractive for the review area, is that a Combined Authority could have powers related to any function (and can receive devolved powers from central government).
139. While there are numerous advantages to be had from the formation of a Combined Authority, it is clear that a Combined Authority on its own would not bring with it the benefits to the review area economy contained within the Devolution Agreement, as this agreement includes the creation of a Mayoral Combined Authority.
140. The West of England Devolution Agreement acknowledges that “*strong governance is an essential prerequisite of any devolution of powers to a city region*” and that the “*strength of the governance arrangements of the mayoral combined authority will be commensurate with the powers of that authority, including all new devolved powers*”. Accordingly, the creation of a Combined Authority cannot bring with it the devolution of powers and resources in the Devolution Agreement.
141. Indeed, a number of areas in the country have already established Mayoral Combined Authorities, or are in the process of doing so. If the review area chooses not to establish a Mayoral Combined Authority it risks getting left behind other areas and missing out on the significant and crucial government funding unlocked by devolution deals, due to not having sufficiently robust governance arrangements in place.

#### **Option 5: Establishing a Mayoral Combined Authority**

142. Combined authorities have delivered successful change in many places. Even so, there is an issue about the profile of the combined authority and in the public’s and others’ understanding of what it does. A combined authority with a directly elected mayor will offer the possibility of greater visibility, speedier decision-making, enhanced accountability and more co-ordinative leadership.

143. The devolution deal with central government is contingent on a mayoral combined authority. This is the appropriate mechanism by which the powers and funding set out in the agreement can be decentralised and devolved to the locality, enabling the better exercise of functions locally and benefiting local economic growth.
144. Building on the powers to establish Combined Authorities under the Local Democracy, Economic Development and Construction Act 2009, the Cities and Local Government and Devolution Act 2016 introduced the concept of Mayoral Combined Authorities enabling central government to devolve a wide range of powers.
145. It is important to note that Mayoral Combined Authorities are not a merger of existing Local Authorities. Mayoral Combined Authorities can receive a wider range of central government devolved powers than Combined Authorities. A directly elected mayor will chair the Combined Authority.
146. The Review finds that a Mayoral Combined Authority is the option which most fully facilitates the effective discharge of the functions that Government is offering to devolve to the review area. This will greatly aid local economic development, through locally relevant and informed decision-making in planning, transport and economic development.
147. A Mayoral Combined Authority affords precepting powers through the Mayor's office and opens up potential future devolved funding opportunities. The additional resources generated will be used alongside other resources available to the Mayor and Combined Authority, enabling plans for economic growth to be implemented efficiently and at pace.
148. A Mayoral Combined Authority will ensure democratic accountability and a co-ordinated collaborative working with central government, through integration and effective strategic frameworks and delivery of investment plans. It will strengthen existing business partnership working through the Mayor being a member of the LEP, as well as the other members of the Combined Authority.
149. The Mayoral Combined Authority is the only governance arrangement that will facilitate implementation of the review area's Devolution Agreement and further devolution deals that can be agreed in the future. Implementation of the Devolution Agreement will bring with it the use of an economic model to assess the economic, social and environmental impact to inform investment decisions. This can be used for the resources contained within the Devolution Agreement and other investment funding available to the city-region, to improve the efficiency of economic development.
150. Adoption of the Joint Spatial Plan and Joint Transport Plan as statutory plans, as set out in the Devolution Agreement and through exercise of functions analogous with those of the Mayor of London, will enable more efficient implementation of those plans and the accelerated delivery of agreed development.



151. By exercising the functions of a Transport Authority and the designation of a Key Route Network of local roads, through implementation of the Devolution Agreement, the Mayoral Combined Authority will be empowered to achieve greater efficiency in public transport, reducing congestion and improving air quality. This will contribute to increased productivity in the review area in addition to providing greater environmental resilience.
152. The exercise of functions in respect of the local skills system, including the selection of ESF projects, as stated in the Devolution Agreement, will enable the Mayoral Combined Authority to more closely align that skills system to the needs of the local population and labour market. This will contribute to increased productivity and to the promotion of economic inclusion, especially amongst more deprived communities in the review area.
153. Having a clear, agreed set of objectives for skills provision, together with the enhanced influence provided by the Devolution Agreement, will improve the Mayoral Combined Authority's position in making arrangements for 'cross boundary' providers, such as South Gloucestershire & Stroud College, Weston College, and national providers.
154. Closer working with Government Agencies, such as UKTI, as agreed as part of the Devolution Agreement will allow the Mayoral Combined Authority to implement greater efficiency in local trade and investment services, together with other forms of enterprise support in collaboration with the LEP. This will represent greater efficiency in delivering business support locally, leading to higher levels of productivity, jobs growth and enterprise in the review area.

## F. Summary of Findings

155. The following table sets out an assessment of the options that have been considered by this review:-

Option	Evaluation	Rationale
Continuing the current arrangements	No	Continuing the current arrangements would mean restrictions in accessing new funding and powers in line with the ambitions of the area. It would leave the review area behind other areas and would therefore be likely to have a detrimental impact on the economy of the area in the future. It would not strengthen the largely informal governance processes, nor would it provide Government with the necessary confidence required for devolution of powers and resources, as set out in the Devolution Agreement
Joint Committee	No	The establishment of a Joint Committee would strengthen the current partnership arrangements and place them on a more formal basis. However, there is a lack of stability and certainty which is unlikely to secure long term funding commitments. In addition, the lack of legal status and financial accountability means that the same difficulties in accessing new funding and powers presented by current arrangements are likely to be encountered.
Economic Prosperity Board	No	An Economic Prosperity Board would provide strategic direction and accountability for economic development and regeneration and would ensure that a single formal decision-making body was in place for this. However, strategic transport would not be included in these arrangements, thus greatly limiting the scope for increased effectiveness and efficiency. It is worth noting that no other area has created an Economic Prosperity Board, as it provides insufficiently robust governance to attract and implement devolution deals.
Combined Authority	No	A Combined Authority would provide strategic direction and accountability for a wide range of devolved powers and ensure a single formal decision making body was in place. However, this model would not provide the level of accountability that would fulfil the requirements for a sufficiently robust governance arrangement, and so would not allow for the devolution of additional powers and resources, as set out in the Devolution Agreement.

Mayoral Combined Authority	Yes	<p>In addition to the benefits of a Combined Authority, a Mayoral Combined Authority will provide a single point of accountability through a directly elected Mayor and permit the exercise of devolved powers arising from the Devolution Agreement. This arrangement is well suited to ensuring the benefits to the people of the review area secured in the devolution agreement. Specifically, a Mayoral Combined Authority will enable greater integration between housing delivery and transport infrastructure improvements, providing for a single point of accountability for implementation of the Joint Spatial and Joint Transport Plans; it will also facilitate the improved local relevance of adult education offered by devolution of the Adult Education Budget. A Mayoral Combined Authority will ensure proper strategic overview of the deployment of powers and resources to generate economic growth. A Mayoral Combined Authority would give a very clear focus on objectives and powers for scrutiny and would ensure a directly democratic link to the people of the review area regarding decisions relating to spending and strategies</p>
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