

## **ASSOCIATION OF GREATER MANCHESTER AUTHORITIES**

**COMMITTEE: EXECUTIVE BOARD**

**DATE: 18 DECEMBER, 2009**

**SUBJECT: CITY REGION GOVERNANCE**

**REPORT OF: CHAIR, AGMA CHIEF EXECUTIVES' GROUP**

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### **PURPOSE OF REPORT**

At its last meeting, the Executive Board considered a report which reviewed progress generally on the pilot City Region discussions and which put forward outline proposals for future AGMA governance including transport. These outline proposals assumed a successful outcome to the City Region Pilot process and the key driver was the need to provide a robust framework of governance for the new City Region powers and functions. A report elsewhere on the agenda describes the terms of the Agreement between AGMA and the Government which was announced in the Pre Budget Report on 9 December. This report provides within this context a response to the Executive Board's decision to request a further report on a detailed scheme for consideration and approval for consultation purposes as part of the review of governance under the Local Transport Act, 2008 and the Local Democracy, Economic Development and Construction Act, 2009.

### **RECOMMENDATIONS**

The Executive Board is recommended to:

- 1 note the progress on the City Region Pilot;
- 2 agree that the work which has been undertaken so far on the AGMA/GMITA governance review supports the establishment of a Combined Authority on the basis set out in the report as this would be likely to improve:
  - a) the exercise of statutory functions related to economic development, regeneration and transport in the area
  - b) the effectiveness and efficiency of transport in the area
  - c) economic conditions in the area
- 3 approve the draft scheme as a basis for consultation with district councils, GMITA and other stakeholders as part of a review under the Local Transport Act, 2008 and the Local Democracy, Economic Development and Construction Act, 2009;
- 4 authorise officers to commission the preparation of any final scheme including a business case examining in detail the relative benefits of a

- Combined Authority compared to other options and including the costs associated with the proposals;
- 5 note that a further report will be submitted to the Executive Board in February with the results of the consultation and the outcome of further work undertaken in relation to the review;
- 6 agree that the costs involved in undertaking the review and preparation of any scheme should be shared between the authorities in proportion to their populations as provided for in the AGMA Constitution.

## **BACKGROUND DOCUMENTS**

Previous reports to each meeting of the Executive Board in the last 6 months  
Local Transport Act, 2008 and associated guidance on governance reviews  
Local Democracy, Economic Development and Construction Act 2009  
Transport Governance Consultation Document, July, 2009

## **CONTACT OFFICERS**

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## **BACKGROUND**

- 1 At its last meeting, the Executive Board considered a report which reviewed progress on the City Region Pilot (CRP) discussions and put forward outline proposals for future AGMA governance which took account of the Government's requirement that a robust framework of governance is provided for the new City Region powers and functions, particularly in relation to transport. The Executive Board was given an update on the very positive meeting of Leaders and Ministers on 24 November and the likelihood, subject to formal sign-off of the Ministerial Agreement, that significant devolution of powers and functions would potentially be available insofar as the co-ordination of policy on skills, post-16 provision and transport are concerned.
- 2 The Executive Board agreed that, subject to a further report on a detailed scheme, this potentially significant change in the functional base of AGMA should in principle lead to a change in the constitution and governance of AGMA and a series of principles and outline proposals for revised governance were agreed. It was also agreed that the views of the 10 districts and GMITA should be sought on both the principles and outline proposals before a detailed scheme was considered by the Executive Board. It was agreed that districts would consider the principles and outline proposals in December ideally before the next meeting of the Executive Board. The report on the detailed scheme was requested for the next meeting and therefore work on the detailed scheme together with this report has been undertaken in parallel with districts' consideration of the principles and outline proposals.
- 3 A report elsewhere on the agenda provides full detail on the Ministerial Agreement which has been finalised pending formal completion and announced in the Pre Budget Report. This report, for completeness, reviews the overall context which has been provided by the key outcomes of the City Region Pilot process to date. It then puts forward both the case for and the detail of the draft scheme which has been developed in accordance with the principles and outline proposals agreed at the Executive Board's last meeting as a basis for progressing the review under the relevant provisions of the Local Transport Act, 2008 (LTA) and the Local Democracy, Economic Development and Construction Act, 2009 (LDEDCA).

## **CITY REGION PILOT UPDATE**

- 4 At the last meeting, the Executive Board was updated on the extremely positive outcomes anticipated from the CRP discussions between Leaders and Ministers. These are in summary:

- Government endorsement of the Greater Manchester Strategy as the essential framework to support resource allocation and prioritisation.
  - Agreement to a new framework for public reform, initially through a series of pilot projects relating to deprived neighbourhoods, worklessness, skills, 0-5s etc., to create not only an evidence base to support different interventions but also an effective approach to devolved funding.
  - Greater Manchester to become the first place outside London to assume responsibility for determining its skill needs with a statutory Employment and Skills Board which will be able to sets skills policy both through its own statutory “Section 4” powers to instruct the Skills Funding Agency and National Apprenticeship Service and through its strategy being embedded within the regional strategy which is likely to be binding on the SFA and its commissioning.
  - The creation of a single revenue pot for post-16 provision in Greater Manchester which will come into operation from April, 2010 together with the responsibility for planning, commissioning and performance managing the 16-18 apprenticeship budget in partnership with the NAS (including the flexibility to vire) and to prioritise capital spend when available.
  - Ministerial support to ensure Greater Manchester can make the transition to a low carbon economy with a particular emphasis on the retro-fitting of both domestic and commercial stock and linking this to skills together with an increased ability to influence energy policy which impacts on the City Region.
  - Significant progress in creating a new framework for connecting local businesses to international markets, rapid progress on the development of a Broadband programme, and a new focus to build on Greater Manchester's science and research capacity. The principle of a new protocol regulating the relationships between Midas and the RDA was also agreed.
  - Government commitment to examining how new powers and responsibilities on transport can be devolved to Greater Manchester, consistent with Transport for London, subject to agreement on new governance arrangements. These will include a greatly enhanced relationship with Government resulting in a greater ability to influence the prioritisation of transport investment and policies and specifications in relation to operational management issues particularly in relation to heavy rail and highways.
- 5 These outcomes, as now confirmed in the announcement made in the Pre Budget Report, represent a solid agenda for genuine reform and devolution to be delivered to Greater Manchester through the City Region Pilot arrangements. As agreed at the last meeting, the

Executive Board must now determine in detail how and on what basis existing governance arrangements should be strengthened in order to demonstrate to Government our capacity to exercise new roles including the management of large budgets and the allocation of resources. As the last report indicated, the adoption of more robust governance arrangements with greater accountability is required by Government as a pre-requisite for greater devolution particularly in relation to transport.

## **FUTURE GOVERNANCE – FRAMEWORK AND CASE FOR CHANGE**

- 6 Outline proposals for change in AGMA's governance framework were set out in the report to the Executive Board's last meeting. Consistent with the Executive Board being the primary accountable focus for co-ordinating economic development, housing, planning and, together with other relevant bodies, transport policies for the Manchester City Region, the report proposed that greater devolution, if embraced, would point to the creation of a Combined Authority under the terms of the LDEDCA. The report set out a framework for changed governance including a series of key principles and a set of key proposals on voting arrangements which it was suggested would need to be reflected in a detailed scheme to be prepared subject to approval of the resolutions set out at the front of the report. After discussion, the Executive Board voted on these resolutions and these were carried in accordance with the AGMA Constitution with resolutions 1, 2, 6, 7 and 8 carried unanimously and resolutions 3, 4 and 5 by 8 votes to 2.
- 7 In accordance with these resolutions, each of the districts and GMITA were asked for their views during December on the principles and approach set out in the AGMA report before a detailed scheme is formally considered by the Executive Board. Under the terms of the LDEDCA, at least 2 of the 10 districts must agree to undertake the review of governance arrangements relating to economic development and regeneration as well as transport and to prepare and publish a detailed scheme under the terms of the LDEDCA. At the time of finalising this report, not all of the district Executives or Cabinets had met and a verbal update on their views and the decisions which they made will therefore be provided at the meeting. It should be noted that the GMITA and at least one of the district executives are not meeting until after the Executive Board's meeting.
- 8 Since the last meeting, work has proceeded, led by Manchester, Trafford and Rochdale, on the preparation of a detailed scheme for governance based on the outline proposals contained in the last report. In preparing a draft scheme for a Combined Authority, regard must be had to the provisions of the LDEDCA and LTA as well as the guidance published by the Government relating to both pieces of legislation. Although the guidance on governance reviews under the LTA has been available for some time, the guidance relating to reviews under the

LDA and the creation of Economic Prosperity Boards and Combined Authorities has not yet been published though it is understood that draft guidance will be issued imminently to key stakeholders prior to publication in the near future. From discussions with CLG senior officials, it seems likely that, in terms of the process for the creation of CAs, the LDEDCA draft guidance will acknowledge the need for flexibility by all parties in the application of the LDEDCA guidance given that some reviews of transport governance are underway based on the LTA provisions and guidance. Any 2 or more authorities may prepare and publish a scheme for a CA if, having undertaken a review, they conclude that the establishment of a CA would be likely to improve the exercise of statutory functions relating to transport, economic development and regeneration in the area, economic conditions in the area and the effectiveness of transport in the area. From discussions with CLG senior officials, it needs to be shown that:

- the existing governance arrangements are not optimal for economic development and regeneration and transport (including effective decision making processes, the clarity of roles of different bodies and structures, opportunities for strategic decisions to be taken for the benefit of the whole area, performance management and delivery of objectives monitoring);
- as a result, the sub-regional economy is not performing to its full potential;
- authorities have considered the pros and cons of various options including leaving arrangements unchanged and strengthening or modifying existing arrangements, as well as establishing a CA (including their relative costs); and
- establishing a CA is the route that would prove most effective and efficient in delivering the authorities' strategic ambitions (including the likelihood that a CA will address weaknesses in the current arrangements, the extent to which it is likely to help achieve improved economic development, regeneration and transport and the likely cost and overall value for money).

In addition, reference should be made to:

- particular weaknesses and issues in the current arrangements that can only be addressed by stronger leadership and more effective decision-making at the sub-regional level;
- the economic conditions of the area (authorities are expected to demonstrate a thorough understanding of these) and that it is a Functioning Economic Market Area (FEMA); and
- stakeholder views.

- 9 Using the above as the framework, the following are the essentials of the case for governance reform along the lines set out in the November report:

**a) *Understanding of economic conditions***

- 10 It is taken as a given that AGMA can produce robust evidence of its thorough understanding of Greater Manchester's economic conditions and that Greater Manchester is a Functioning Economic Market Area. Further evidence can be found in Greater Manchester's submission to the Government to become a pilot Statutory City Region of 6 February 2009. Moreover, given the Government's positive response to this submission in designating Greater Manchester as one of 2 Pilot City Regions, it is equally true to say that this analysis is shared by Government.

**b) *Why the existing governance arrangements are not optimal***

- 11 AGMA's existing governance arrangements are good but have been developed as far as possible within the current range of possibilities to ensure collaboration and joint decision-making. By way of example, the Executive Board:

- is a joint committee and not a body corporate
- has no functions in its own right and those which it has are dependent on delegations from or agreements by its constituent authorities which means that it is perceived as lacking long-term stability
- can only under its constitution take most decisions by a two thirds majority vote
- is dependent on the existing local government legal framework

Indeed, the Government has made it clear that AGMA's governance arrangements must change if it is to embrace new powers and responsibilities.

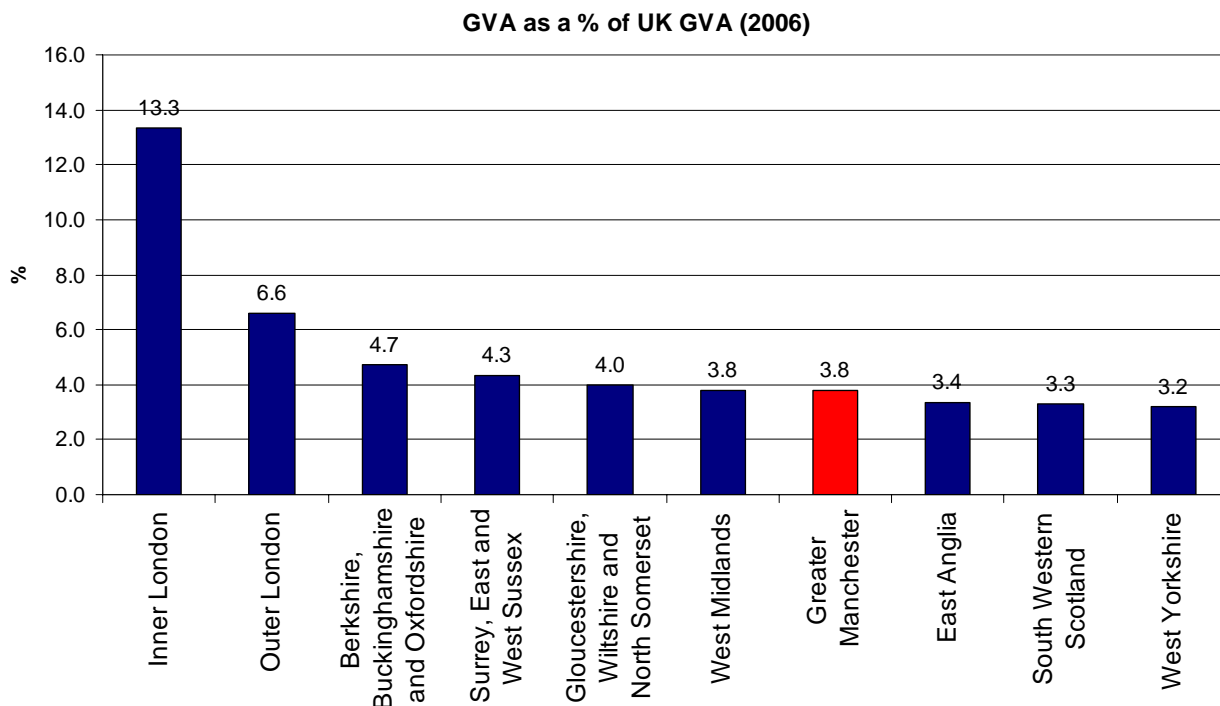
- 12 Despite the progress which has been made in the last 2 years, it remains the case that the current arrangements in Greater Manchester and the wider region are not optimal for economic development and regeneration. This is the case because the current system does not optimally identify economic opportunity at the city region (as opposed to the district or regional) level which is a deficiency where the coherent economic geography of a FEMA is clearly identified. As regards performance management and delivery of objectives monitoring, this too is most effective at district and regional level and the mechanism for intervening at city region level when delivery is not progressing as planned is under-developed. As responsibilities lie at district or regional level, effective processes for managing risk at city region level are also under-developed as are communications with stakeholders and residents. In areas such as employer engagement, duplication of

activity takes place. Stakeholder views on the matter are broadly consistent, especially views from within the city region in particular amongst private sector stakeholders.

- 13 Some of the strongest deficiencies, however, are due to ambiguity in the role of various local, sub-regional and regional bodies and this leads to less than effective decision-making processes and an inability to ensure that decisions are binding. Moreover, there is currently no one single organisation with clear accountability at a sub-regional level in relation to economic development and regeneration and transport and, conversely, there are simply too many organisations with mandates which overlap. By way of example, there are well over 20 different authorities that deal with employer engagement within Greater Manchester. This inevitably leads to ambiguity and overlap and non-strategic prioritisation. As regards the current decision-making process, the Manchester Independent Economic Review (MIER) concluded that *“Manchester’s governance structures will need to become much more robust still, and the division of decision-making labour between different administrative levels will need greater clarity... We recommend that the city region looks again at how it takes major decisions... [and] that housing, economic development, regeneration, skills and other policy areas join transport priorities in being evaluated rigorously on a city region-wide basis.”*
- 14 Another weakness has historically been the inability of Greater Manchester to exercise more influence over the strategic direction of the area, real constraints in the way in which priorities and programmes are aligned with shared priorities for strengthening the economic competitiveness of the area and its general inability to assume more direct responsibility for driving change generally including public sector reform. AGMA has consistently called upon successive Governments for greater devolution of powers and responsibilities. The CRP initiative was rightly seen by AGMA as an almost final opportunity to start to correct this position and the outcomes of this process described earlier and in the separate report elsewhere on the agenda are widely recognised as a remarkable achievement for AGMA which fully vindicates the very significant efforts expended by Leaders and officers in the past few months. Not only has the case for genuine devolution been fully endorsed but the programme of pilot projects which has been agreed provides an unprecedented platform for further reform over the coming months leading to greater influence being exercised over the outcomes from the Comprehensive Spending Review in the autumn of next year.
- c) ***Evidence that the sub-regional economy is not performing to its full potential***
- 15 The MIER also brought powerful evidence to bear that the city region has potential to achieve more economic prosperity than its current position or trajectory, *“Although MCR is characterised by relatively high*

*agglomeration economies, firms in the region do not exploit these as effectively as firms elsewhere in the UK. Their productivity is lower than we should expect given the size of MCR's economy, and [it] is therefore punching below its weight in terms of productivity... We believe this is an opportunity: the city has the potential to grow faster... Manchester's size and potential make it the leading candidate amongst provincial city regions in terms of its potential long-term growth rate."*

The table below highlights the GVA comparable economic areas bring to the UK and so highlights how Greater Manchester is not performing to its full potential:



**d) *The pros and cons of various options have been considered and a CA is optimal***

- 16 AGMA has worked within the boundaries of the current arrangements and concluded both that leaving arrangements unchanged is not optimal and that options for strengthening or modifying existing arrangements short of becoming a CA are extremely limited. This is because AGMA already has in place arrangements which are in most respects pushing the boundaries of what can be achieved in the absence of a statutory basis which moving to a CA would provide. Full details of these conclusions can be found in Greater Manchester's submission to Government to become a pilot Statutory City Region of 6 February 2009.
- 17 A CA is a corporate body with a legal personality with powers in its own right. It is therefore well placed to lead collaboration between relevant authorities on a sub-regional basis and form legal relationships. It is a

stable mechanism for long-term strategic decision-making across the whole of the FEMA. The powers which can be vested in an CA would allow it, for example, to deliver more effectively its new CRP priorities including Greater Manchester's new role as a low carbon economic area, its leadership of the skills and post-16 agendas and, where transport is concerned, the exercise of much-needed influence over the management of the overall transport network, the development and implementation of essential rail policies and the improvement in the distribution of bus resources – all critical influences over the long term competitiveness of the City Region and the quality of its labour market.

- 18 The certainty of a new statutory basis for AGMA's governance structures should translate into better economic performance as the empirical studies show that both generally, and with regard to Greater Manchester, on balance, there is a strong positive correlation between strong governance structures and economic performance. Studies also point to the importance and tangible economic benefits over the long-term of leadership, good economic policies and appropriate distribution of fiscal levers between tiers of Government. The work of the London School of Economics' Cheshire & Magrini (2005) demonstrates a strong link between the *“degree of co-occurrence of governmental boundaries with those of functionally defined city-regions and the growth performance of the city-region.”*
- 19 As far as the choice of governance model is concerned, AGMA has committed itself to the Executive Board being the accountable body for transport as well as for economic development, regeneration, planning and housing and this has been reinforced by the Government which has emphasised the importance of there being effective alignment between decision-making on transport and decisions on other areas of policy such as land use, economic development and wider regeneration which can only be achieved through institutional mechanisms. This therefore points to the selection of a CA as the appropriate governance model for Greater Manchester since it would have the effect of creating a new authority with a range of powers relating to those strategic policy issues which may be provided for concurrent exercise with individual districts.
- 20 As regards likely costs, the start up costs are likely to be very low as by far the largest parts of the infrastructure are already in place. The general principle is not to create new and significant staffing structures but rather to use “embedded capacity” to bring out the brightest and best from within constituent authorities. The potential for savings to be made by the authorities and associated organisations and bodies multiplies with the number of bodies being better co-ordinated and whose functions are considered in the round. Various workstreams including one evaluating the city region, total place, and on shared services and joint procurement are looking in great detail at potential savings. By way of example, on economic development, it is not unreasonable to conclude that there is significant potential for

achieving economies of scale and efficiencies through improved strategic co-ordination of resources with less fragmentation and a reduction in duplication. As an example, a 5% efficiency saving in the funding identified would produce approximately £15 million savings each year throughout Greater Manchester. Work has been commissioned on the production of a detailed business plan (led by the Chief Executives of Bolton, Salford, the Commission for the New Economy and the Treasurer to AGMA) which will be available for the Executive Board meeting in February when the Final Draft Scheme is considered.

- 21 As the preceding analysis shows, there is a strong case for governance reform under the terms of the LDEDCA and this, coupled with the outcome of the process of review of transport governance started earlier this year under the LTA, creates a robust basis for the Executive Board to pursue the principle of a scheme for the creation of a CA. Prior to making any decision to prepare and publish a Final Scheme, AGMA and the relevant authorities will need to consider in the light of the consultation (see below) and further work on the Draft Scheme, whether the establishment of a CA would be likely to improve the exercise of statutory functions relating to transport, economic development and regeneration in the area, economic conditions in the area and the effectiveness of transport in the area. Detailed proposals in relation to the Draft Scheme are set out below.

## **FUTURE GOVERNANCE – THE DRAFT SCHEME**

- 22 Work on the preparation of the draft scheme for governance based on the outline proposals contained in the November report has been led by Manchester, Rochdale and Trafford. There have also been informal discussions with senior officials in the Treasury, CLG and DfT regarding both the content of the scheme and the timetable and process for the creation of a CA (see below). The approach which has been taken has been to take the principles and approach outlined in the November report and then to focus on the outcomes of the Leaders-Ministers discussions on the CRP as reflected in the Ministerial Agreement. The aim has been to ensure that the constitution of the CA enables it to exercise the new devolved powers and functions as well as enable it to operate as a statutory body. It is important to note that where the Executive Board continues to discharge its functions outside its remit as a CA, current arrangements would remain unchanged.
- 23 Based on the provisions of the LDEDCA and discussions with CLG senior officials, it is understood that the draft scheme for a CA must include the following:
- The area it will cover

- The functions of the proposed CA
- The constitutional arrangements for the new body ie the membership and voting arrangements and how it will operate
- Funding arrangements ie levying powers in relation to transport
- Any property, rights and liabilities which will be transferred to the new body
- The name of the CA

In addition, there will be other issues which will need to be considered, for example, relationships with other bodies, financial management and scrutiny.

- 24 A note of the provisions of Part 6 of the LDEDCA relating to a CA is attached at Appendix 1. Based on this, a proposed draft scheme for the establishment of the CA for Greater Manchester is attached at Appendix 2 for consultation as part of the review. This consultation will include discussion with relevant Government departments. The following are the key components of the proposed draft scheme:

**a) Area**

This will be the whole of the area of the 10 districts.

**b) Name**

It is proposed that the name would be the Manchester City Region Combined Authority.

**c) Membership**

It is proposed that there would be 10 members being elected members of the 10 districts with one member being appointed by each district. There will need to be appropriate arrangements in the scheme for dealing with the absence of members, for example, a system of substitute members. The detail of how these arrangements will work will need to be the subject of discussion with CLG.

**d) Voting**

It is proposed that all members would have one vote with no casting vote for the Chair as agreed in November. All decisions would be decided by a simple majority of those members present and voting. In the case of a tied vote on any motion or amendment, the motion or amendment would be lost.

**e) Functions – Economic Development and Regeneration**

It is proposed that the CA would have the following functions to enable it to act as the co-ordinating body for economic development and regeneration for Greater Manchester:

- The well-being power ie the power to do anything it considers likely to improve the economic, social or environmental well-being of the area including the duty to produce a sustainable community strategy for Greater Manchester
- A duty to prepare an assessment of economic conditions in the area (subject to the relevant power in the LDEDCA coming into force)
- A duty to review housing conditions in the area and the need for the provision of further housing accommodation
- A duty to review the quality and likely future quality of air within the area and to designate air quality management areas
- A power to arrange for the publication within the area of information relating to the CA's functions
- A power to encourage visitors and inward tourism

It is proposed that all of these powers and duties should be exercised concurrently with the districts with the exception of the economic assessment duty. This is a new duty contained within the LDEDCA and the view of CLG senior officials is that the duty should operate at a sub-regional level and it is therefore proposed that the duty should be exercised by the CA although this will not prevent individual districts from undertaking their own assessments at their discretion. It is also proposed that the CA should become the "responsible authority" for the MAA.

It is not considered appropriate that other statutory functions particularly as they relate to planning should be exercised by the CA.

#### ***f) Functions - Transport***

It is proposed that all of the functions of the GMITA should be transferred to the CA including any functions of the ITA relating to the functions of GMPTE (see below) together with any functions delegated by the Secretary of State in the Order to be laid before Parliament and the following transport-related functions of the districts:

- The duty to prepare reports containing assessments of levels of road traffic in the area and forecasts of growth in those levels.
- The functions of the districts in relation to traffic signals (ie the direction and management of GMUTC which is currently done under a joint agreement of the districts).

The above highway-related powers are the minimum necessary to underpin the operation of the CA: they are also wholly consistent with existing joint working arrangements within Greater Manchester and the principle of consolidation of the various transport units including the ITA Unit, the GM Joint Transport Team, the GMUTC and GMTU within the delivery body (see below) agreed in November.

### **g) Joint Committee – Transport for Greater Manchester**

It is envisaged that the CA and the districts would enter into an operating agreement providing for a Joint Committee to be called Transport for Greater Manchester Committee. The Joint Committee would have the same membership and composition as the current GMITA as well as the ability to appoint its Chair and Vice Chair, establish sub-committees and vote on the same basis as the current GMITA. The CA would refer to the Joint Committee the functions which it inherits from GMITA and in most cases, the Joint Committee would have delegated authority to act on behalf of the CA. In the case of more strategic functions or where legally the CA is unable to delegate, the Joint Committee would make recommendations to the CA. The same principles will apply to those transport functions delegated to the CA by the Secretary of State and by the districts. The functions which would be referred for recommendation (but not delegated) to the Joint Committee would include:

- The budget and transport levy
- Borrowing limits
- Strategic transport policies
- The Local Transport Plan
- The operation of the Greater Manchester Transport Fund
- Appointment of the Chief Executive (Director General) of the delivery body (see below)

These arrangements for the most part are consistent with the practices which have been operated for some time between AGMA and GMITA..

It is proposed that the following district functions should be delegated directly to the Joint Committee rather than through the CA:

- The (local traffic authority) duty to manage the road network to ensure effective movement of traffic within, across and into Greater Manchester
- The duty to prepare and carry out a programme of measures to promote road safety including road safety studies, accident prevention schemes and provision of information and advice.

A summary of the proposed functions of TfGMC is set out in Appendix 3. Detailed terms of reference together with the proposed terms of the operating agreement will be developed for report back at the next stage following consultation with the Chair and Vice Chairs of AGMA and the Chair and Vice Chair of GMITA.

### **h) Delivery body**

It is proposed that GMPTE should remain an independent legal entity and should be renamed Transport for Greater Manchester Executive

as the executive body of the CA in relation to its transport functions including any delegated to the CA by the Secretary of State. The ITA Unit, the GM Joint Transport Unit, the GMUTC and GMTU would be relocated into TfGME. The TfGME will be accountable to both the Joint Committee and the CA. The Joint Committee will be responsible for monitoring and overseeing the activities and performance of TfGME.

***i) Funding***

The CA will issue a levy to the districts in relation to its transport functions on the same basis as the existing ITA. In relation to its economic development and regeneration functions, the costs of the CA would be apportioned as now between the districts in the same proportions as the transport levy.

***j) Scrutiny Arrangements***

It is proposed that there should be a joint overview and scrutiny committee to exercise scrutiny functions over the CA and TfGMC with each of the 10 districts appointing 3 members. It is proposed that the scrutiny committee would perform the same scrutiny function in relation to the Executive Board as the current Scrutiny Pool.

- 25 The above proposals are based on the principles and outline proposal outlined in the November report and take into account informal discussions with senior officials in Treasury, CLG and DfT. The Executive Board's comments on these proposals including any of the detail in Appendices 2 and 3 are requested.

**PROCESS AND CONSULTATION**

- 26 Subject to the Executive Board approving the proposed draft scheme with or without amendment and to at least 2 districts agreeing to be party to the review, the next steps and the timetable for these will be as follows:

***Early January – mid February***

Draft scheme for the establishment of a Combined Authority and a Joint Committee called Transport for Greater Manchester issued for consultation with the districts, GMITA, other interested bodies and the general public.

***End February***

Taking account of the consultation on the draft scheme, Final Draft Scheme prepared and submitted for approval by AGMA Executive Board. By this stage, a range of other information needs to be prepared in support of the draft scheme: this includes the business

case referred to earlier which demonstrates the benefits which a CA is likely to deliver, the estimated costs associated with the new body and overall value for money of the proposal.

### ***Early March***

Final Scheme submitted for approval to each of the 10 districts.

### ***Mid March***

Final Scheme published and submitted to the Secretary of State requesting him to make a Parliamentary Order.

- 27 There have been discussions with senior Treasury, CLG and DfT senior officials regarding the timescales following the submission of final scheme with a view to seeing whether there are actions which could be taken locally in the period prior to the submission of the scheme which would assist Government to consider whether to make an order. Further discussions are planned before the end of the year but it is already clear that, as a result of Ministers' commitment to progressing the scheme as quickly as possible to enable the CRP delegations to be progressed, senior officials are working co-operatively with the officers to this end.

## **CONCLUSIONS**

- 28 The proposals contained in this report are designed to respond positively to the framework agreed at the last Executive Board's meeting and are considered to be the minimum necessary to create a robust governance structure for the exercise of the new functions and responsibilities delivered to date through the CRP process and to ensure that economic development and transport functions in particular are effectively aligned and co-ordinated. If this analysis is accepted by the Executive Board, it will also provide a strong basis for further devolution which is possible through the pilot programme of public sector reform over the coming months.
- 29 Detailed recommendations appear at the front of this report.

**HOWARD BERNSTEIN**  
**CHAIR, AGMA CHIEF EXECUTIVES' GROUP**

**APPENDIX 1****A COMBINED AUTHORITY UNDER PART 6 OF THE 2009 ACT****1. INTRODUCTION**

- 1.1 A combined authority (i.e. a combined Economic Prosperity Board and Integrated Transport Authority) is a body corporate established by the Secretary of State under Section 103 of the Local Democracy, Economic Development and Construction Act 2009 (“the LDA 2009”).
- 1.2 A combined authority (“CA”) can only be established for an area which meets the following conditions:
- the area must consist of the whole of two or more local government areas
  - the area must have contiguous boundaries – it will not be possible to have an area of a CA which has no common boundaries with any part of the rest of the area, nor an area which completely surrounds an area which does not form part of it
  - no part of the area of a CA must form part of the area of another CA, the area of an EPB or an integrated transport area – in effect, to establish a CA there must be an order dissolving the integrated transport area and the ITA
  - each local authority area that forms part of a CA must be included in a scheme prepared and published following a local review.

**2. ESTABLISHING A COMBINED AUTHORITY**

- 2.1 The Secretary of State may only make an order establishing a CA following a local review and the publication of a scheme.
- 2.2 Any two or more of the district councils and the GMITA (i.e. two or more of the 11 authorities) may undertake a review of 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 of arrangements to promote economic development and regeneration in the area and of economic conditions in the area. Where the authorities conducting the review conclude that the establishment of a CA would improve the above matters, they may prepare and publish a scheme for the establishment of a CA.
- 2.3 The scheme area must include the whole or part of the area reviewed and may include other local authority areas. However, the scheme cannot include a local authority area unless the appropriate authority for the area (i.e. the district council) has participated in the preparation of the scheme, or consents to its inclusion in the scheme area.

- 2.4 In exercising their functions in relation to a local review and the preparation and publication of a scheme, local authorities must have regard to any guidance given by the Secretary of State.
- 2.5 The Secretary of State may make an order establishing a CA only if s/he considers that this is likely to improve the exercise of the relevant statutory functions, the effectiveness and efficiency of transport in the area and economic conditions in the area. Before making the order, the Secretary of State must consult each appropriate authority and other persons considered appropriate. "Appropriate authorities" are the district councils, whose areas will be covered by the CA, and the ITA. The order must be approved by resolution of both Houses of Parliament.

### **3. CONSTITUTION AND FUNCTIONS**

- 3.1 Any order by the Secretary of State may include any provision that may be made in relation to an ITA under the Local Transport Act 2008 ("the LTA 2008) as regards -
- Constitutional arrangements
  - delegation of functions of the Secretary of State
  - delegation of local authority functions
  - conferral of a power to direct highway and traffic authorities

#### **Constitutional Arrangements**

- 3.2 In respect of constitutional arrangements the order may include:-

##### Membership of the CA

This includes the number and appointment of CA members. Any scheme and subsequent order must provide for the majority of CA members to be appointed by the CA's constituent councils from amongst the elected members of those councils. Each constituent council must appoint at least one of its elected members to the CA. If the scheme/order provides for non-elected members to be appointed to the CA, such members must be non-voting members, unless the voting members of the CA resolve to the contrary.

##### Voting Powers of Members

This includes provision for different weight being given to the votes of different descriptions of member.

##### Executive Arrangements

The scheme/order may provide for executive arrangements to apply to the CA, similar to those applying to most principal councils. It could provide for the appointment of an executive, determine which functions would be executive functions and set up scrutiny arrangements. However, the budget of the CA can only be agreed by the full CA.

- 3.3 Because a CA cannot legally co-exist with the ITA, the order would dissolve the ITA. The order could then transfer the functions of the ITA to the CA.
- 3.4 The order could abolish the PTE and merge it with the CA. Alternatively, it could transfer some PTE functions to the CA [or vice versa].

#### **Functions – Transport**

- 3.5 Any order may provide for the delegation of certain transport functions of the Secretary of State to the CA. It may also provide for the delegation of functions of a district council to the CA. However, an order providing for the delegation of functions relating to road user charging can only be made with the consent of the majority of authorities covered by the order.
- 3.6 The order may provide powers for a CA to give a direction to a local highway or traffic authority about the exercise of their powers. Such a direction may require or prohibit the exercise of a particular power or impose requirements or conditions relating to the exercise of the power.

#### **Functions – Economic Development and Regeneration**

- 3.7 An order may provide for the functions of a district council to be exercisable by the CA in relation to the CA's area, provided that the Secretary of State considered that the function can be appropriately exercised by the CA.
- 3.8 The order may provide that any such function be exercisable by the CA either instead of by the district council or concurrently with the district council. The CA must perform such functions with a view to promoting the economic development and regeneration of its area.

#### **4. FUNDING**

- 4.1 The CA would be able to fund the exercise of its transport functions through a levy. However, the levy would not apply to the funding of its economic development and regeneration functions. In relation to these, the order would make provision for the costs to be met by its constituent councils, and about the basis for determining the amount payable by each constituent council.
- 4.2 The CA would only have borrowing powers in relation to its transport functions (and not its economic development and regeneration functions).

#### **5. OTHER ASPECTS OF A COMBINED AUTHORITY**

- 5.1 Schedule 6 to the LDA 2009 applies various elements (but not all) of the local authority framework to combined authorities. In particular -
- ❖ a combined authority is a “local authority” for the purpose of Section 101, LGA 1972 – this means that it can delegate the discharge of its functions to a committee, an officer, another local authority and may make arrangements with other local authorities to discharge their functions, including through a joint committee; it also means that another local authority (e.g. a district council) can voluntarily delegate the discharge of its functions to a combined authority – this would presumably include functions not statutorily delegated by order of the Secretary of State
  - ❖ the access to information provisions in Part VA of the LGA 1972
  - ❖ Section 111, LGA 1972 (incidental powers)
  - ❖ Section 112, LGA 1972 (appointment of staff)
  - ❖ most of sections 120 – 123 , LGA 1972 (acquisition and disposal of land)
  - ❖ Part 1 and 1A of Schedule 12, LGA 1972 (but see below)
  - ❖ ethical framework and code of conduct for members
  - ❖ the Freedom of Information Act 2000
- 5.2 A combined authority is not a ‘local authority’ for the purposes of Part VI of Schedule 12, LGA 1972. Part VI contains the provisions, inter alia, that all questions arising before a local authority shall be decided by a majority of members present and voting, and that in the event of a tie, the person presiding should have a second or casting vote. Therefore, such issues will need to be dealt with in the order.
- 5.3 The power to promote the economic, social and environmental well-being of the area in Section 2, LGA 2000, is not applied directly to a CA. However, a similar power now exists in relation to an ITA in Section 99, Local Transport Act 2008, and can be applied by order to a CA.

**APPENDIX 2****DRAFT SCHEME FOR ESTABLISHMENT OF COMBINED AUTHORITY****Establishment of Authority**

1. A combined authority (CA) shall be established pursuant to Section 103 of the Local Democracy, Economic Development and Construction Act 2009 (“LDEDCA”)

**Area of Authority**

2. The CA’s area shall be the whole of the following ten local government areas:-

Bolton	Salford
Bury	Stockport
Manchester	Tameside
Oldham	Trafford
Rochdale	Wigan

3. The metropolitan district councils for the above local government area shall be the CA’s constituent councils.

**Dissolution of Greater Manchester Integrated Transport Area**

4. The Greater Manchester integrated transport area and the Greater Manchester Integrated Transport Authority (GMITA) shall be dissolved, pursuant to Section 91 of the Local Transport Act 2009 (LTA)

**Name of Authority**

5. The name of the CA shall be .....[*working title - Manchester City Region Authority(MCRA)*]

**Membership of Authority**

6. The CA shall consist of ten members who are elected members of the constituent councils to be appointed in accordance with paragraph 7 below.
7. Each constituent council shall appoint one of its elected members to be a member of the CA.
8. Each constituent council shall appoint another of its elected members to act as a member of the CA in the absence of the member appointed under paragraph 7.

9. A constituent council may at any time terminate the appointment of member appointed by it to the CA (and the substitute member).
10. Where a member (or substitute) of the CA ceases (for whatever reason) to be a member of the constituent council which appointed them, the member shall cease to be a member (or substitute) of the CA, and the constituent council shall appoint a replacement as soon as possible.
11. The CA shall in each year appoint a Chair [and Vice-Chair(s)] from among its members. The appointments shall be the first business transacted at the annual meeting of the CA.
12. No remuneration shall be payable by the CA to its members (other than allowances for travel and subsistence), provided always that a constituent council may, on the recommendation of its independent remuneration panel, pay a special responsibility allowance to any member appointed by it to the CA in respect of duties and responsibilities undertaken as a member of the CA.

### **Voting**

13. All members of the CA shall have one vote [*There shall be no provision for weighted voting.*] The Chair of the CA shall not have a second or casting vote.
14. Subject to the provisions of any enactment, all questions coming or arising before the CA shall be decided by a simple majority of the members of the CA present and voting. In the case of a tied vote on any motion or amendment, the motion or amendment shall be deemed to have been lost.

### **Executive Arrangements**

15. Executive arrangements shall not apply to the CA. However, the discharge of the functions of the CA will be subject to the scrutiny arrangements set out in paragraph 36.

### **Transport for Greater Manchester Executive (TfGME)**

16. Greater Manchester Passenger Transport Executive (GMPTE) shall be re-named Transport for Greater Manchester Executive (TfGME) which shall be the executive body of the CA in relation to its transport functions. It shall have all the functions of the GMPTE and such additional functions necessary for it to act as the CA's executive body in relation to any transport functions delegated to the CA by the Secretary of State or constituent councils.

## **Functions – Economic Development and Regeneration**

17. The functions of the CA's constituent councils set out below shall be exercisable by the CA in relation to the combined authority's area:
- 17.1 **Part 1 of the Local Government Act 2000**  
the power to do anything which it considers likely to promote or improve the economic, social or environmental well-being of its area, including the duty in Section 4 to produce a sustainable community strategy for Greater Manchester to which the CA would need to have regard in exercising the well-being power.
- 17.2 **Section 69, LDEDC Act 2009**  
the duty of a local authority to prepare an assessment of economic conditions in the area.
- 17.3 **Section 8(1), Housing Act 1985**  
the duty of local housing authorities to review housing conditions in their district and the need of the district for the provision of further housing accommodation.
- 17.4 **Sections 82-84, Environment Act 1995**  
the duty of a local authority to review the quality and likely future quality of air within the authority's area and designate air quality management areas.
- 17.5 **Section 142(2), Local Government Act 1972**  
the power of a local authority to arrange for the publication within their area of information relating to the functions of the authority etc.
- 17.6 **Section 144, Local Government Act 1972**  
the power of a local authority to encourage persons to visit their area, etc.
18. The CA would be a local authority for the purpose of the Sustainable Communities Act 2007.
19. All the above functions would be exercised concurrently with the constituent council, with the exception of the new duty under Section 69, LDEDC Act which would be exercised by the CA instead of the constituent councils.
20. The CA would become the "responsible authority" for the purposes of the multi-area agreement (MAA) pursuant of Part 7, LDEDC Act.

*[There is a need to examine the extent to which additional powers either devolved from Government or constituent council powers to be exercised concurrently are needed by the CA to deliver the proposals and objectives contained in the Ministerial agreement]*

## **Functions – Transport**

21. All the functions of the GMITA shall be transferred to the CA. All functions conferred or imposed on the ITA by any enactment relating to the functions of Greater Manchester Passenger Transport Executive (GMPTE) shall be exercisable by the CA in relation to its executive body (TfGME).
22. The CA shall exercise any function of the Secretary of State delegated to the CA by the order of the Secretary of State pursuant to Section 86, LTA and Section 104(1)(b), LDEDCA. Such functions shall be exercised, subject to any condition imposed by the order.
23. The following transport related functions of the constituent councils shall be delegated to and be exercisable by the CA, pursuant to Section 87, LTA and Section 104(1)(c), LDEDCA:
  - 23.1 **Section 2, Road Traffic Reduction Act 1997**  
duty of local authority to prepare, at such time(s) as Secretary of State may direct, reports containing assessment of levels of road traffic in their area and forecast of growth in those levels.
  - 23.2 **Part V, Road Traffic Regulation Act 1984**  
functions of local traffic authorities in relation to traffic signals (but not other traffic signs)

## **Funding**

24. The CA as a levying body under Section 74 of the Local Government Finance Act 1988 shall have the power to issue a levy to its constituent councils in respect of the expenses and liabilities of the CA which are reasonably attributable to the exercise of its functions relating to transport. The amount to be raised by the levy shall be apportioned between the constituent councils in the same proportions as the GMITA levy was apportioned [*i.e. by reference to the total resident population at the relevant date of the area of each council as estimated by the Registrar General; the relevant date in relation to a levy for a financial year is 30<sup>th</sup> June in the financial year which commenced two years previously.*]
25. The levy shall be in ten equal instalments payable monthly by the end of the first ten months in the financial year.
26. The costs of the CA that are reasonably attributable to the exercise of its functions relating to economic development and regeneration (and any start up costs) shall be met by its constituent councils. Such costs shall be apportioned between the constituent councils in the same proportions determined in relation to the levy for transport expenses and liabilities as set out above.

### **Transfer of Property, Rights and Liabilities**

27. All property, rights and liabilities of GMITA existing at the transfer date shall transfer to the CA, including rights and liabilities (if any) in relation to contracts of employment. *[order will need to deal also with transfers and from Secretary of State and district councils, if any]*

### **Joint Committee – Transport for Greater Manchester**

28. The CA and the constituent councils will enter into joint arrangements under Section 101(5) of the Local Government Act 1972, Section 20 of the Local Government Act 2000 and Regulations 4, 11 and 12 of the Local Authorities (Arrangements for Discharge of Functions) (England) Regulations 2000 for the discharge of specified transport functions which will include the establishment of a joint committee to be called the Transport for Greater Manchester Committee (TfGMC)

29. TfGMC will be supported by an operating agreement entered into by all eleven authorities and will be a joint committee of the CA. As such, all elected members appointed by the constituent councils will be voting members of TfGMC, even though they are not members of the CA.

30. TfGMC will have 33 members appointed by the constituent councils on the following basis:

Bolton	-	3	Salford	-	3
Bury	-	2	Stockport	-	4
Manchester	-	5	Tameside	-	3
Oldham	-	3	Trafford	-	3
Rochdale	-	3	Wigan	-	4

31. The principles of political balance as set out in the Local Government and Housing Act 1989 will apply to such appointments.

32. The CA will arrange for the discharge by TfGMC of those transport functions inherited from GMITA. In the case of most of those functions, TfGMC will have delegated authority to act on behalf of the CA; in respect of the more strategic functions or where legally the CA is unable to delegate, TfGMC would make recommendations to the CA. The same principles will apply to those transport functions delegated to the CA by the Secretary of State (provided that the conditions of the delegation so allowed), and to those transport functions delegated to the CA by the constituent councils.

33. The functions which would be referred (but not delegated) to the TfGMC would probably include making recommendations in relation to:

❖ the budget and transport levy

- ❖ borrowing limits
- ❖ strategic transport policies
- ❖ the local transport plan
- ❖ operation of Greater Manchester Transport Fund and approval of new schemes
- ❖ appointment of Director General/Chief Executive of TfGME [and members of TfGME board]

In relation to these functions, the recommendations of TfGMC would need to be approved by the CA.

34. The following functions of the constituent council will be delegated directly to TfGMC and not through the CA:

34.1 **Sections 16-17, Traffic Management Act 2004**

duty of local traffic authority to manage their road network with a view to securing the expeditious movement of traffic on its own roads and facilitating the same on other authorities' roads.

34.2 **Section 39, Road Traffic Act 1988**

duty of local authority to prepare and carry out programme of measures to promote road safety, including road safety studies, accident prevention schemes and provision of information and advice.

35. TfGMC will elect its own Chair and Vice Chair and will be able to establish such sub-committees as it thinks necessary for the discharging of its functions. Votes on TfGMC and its sub-committees will be decided on the same basis as with the current ITA.

### **Scrutiny Arrangements**

36. The constituent councils and the CA will establish a joint overview and scrutiny committee to exercise scrutiny functions over the CA and TfGMC. Each constituent council will appoint three of its elected members to the joint overview and scrutiny committee.

## **SUMMARY OF TERMS OF REFERENCE OF THE TRANSPORT FOR GREATER MANCHESTER COMMITTEE (TFGMC)**

### **A.**

It is suggested that the following functions of the GMITA might be referred by the CA to the TfGMC in order for them to make recommendations to the CA in respect of:

1. Preparing the CA's transport budget, including the provision for capital and revenue programmes and transport schemes, to enable the CA to set its transport budget, fix the transport levy and determine appropriate borrowing limits.
2. Developing policies for the promotion and encouragement of safe, efficient and economic transport facilities and services;
3. Formulating general policies with respect to the specification of public passenger services;
4. Producing a Local Transport Plan.
5. Operation of the Greater Manchester Transport Fund and approval of new transport schemes.
6. Appointment of Director General/Chief Executive of TfGME

### **B.**

It is suggested that the following functions of the GMITA might be delegated to the TfGMC, subject to the TfGMC exercising these functions in accordance with any transport policies of the CA, the Local Transport Plan and the CA's agreed transport budget and borrowing limits:

1. Monitoring and overseeing the activities and performance of TfGME;
2. Ensuring that the TfGME secures the provision of appropriate public passenger transport services;
3. Considering the creation and development of Quality Partnership Schemes, Quality Contracts Schemes, Ticketing Schemes and concessionary travel schemes;
4. Determining what local bus information should be made available, and the way it should be made available;

5. Ensuring that the TfGME implements proposals for promoting the economic, social and environmental well-being of Greater Manchester and its residents;
6. Making appointments to the Board of the TfGME (except the Chief Executive, whose appointment will need to be ratified by the CA);
7. Monitoring the CA's transport budget;
8. Approving releases for capital schemes within the agreed capital programme;
9. Monitoring performance against the Local Transport Plan and other CA transport policies;
10. Formulating, developing and monitoring procedures for public consultation of, and lobbying for, the CA's transport policies including taking responsibility for the active promotion of Greater Manchester's transport interests;
11. Determining issues arising from Metrolink contracts;
12. Determining variations in concessionary bus and Metrolink fare levels;
13. Considering issues arising from the rail franchising process;
14. Considering issues arising from the implementation of the CA's schemes for the introduction of Smartcards;
15. Authorising the disposal of any land by the TfGME;
16. Determining the operation, performance, contract management and development of tendered bus services, bus stations/stops, and passenger transport services;
17. Approving the level of support of local rail services over and above that in the baseline franchise specification;
18. Determining the operation, performance and development of the Authority's accessible transport provision;
19. Monitoring the performance of Metrolink services and initiating appropriate action;
20. Monitoring the operation and performance of bus and local rail services and influencing accordingly.

**C.**

It is proposed in the draft scheme that the following transport related functions of the constituent councils should be delegated to the CA. It is further suggested that they might then be sub-delegated to TfGMC, subject to the TfGMC exercising these functions in accordance with any policies of the CA, the Local Transport Plan and the CA's agreed transport budget and borrowing limits:

1. Preparing reports containing an assessment of the levels of road traffic in the CA's area and a forecast of growth in those levels;
2. Functions of the constituent councils as local traffic authorities in relation to traffic signals (but not other traffic signs).

**D.**

It is proposed in the draft scheme that the following transport related functions of the constituent councils should be delegated directly to the TfGMC, subject to the TfGMC exercising these functions in accordance with any policies of the CA (as local transport authority), the Local Transport Plan and the terms of the delegation from the constituent councils:

1. Carrying out actions to facilitate the performance by local traffic authorities of their duty to manage their road network with a view to securing the expeditious movement of traffic on their own roads and facilitating the same on other local authorities' roads;
2. Preparing and carrying out a programme of measures to promote road safety, including road safety studies, accident prevention schemes and provision of information and advice.

**E.**

Dealing with the transport functions of the Secretary of State which are delegated to the CA subject to the conditions of the Secretary of State's delegation.

*[These will need to be agreed with the Secretary of State in due course].*