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draft Scheme to the Department for Communities and Local Government for the establishment of a Liverpool City Region Combined Authority on the basis of the draft attached at Appendices 1 and 2 to this report;

- B. That Sefton Council should formally become a constituent member of the Liverpool City Region Combined Authority, thereby sharing appropriate economic development and transport powers with other Councils within the Liverpool City Region Combined Authority in accordance with the provisions of the Local Democracy, Economic Development and Construction Act 2009 and the Local Transport Act 2008; and,

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

### How does the decision contribute to the Council's Corporate Objectives?

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Jobs and Prosperity	√		
3	Environmental Sustainability		√	
4	Health and Well-Being		√	
5	Children and Young People	√		
6	Creating Safe Communities	√		
7	Creating Inclusive Communities	√		
8	Improving the Quality of Council Services and Strengthening Local Democracy	√		

### Reasons for the Recommendation:

Please refer to paragraph 7 of the report .

### What will it cost and how will it be financed?

#### (A) Revenue Costs

The Review of Strategic Governance within the Liverpool City Region is being conducted within existing resources. There has been a full due diligence process undertaken as part of the review of strategic governance which is covered elsewhere in this report.

Should the proposal to create a Liverpool City Region Combined Authority be approved, it would not have any additional resource implications for constituent Councils. In this regard, any additional costs arising from the new arrangements would be offset by

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efficiencies and savings and the establishment of the Combined Authority would therefore be expected to be at least cost neutral in overall terms.

### **(B) Capital Costs**

There are no capital cost implications arising from the proposal to create a Liverpool City Region Combined Authority.

### **Implications:**

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

<b>Legal</b> The review of strategic governance in the Liverpool City Region has been conducted in accordance with the requirements of the Local Democracy, Economic Development and Construction Act of 2009.
<b>Human Resources</b> There are no specific Human Resources implications associated with the recommendations in this report.
<b>Equality</b> 1. No Equality Implication <input type="checkbox"/> 2. Equality Implications identified and mitigated <input type="checkbox" value="Yes"/> 3. Equality Implication identified and risk remains <input type="checkbox"/>

### **Impact on Service Delivery:**

There are no impacts on service delivery arising from the recommendations within this report.

### **What consultations have taken place on the proposals and when?**

The draft conclusions and recommendations of the review of strategic governance were open to public consultation between 2 August and 6 September 2013. Details of the proposals were sent to strategic partners and over 10,000 businesses in the City Region. The draft conclusions and recommendations were considered by the Cabinets of constituent Councils, MITA and the LEP Board. Targeted briefing sessions were held for businesses, partners and stakeholders, with the draft conclusions and recommendations being placed upon the website of all constituent Councils, Merseytravel and the LEP.

The Head of Corporate Finance and ICT (FD2539) and Head of Corporate Legal Services (LD1844) have been consulted and any comments have been incorporated into the report.

### **Are there any other options available for consideration?**

Other options for strategic governance in the Liverpool City Region were considered as part of the review of strategic governance and are detailed in Paragraph 4 of the report.

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### Implementation Date for the Decision

Following decision of Council.

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### Background Papers:

The Liverpool City Region Strategic Governance Review Equality Impact Assessment can be accessed via this link to the Council's website:

<http://modgov.sefton.gov.uk/moderngov/documents/s48350/LCR%20Combined%20Authority%20Equality%20Impact%20Assessment.pdf>

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### 1. BACKGROUND

- 1.1 Liverpool City Region has a population of 1.5 million covering the local authority areas of Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral and over 36,000 active businesses. The City Region has one of the fastest growing economies in the UK, with growth being driven across four key sectors: the Low Carbon Economy, the Knowledge Economy, Visitor Economy and the SuperPort.
- 1.2 The Liverpool City Region vision is to create a thriving, international City Region; and to achieve this, the Liverpool City Region must accelerate the opportunities for economic growth and utilise all means necessary. There is strong evidence that the Liverpool City Region has latent potential for additional economic output: if the City Region performed at the national average an additional £8.2bn of output would be generated per annum for the national economy.
- 1.3 To achieve this the City Region would need to deal with the economic challenges that are aggravated by the current global economic climate: productivity is 75% that of national rates, there is a gap of 18,500 businesses compared to national rates, a jobs deficit of 90,000, a skills deficit at all levels and one in ten residents are in receipt of either jobseekers' allowance or sickness benefit. In combination, these deficits contribute to the average household per-head being £1,700 less wealthy than the average nationally.
- 1.4 The six Local Authorities in the Liverpool City Region have a long history of collaboration at a scale that reflects the 'functional economic geography' of the area covering Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral. This dates back before the development of the Liverpool City Region Development Plan, which was agreed in 2007. This collaboration was formalised with the creation of the Liverpool City Region Cabinet in 2008 as an advisory body and, most recently, the establishment of the Liverpool City Region Local Enterprise Partnership in 2012 and the establishment of the Local Transport Body to serve the City Region in 2012.
- 1.5 The benefit of this collaboration was exemplified in the agreement of the Liverpool City Region Deal in 2012. Other examples include: prioritising investment activity to support the City Region's transformational growth areas of Low Carbon, SuperPort, the Knowledge Economy and Visitor Economy; and, in 2012–13 when the City Region attracted £16m of Empty Homes funding from the Homes and Communities Agency after taking a joint approach, which contrasts sharply with the £0.700m attracted the previous year when individual Local Authority level bids were submitted.
- 1.6 At their meeting on 21 June 2013, the Liverpool City Region Cabinet agreed to formally review strategic governance arrangements in relation to a potential Combined Authority model. The intention was to consider potential options to strengthen the existing governance arrangements to enable the Liverpool City Region to optimise its economic growth potential and to create a thriving, international City Region.

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### 2. LIVERPOOL CITY REGION GOVERNANCE REVIEW

2.1 The remit of the Governance Review, as commissioned by the Liverpool City Region Cabinet was to determine:

- Whether the area covered by the local authorities of Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral can properly be seen as constituting a functional economic area for the purpose under consideration in the review; and
- Whether the existing governance arrangements for strategic economic development, regeneration and transport are effective or would benefit from changes.

2.2 There is no widely accepted definition of economic development: for the purpose of the governance review, economic development and regeneration was taken to cover strategic activity related to business support, inward investment, trade and export, strategic housing and employment and skills functions that can be better delivered if this is done collaboratively across the Liverpool City Region. This is in addition to the strategic transport functions also being considered. Further, only matters that are of City Region significance have been considered to be within the remit of this review: strategic decisions that are specific to a Council geography relating to economic development, regeneration and housing or operational decisions in these areas would still be made by individual Councils.

2.3 The statutory tests for the governance review in relation to a potential Combined Authority are set out in the 2008 Act and the 2009 Act. The process of the review examined the options available to the City Region in relation to each of the following and evaluated the likely improvement going forward:

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

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

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

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- **One to one interviews** with external stakeholders, including LEP members, Chambers of Commerce and neighbouring local authorities, to collect views on the draft proposals.
- **Options assessment** based on this evidence.

### 3. THE EXISTING GOVERNANCE ARRANGEMENTS

- 3.1 The six Local Authorities in the Liverpool City Region have a long history of collaboration at a scale that reflects the 'functional economic geography' of the area. This collaboration was formalised with the creation of the Liverpool City Region Cabinet in 2008 and, most recently, the establishment of the Liverpool City Region Local Enterprise Partnership in March 2012 and the establishment of the Local Transport Body to serve the City Region later in 2012.
- 3.2 There are currently a number of Boards across the City Region bringing together the democratic leadership and senior business leaders to support our vision to be a thriving, international City Region, with those particularly relevant to the governance review of economic development, regeneration and transport summarised below.
- 3.3 **Liverpool City Region Cabinet:** The six Councils in the City Region have a track record of working together on areas of mutual benefit, dating back before the Liverpool City Region Development Plan, which was agreed in 2007. Following this, the Liverpool City Region Cabinet was established in 2008 as an advisory body to take forward this and other work. The City Region Cabinet is made up of the Mayor of Liverpool and Leaders of the five Councils. The Cabinet demonstrates high level leadership and has been effective at setting the strategy for the City Region and working in partnership with business leaders to develop the conditions for economic growth.
- 3.4 In 2008 the Cabinet agreed that each Leader/nominated member would lead on one of the portfolios identified in the City Region governance structure, and each Portfolio Holder would be supported by a Chief Executive acting as Lead Advisor. This led to a series of thematic City Region Boards, across transport, economic development, employment and skills, housing, health, and child poverty and life chances. Many of these Boards bring together the democratic mandate and the contributions of the private sector and other partners.
- 3.5 **Liverpool City Region Local Enterprise Partnership (LEP)** was established in March 2012 and formally incorporated: as such, it has a unique structure with over 400 members contributing to the success of the Partnership. This provides the LEP Company with an income stream which adds value to public funding for economic development, including European monies and sees the private sector playing a direct role in setting the economic agenda for the City Region. The Mayor of Liverpool and the other five Leaders also sit on the LEP Board alongside the private sector.
- 3.6 The LEP has established sector committees and panels around the key sectors for economic growth: Low Carbon Economy, SuperPort, Visitor Economy, Advanced Manufacturing and Innovation. This provides the opportunity for businesses and public bodies to work together on identifying the key actions and opportunities that will support the delivery of jobs and growth. The LEP has also been given a set of strategic responsibilities by Government in terms of prioritising investment (such as

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with Growing Places Funds) as well as setting future economic strategy for the City Region through the requirement for a Growth Plan by Spring 2014 and the determination of European Funding priorities. It is not however an entity that can have 'accountable body status' and therefore receive significant funding from Government.

- 3.7 **MITA** covers Knowsley, Liverpool, Sefton, St Helens and Wirral. Halton Borough Council acts as a local transport authority in its own right. There has been extensive collaboration and joint working on transport issues between City Region Councils, Merseytravel and increasingly the LEP, with the establishment of the Local Transport Body to serve the City Region as a case in point. An approval agreed as part of the City Deal in 2012. The aligned Local Transport Plans and implementation plans are a further example of the close work that is in place.
- 3.8 The Liverpool City Region has a track record of working together on Employment and Skills strategy across the functional economic area. The City Region's **Employment and Skills Board** leads work on jobs and skills on behalf of the City Region Cabinet and the LEP. This includes providing governance arrangements for a range of different devolved funding streams, securing over £100m of investment for the City Region in the past few years. The Board focuses on implementing the existing 10-year Employment and Skills Strategy and the City Region Deal for Jobs and Skills. It oversees the City Region's Labour Market Information Service, which communicates economic opportunities to the vast array of colleges, training providers and employment support providers. It also provides governance arrangements for a range of different devolved funding streams.
- 3.9 **Liverpool City Region Strategic Housing and Planning Board** - There is already considerable collaboration on strategic housing priorities and public sector assets aligned to the City Region's economic growth and regeneration ambitions. We have prepared a joint Local Investment Framework, for the delivery of our housing priorities, since 2009 and we have secured over £80 million pounds of investment as a result. The Board has recently been working on the Local Investment Framework for 2014 – 17, which will include a spatial framework, to support the Local Growth Plan. This Local Investment Framework will continue to identify and promote all housing opportunities which support economic growth and will identify all potential funding resources to support the delivery and to bridge funding gaps.

## 4. OPTIONS ASSESSMENT

- 4.1 The governance review (attached at Appendix One) has considered the four main options available to the Liverpool City Region at the present time assessed against the statutory tests identified in section 2.3 of this report:
- Option 1 - Leaving existing governance unchanged (status quo);
  - Option 2 - Establishing a Supervisory Board;
  - Option 3 - Establishing an Economic Prosperity Board; and
  - Option 4 - Creating a Combined Authority.
- 4.2 The review demonstrated that the six Councils in the Liverpool City Region have a strong track record of working together on areas of mutual benefit. Collaborative working has evolved over the years and a number of City Region Boards bring



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

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

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

4.4 After evaluating the current available evidence, the conclusion from the strategic governance review is to propose a Liverpool City Region Combined Authority model, and to include the transport functions currently separately exercised by MITA and Halton Borough Council, as the preferred governance option. This would give legal form to the close working relationships that already exist between the six local authorities, the MITA and the LEP by creating a sub-regional body with legal personality and a governance mechanism that can act across the combined area.

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- 4.5 A strong Combined Authority would be able to bring together key decision making powers into a single body, exercising appropriate strategic transport and economic development and regeneration functions. It would provide a visible, stable and statutory body which could act as the accountable body to attract further funding to the Liverpool City Region to support economic growth, alongside additional powers which may be devolved from Government.
- 4.6 A Combined Authority is not a merger or a takeover of existing local authority functions nor would it be a 'Super-Council'. Instead it would seek to complement local authority functions in economic development, regeneration and transport and enhance the effectiveness of the way they are discharged. In particular, it is the enhancement of decisions and information to a strategic level that are most frequently cited as the advantages of such a body. On this basis, the proposal to establish a Liverpool City Region Combined Authority would not have any additional resource implications for constituent Councils and would be expected to be cost neutral.

### 5. CONSULTATION

- 5.1 On 2 August 2013, the Liverpool City Region authorities, Merseytravel and their partners began consultation on a review of the strategic governance arrangements for the City Region. This consultation has sought views on the review of strategic governance and the proposal to create a Liverpool City Region Combined Authority, including the functions currently exercised by MITA and Halton's strategic local transport function. This would give legal form to the close working relationships that already exist between the six authorities, MITA and the Local Enterprise Partnership by creating a City Region body with legal personality and a governance mechanism that can act across the combined area.
- 5.2 Consultation in Sefton has been focused around two specific events held in Southport on 4 September 2013 and Bootle on 5 September 2013, to which invites were sent to 2,500 businesses and organisations. Details on the review of strategic governance were also sent out to partner organisations.
- 5.3 An interim report of City Region consultation is included with the Governance Review report attached at Appendix 1: this sets out the interim findings of the consultation as at 3 September 2013, most of the way through the consultation period, which closes on 6 September 2013. The report also contains a brief summary of the findings of this consultation exercise to date, including the detail of how stakeholders have responded to the proposals. A final version of the Report of Consultation will be completed after the conclusion of the consultation period. Members will be updated on the outcome of this consultation at the meeting of Cabinet on 12 September 2013. It is proposed that approval to make any amendments to the Liverpool City Region Strategic Governance Review before it is submitted to the Secretary of State on 30 September 2013 be delegated to the Chief Executive in consultation with the Leader of the Council.

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### 6. THE REMIT OF A COMBINED AUTHORITY FOR THE LIVERPOOL CITY REGION

- 6.1 After evaluating the current available evidence and the options available to the City Region, the conclusion is that a Liverpool City Region Combined Authority model, including the functions currently exercised by the Merseyside Integrated Transport Authority and Halton's strategic transport functions, is the preferred governance option. This would give legal form to the close working relationships that already exist between the six local authorities, the Integrated Transport Authority and the Local Enterprise Partnership by creating a sub-regional body with legal personality and a governance mechanism that can act across the combined area.
- 6.2 A strong Combined Authority, based on the natural economic area, would enable decisions to be made jointly by the democratically elected Leaders and/or the Elected Mayor in each of the six local authorities, together with the Chair of the Local Enterprise Partnership. It would provide a visible, stable and statutory City Region-wide body which could act as the Accountable Body to attract further funding to the Liverpool City Region to support economic growth, alongside any additional powers which may be devolved from Government.
- 6.3 The remit of the Combined Authority for the Liverpool City Region would be strategic economic development, regeneration, transport, strategic housing and employment and skills functions that can be better delivered collaboratively across the Liverpool City Region. The City Region Cabinet has made it clear that the Combined Authority would remain a lean, focused decision making body, with responsibility over those strategic issues where it is mutually beneficial for Local Authorities and the LEP to work together.
- 6.4 It is proposed that the City Region Combined Authority would discharge thematic functions through the following arrangements:

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

- 6.5 On the Combined Authority each Constituent Authority would be represented by one member of its Cabinet who will be the Leader or Elected Mayor. These six members would form the core membership of the Combined Authority and could co-opt additional members onto the Combined Authority, including the Chair of the LEP.
- 6.6 A model of joint scrutiny will be introduced in order to scrutinise decisions made at the City Region level in respect of those functions under the remit of the

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Combined Authority. This will be carried out by a panel (or pool) of Councillors nominated by the six Local Authorities in the Liverpool City Region. The role of Scrutiny will be to:

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

### 7. REASONS FOR RECOMMENDATIONS

- 7.1 One of the drivers for reviewing the Liverpool City Region's governance arrangements is to secure greater influence over key levers and resources affecting local growth, including freedoms, flexibilities and funding which would otherwise remain under the control of Whitehall. The Liverpool City Deal, Liverpool City Region Deal and LEP Business Plan and Action Plans seek to capitalise on the City Region's strengths, assets and key sectors to attract investment into and create additional jobs within the City Region. However, they do not go far enough in terms of maximising opportunities to enhance local delivery of national programmes that are also critical to improving local growth, with a risk that other areas with Combined Authorities have a significant advantage over the City Region.
- 7.2 For a number of years the City Region has successfully aligned central Government funding, ERDF and private sector investment to support strategic priorities within the wider economy. Working with the LEP, a pipeline of projects spanning investment in infrastructure, business growth, housing, transport and regeneration is in place together with an agreed approach to the joint investment of ERDF, Regional Growth Fund and Growing Places funds. With the new Government funding opportunities and policies, including the Growth Deals/Single Local Growth Fund and EU Structural and Investment Funds 2014 - 2020 there is now an added impetus to ensure the City Region has the most appropriate strategic governance arrangements in place to deliver agreed priority investments and in doing so to maximise the use of these funds alongside existing resources.
- 7.3 Similarly, whilst the establishment of the Local Transport Body has been seen as a positive step; it is a staging post on the journey, rather than a destination. The Local Transport Body model does not enjoy the legal transport powers or funding regimes that are currently vested with the Integrated Transport Authority, its constituent districts and with Halton Borough Council. The Department for Transport has consistently impressed upon the Liverpool City Region the importance of developing effective governance arrangements that facilitate, for example, links to other policy areas, strong leadership, streamlined structures and the ability to make difficult decisions, linked to clear priorities and a long-term investment programme and is one of the main contributors to the Single Pot to be devolved to City Regions.

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7.4 The benefits of the Combined Authority would be to:

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

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

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

7.7 The proposed areas of Combined Authority responsibility are all interdependent. For example, activity to promote employment requires demand-side action to support businesses to create jobs as well as effective transportation policy. As

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these policy strands are led in different ways by different bodies we have developed partnership and consultation arrangements which do work but often result in increased timescales for taking decisions and multiple reporting lines. This approach has also led to overlapping or competing strategy priorities and in some cases an inefficient service delivery landscape that is confusing to both business and other stakeholders. The Combined Authority model provides the opportunity to bring all of this together into one approach to enable a clearer routine policy alignment, including:

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

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

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

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

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### 8. FINANCIAL DUE DILIGENCE

- 8.1 During the consultation process the Liverpool City Region authorities have undertaken financial due diligence on the proposal to create a Liverpool City Region Combined Authority. The review has covered the following key issues:
- (i) Proposed draft Scheme;
  - (ii) Transport expenditure;
  - (iii) Assets and liabilities of a Combined Authority;
  - (iv) Transport Levy options for a Combined Authority;
  - (v) Accountable body role(s);
  - (vi) VAT; and
  - (vii) Borrowing powers.
- 8.2 The financial due diligence is subject to the outcome of the consultation, which will continue as the Scheme is finalised for submission to the Department for Communities and Local Government. Further due diligence will also be required if the Government agrees to take the proposals forward and produces a draft Order for consultation, including an operating agreement that the Liverpool City Region authorities would require to support the operation of a Combined Authority. This operating agreement will set out how the Combined Authority will operate on a day to day basis and provide for various protocols on how the various functions will be exercised by it.
- 8.3 The financial due diligence has included ongoing consultation with the Directors of Finance of the Liverpool City Region authorities to ensure that they are satisfied that the proposed scheme would not result in any adverse financial consequences and provides the appropriate powers before submission to the Department for Communities and Local Government.
- 8.4 A key principle of the draft scheme is that ‘the Levy or any Differential Levy shall be that the total contribution from each Constituent Authority for funding transport services for the year does not exceed the equivalent cost for the year as it would have been calculated under the previous arrangements.’ The financial due diligence has included a review of the assets and liabilities of the proposed Liverpool City Region Combined Authority and benchmarked transport services budgets to allow options for a Differential Levy to be developed for a Combined Authority that would allow over time the full integration of Halton into the Liverpool City Region transport levy currently covering the five Merseyside authorities.
- 8.5 A Liverpool City Region Combined Authority, if established, would be expected to be the Accountable Body for many future funding regimes. The due diligence has identified options that would ensure that no additional costs would be incurred, which would also draw upon expertise already within the Liverpool City Region authorities. The due diligence has identified that the final proposal must ensure the accountability of the funding programmes to the Combined Authority, and that agreements are put in place across the partnership to deal with the financial risks, including grant claw back and ineligible expenditure.
- 8.6 The Greater Manchester Combined Authority has encountered VAT reclaim issues, and is currently in negotiation with the Government regarding its VAT status. The Department for Communities and Local Government are confident

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that the VAT rules should be amended before a Liverpool City Region Combined Authority would be established. However, it would be prudent that the proposed City Region scheme requests the appropriate powers to ensure the Liverpool City Region Combined Authority does not find itself in dispute with HMRC like Greater Manchester Combined Authority. Furthermore, there are no VAT partial exemption status issues for Constituent Authorities under the proposed draft Scheme.

### 9. CONCLUSION

- 9.1 These proposals for a Combined Authority approach to decision making for City Region issues of strategic importance will provide a stable model for the long-term. The introduction of a Combined Authority would put the Liverpool City Region at the forefront of national policy making and ensuring that the City Region is in the best position to access new powers and resources devolved from central Government. It would also provide a transparent and robust decision making process to improve the economic wellbeing of the constituent Local Authorities as part of a stronger Liverpool City Region economy. This model would not have any additional resource implications for constituent Councils and is expected to be at least cost neutral.

#### **Appendices:**

- Appendix 1 – Liverpool City Region Strategic Governance Review
- Appendix 2 – Liverpool City Region Combined Authority Scheme
- Appendix 3 – Interim Report of Consultation