

# REVIEW OF CITY REGION GOVERNANCE IN GREATER MANCHESTER

## INTRODUCTION

### *a) Legal Context*

- 1 Part 6 of the Local Democracy, Economic Development and Construction Act, 2009 (LDEDC Act) enables the creation of economic prosperity boards (EPBs) or combined authorities (CAs), new sub-regional structures designed to support the effective delivery of sustainable economic development and regeneration and, in the case of CAs, transport. The LDEDC Act sets out the process for the creation of EPBs and CAs and establishes certain principles relating to their constitution and organisation although the Act is not prescriptive and the detail of how these bodies are established, how they will operate and what their functions will be is left to be determined locally subject, of course, to final approval by the Secretary of State.
- 2 The process for creating an EPB or CA involves 3 main steps: first, a review of existing governance arrangements for the delivery of economic development, regeneration and transport leading to a conclusion that there is a case for changing these arrangements and creating either an EPB or CA; secondly, drawing up a scheme for the new body and submission to the Secretary of State for Communities and Local Government; and, finally, consideration by the Secretary of State including consultation on a draft order which must then be approved by both Houses of Parliament.
- 3 These provisions in the LDEDC Act are modelled on part 5 of the Local Transport Act 2008 (LT Act) which also provides for a review of existing governance arrangements in relation to transport. Whilst there are differences, the process for review is broadly similar to that set out in the LDEDC Act. In preparing a scheme under the LDEDC Act, regard must be had to the provisions of the LT Act as well as the guidance published by the Government relating to both pieces of legislation. Although guidance on governance reviews under the LT Act has been available for some time, the guidance relating to reviews under the LDEDC Act was only published in draft form on 3 February. The presumption in the guidance issued under the LDEDC Act is that reviews which include economic development and regeneration will also include transport. This draft guidance also states that where an area has already reviewed or is reviewing its transport governance arrangements under the LT Act prior to commencing its review of governance of economic development and regeneration, the information obtained through the transport governance review should provide a useful starting point for a wider review under the LDEDC Act.

*b) Local Context*

- 4 AGMA is at a crucial stage in its development. It has existed in more or less its current form - an association of authorities with common interests - for over 20 years but, based on its experience of working together on a growing range of policy areas, it has been seeking in the last two years to develop a more effective form of City Region governance within Greater Manchester. The underlying objective has been to ensure that future City Region governance arrangements including transport should enable the 10 local authorities to work effectively together and make the difficult decisions necessary to improve the economic and social well-being of the Manchester City Region, its people and businesses through measures and joint actions which they may determine from time to time. An additional driver has been a desire to improve both the transparency and accountability of decision-making processes.
- 5 A programme of major reforms is already well advanced and this has meant significant changes both in the way AGMA is structured and the way in which it operates. This reform programme is reflected in the new constitution which was approved in August, 2008 which provides for the Executive Board becoming the accountable focus for co-ordinating economic development, transport, planning and housing policies for the Manchester City Region, with a supporting structure of 7 Commissions. It is also reflected in the MAA (Multi Area Agreement)<sup>1</sup> which creates a new framework between local, regional and national government to drive economic performance.
- 6 Taking this a step further, earlier this year AGMA submitted a bid<sup>2</sup> to and was awarded Statutory City Region Pilot status by the Government. The significance of this development cannot be overestimated: it meant that the Government acknowledged the Manchester City Region as one of the principal powerhouses outside London for regional and national growth and that it accepted therefore that the devolution of powers was fundamental to the City Region realising its full economic potential and to ensuring that economic development, transport, housing and planning functions can be properly integrated and co-ordinated. In designating Greater Manchester as a Statutory City Region Pilot, the Government also acknowledged the need for reform of governance arrangements both for the City Region generally and for transport in particular.

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<sup>1</sup>

For Multi Area Agreement, see [www.agma.gov.uk](http://www.agma.gov.uk)

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[http://www.agma.gov.uk/cms\\_media/files/4\\_city\\_regions\\_draft\\_submission\\_to\\_government\\_.pdf](http://www.agma.gov.uk/cms_media/files/4_city_regions_draft_submission_to_government_.pdf)

- 7 Work on the governance of the City Region started at the end of 2008 with the Government's announcement of proposals for pilot statutory city regions in November, 2008. This followed the signing off of the MAA by Government earlier in 2008 and a number of meetings with Government at both Ministerial and senior official level. The announcement of Greater Manchester as one of 2 statutory City Region Pilots followed in the budget in April, 2009 and discussions progressed after this in parallel with work on transport governance following the enactment of the Local Transport Act, 2008. The consultation document which was published last summer set out the framework for the review which included an analysis of problems with the current arrangements and a series of high level objectives for future governance arrangements together with a number of delivery and governance options. The outcome of the consultation was reported to AGMA last November alongside a report which also reviewed the likely outcomes from the City Region Pilot negotiations. This review anticipated the later legislation because AGMA wanted to be in a position as soon as possible to demonstrate its capacity to improve its governance arrangements to enable it to assume the responsibilities which it was hoped would come through the City Region Pilot process. The cornerstone of all this work was the MIER – an independent analysis of the economy of the City Region - and the development of the GMS with its focus on priorities for action which were agreed with Government.
- 8 In the last few months, substantial progress has been made in agreeing the basis of and terms for the devolution of powers from Government to Greater Manchester through the City Region Pilot arrangements. The detailed terms of an Agreement were discussed at a meeting of Leaders of the 10 districts and Government Ministers in late November<sup>3</sup> subject to formal Ministerial clearance. The approval of the Agreement<sup>3</sup> was announced in the Pre Budget Report and formally signed by Phil Woolas MP, Minister for the North West and Lord Peter Smith, the chair of AGMA on 18 December, 2009. At the same meeting, AGMA considered the output of work undertaken so far of relevance to the governance review and approved a draft scheme as a basis for consultation with the 10 districts, GMITA and other stakeholders, as part of a governance review under Part 6 of the LDEDC Act. The consultation commenced with the publication of the consultation document on 4 January, 2010 and comments were requested by 15 February.
- 9 This review document describes the outcomes of the City Region Pilot negotiations as reflected in the Ministerial Agreement. It then puts

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*The full text of the Agreement is contained in Appendix 1 to the report "City Region Pilot and Governance" to AGMA Executive Board on 29 November, 2009. See [www.agma.gov.uk](http://www.agma.gov.uk).*

forward both the rationale for and the detail of the final draft scheme which satisfies AGMA's overriding objective of creating a robust framework of governance for the new City Region powers and functions, particularly in relation to transport whilst leaving unchanged governance arrangements in relation to matters which are not connected to the City Region Pilot. The final draft scheme is based on the draft scheme which was agreed at the Executive Board's meeting in December but which takes into account the outcome of the consultation including further discussions with the districts and the leadership of GMITA.

## **ENHANCED POWERS FOR THE CITY REGION THROUGH THE PILOT**

- 10 The Pre Budget Report on 9 December 2009 indicated that the groundbreaking Agreement with Government which had been negotiated over the last months had been finalised and would be signed shortly by AGMA and the Government. The Agreement recognised the role which Greater Manchester plays in the national economy and its potential to act as an economic powerhouse and thus significantly increase national growth rates. The specific measures set out in the Agreement are designed to help the City Region realise that potential. The Agreement contains substantive powers and responsibilities with regard to public service reform, skills, transport, data sharing, creating a low carbon economy and reinforcing Greater Manchester as a place for science and dynamic international firms. In particular, the City Region receives new powers to deliver on local skills requirements, both for adults and post 16, assuming responsibilities and influence comparable to Transport for London and sees real gains on heavy rail, bus and highways. The Government and Greater Manchester have made very significant strides in integrating and developing work on better life chances in the City Region's most deprived areas. Greater Manchester also becomes the UK's fourth low carbon economic area, which is significant in the move to a low carbon economy, especially in the built environment. Investment and various powers are also brought to the City Region where housing is concerned.
- 11 The Agreement represents a significant milestone for Greater Manchester in realising its aspirations to becoming an economic powerhouse and the machinery is in place for developing, monitoring and evaluating the actions that have been agreed and working with partners to progress towards the vision. The Agreement was signed on 18 December and the outcomes contained within it are in summary:
- Government endorsement of the Greater Manchester Strategy<sup>4</sup> as the essential framework to support resource allocation and prioritisation.

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See [www.agma.gov.uk](http://www.agma.gov.uk)

- 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 set skills policy both through its own statutory 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 Skills Funding Agency 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 National Apprenticeship Service (including the flexibility to vary) and to prioritise capital spend when available.
  - Ministerial support to ensure Greater Manchester can make the transition to a low carbon economy (including Greater Manchester's designation as a Low Carbon Economic Area – LCEA) 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 North West Regional Development Agency 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. Progress has been made on protocols in relation to rail and highways and a joint study on the Greater Manchester bus network (see paragraph 28 for more detail). The protocols are now awaiting formal endorsement by Ministers.
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- 12 AGMA agreed that these outcomes represented a solid agenda for genuine reform and devolution to be delivered to Greater Manchester through the City Region Pilot arrangements. It also agreed that these and other policy innovations which are taking shape now required a fresh look at governance arrangements. It recognised that a failure to do this would be likely to mean that AGMA would be unable to assume many if not all of these new responsibilities. This is particularly the case in relation to transport where greater devolution is predicated on stronger and more decisive governance arrangements. AGMA therefore examined 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. For its part, the Government has made it clear that the adoption of more robust governance arrangements with greater accountability is an essential pre-requisite for greater devolution particularly in relation to transport.

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

- 13 AGMA has been pursuing a programme of major reforms in the arrangements for governance for the City Region with the objective of ensuring that these arrangements will enable the 10 district councils to work together effectively in order to improve the economic and social well-being of the whole City Region. This reform programme is reflected in the new constitution<sup>5</sup> which was approved by all 10 district councils in August, 2008 and which designates the Executive Board as the primary accountable body for co-ordinating economic development, housing, planning and, together with other relevant statutory bodies, transport policies for the Manchester City Region with a supporting structure of 7 Commissions. This programme was the basis both for the review of transport governance which started last year leading to last summer's consultation as well as for AGMA's bid for pilot City Region status. It was then the driver of the negotiations with Government on the reforms and devolution of powers to enable the City Region to realise its full economic potential and to ensure that economic development, transport, housing and planning functions can be properly co-ordinated and integrated.
- 14 AGMA agreed at its meeting last November that, if the Executive Board's role was to become the primary accountable body for transport as well as for economic development, regeneration, planning and housing, this would point to the creation of a Combined Authority (CA)

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See [www.agma.gov.uk](http://www.agma.gov.uk)

under the terms of the LDEDC Act. A series of principles and outline proposals were contained in the November report and these provided the basis for the development of a detailed draft scheme which was submitted to the Executive Board in December. The Executive Board agreed the draft scheme as the basis for progressing the review required under the provisions of the LDEDC Act. In preparing a draft scheme for a Combined Authority, regard must be had to the provisions of the LDEDC Act and LT Act as well as the guidance published by the Government relating to both pieces of legislation. As indicated earlier, although the guidance on governance reviews under the LT Act has been available for some time, the guidance relating to reviews under the LDEDC Act was only published in draft form for consultation purposes on 3 February. Both Acts and their associated guidance require a formal process of review of governance to be followed.

- 15 According to Part 6 of the LDEDC Act and the associated guidance, 2 or more authorities must undertake the review of governance. In practice, 9 of the 10 districts together with GMITA agreed to be party to the review at their December meetings. Stockport simply noted the AGMA resolutions and Trafford, though it agreed to be party to the review, indicated that this did not constitute its agreement to participate in the preparation of a detailed scheme and identified a number of concerns which it stated it would wish to see addressed at the next stage. These are considered later in this review document.
- 16 The outcome of the review must enable the reviewing authorities to conclude that the creation of a CA would be likely to improve:
- The exercise of statutory functions relating to economic development, regeneration and transport in the area
  - the effectiveness and efficiency of transport in the area; and
  - The economic conditions in the area

From a reading of the LDEDC Act and guidance, it is clear that authorities must show 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.

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

***a) Coherence of economic geography and understanding of economic conditions***

18 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***

19 AGMA's existing governance arrangements (see Appendix 1) 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
- is not the body legally responsible for major and strategic transport policies or the Local Transport Plan (LTP)

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

- 20 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.
- 21 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.”*

- 22 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 City Region Pilot 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 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.
- 23 As indicated above, the AGMA Constitution approved by all ten district Councils provides for the Executive Board to be the accountable focus for co-ordinating strategic economic development, transport, planning and housing for the City Region. In relation to transport, it refers to the Executive Board having responsibility together with the appropriate statutory bodies (e.g. GMITA, GMPTE, Highways Agency) for the development of an integrated transport system for Greater Manchester and over seeing the development and management of actions resulting from the Local Transport Plan and other agreed investment programmes.
- 24 There are several deficiencies in the current transport governance arrangements. In particular:
- responsibility for transport functions is fragmented between various different bodies
  - responsibility for transport policies and the LTP is now vested in a different authority from those authorities responsible for economic development, regeneration and strategic housing and planning policies.
- 25 Transport functions are currently divided between the districts, GMITA and the Secretary of State. In general terms:
- the districts are the local highway, traffic and street authorities
  - GMITA is responsible for securing public passenger transport in the area
  - The Secretary of State is responsible for rail and strategic highways

- 26 In addition, the LT Act gives GMITA as local transport authority overall responsibility for developing “policies for the promotion and encouragement of safe, integrated, efficient and economic transport to, from and within their area” and for the production of the Local Transport Plan. This is not confined to policies relating to public passenger transport but covers the whole range of transport issues within their area. Previously this had been the joint responsibility of GMITA and the district councils, but now the districts are only consultees. Moreover, the district councils have a statutory duty to carry out their functions so as to implement the transport policies developed by GMITA

On the other hand, responsibility for economic development and regeneration and strategic planning and housing rests with the district councils and AGMA Executive Board.

- 27 The Department for Transport have indicated that they share the above view of the deficiencies of the current arrangements. In a letter dated 12 October 2009, John Dowie, Director, Regional and Local Transport Delivery at DfT referred to “a general consensus among commentators and the English cities themselves that the current city-region governance arrangements are no longer fit for purpose.” In the light of the commitment to progress greater devolution in return for governance reform, he set out the high-level principles that the DfT believed should underpin governance reform in the Manchester City Region. These included:

- a) the need for “effective alignment between decision making on transport and planning and decisions on other areas of policy such as land use, economic development and wider regeneration.”
- b) the need for “the current operational fragmentation, in particular, on highways, traffic management and public transport [ ] to be addressed, so ensuring greater alignment of policy interventions and maximising delivery of efficiencies across the various public authorities involved, consistent with appropriate levels of subsidiarity.”

- 28 These principles have underpinned the further discussions on the transport component of the Ministerial Agreement which, as described earlier, contained a commitment to examine how Manchester as a City Region can assume responsibilities and influence comparable to Transport for London. The agreement identified that a series of protocols across rail, bus and highways would provide the focus for early work and the expectation was that these would be developed to provide a basis for a close working relationship between Greater Manchester and DfT. A number of very positive and productive meetings have been held with DfT and involving other parties (including the Highways Agency) as appropriate. The initial protocols have been agreed at official level and the following is a summary of what is being proposed in relation to rail, bus and highways:

- In terms of **rail**, the protocol covers the process for engagement in terms of the key stages of policy development, strategic planning, specification, procurement, project delivery and service delivery. It outlines the expectations for engagement between DfT, the MCR and Network Rail across the range of decision-making processes. It provides an operational framework to ensure that mechanisms for funding, specification and delivery available to both DfT and MCR are used in ways that deliver the best outputs in terms of a rail network to meet the economic and transport objectives of the MCR.
- On **bus**, it has been agreed that Greater Manchester will lead a study on the issues currently being faced by bus users in the City Region and the opportunities for enhancing economic, social and environmental outcomes delivered by the bus network in the City Region. The work will address the extent to which local and national resources are being deployed to sustain bus transport and usage, what outcomes are delivered and whether there are greater efficiencies to be secured in the delivery of bus services in terms of improved outcomes through different alignment of services and different delivery structures. The DfT have confirmed that, given the significance of this pilot work on bus, they will fund half of any costs associated with undertaking the analysis.

Finally, in respect of **highways** the protocol identifies opportunities for greater integration and closer working relationships between the Highways Agency (HA), the ten authorities and GMPTA for both the operation and development of the HA network and local road network as well as strategic network development, network management and building an evidence base and information sharing.

The protocols are now awaiting formal endorsement by Ministers. As soon as this is secured, the protocols will be circulated to GMITA and AGMA Leaders.

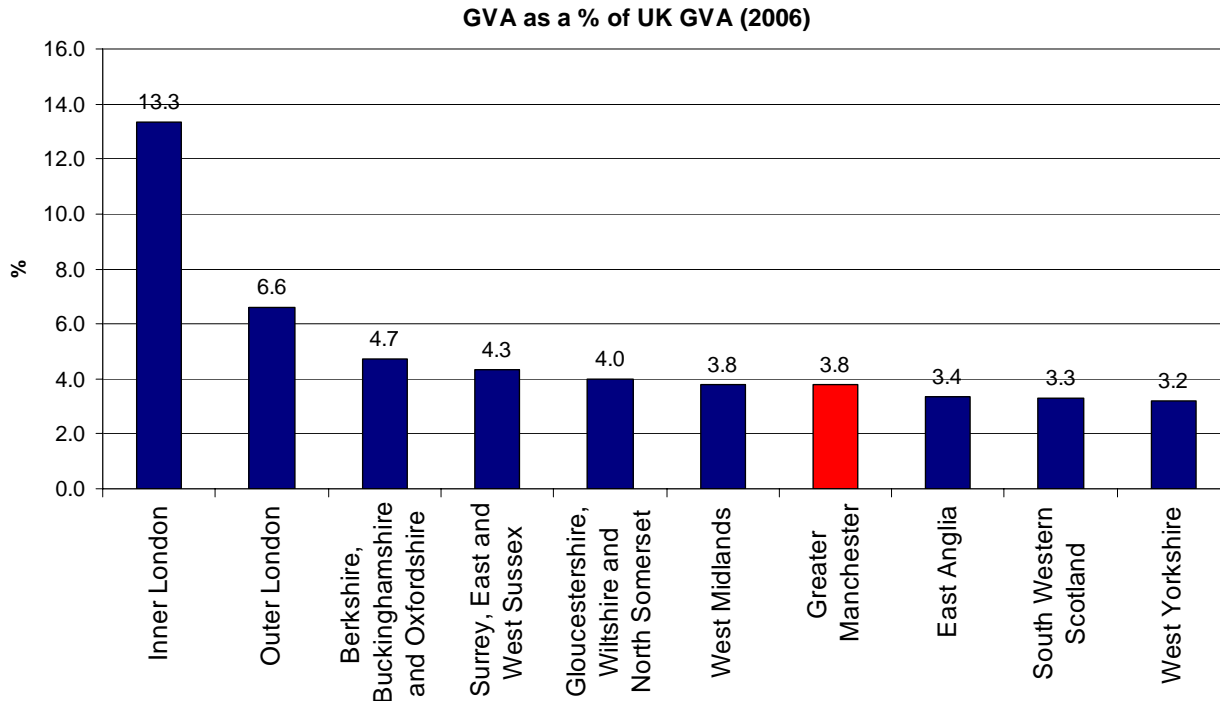
**c) Evidence that the sub-regional economy is not performing to its full potential**

- 29 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.”*<sup>7</sup>

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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***

30 AGMA has worked within the boundaries of the current arrangements and considers 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.

31 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 City Region Pilot 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.

- 32 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-incidence of governmental boundaries with those of functionally defined city-regions and the growth performance of the city-region.*"<sup>8</sup>
- 33 As far as the choice of governance model is concerned, AGMA has indicated its preference for the same body being responsible 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.
- 34 An alternative option would be the establishment of an Economic Prosperity Board (EPB) covering the area of the 10 AGMA districts. This would provide a statutory authority with legal personality at City Region level and could strengthen existing arrangements in relation to economic development, regeneration and strategic housing and planning. Under this option, the GMITA would remain in place, possibly to be separately reviewed under the LTA. However, this option fails to address the clear benefits of aligning under one strategic body responsibility for transport and transport policy with the responsibility for economic development, regeneration and strategic housing and planning. The EPB option is, therefore, considerably less satisfactory than a CA in addressing the deficiencies in the existing governance arrangements.

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<sup>8</sup>

Cheshire P and Magrini S (2005): European Growth: Throwing some light into the black box, LSE Working Paper, presented to Spatial Econometrics Workshop, Kiel, 8-9 2005

The draft statutory guidance reinforces this view and should be considered in this respect: It states:

“ITAs and EPBs can co-exist without forming a combined authority, but, as there are obvious benefits to be gained from a co-ordinated approach to economic development, regeneration and transport, and to avoid the proliferation of different structures at the sub-regional level, it is likely that a CA will be more appropriate than separate ITAs and EPBs in the same area. This means that where there is already an ITA in an area, relevant authorities that have concluded that similar arrangements would be appropriate for economic development and regeneration functions (which may include the ITA itself) should expect to establish a CA that incorporates the ITA rather than establishing an EPB in the same area.”

- 35 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.
- 36 Based on the preceding analysis, AGMA agreed in December that there was a strong case for governance reform under the terms of the LDEDC Act and this, coupled with the outcome of the process of review of transport governance started last year under the LTA, creates a robust basis for AGMA to pursue the principle of a scheme for the creation of a CA. As required by the guidance issued in relation to governance reviews under the LDEDC Act, work was commissioned in late December on the production of a detailed business case for the CA which evaluates why a CA is the best option for Greater Manchester and what benefits the proposed new body is expected to deliver including why it is likely to be more effective and efficient than current governance arrangements and what it is likely to lead to in terms of improved outcomes. Prepared by KPMG, the business case is attached as Appendix 2 and the headline conclusions are:
- a) Greater Manchester is a Functional Economic Market Area and economic development and regeneration issues are being considered at the most appropriate spatial scale. This is reinforced in the initial submission for City Region Pilot status and the findings of the MIER;

- b) Existing governance arrangements are not optimal and, despite the progress which has been made within AGMA's existing governance framework, a step change is required to maintain this momentum and realise opportunities (including those on offer through the City Region Pilot) more effectively;
- c) The benefits of a CA as a body corporate with economic development, regeneration and transport functions outweigh those of other options. The establishment of a single focus for co-ordinating these key strategic functions is considered crucial for driving the economic competitiveness of the City Region. The creation of a CA is also considered to address the current weaknesses by increasing the level of co-operation, addressing the ambiguity and overlap in decision-making and providing a default framework for future projects (as a minimum);
- d) The proposals for a CA are potentially also the most cost efficient and effective governance option because they do not involve the introduction of an additional layer of bureaucracy or give rise to increased support costs. In terms of transport, the consolidation of the various Greater Manchester transport units within the proposed TfGME (GMPTE) is expected to provide an effective, integrated transport delivery capacity for Greater Manchester which has the potential for significant cost savings. In terms of economic development and regeneration, the creation of a CA with an oversight role in economic development will provide the opportunity to cut out duplication and to ensure that development activity is, where possible, focussed on the City Region. The CA will be responsible for overseeing the delivery of the City Region Pilot projects which are geared to tackling productivity and efficiency in the sub-regional labour market, one of the key messages from the MIER. Finally, there a range of other opportunities which could be considered for governance through a CA and, whilst these are are not strictly dependent on the establishment of a CA, stakeholders certainly recognised the impact which the proposed new governance framework could have on driving future change.
- e) There is no reason why the creation of a CA should lead to an increase in costs as the intention is to build on infrastructure and resource capacity which already exists within the districts.

37 As indicated earlier, the outcome of the review must enable the reviewing authorities to conclude that the creation of a CA would be likely to improve the exercise of statutory functions relating to economic development, regeneration and transport in the area, the effectiveness and efficiency of transport in the area and the economic conditions in the area. KPMG were asked to advise whether in their view, as a result of their work, these conclusions could be drawn. Their overall conclusions in this respect are as follows:

- The case for improvements on transport is very strong and presents a significant opportunity for the city region to have more responsibility

devolved from Government in the future. The CA will be able to exercise influence with regional and national agencies on resource prioritisation, aligning different programmes with priorities, capturing operational efficiencies and delivering greater outcomes in the locality;

- From an efficiency perspective, the CA is not intended to increase the cost to the ten local authorities currently within AGMA; conversely, stakeholders have presented a number of areas where there is considerable scope for efficiencies. In relation of transport, an integrated delivery capacity has the potential for significant cost savings;
- The changes that could be brought about from transport are linked to the overall economic development and regeneration of the sub-region. However, there are host of other roles and responsibilities including the statutory duty for LEAs and the allocation of monies from the HCA - which in their own right should benefit from the implementation of a CA framework;
- The pilot activity within the city region agreement is aimed at tackling productivity and efficiency issues in the sub-regional labour markets. The projects address the need to connect economic performance to the development of the housing market, the progression of a spatial strategy which reflects how the market place operates, and arrangements that are geared to equipping young people with skills that match employment demands and growth in the City Region.

Based on these overall conclusions and the headline conclusions set out above, it can be concluded that the creation of a CA would be likely to improve the exercise of statutory functions relating to economic development, regeneration and transport in the area, the effectiveness and efficiency of transport in the area and the economic conditions in the area.

## **OUTCOME OF CONSULTATION**

- 38 Detailed proposals in relation to the Draft Scheme were contained in the report which was submitted to the AGMA Executive Board in December. The Executive Board approved the Draft Scheme for consultation purposes as part of the review. The consultation started in the week commencing 4 January with a deadline for comment of 15 February. It is not proposed to set out details of the Draft Scheme in this review document since these were contained in the consultation document. The Final Draft Scheme has been developed in the light of the comments received through the consultation and as a result of further work and further discussions in the course of the review. A list of all those organisations which have submitted responses is attached at Appendix 3 and copies of responses can be made available. This

section reviews the comments received and responds to a number of key issues.

- 39 Overall, most consultees were broadly in favour of the proposals. The following is a list of issues raised through the consultation including through discussions with the districts and the leadership of GMITA:

**a) Issues raised by the districts**

- 40 A number of meetings and discussions were held with both members and officers in the districts and many of them were seeking a better understanding of the proposals or clarification on certain aspects. Further detail of these areas requiring clarification are set out below together with a series of issues identified in these meetings and discussions which have resulted in potential changes to the proposals presented to the Executive Board in December

- *Areas requiring clarification*

- 41 Clarification has been sought by a number of districts on how various functions would operate in practice particularly where the scheme proposes that functions are exercised concurrently by both the CA and/or TfGMC and the districts. Trafford have commented that they would need to understand how it is proposed that these functions will be executed at member and officer level. As far as this last comment is concerned, the CA will need to have a scheme of delegation which will set out which matters are determined by members and which matters are delegated to officers. This will need to be developed and submitted for approval to the CA and Manchester will work with Rochdale and Trafford to prepare this.
- 42 On the other points, it is worth explaining what the relevant legislation/draft guidance says about the issue of concurrent functions and then considering specific functions individually.

**Economic Development and Regeneration**

- 43 In relation to economic development and regeneration, the LDEDC Act provides for a CA being able to exercise functions of the districts as specified in the statutory order **either** concurrently with **or** instead of the districts. The Draft Scheme provides for the identified functions being exercised concurrently with the districts except the new duty to prepare an assessment of economic conditions in the area because CLG's view is that they expect this power only to be exercised on a sub-regional basis. In any event, it is considered both appropriate and cost effective for only one authority to have the duty in particular because this would be without prejudice to the districts at their discretion conducting such an assessment under other powers.

- 44 It is recognised that, where the CA and the districts have concurrent responsibility for the exercise of functions, protocols will need to be developed between the authorities as to how the functions are carried out, particularly where they involve statutory duties and it is expected that these would be contained in an operating agreement between the parties which will be developed by Manchester, Rochdale and Trafford and submitted for approval to the 10 districts (including their scrutiny committees) and the CA. It may be useful to consider some of the concurrent functions individually:

### **The Well-being power**

- 45 Part 1 of the Local Government Act 2000 involves both a power and a duty. There is a power in Section 2 to do anything likely to achieve the promotion or improvement of the economic, social or environmental well-being of the area (subject to the limitations in Section 3). There is a duty in section 4 to prepare a sustainable community strategy for promoting and improving the economic, social and environmental well-being of the area and contributing to the achievement of sustainable development in the UK. The CA needs a well-being power in order to achieve its objectives of improving economic conditions and transport at a Greater Manchester level. It is also clearly advantageous to give statutory force to strategies such as the GMS, developed at a Greater Manchester level not least because the LDEDC Act gives a statutory basis to the Multi-Area Agreement. The CA's Sustainable Community Strategy would deal with City Region issues and would not obviate the need for community strategies at the district level. Indeed, it would be important that individual community strategies set out how agreed GMS priorities are to be taken forward at a district level.
- 46 It should be noted that the CA would inherit a separate well-being power from GMITA as provided in section 99 of the LT Act and discussions are being held with lawyers at the CLG and DfT as to whether the power in section 2, LGA 2000, is needed as well. However, the LT Act does not contain a duty to prepare a sustainable community strategy and therefore it is necessary that any order gives this duty to the CA.

### **Housing**

- 47 Section 8 (1) of the Housing Act 1985 imposes a duty on local housing authorities to consider housing conditions in the district and the needs of the district with respect to the provisions of further housing accommodation. It is proposed that the CA should have this duty at a City Region level and that districts would retain their existing duty at district level thus reflecting the actual operation of housing markets. The function is necessary because housing strategy has to be planned at City Region as well as district level and this has already been recognised in the AGMA Constitution which gives the Executive Board responsibility for "developing and co-ordinating the operation of a

Greater Manchester housing strategy, for determining the future allocation of any pooled public sector housing resources across the combined Greater Manchester area, and for providing a sub-regional context for managing the scale, distribution and mix of new housing development.

- 48 Clarification has been sought as to whether, in relation to the Single Conversation and allocation of funds from the single pot agreed with the HCA, the CA would be determining individual districts' investment priorities on their behalf. This has never been the intention: the role of the CA will be to agree funding priorities for the City Region, not the priorities of individual authorities.

### **Air Quality**

- 49 Sections 82–84 of the Environment Act 1995 provide that every local authority must from time to time cause a review to be conducted of the quality, and likely future quality, of air within the authority's area, and must cause an assessment to be made of whether air quality standards are being achieved. Where air quality standards are not being achieved, the authority must designate the relevant area as an air quality management area.
- 50 It is proposed that these duties should be given to the CA to be exercised concurrently with the districts. The issue of air quality by definition is not restricted to district boundaries and there is a clear link with the CA's overall transport responsibilities and the work which is being progressed on the development of the low carbon economy. Protocols will be developed as to how the functions are exercised. It is not envisaged that the CA would designate air quality management areas, where the area involved relates to only one district (and certainly not without the consent of the authority concerned). The protocol will need to deal with cross-boundary issues at district level.

### **Planning**

- 51 In relation to planning, confirmation has been requested that the CA will have no statutory planning functions. This is confirmed.

### **Transport**

- 52 In relation to transport functions, the LT Act provides for district functions being statutorily "delegated" by the order to the ITA/CA and therefore this is the word used in the Draft Scheme. However, the delegation may be subject to conditions. It may be useful to consider the identified transport functions individually:

#### *Traffic Signals*

- 53 This function is of course already exercised at a Greater Manchester level. It is proposed that it should become the responsibility of the CA which would enable the appropriate staff in GMUTC to be relocated into the GMPTE/TfGME. It is not proposed that this function should be exercised concurrently if that means that two authorities would be responsible for operating the same traffic lights on the same roads. However, that does not prevent the statutory delegation building in conditions eg close working and consultation with districts etc all of which reflect existing working arrangements which have operated successfully for some years.

#### *Assessment of Road Traffic Levels*

- 54 It is currently the duty of each district to prepare, at such times as the Secretary of State directs, a report containing an assessment of the level of local road traffic in their area and a forecast of growth in those areas. This work is also undertaken at present on a sub-regional basis through the transport units which are to be relocated into GMPTE/TfGME. The Draft Scheme proposes that the duty is delegated to the CA. The duty only arises on the direction of the Secretary of State and therefore it seems more sensible and cost effective that the duty should fall on one authority rather than eleven. But again the exercise of the duty could be made subject to conditions including the requirement for close working and consultation with the districts and it would be without prejudice to the power of districts to prepare reports relating to their own district at their discretion.

#### *Network Management Duty*

- 55 Under the Traffic Management Act 2004 it is the duty of a local traffic authority to manage their road network with a view to securing the expeditious movement of traffic on their own roads and facilitating the same on the roads of other authorities. The Act then makes it the duty of the local traffic authority to make appropriate arrangements for planning and carrying out action to be taken in performing the network management duty (including appointing a traffic manager) and in doing they must have regard to guidance of the Secretary of State.
- 56 The fact that the duty includes facilitating movement of traffic on other authorities' roads suggests the need for joint working between traffic authorities and this is supported by statutory guidance.<sup>9</sup> As the Draft Scheme provides that the districts remain the local highways and traffic authority, it would be difficult to give the CA the network management duty. However, TfGMC, being a joint committee of the ten local highway/traffic authorities and the CA as the local transport authority responsible for the LTP and strategic transport policies, is the most appropriate body to prepare a Greater Manchester Network

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Management Plan (as distinct from individual districts' network management plans) and bring together the various authorities in order to facilitate the performance of their duties. This is not only consistent with the work of the transport units which are to be relocated into GMPTE/TfGME as well as with the work undertaken by the Greater Manchester Association of District Engineers but is also consistent with the Ministerial Agreement which seeks a more joined up approach between the relevant authorities (including the Highways Agency) in relation to the Greater Manchester road network. It is recognised that the exact terms of the delegation in relation to this duty will require further consideration at a later stage. As this will be a voluntary delegation, the terms and conditions of the delegation would need to be agreed in the operating agreement establishing TfGMC. It is anticipated that TfGMC will need to work closely and in consultation with the districts. There will not be any derogation of district council powers and duties as highway/traffic authorities.

### *Road Safety*

57 Section 39 of the Road Traffic Act 1988 requires district councils to prepare and carry out a programme of measures designed to promote road safety. These measures include carrying out studies into accidents arising out of the use of vehicles on roads within their area. It is only the carrying out of studies which it is suggested should be discharged at a Greater Manchester level although this would not prevent districts themselves carrying out studies. Again this is consistent with the work of the transport units (and specifically that of GMTU which includes the Joint Road Safety Team and which already exercises this role on behalf of the districts) which will be relocated to GMPTE/TfGME. No changes in other arrangements including the operation of the Greater Manchester Casualty Reduction Partnership and the Joint Road Safety Team are envisaged. This approach is also consistent with the Ministerial Agreement which provides for joint working between the Highways Agency and the City Region on strategic studies, research projects, and evidence-based pieces of work. Again, as this is a voluntary delegation, the terms and conditions of the delegation will need to be agreed in the operating agreement establishing TfGMC.

- *Additional powers - education and training*

58 Both Bury and Salford requested that the powers of the CA in relation to post – 16 provision could be strengthened. It is therefore proposed to amend the draft scheme to give the CA (concurrently with LEAs) various new functions transferred by the Apprenticeships, Skills, Children and Learning Act 2009 (ASCLA) to LEAs from the Learning and Skills Council. This is necessary in order to give effect to the relevant part of the Ministerial Agreement and the policy and the approach to governance already agreed by AGMA last year in relation

to the exercise of the functions across the City Region. These functions which are inserted into the Education Act 1996 include:

- (a) the duty to secure enough suitable education and training is provided to meet the reasonable needs of: 16 – 19 year olds and 19 – 25 year olds who are subject to learning difficulty assessment;
- (b) the power to secure the provision of work experience for such persons in their area;
- (c) the duty to encourage employers to participate in the provision of education, training and work experience for such persons;
- (d) the duty to secure that enough education and training is provided to meet the reasonable needs of persons who are subject to youth detention; and
- (e) the duty to co-operate with LEAs in exercising these functions.

- *Name*

59 There have been a number of comments on the proposed name for the new authority. The Draft Scheme proposes the Manchester City Region Authority and the following alternative names have been proposed:

- Greater Manchester City Region Authority
- Greater Manchester Regional Authority
- Manchester Combined Authority
- Greater Manchester Combined Authority

This will need to be determined by the Executive Board.

- *Voting*

60 The draft scheme proposes that all decisions would be by a simple majority of those members present and voting with no casting vote for the Chair. Bolton, Stockport, Trafford and others have proposed alternatives and the options are:

- Simple majority with no casting vote (the Draft Scheme)
- As per the existing AGMA constitution where 7 votes are required for a matter to be agreed except where a simple majority is currently specified
- Simple majority except in relation to certain key/major decisions such as the approval of the CA's budget, the fixing of the transport levy, approval of the Local Transport Plan and of the Sustainable Community Strategy where 7 votes would be required for a matter to be agreed

- It is proposed that any additional functions devolved by the Government should be determined on the basis of a simple majority

Again, this will need to be determined by the Executive Board. In coming to a view about this issue, the Executive Board will need to take into account the need to be able to demonstrate to Government and others efficient and robust decision-making processes.

- *Joint Committee – TfGMC*

- 61 One authority (Bolton) have proposed that the membership of TfGMC should be amended to give each district an equal number of members (as opposed to the current constitution which allocates each district membership on the basis of population). One of the key principles which has been agreed consistently by the Executive Board is that there should be no change in the composition and membership of the Joint Committee from that of the existing GMITA. No change is therefore proposed in the current arrangements.

- *Delivery Body*

- 62 See answer in paragraph 72 below in issues raised by GMITA.

- *Provision for a review period*

- 63 Several respondents have indicated that a review of the CA should form part of the arrangements going forward. This raises 3 issues:

- The process for conducting any review
- The purpose of any review
- The timing of the review

- 64 Taking each of these points in turn the proposals are as follows:

- Once an Order has been approved establishing a CA, a significant change to the statutory arrangements defined in the order can only be made by another order following a review. However, it would be open to the constituent councils of the CA to extend the functional base of the CA without a further order if at some future date they all agree to delegate further functions **on a voluntary basis**. Any one constituent council or the CA can instigate a statutory review of the arrangements in the order and it would be the responsibility of the Secretary of State to satisfy him/herself that any changes which are proposed as a result of the review would be likely to improve the exercise of statutory functions relating to transport, economic development and regeneration, economic conditions and transport in the area. The review can cover the membership and functions of the CA and the role of the delivery body (ie GMPTE/TfGME). It

could involve adding or removing a local authority to or from the CA's area (with the consent of the local authority concerned) or dissolving the CA (with the consent of the majority of the constituent councils).

- The rationale for the creation of a CA is rooted in the delivery of better outcomes in the economic performance of the City Region. This is the essential purpose of the GMS and the definition of the 11 key priorities embodied within it. In broad terms these are about the wealth we produce (total Gross Value Added); the amount of jobs we have (total employment); the amount of value we produce per worker (productivity); the number of residents who can potentially work who actually do (employment rate); and the extent to which we reduce the amount of CO2 we produce per worker etc. It is considered that, as part of the implementation of the GMS which is now underway, it is considered that officers should produce a definitive list of headline indicators which would not only serve as the framework for the CA and the constituent councils to measure the CA's performance year on year but would also provide the essential base for any review of arrangements to take place in the future. These headline indicators could be the subject of consultation with constituent councils and as well as being subjected to scrutiny prior to being finalised by the AGMA Executive Board.
- It is proposed that a joint review of the CA's arrangements should take place after 5 years. However, if any one constituent Council decides that a statutory review would be appropriate after 3 years, then it is suggested that all the constituent authorities should agree to co-operate in a joint review. This is without prejudice to the rights of individual authorities to undertake their own review at any time.

- *Attendance and speaking rights at CA meetings for Chairs of Joint Boards, the proposed new TfGMC and certain elected members from constituent authorities*

65 It is proposed that the Chairs and Vice Chairs of the Joint Authorities and TfGMC should have access to all agendas and reports for meetings of the CA, enhanced attendance rights (including for Part B items) and speaking rights. Other members will have the same right to attend as members of the public.

- *Scrutiny Arrangements*

66 Two authorities (Bolton and Trafford) have proposed a strengthening of the proposed scrutiny arrangements: Bolton have asked for arrangements to “include appropriate timescales for consideration of items before decision and therefore facilitating the effective use of the

call-in procedure where appropriate” and Trafford have proposed that district scrutiny committees should review the proposed scrutiny arrangements for the CA. The importance of scrutiny of CA functions by constituent councils has been highlighted by others, particularly in relation to securing greater involvement in the evolution of policy. It is recognised that the development of forward planning in relation to scrutiny programmes of work is important. It is, of course, open to each district to refer matters considered by AGMA Executive Board now or by the CA in the future to their scrutiny committees. It is proposed that there should be a review of scrutiny arrangements which take into account the views of district scrutiny committees and the AGMA Scrutiny Pool alongside the requirements of current or future legislation with detailed proposals to be reported back to the Executive Board in due course. In addition, the advent of a CA should encourage a review by the AGMA Scrutiny Pool of their existing support arrangements for report to the Executive. This will also raise awareness of AGMA and CA and their activities within councils generally of AGMA and their activities. Proposals for strengthening awareness will be brought forward separately. Detailed arrangements for scrutiny will be provided for in the operating agreement and, although they are unlikely to be included in the draft order, they will be facilitated by powers which may become available shortly through a Government-supported Private Members’ Bill.

67 It is proposed that, if the provisions of the LDEDC Act relating to the duty to respond to petitions is brought into force, the duty should apply to the CA. It is also suggested that there should be a procedure similar to that in Section 41 of the Local Government Act 1985 for a council’s representative on a CA and one of the council’s representatives on TfGMC to answer questions on CA and TfGMC business at full Council meetings of the constituent authorities.

- *Relationship with neighbouring authorities*

68 One or two neighbouring authorities and one or two of the districts were keen to see a more effective and structured relationship being developed with neighbouring authorities as part of or alongside these new arrangements. This was particularly evident on the part of neighbouring authorities in relation to transport as a key area for collaboration. It is proposed that a Partnership Board consisting of AGMA Leaders and the Chair of TfGMC together with senior members from neighbouring authorities should be established to work on a full range of issues. Detailed terms of reference would need to be drawn up but it is proposed that the Board should be chaired by the Chair of AGMA, that it should meet around 3 times a year and that there should be appropriate officer structures developed to support it.

- *Cost*

69 One authority (Trafford) has raised the issue of cost particularly in relation to the consolidation of the specified transport units into GMPTE/TfGME. They have asked that “the new organisation ensures maximum efficiencies can be derived from this integration and that additional staff and resources are not simply subsumed into one larger organisation.” The only area where the new arrangements will incur additional cost is in relation to post 16 provision where all costs will be covered by the transfer of budgets and staff from national and regional agencies. Issues around cost have been covered in the KPMG report and their conclusions in this respect are set out above in paragraphs 36c) and 37. This view should be noted and it is proposed that it should be an influence on the evolution of detailed organisational arrangements.

- *Funding*

70 One authority (Trafford) has asked for an assurance that agreement is reached “on the mechanism that provides for an equitable distribution of all funding across the Greater Manchester region, be it existing or devolved”. This can be agreed as a general principle although it is suggested that it would be difficult to develop a single mechanism which could be used as the basis for all decisions around the distribution of funding. In addition, some funding programmes will have their own conditions. It will be for the CA to bring forward criteria for what should be considered as an equitable distribution of funding in relation to different strategies and funding programmes.

**b) Issues raised by GMITA**

- *The extent to which any new arrangements, if implemented, could be changed; the extent to which the position of the TfGMC can be protected; and what process needs to be undertaken to change the order in relation to the setting up of the CA.*

71 See responses in paragraphs 60 and 64 above on “Voting” and “Provision for a review period”.

- *Whether it would be possible to merge the delivery body with the Joint Committee*

72 It has been suggested that this is the model used in other ITA areas. PTEs are separate legal entities as a result of the Transport Act 1968. Although there is provision within the LT Act and LDEDC Act for PTEs to be abolished and their functions transferred to the ITA/CA, this has never been seriously considered within Greater Manchester given the prevailing view that it is important to separate delivery from other roles. This same principle underpins arrangements in other ITA areas:

despite the appearance, in these areas ITAs and PTEs are separate bodies and any semblance of a "merger" is simply a question of public information "branding."

- *Clarification of the specific arrangements enabling members of the Joint Committee to receive allowances.*

73 Although the regulations relating to members' allowances would not allow TfGMC itself to pay allowances, it is proposed that its constituent councils should adopt the same procedure as applies in relation to GMWDA. This would involve each district council paying a special responsibility allowance (SRA) to all its members on TfGMC and an additional SRA to those members holding specified senior posts. Such allowances would be determined following a report by an independent review panel.

- *Clarification on the participation of the Joint Committee on behalf of the CA within the LGA and associated interest groups.*

74 The Chair of AGMA has already indicated that the Chair of the Joint Committee would be the CA's representative within the appropriate LGA structure. GMITA have requested that the existing arrangement whereby it has 3 representatives to the LGA should continue under the new arrangements. It is suggested that this should be agreed and AGMA should ask the LGA to ensure that this is adopted.

### **c) Issues raised by other stakeholders**

75 Copies of all stakeholder responses can be made available. A total of 26 responses were submitted and an overwhelming majority welcomed the proposed changes in governance. A number of these were organisations representing the business community. The following specific issues were raised:

- *NWDA*

76 Whilst supporting the principle and structure proposed, the NWDA asks whether Greater Manchester could not have gone further, for example, they ask what role, if any the CA will have in planning and spatial prioritisation and in relation to agreement of LAA targets and priorities. They also ask what analysis has been made of the cost of implementing the new arrangements. On the question of further powers on planning and spatial prioritisation, it has already been agreed that it would be premature to include any such powers and no change is therefore proposed. On the cost question, this is considered below and in the KPMG business case report.

- *GM Fire and Rescue Service*

77 The Chief Fire Officer has suggested that the Service could add real value to activities around road safety and accident prevention and would like to be included in any new model or approach to dealing with road safety as part of the new governance arrangements. Such a suggestion is welcomed: although there is much day-to-day involvement by the Service in road safety educational activities at a local level, a greater involvement by the Service in road safety information and advice would certainly add real value and it is suggested that this is agreed. It should be noted that the Liberal Democrat and Conservative Groups on the Fire and Rescue Authority have indicated their opposition to the abolition of the GMITA in its current form.

- *Freight Transport Association*

78 The FTA welcomes the review of governance arrangements pointing to their experience of dealing with the separate highway authorities in Greater Manchester. They believe that “it would be beneficial for the City Region to have a single statutory authority to focus on transport functions” and “the focus on economic development, regeneration and transport would be better co-ordinated by a single body and must be encouraged to work across the 3 areas to achieve the best for the City Region as a whole.” They indicate their support for the concept of a joint committee responsible for transport functions across the City Region.

79 On delivery, they ask that the needs of freight movements must not be lost in the high profile requirements of passenger transport if the GMPTE becomes the integrated delivery body as is proposed. They suggest that the current Freight Quality Partnership for Greater Manchester would be a good sounding and advisory group to both the CA and the delivery body. This proposal is welcomed though clearly the relationship will be through TfGME to TfGMC.

## **FINAL DRAFT SCHEME**

80 Detailed proposals in relation to the Final Draft Scheme are summarised below and set out in full at Appendix 4. 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.

81 The following are the key components of the proposed Final Draft Scheme:

**a) Area**

82 This will be the whole of the area of the 10 districts. The rationale for this is set out above in paragraph 18 with further evidence in Greater

Manchester's submission to the Government in February, 2009 to become a pilot Statutory City Region.

**b) Name**

83 See paragraph 59 above – for Executive Board decision.

**c) Membership**

84 It is proposed that there would be 10 members being elected members of the 10 districts with one member being appointed by each district. The rationale for this is to put each of the 10 districts on a similar footing rather than one related to population within each of their areas. It is proposed to provide for a system of substitute members with each district appointing one of its elected members to act as a member of the CA in the absence of the appointed member.

**d) Voting**

85 See paragraph 60 above – for Executive Board decision.

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

86 It is proposed that the CA would be given the following local authority functions to enable it to act as the co-ordinating body for economic development and regeneration for Greater Manchester and for overseeing a new framework for pilot projects for public sector reform around agreed economic priorities for skills, 0-5s, deprived neighbourhoods and worklessness and the development of the essential evidence base to support new ways of working:

- 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 (the relevant power in the LDEDC Act comes into force on 1 April, 2010)
- 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
- A duty to secure that enough education and training is provided to meet the reasonable needs of all 16 to 19 year olds, those 19 to 25 year olds who are subject to learning difficulty assessment and persons who are subject to youth detention.

- 87 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 LDEDC Act and draft guidance published in December, 2009<sup>10</sup> states that the duty should be carried out jointly at a sub-regional level or, where a CA or EPB has been established, by that body on behalf of its constituent authorities. 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.
- 88 It is not proposed that other statutory functions particularly as they relate to planning should be exercised by the CA.

**f) Functions - Transport**

- 89 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).
- 90 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 Policy 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**

- 91 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

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See “Local Economic Assessments: Consultation on draft statutory guidance” at [www.communities.gov.uk](http://www.communities.gov.uk)

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 would 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
- Major and 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)

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

93 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.

94 As TfGMC would be established by an operating agreement between the CA and the districts, the conditions of these delegations would be agreed between the parties to the agreement.

95 A summary of the proposed functions of TfGMC is set out in Appendix 5. Detailed terms of reference together with the proposed terms of the operating agreement will be developed for report back to AGMA at the next stage following consultation with the Chair and Vice Chairs of AGMA and the Chair and Vice Chair of GMITA.

#### ***h) Delivery bodies***

96 In relation to transport, 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 Policy Unit, the GM Joint Transport Unit, the GMUTC and GMTU would be relocated into TfGME. The TfGME will be formally accountable through TfGMC to the CA. The Joint Committee

will be responsible for monitoring and overseeing the activities and performance of TfGME.

- 97 The detailed organisational structure for TfGME should be developed so as to secure the most efficient and effective operation as suggested by Trafford.
- 98 In relation to economic development, the Commission for the New Economy is one of AGMA's Commissions and reports to the AGMA Executive Board which appoints its members and determines its remit. As its principal functions relate to economic development and regeneration, it would in future report to the CA. New Economy's Board is, unlike the other commissions, a company limited by guarantee (previously called Manchester Enterprises Ltd). Since the AGMA Executive Board is not a body corporate, the legal owners of Commission for the New Economy Ltd are the ten district councils. It is proposed that ownership should transfer to the CA to ensure that accountability and reporting arrangements are maintained. This is particularly important now that Commission for the New Economy has statutory functions in its own right, having been designated as an employment and skills board with responsibility for formulating strategy to secure the provision of education and training suitable for the requirements of persons over 19.

***i) Funding***

- 99 The CA will issue a levy to the districts in relation to its transport functions on the same basis as the existing ITA (ie apportioned by reference to the population of each district). 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***

- 100 It should be noted that the Government Consultation Paper "Strengthening Local Democracy" refers to the need to look at how the accountability and transparency of city regional level working could be strengthened, so that greater powers for the sub-regional tier of governance go hand in hand with strengthened accountability. It states that there is a strong case for strengthening existing and planned structures through:
- requiring the activities of sub-regional partnerships to be subject to scrutiny arrangements
  - enabling joint overview and scrutiny committees to require sub-regional bodies and their partners to provide them with a broader range of information and to consider their recommendations on sub-regional matters, and

- extending the new duty of district councils to respond to petitions to apply to ITAs, EPBs and CAs
- 101 AGMA has already established a joint scrutiny pool to exercise scrutiny arrangements over the Executive Board. It is proposed that the remit of the existing AGMA Scrutiny Pool should be extended to enable it to exercise an overview and scrutiny role in relation to the CA, TfGMC and TfGME/GMPTE. As proposed earlier, there should be a review of scrutiny arrangements which take into account the views of district scrutiny committees and the AGMA Scrutiny Pool alongside the requirements of current or future legislation with detailed proposals to be reported back to the Executive Board in due course. In relation to transport AGMA has agreed that these scrutiny arrangements should operate at a high level in relation to Greater Manchester wide and major strategic issues including in particular, the LTP, major and strategic policies, the budget and levy, and the operation of the Greater Manchester Transport fund.

## **PRACTICAL IMPACT OF THE SCHEME**

- 102 The proposals described above would have the following outcomes:
- The creation of a new statutory authority (the CA) which would have the essential powers to co-ordinate economic development, regeneration and transport functions and drive the economic performance of the City Region. The statutory functions which it is proposed should be vested in the CA would enable it to:
    - Oversee a new framework for pilot projects for public sector reform around agreed economic priorities for skills, 0-5s, deprived neighbourhoods and worklessness and to develop the essential evidential base to support new ways of working.
    - Exercise overall responsibility for determining the skills needs of the City Region.
    - Exercise overall responsibility for funding for post-16 provision together with the responsibility for planning, commissioning and performance managing the 16-18 apprenticeship budget in partnership with NAS etc.
    - Exercising overall responsibility to ensure the City Region can make the transition to a low carbon economy.
    - Have responsibility for overseeing the internationalisation of local businesses, the implementation of a Broadband programme, the development of the City Region's science and research capacity, and inward investment activities.

- Have responsibility for the exercise of new powers and functions for transport; in particular the prioritisation of transport investment including the funding and operation of the Greater Manchester Transport Fund; and strategic issues in relation to heavy rail and the strategic highways network which are crucial to future economic success.
  - Exercise responsibilities for determining investment priorities for housing and the outcome of engagement with the Homes and Communities Agency.
  - TfGMC would play a part in the direction of transport policy and would oversee the operational delivery of the CA's transport functions and monitor and oversee the activities and performance of the delivery body - currently the PTE.
  - The proposals for the current PTE would reduce the proliferation of Transport Units; and it will be reformed to provide an integrated delivery capacity. This will reduce duplication and promote operational efficiencies. The PTE would be accountable to the CA through the TfGMC.
- 103 Additionally, accountability would be strengthened through the development of robust scrutiny arrangements of the CA's functions which for the first time in many years would provide a single sub-regional focus for integrating in particular economic development, regeneration and transport functions.

## **CONCLUSIONS**

- 104 The information and considerations set out in this review document including the outcome of the consultation and the business case prepared by KPMG provide strong and solid grounds for concluding that the establishment of a CA for Greater Manchester would be likely to improve:
- a) the exercise of statutory functions relating to transport in the area;
  - b) the effectiveness and efficiency of transport in the area;
  - c) the exercise of statutory functions relating to economic development and regeneration in the area; and
  - d) economic conditions in the area.

**Sir Howard Bernstein**  
**Chair, AGMA Chief Executives Group**

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