



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Communities and Local Government

Progress in setting up combined authorities

Key facts

9

number of established combined authorities, as of July 2017

34%

percentage of the population of England, outside London, living in combined authority areas

£1.3bn

combined revenue and capital budget for the six mayoral combined authorities, 2017-18

- 6** number of mayoral elections to combined authorities, which took place in May 2017
- 54 (17%)** number of local authorities in England with full membership of a combined authority
- £818 million** total amount spent by the six existing combined authority areas on transport in 2015-16
- £16** average annual devolution deal investment fund per person in mayoral combined authorities
- 21% to 34%** range of turnout rates in mayoral elections held in May 2017, in Tees Valley and Cambridgeshire and Peterborough respectively
- 22%** percentage of the population of England outside London living in combined authority areas with an elected mayor

Summary

1 Combined authorities are corporate bodies formed of two or more local government areas, established with or without an elected mayor. They enable groups of two or more councils to take decisions across boundaries on issues which extend beyond the interests of any one individual local authority. The first combined authority to be established was in Greater Manchester in 2011, with the purpose of formalising joint working on economic regeneration and transport across its 10 individual district councils. A further eight combined authorities have been formed since then, with the most recent established in March 2017. In May 2017, six combined authorities held their first mayoral elections, and a seventh plans to do so in 2018. Two combined authorities currently have no plans to have mayors. As of June 2017, the Department for Communities and Local Government (the Department) is also considering proposals from other areas.

2 We have published a number of reports on the progress of devolution since 2010, over which time the government has introduced Local Enterprise Partnerships (LEPs), City Deals, and agreed devolution deals with a number of cities and other local authorities. Devolution deals transfer powers, funding and accountability for policies and functions previously undertaken by central government. The specific arrangements vary in each case, as they are negotiated and agreed separately based on local proposals. The government has seen the formation of combined authorities as the next step in devolving power and spending from Westminster to individual areas, formalising joint working which may have been in place for some time. The government has also seen combined authorities as central to its efforts to stimulate economic growth outside the economically higher performing regions of London and the South East.

Scope of our report

3 Under the Local Audit and Accountability Act 2014, the Comptroller and Auditor General of the National Audit Office (NAO) has the authority to conduct examinations into particular authorities. This legislation permits the NAO to provide evaluation, commentary and advice of a general nature to all relevant authorities. This report on the establishment of combined authorities is the first time that we have used this power to produce an NAO report on a particular group of bodies. The purpose of this report is to provide information on these new structures of governance at this early stage, and to highlight both for the Department and for potential and established combined authorities the risks that these bodies should address. We have not assessed the extent to which combined authorities are meeting their objectives, given the relative newness of some combined authorities, and that in mayoral combined authorities mayoral roles have only been filled in May this year. As at July 2017, the government has not set out the future of its policy on combined authorities, but it is likely to change: for example, the Conservative Party's manifesto proposed removing the requirement for a mayor in non-city areas.

Key findings

On the formation of combined authorities

4 **There is a clear purpose to establishing combined authorities, especially in metropolitan areas, and the Department worked at pace to make sure areas were ready for the mayoral elections in May 2017.** As economies and transport networks operate at a scale greater than individual local authority areas, there is a logic to establishing strategic bodies designed to function across conurbations and sub-regional areas. Formalising joint working in statute gives them additional powers over their constituent areas which are not in place for joint committees formed of local authorities. The Department encouraged local authorities to come together and submit proposals, and had received 34 bids by September 2015. Following negotiations, this resulted in formal proposals for six combined authority mayors to be established in 2017. In 2016, the Committee of Public Accounts expressed concern about the pace at which the Department would need to work to support the mayoral elections of May 2017. The Department worked with local areas to pass the legislation necessary to establish combined authorities, and to raise public awareness of them (paragraphs 1.10 to 1.13, 2.4 and 2.5).

5 However, evidence that investment, decision-making and oversight at this level is linked to improved local economic outcomes is mixed and inconclusive. Combined authorities themselves often assume in their plans that there is a strong link between investment in transport and economic growth, for example. Despite this, evidence on the additional value that governance at this level can bring to economic growth is mixed, and combined authorities' administrative boundaries do not necessarily match functional economic areas, or the existing boundaries of local enterprise partnerships. We assessed combined authorities' draft monitoring and evaluation plans, and found that while they are working to link spending with outcomes and impact, they vary in quality, and measures tend to vary depending on data already available (paragraphs 2.3 to 2.6 and 3.19).

6 Combined authorities are not uniform, and vary in the extent of the devolution deals they have struck with government. Combined authority areas and their powers, functions and funding have been determined by local authority leaders and negotiated with the Department. The combined authority with the greatest degree of devolution, Greater Manchester, has now absorbed control over the office of the police and crime commissioner and fire and rescue service. Others are primarily focused on transport issues at the moment, such as bus franchising. Tees Valley is the only combined authority to have requested legislation at this point to establish a local development corporation (paragraphs 1.18, 2.3 and 3.6).

7 A number of areas have been unable to bring local authorities together to establish combined authorities. Local authorities in Greater Lincolnshire and East Anglia agreed in principle to devolution deals with the Department which would have required the formation of a combined authority. However, they were unable to agree the terms of the deal locally and were therefore unable to form combined authorities. In the 2010 Parliament, the government moved to a preferred model of including elected mayors in devolution deals on the grounds that they enhance accountability and oversight. The North East and West Yorkshire are combined authorities without mayors, and with only the 'first stage' deals that transfer some powers to combined authorities. The North East had negotiated a devolution deal but it was withdrawn by the Department following opposition to it from local authorities around issues including an elected mayor. These examples suggest that there is a strong perception in certain areas that the government's preferred model – of a combined authority with an elected mayor – is unsuitable to their local context (paragraphs 1.7, 1.13, 1.14 and 2.9).

8 Areas with a long history of working together have found it most straightforward to establish combined authorities. In Greater Manchester, for example, combined authority structures and increasingly devolved powers have essentially been grafted onto joint working between neighbouring local authorities established over several decades. The real test will be whether combined authorities without such a favourable backdrop can deliver sustainable results (paragraphs 1.8 and 2.8).

On the long-term sustainability of combined authorities

9 While combined authorities add to the already complex structure of local government in England, they have the potential to improve accountability.

London has governance at borough and Greater London Authority level, with a London-wide mayor. Elsewhere in England there are already a number of levels of governance, including county councils, districts or boroughs, and parish and town councils. Combined authorities add another layer to this complexity. In addition, mayoral combined authorities will often need to work with a range of other bodies as they enact their powers. For example, in order to use their compulsory purchase powers, the elected mayors of combined authorities will need to liaise with the Homes and Communities Agency, with which they have concurrent powers, to make sure their plans align. They will also need the consent of combined authority members who represent the council where the land is. Combined authorities do, however, also give local areas the opportunity to clarify accountability arrangements, which are defined in legislation, providing a clear overall framework (paragraphs 3.9 to 3.11 and 3.16).

10 The lack of geographical coherence between most combined authorities and other providers of public services could make it problematic to devolve more public services in the future.

Other than Greater Manchester and the West Midlands, the areas covered by combined authorities are smaller than NHS sustainability and transformation plan footprints. In Liverpool City Region, for example, health and police and fire services cover both the city region and the wider Cheshire area, which the combined authority does not cover (paragraphs 3.6 and 3.7).

11 The capacity of most combined authorities is currently limited, and still being developed.

As strategic bodies, combined authorities are lightly resourced and in working towards establishment have typically drawn staff from the transport authorities that they have incorporated, or from constituent authorities. Their current staffing models vary depending on the length of time they have been in existence, and the range of responsibilities they have agreed in devolution deals. Several of the combined authorities we visited reported an imbalance between revenue and capital funding. In the government's industrial strategy, it sets out its expectation that mayoral combined authorities, along with LEPs, will support small businesses and promote local strengths internationally (paragraphs 3.12 to 3.14).

12 There is a risk that local councillors will have limited capacity for the overview and scrutiny of combined authorities.

Committees scrutinising the spending and activities of combined authorities do this in addition to their other roles within their own local authorities. This has implications for their effectiveness. Greater Manchester, for example, has experienced some difficulty retaining representatives on its scrutiny pool and on its audit committee, although this has not impacted on its ability to hold meetings (paragraph 3.22).

13 Although both the Department and local government have worked to raise their profile, public awareness of the role of combined authorities is low. The Department, in partnership with local areas, published guides about the powers of each of the six mayoral combined authorities that held elections in May. Combined authorities have also conducted public consultations. However, they reported that they have found it a challenge to stimulate significant interest from the public (paragraphs 3.3 and 3.4).

14 If the United Kingdom's departure from the European Union (EU) results in reductions in regional funding the economic regeneration role of combined authorities would become more pressing. Combined authorities are generally in areas which receive the most EU funding. The North West, for example, is scheduled to receive in excess of €1 billion in European Regional Development Fund, European Social Fund, and Youth Employment allocations between 2014 and 2020. This contrasts with the South East, which is due to receive less than €300 million over the same period. The removal of these funding streams has the potential to increase the challenge that combined authorities have in helping to deliver economic growth in their areas (paragraphs 3.23 and 3.24). There are plans for a shared prosperity fund to replace EU structural funds from 2020, based on the industrial strategy published before the General Election in June 2017.

On the newly elected mayors of combined authority areas

15 Combined authority mayors have the potential to give city regions a greater voice on the national stage. In May 2017 six mayors were elected to combined authorities in England, with candidates having campaigned on manifestos which frequently made policy commitments beyond the current remit of these organisations. This raises the question of whether mayors can be credible local advocates if they only deal with the limited issues under their remit. Turnout rates in these elections were comparable to those for other local elections. The Department has welcomed the strengthened representation that the mayors will bring to these local communities (paragraph 3.8).

Conclusion

16 There is a clear purpose to the existence of strategic bodies, particularly in metropolitan areas dealing with cross-cutting issues such as transport and economic regeneration, and the Department worked at pace with local areas to be ready for the mayoral elections in May 2017. These newly elected mayors could provide city regions with a greater voice on the national stage. However, with the introduction of combined authorities, inherently complex structures have been introduced into England's already complicated local government arrangements. For combined authorities to deliver real progress and not just be another 'curiosity of history' like other regional structures before them, they will need to demonstrate in an accountable and transparent way that they are able to drive economic growth, contribute to public sector reform and help to deliver improved outcomes in their areas.

Recommendations

The Department should:

- a** continue to support combined authorities as they put in place their individual local plans for assessing their impact, including demonstrating the value they add;
- b** review periodically all frameworks and guidance in place for combined authorities and other bodies with joint responsibilities, to ensure that accountability for the delivery of services is clear to stakeholders in local communities; and
- c** continue to work with combined authorities as they develop sufficient capacity to:
 - deliver the functions agreed in the devolution deals;
 - support economic growth and the government's industrial strategy; and
 - provide sufficient scrutiny and oversight to their activities.

Combined authorities should:

- d** work with the Department to develop their plans for assessing their impact, including demonstrating the value they add; and
- e** develop and maintain relationships with key stakeholders in delivering economic growth and public services in their areas.

Areas planning to establish combined authorities should:

- f** make sure they have and can clearly articulate a common purpose;
- g** form an area with a clear economic rationale, mindful of existing administrative boundaries; and
- h** develop relationships across areas where there is no history of joint working.