



National Audit Office

Report

by the Comptroller
and Auditor General

Department for Communities and Local Government

Progress in setting up combined authorities

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National Audit Office

Department for Communities and Local Government

Progress in setting up combined authorities

Report by the Comptroller and Auditor General

Ordered by the House of Commons
to be printed on 5 July 2017

This report has been prepared under Section 7ZA of the
National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

3 July 2017

This report explains what combined authorities are and how they have been formed in the context of existing local government structures. It identifies success factors and barriers to establishing a combined authority, and highlights risks to their long-term sustainability. It also addresses concerns set out by the Committee of Public Accounts.

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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.

Part One

The background to combined authorities

1.1 This part of the report sets out:

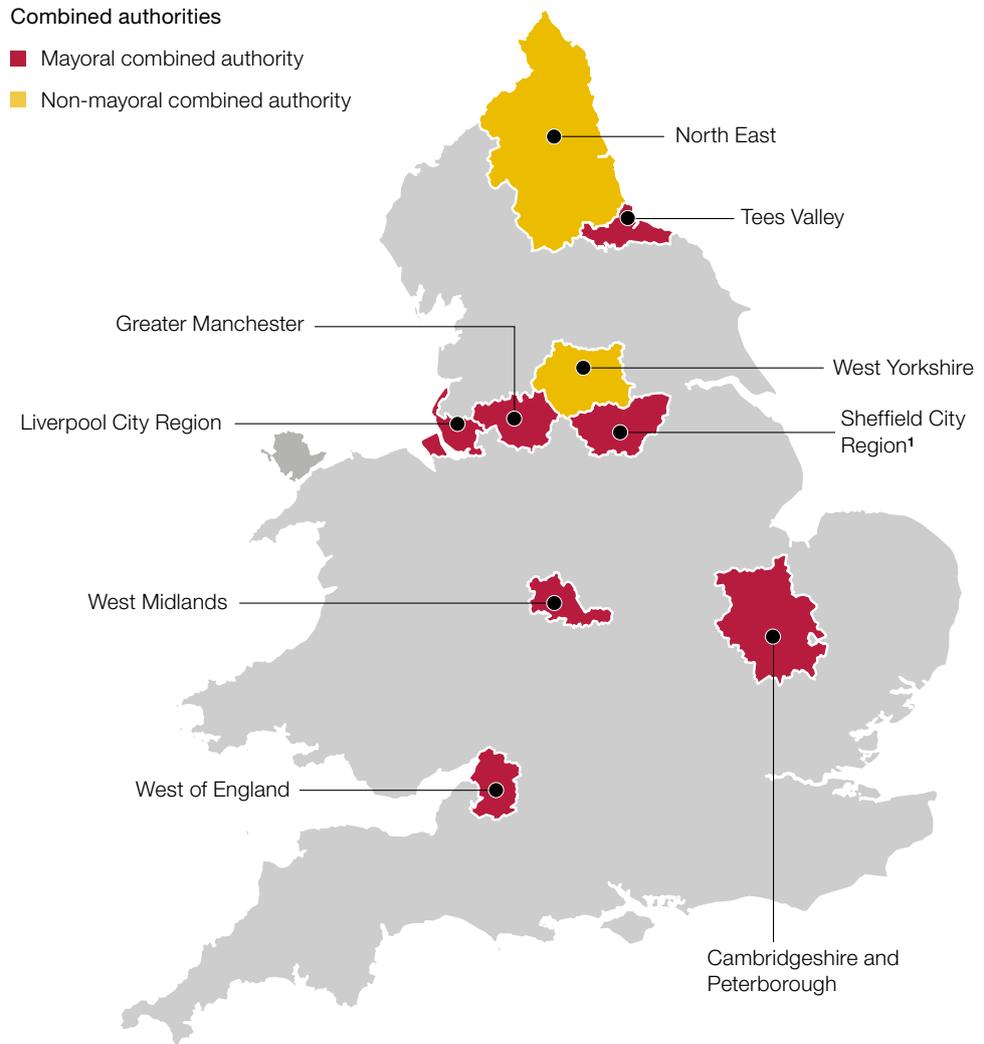
- an overview of combined authorities;
- the historical context of combined authorities; and
- how combined authorities have been formed.

What is a combined authority?

1.2 Combined authorities are statutory bodies established through secondary legislation. They are corporate bodies formed of two or more local government areas in order to exercise functions on a greater geographical scale than a single authority permits. Although many areas which have formed combined authorities have worked together on services such as transport and planning for a number of years, combined authorities now have more functions, over a specific geography, set out in legislation. The model is part of government plans to encourage greater economic growth in England outside London and the South East, and it has become the main vehicle for devolution of greater powers and funding from central government.

1.3 As of June 2017, there are nine combined authorities in England (**Figure 1** overleaf). Six had their first mayors elected in May 2017, and have agreed devolution deals with central government. Sheffield City Region Combined Authority has agreed with the Department for Communities and Local Government (the Department) to hold a mayoral election in 2018, and has agreed a devolution deal subject to the election of a mayor. The North East and West Yorkshire do not have a mayor or a devolution deal beyond the 'first stage' deal made when they became combined authorities.

Figure 1
Combined authorities in England, 2017



Note

1 Sheffield City Region Combined Authority has a mayoral election planned for 2018.

Source: National Audit Office analysis of Office for National Statistics data

1.4 In total, 34% of the population of England outside London now lives in the nine combined authority areas, and around 22% now have a combined authority mayor. Of the 320 councils excluding London boroughs, 54 are full constituents of combined authorities, and a further 16 are non-constituent councils.¹

1.5 Alongside this report, we are publishing an online report with more detailed maps of the mayoral combined authority areas with their constituent and non-constituent authorities, and showing the boundaries of other public sector bodies and Local Enterprise Partnerships (LEPs). Key information on their constituent authorities and main powers and functions are at Appendix Three.

Historical context of combined authorities

1.6 Local government structures and boundaries have undergone several changes since the 1960s (**Figure 2** overleaf), and the combined authority model has emerged out of historical sub-regional bodies and restructures, mainly in metropolitan city region areas. Since 2010, governments have implemented a number of policies to devolve central powers in England, including launching LEPs, awarding local growth funds and signing City Deals, in part to rebalance the economy and stimulate local growth (**Figure 3** on page 15).

1.7 The combined authority model became the main vehicle for devolution deals following Greater Manchester's successful negotiations with the then-Chancellor of the Exchequer, and the formation of other combined authorities to oversee and deliver city deals. When the government invited bids for devolution deals in July 2015, it specified that devolved powers and funding would be most likely to be given in exchange for increased accountability in the form of a mayor.

¹ Unlike constituent councils, non-constituent councils can join multiple combined authorities with non-constituent membership. They have voting rights on matters granted to them by the combined authorities. Ten of these non-constituent councils are in the West Midlands Combined Authority, five are in the Sheffield City Region Combined Authority, and one, York, is in the West Yorkshire Combined Authority.

Figure 2

Historical context of combined authorities

The mayoral combined authority structure as a model for devolution built on earlier structures and changes

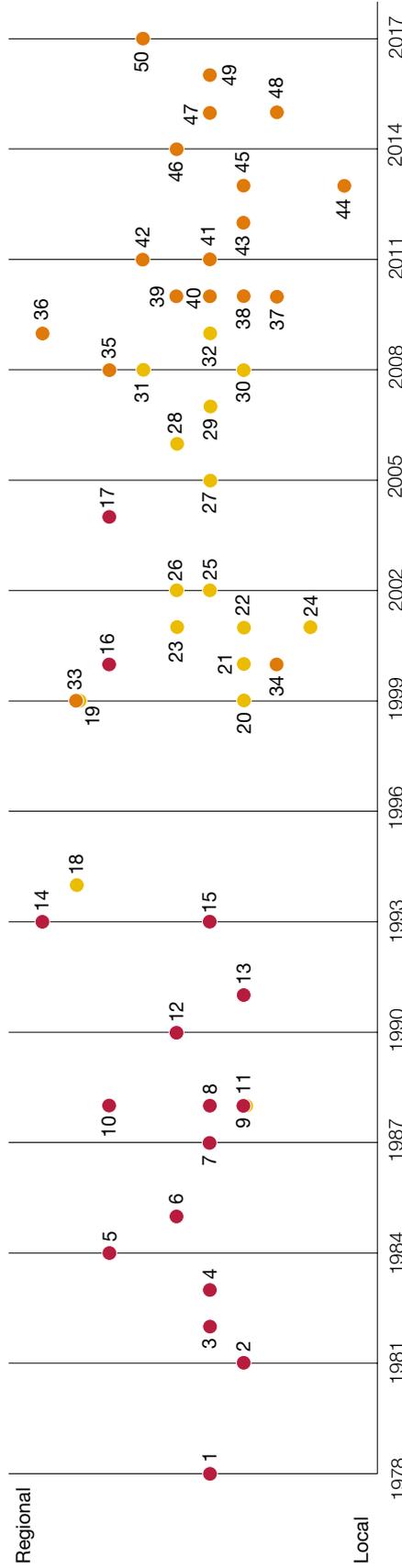
| | |
|------|---|
| 1968 | The Transport Act introduced Passenger Transport Authorities (PTAs) in six areas in England (and Strathclyde in Scotland): Greater Manchester, Merseyside, West Midlands, West Yorkshire, South Yorkshire, and Tyne and Wear. |
| 1974 | Metropolitan counties introduced in England and Wales. PTAs integrated into metropolitan county councils. |
| 1986 | Metropolitan counties abolished and transport powers returned to PTAs. |
| 2000 | Local Government Act provided for directly elected mayors of local authorities, and gave local authorities the power to delegate responsibilities to joint committees. |
| 2008 | Local Transport Act renames PTAs Integrated Transport Authorities and expands their responsibilities. Also allows them to change boundaries. Multi-Area Agreements introduced: cross-boundary agreements between neighbouring authorities and regional bodies to strengthen local government involvement in regeneration across functional economic areas. |
| 2009 | Labour government passed the Local Democracy, Economic Development and Construction Act, which provided for the establishment of combined authorities. |
| 2010 | Coalition government introduced the localism agenda and announced the abolition of regional development agencies. Manchester City Council chief executive negotiated with HM Treasury greater powers for the Greater Manchester area. |
| 2011 | Greater Manchester Combined Authority created across the districts that had previously been part of the former metropolitan county, and the Greater Manchester Integrated Transport Authority was abolished. |
| 2012 | Lord Heseltine published <i>No stone unturned in the pursuit of growth</i> , highlighting how centralised the UK was in comparison to other Organisation for Economic Co-operation and Development (OECD) countries, and the regional disparities in economic growth. First wave of City Deals made with eight cities, funding programmes that enabled cities to invest in assets such as buildings and roads. |
| 2014 | Liverpool City Region, West Yorkshire, North East and Sheffield City Region combined authorities created. First devolution deals agreed with Greater Manchester (including provision for a directly elected mayor) and then Sheffield City Region (no provision for mayor in this deal). |
| 2015 | The government invited bids from city regions that wanted to “agree a devolution deal in return for a mayor”. Mayoral devolution deals agreed with Sheffield City Region and Liverpool City Region combined authorities, and Tees Valley and West Midlands ‘shadow’ combined authorities. Non-mayoral deal agreed with West Yorkshire Combined Authority. |
| 2016 | The Cities and Local Government Devolution Act was passed, providing for combined authority mayors, simplifying the process for establishing combined authorities, extending the functions of combined authorities beyond economic development and transport, and allowing for other models of devolution. |

Notes

- 1 This figure highlights some combined authorities and devolution deals to illustrate the development of the policy; for details of all areas and deals see Figure 5.

Figure 3
Regular changes in initiatives for local growth

Successive governments have implemented policies to stimulate growth, swinging between local and regional-level implementation



- Ended prior to 2010
- Ended since 2010
- Currently active

- | | | | |
|-----------|---------------------------------------|-----------|---|
| 1 | Urban Programme (expansion) | 26 | Housing Market Renewal Pathfinder |
| 2 | Urban Development Corporations | 27 | Working Neighbourhoods Fund |
| 3 | Urban Development Grant | 28 | Local Area Agreements |
| 4 | Derelict Land Grant | 29 | Local Enterprise Growth Initiative |
| 5 | Regional Development Grant (revision) | 30 | City/Economic Development Companies |
| 6 | City Action Teams | 31 | Multi-Area Agreements/ City Region Pilots |
| 7 | Urban Regeneration Grant | 32 | Future Jobs Fund |
| 8 | City Grant | 33 | National Coalfields Programme |
| 9 | Inner City Compacts | 34 | Business Improvement Districts |
| 10 | Regional Enterprise Grant | 35 | Grants for Business Investment |
| 11 | Action for Cities | 36 | Homes and Communities Agency |
| 12 | Training and Enterprise Councils | 37 | Community budgets |
| 13 | City Challenge | 38 | Enterprise Zones (new phase) |
| | | 39 | Regional Growth Fund |
| | | 40 | Local Enterprise Partnerships |
| | | 41 | Growing Places Fund |
| | | 42 | Combined Authorities |
| | | 43 | City Deals |
| | | 44 | Business Rates Retention |
| | | 45 | Tax Increment Finance |
| | | 46 | Devolution Deals |
| | | 47 | Local Growth Fund |
| | | 48 | Coastal Communities Fund |
| | | 49 | Mayoral Development Corporations (outside London) |
| | | 50 | Combined Authority Mayors |

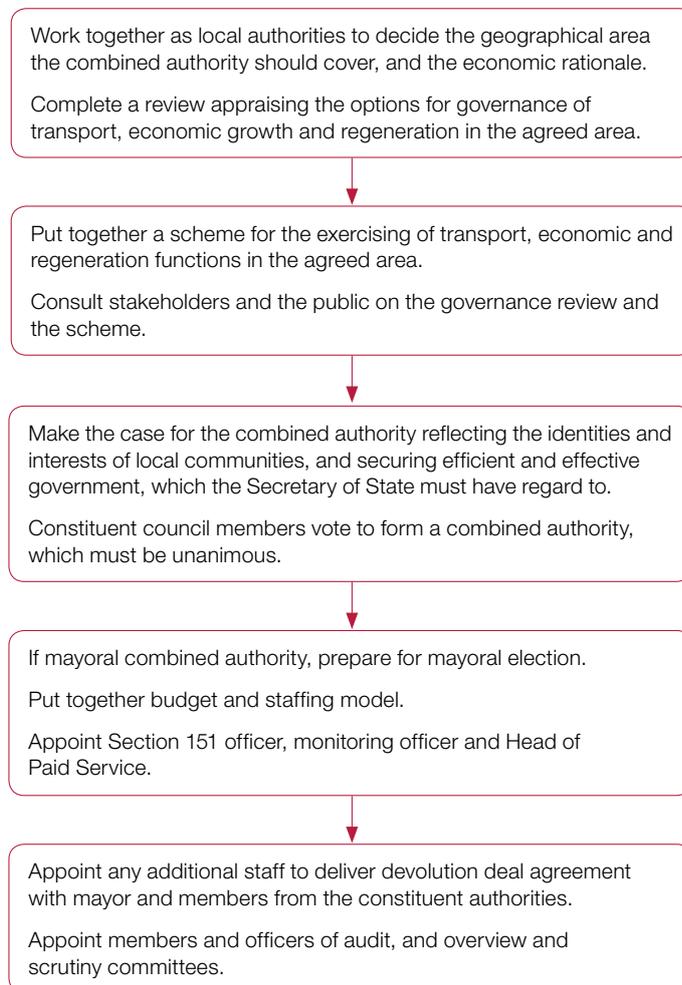
Forming combined authorities and negotiating deals

1.8 The establishment of a combined authority and the agreement of a devolution deal are linked but separate processes. The requirements for establishing a combined authority are set out in law and include undertaking a governance review of current arrangements, publishing a scheme in relation to the exercising of its powers, and consulting appropriate people (**Figure 4**).

Figure 4

Process for areas forming a combined authority

It takes considerable effort to establish a combined authority



Source: National Audit Office

1.9 Agreeing a devolution deal with the government has generally been done in parallel with establishing a combined authority. Council leaders, in consultation with LEPs in their areas, put together a proposal for a devolution deal and submit it to the Department. There follows a period of negotiation, and the terms of the deal agreed between the leaders and the Department are agreed by the leaders of each constituent council. Unlike the establishment of combined authorities, for which a unanimous vote by constituent council members is required, for devolution deal agreements local authorities decide how to agree the terms among members.

Agreed deals and established areas

1.10 In 2016, the Committee of Public Accounts expressed concern at what it considered to be the ambitious timetable that government had set for local areas before the mayoral elections in May 2017. Subsequently, both the Department and local authorities worked at pace to establish combined authorities.

1.11 Between 2013 and March 2017, the Department worked with council leaders and other government departments to create eight combined authority areas in addition to Greater Manchester (established in 2011); agree devolution deals with seven of them; and make five deals with established combined authorities extending their powers.² Over the same period, the Department secured parliamentary approval for 30 pieces of secondary legislation related to combined authorities, including on their establishment, provision for mayoral elections, scrutiny and value added tax (VAT).

1.12 The groups forming combined authorities, putting together bids and negotiating the deals tended to be drawn from constituent councils and, where they existed, integrated transport authorities. They often did so in addition to their day-to-day roles and functions. The Department encouraged local authorities to submit proposals, and provided dedicated officials in central government and in the Cities and Local Growth Unit in local areas to work with each area, but did not provide additional resources for them to conduct the additional work. Combined authorities reported that this pace was challenging. They also contended that this staffing model was sustainable only in the shorter term for setting up combined authorities, and was not suitable for their longer-term operation.

² Established areas can negotiate further devolution deals with the government. Each expansion of powers requires secondary legislation.

Negotiated deals rejected by councils

1.13 By September 2015, the Department had received 34 proposals for devolution deals in England, many of which were also to become proposals for mayoral combined authorities, and the Department entered into negotiations with 24 of them. The North East agreed a deal in principle but was unable to get a unanimous vote from its constituent councils. West Yorkshire was still in negotiations for a full devolution deal before the General Election was called in June 2017, but the exact geography was in question (**Figure 5**).

1.14 Other areas, including Greater Lincolnshire and East Anglia, also agreed devolution deals with the Department in principle, but were unable to agree them locally and did not form combined authorities. The Cambridgeshire and Peterborough area was formed following unsuccessful attempts to create a larger combined authority covering all of East Anglia, and West of England originally included North Somerset, which voted against the deal.

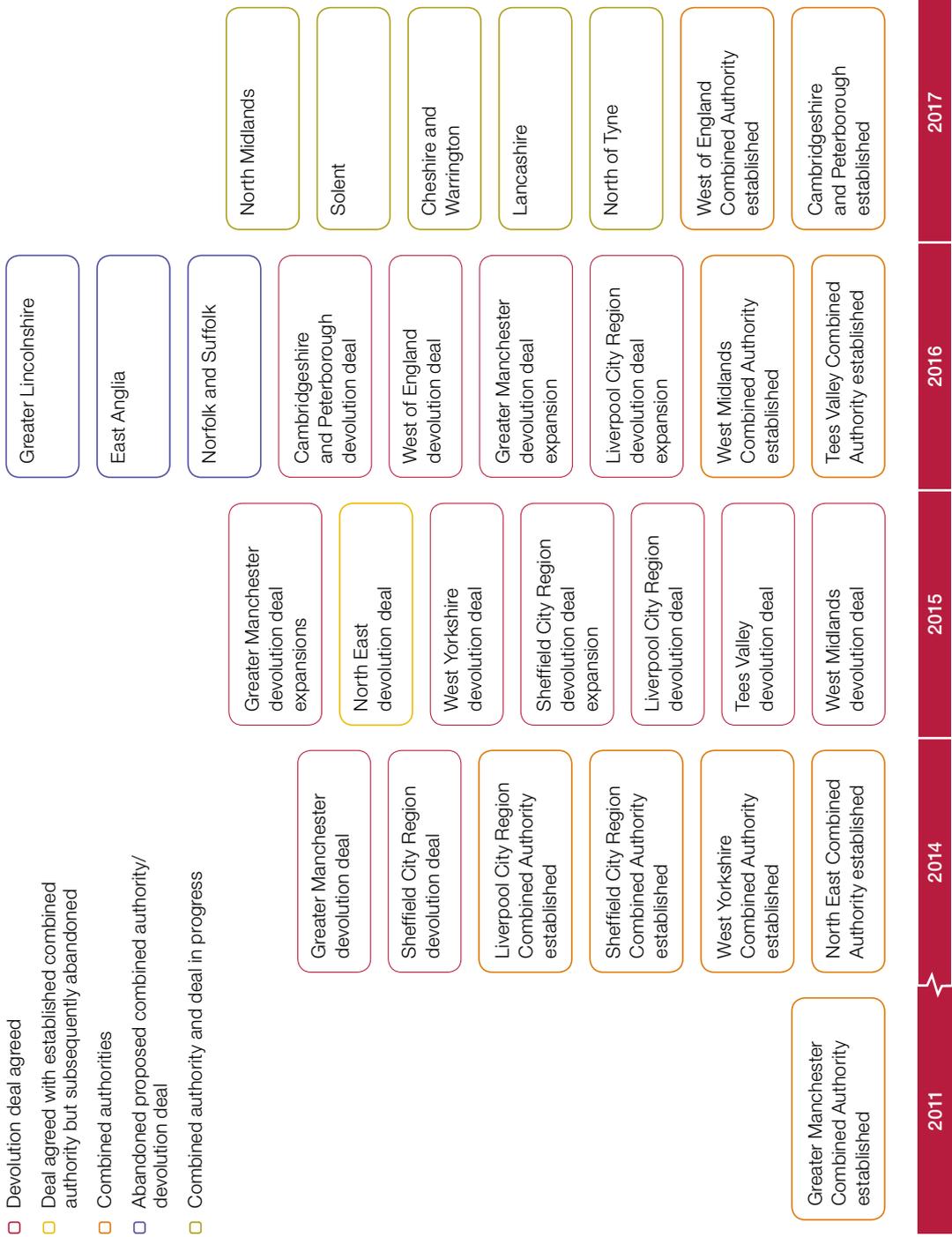
Ongoing negotiations

1.15 As of June 2017, there are a number of areas which reached negotiations with ministers but had not agreed deals still working towards becoming combined authorities and seeking to agree devolution deals with government, including the North Midlands, and Cheshire and Warrington. Lancashire told us they had hoped to hold a mayoral election in 2017, and expressed frustration at the lack of clarity from the Department about the progress of its devolution deal. The Department said it had only received a formal proposal for a non-mayoral combined authority from Lancashire and had not entered negotiations with the area for a combined authority, or a devolution deal.

1.16 All six of the established mayoral combined authorities, working with their new mayors, are now starting to fully implement their devolution deals and put in place structures and staffing to support them. For more established areas such as Greater Manchester, this will involve utilising existing governance structures. For others, such as Cambridge and Peterborough, joint working practices are new and presently broadly untested.

Figure 5 Timeline of proposed, formed, abandoned and potential combined authorities and devolution deals

Many of the areas that proposed combined authorities and devolution deals have been unsuccessful



Powers and functions

1.17 The main areas in which combined authorities have negotiated new powers to date are:

- transport;
- skills; and
- land and development.

1.18 The Department has secured legislation enabling mayors to take over the bus franchises in their areas so that they can plan routes and set prices, much like the Mayor of London does through Transport for London. Combined authorities have had the power to allocate apprenticeship grants since 2016, and are expected to get powers over adult skills in September 2018. They may also have powers to make compulsory land purchases and create mayoral development corporations; Tees Valley is the only area so far to submit a request to enact this, in order to establish the South Tees Development Corporation on a site that includes the former SSI steelworks in Redcar.

1.19 In addition to devolved powers and funding, the deals include 30-year Investment Fund Grants, to be used on projects to improve each area. The agreed grants range from £15 million per year in Tees Valley, to £36.5 million per year in the West Midlands. The average amount of devolved funding per person per year in combined authorities is £16.

1.20 More details on combined authorities' main powers and funding are set out in Appendix Three.

Part Two

Combined authorities: evidence base and success factors

2.1 This part of the report sets out:

- the rationale and evidence for combined authorities; and
- success factors and challenges in setting up combined authorities and agreeing devolution deals.

The rationale and evidence for combined authorities

2.2 In negotiating bids from areas to form combined authorities with which to agree devolution deals, the Department for Communities and Local Government (the Department) prioritised cities and conurbations in order to stimulate their regional economic growth. Other than Cambridgeshire and Peterborough, all the combined authorities established as of June 2017 are in city regions, many of which have tended to have comparatively low economic performance: the West of England and Cambridgeshire and Peterborough are the only areas that have higher average gross value-added per hour than the UK average (**Figure 6** overleaf).

2.3 The Department did not specify a precise model for combined authorities, choosing to promote a ‘bottom up’ approach, in which local areas proposed their own geographical areas. It also did not apply criteria to the geographical areas formed by constituent authorities or to the devolution bids. It did stipulate that Local Enterprise Partnerships (LEPs), which are partnerships between private and public sector local bodies formed across a functional economic area, should have a central role in them.³ Areas which have successfully established combined authorities consider there is a strong economic rationale for the introduction of this strategic level of governance. West Yorkshire, West Midlands and the West of England stated that their combined authorities were based on ‘travel to work’ areas, for example.⁴ Despite this, evidence to suggest that governance at the sub-regional level is linked to increased economic growth is mixed and inconclusive, and local economies do not coincide with combined authorities’ areas, some of which overlap with LEPs’ boundaries.

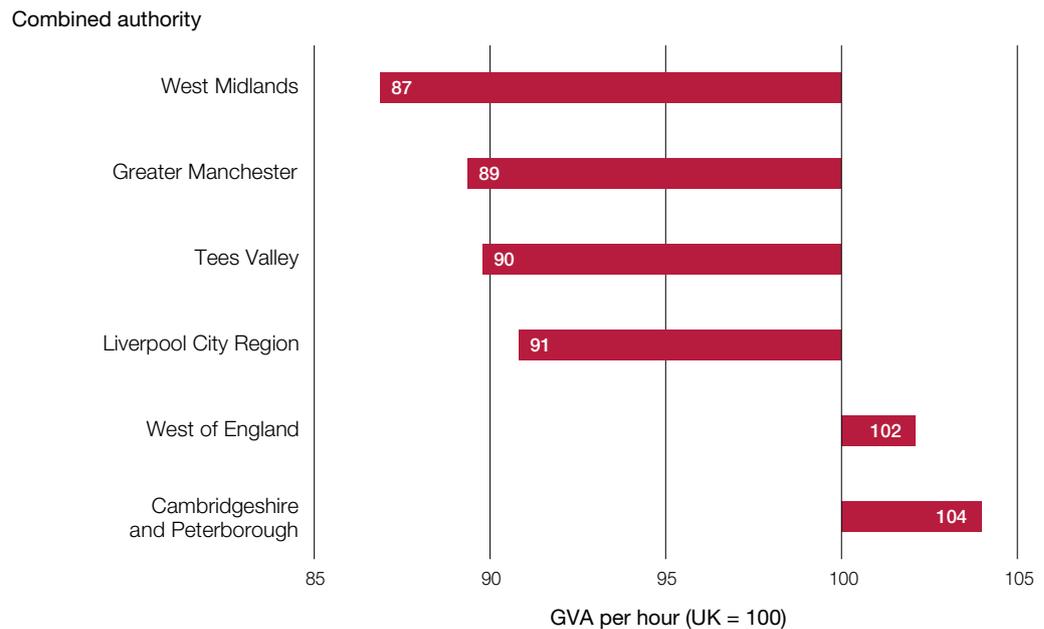
³ Comptroller and Auditor General, *Department for Communities and Local Government, Local Enterprise Partnerships*, Session 2015-16, HC 887, National Audit Office, March 2016.

⁴ Travel to work areas (TTWAs) are defined by the Office for National Statistics as a geography created to approximate labour market areas. The current criteria for defining TTWAs are that at least 75% of the area’s resident workforce work in the area and at least 75% of the people who work in the area also live in the area. The area must also have an economically active population of at least 3,500.

Figure 6

Labour productivity measured by nominal gross value-added (GVA) per hour worked for each combined authority against the UK total, 2015

The West of England and Cambridgeshire and Peterborough are the only areas with a higher than UK average GVA per worked hour

**Note**

1 Gross Value Added (GVA) measures the contribution to the economy of individual producers, industries or sectors.

Source: Office for National Statistics

2.4 Similarly, there is a clear rationale for coordinating transport across large areas: local transport often crosses local authority boundaries, and people in urban areas are more likely to use public transport, which is why transport authorities existed in most of these areas before combined authorities. Low-income households are also less likely to own a car. Where public transport can better link households to economic activity, there therefore appears to be potential to increase employment opportunities.

2.5 Additionally, there is a clear rationale for the bodies responsible for transport to oversee spatial planning. This can ensure that land developed for housing and commercial activities, for example, will have good transport links. The Eddington Transport Study, which reported to the Department for Transport and HM Treasury in 2006, concluded that transport is an enabler of productivity when the conditions are right.⁵

5 Sir Rod Eddington, *The Eddington Transport Study: Transport's role in sustaining the UK's productivity and competitiveness*, December 2006.

2.6 However, according to a meta analysis by the What Works Centre for Local Economic Growth from 2015, there is limited overall evidence of a causal link between transport and economic outcomes:

- there is some evidence that road projects have a positive effect on productivity;
- there are no high-quality evaluations providing evidence of the impact of trams, buses, cycling and walking schemes on any economic outcomes; and
- very few evaluations consider the impact of transport investment on productivity.⁶

Success factors and challenges in setting up combined authorities and agreeing devolution deals

2.7 We conducted case study visits to combined authorities in the West Midlands, the North East, Greater Manchester, West Yorkshire and the Tees Valley. We also interviewed representatives of the other established combined authorities and representatives of the unsuccessful or not yet established combined authority areas of the Solent, East Anglia, Greater Lincolnshire, the North Midlands and Lancashire. Based on these interviews and case study visits, we concluded that there are factors common to the differing degree of progress made by local areas in establishing a combined authority and securing a devolution deal with government:

- a common sense of purpose between the local authorities;
- a history of joint working between partners leading to sound working relationships; and
- clear and aligned geographical areas.

Common sense of purpose

2.8 The formation of a combined authority and the process of negotiating a devolution deal require close working over a period of time between the political leaders of councils, chief executives or other senior leaders of neighbouring local authorities and the Department. When we met with the network of chief executives of combined authorities, they emphasised the importance of having a common sense of purpose to motivate them to undertake this work. Leaders must be able to communicate the purpose and benefits of joint working to all the members of constituent councils to agree a deal. Representatives of Liverpool City Region, for example, reported that they were united by the goal of increasing their powers over public services in their region. Developing the combined authority structure was a means to achieving this goal.

⁶ What Works Centre for Local Economic Growth, *Evidence review 7, Transport*, July 2015.

2.9 In contrast, the majority of local authorities in the North East Combined Authority did not consider that the funding on offer from the devolution deal would be sufficient to compensate for the amount lost through spending reductions. There was also disagreement between different local authorities over the requirement to have an elected mayor. Local authority members of the North East Combined Authority reported that relations between them deteriorated following the process. Other areas we spoke to reported that they had accepted the mayoral model somewhat reluctantly, in exchange for the devolution deals. The support or objections of local MPs was also felt by some of our case study areas to have influenced their ability to reach agreement.

History of joint working and strong personal relationships

2.10 Some areas which have formed combined authorities have worked together for many years. Greater Manchester epitomises this, having continued to work as the Association of Greater Manchester following the abolition of the county council in 1986. This joint working included running a policy and research unit. Tees Valley built on the joint working of the LEP, which itself drew on the joint strategic unit funded by local councils to develop a Tees Valley-wide policy on economic development, planning, housing, tourism and transport (**Figure 7**). Similarly, in addition to the transport authority and a joint committee across the metropolitan boroughs, West Midlands Combined Authority built on joint working between local authorities in the Black Country Consortium, a partnership between local businesses and local authorities established in 2000 with the goal of increasing prosperity in the area. West of England developed out of the joint spatial committee covering the ceremonial county of Avon.

Clear geography

2.11 Adoption of the combined authority model has been straightforward where constituent authorities work together within existing recognised boundaries, such as in the former metropolitan counties of Greater Manchester and West Yorkshire (with the addition of the City of York as a non-constituent council), or in purely unitary councils such as Tees Valley. In contrast, Sheffield City Region is formed from the districts that comprised the former metropolitan county of South Yorkshire, and a number of non-constituent councils from outside South Yorkshire. When Sheffield City Region proposed to expand and include Chesterfield in Derbyshire and Bassetlaw in Nottinghamshire as full members, Derbyshire County Council launched a judicial review. The combined authority had planned to rerun its public consultation to specify the inclusion of Chesterfield and Bassetlaw but as of June 2017, Chesterfield has withdrawn from the process.

2.12 It has also been more challenging to establish combined authorities in non-metropolitan areas. The proposed Greater Lincolnshire Combined Authority covered a large rural area: while the councils were in favour of devolution, they could not reach agreement on adopting the mayoral model, leading to the deal being rejected.

Figure 7

Summary of Tees Valley’s history provided by the Combined Authority

Tees Valley has a long history of joint working



Source: Tees Valley Combined Authority

Part Three

The long-term sustainability of combined authorities

3.1 With the election of new mayors in May 2017, most of the powers and functions devolved to combined authorities have only recently come into force. In this part, we examine the extent to which combined authorities are sustainable in the longer term. In particular, we set out:

- how the Department for Communities and Local Government (the Department) and combined authorities have dealt with concerns about transparency that we and the Committee of Public Accounts have raised previously;
- challenges to combined authorities' effectiveness stemming from overlapping roles and geographies;
- challenges to combined authorities' accountability mechanisms; and
- wider economic challenges to combined authorities posed by the UK's withdrawal from the European Union (EU).

Transparency and public engagement

3.2 In 2016, the previous Committee of Public Accounts raised concerns over the transparency of devolution deals and the perceived difficulty of following the taxpayer pound, stating: "Taxpayers must be able to understand who is spending their money, how that money is allocated and where responsibility lies if the system fails to deliver good value or things go wrong."⁷ Although negotiations between government and areas putting forward deals were closed to the public, processes for establishing combined authorities are more transparent and set out in legislation (Figure 4). The Department has subsequently acted to increase the transparency of the content of the deals, the funding available, and where responsibilities lie within the devolved local government landscape.

⁷ HC Committee of Public Accounts, *Devolution in England: governance, financial accountability and following the taxpayer pound*, Thirty-second Report of Session 2016-17, HC 866, December 2016.

3.3 Three weeks before the inaugural mayoral elections in May 2017, the Department, in partnership with local areas, published what it described as plain English guides to each mayoral combined authority.⁸ These set out the core legal powers that mayors now have, the key areas for which each has devolved powers, and the main sources of funding they can access. Alongside these, the Department provided information about the mayoral elections, which could be adapted for each area (**Figure 8**). It also published the more detailed devolution deals agreed with each area.

Figure 8

Front page of the Department's campaign toolkit for combined authorities with mayoral elections

The Department produced tailored communication materials for areas to use to raise public awareness



Source: Department for Communities and Local Government

⁸ For example, see Department for Communities and Local Government, *Devolution: A mayor for Cambridgeshire and Peterborough. What does it mean?*, April 2017.

3.4 Before making an order establishing a combined authority the Secretary of State must carry out a public consultation unless the constituent councils have carried out a public consultation in connection with proposals and published a scheme (Figure 4) and the Secretary of State considers that no further consultation is necessary. Combined authorities reported that they had found it challenging to get responses to consultations on governance arrangements, which feel fairly remote to citizens. If the mayoral election turnout rates had been low, the legitimacy of the mayoral combined authority model could have been undermined.

3.5 Although combined authorities reported to us that public engagement with consultations had been low, the mayoral election turnout rates were similar to those for local council elections (Figure 9). Turnout varied between Tees Valley at 21% and Cambridgeshire and Peterborough at 34%. This compares favourably with the English local elections, for which turnout was 34%. It was also better than the first round of police and crime commissioner elections in recent years. In 2012, national turnout for these elections was 15%. However, in 2016 they were held at the same time as local council elections where possible, and turnout rose to 27%.

Challenges to effectiveness

Overlapping geographies and roles

3.6 Combined authorities vary in the extent to which their boundaries match with those of other service providers, as well as Local Enterprise Partnerships (LEPs). Greater Manchester, along with Tees Valley, is the combined authority with the most coterminous boundaries with other public service bodies (Figure 10 on page 30). As already set out, in successive devolution deals it has taken on responsibility for the office of the police and crime commissioner, and for the fire and rescue service. It also has some responsibilities for the performance of clinical commissioning groups (CCGs).

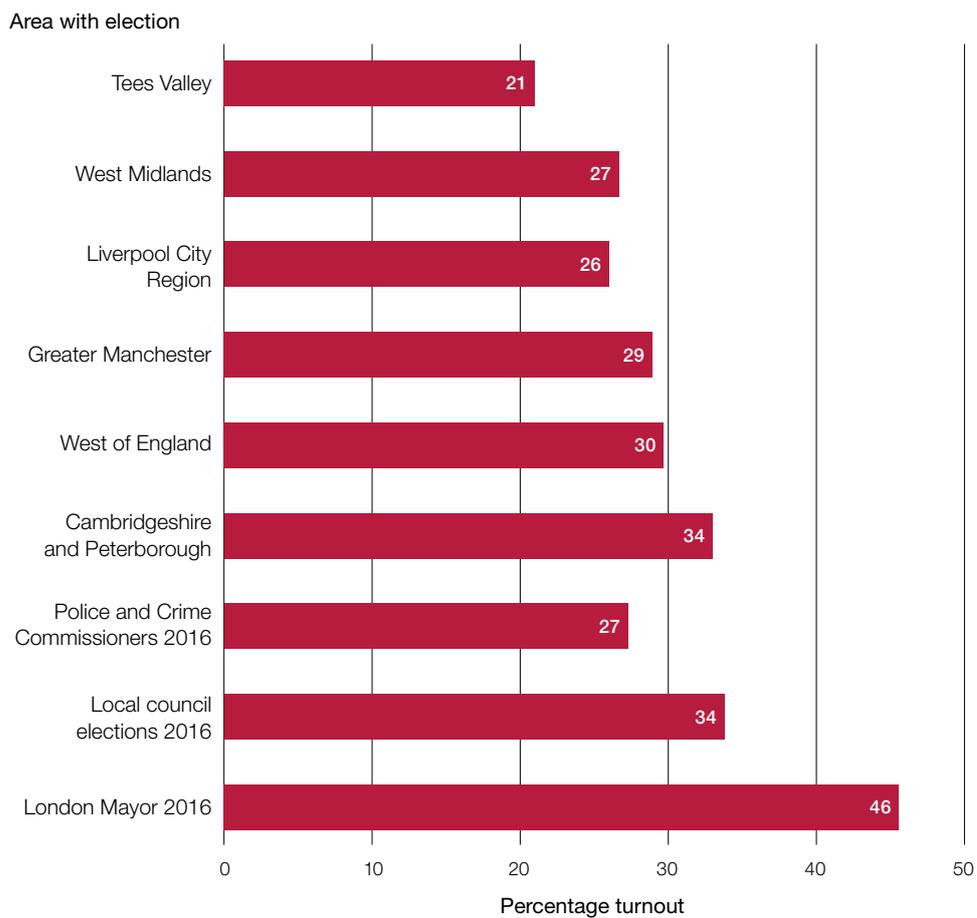
3.7 Other combined authorities are less aligned with the boundaries of other public sector bodies, and this has the potential to lead to complications as they progress. The Liverpool City Region Combined Authority, for example, covers the same areas as other public services which also extend across a larger footprint, including into parts of Cheshire (Figure 11 on page 31).

3.8 In our analysis of the manifestos of candidates running for mayor of a combined authority, we found that it was common for them to campaign on issues beyond the powers defined in their devolution deals. The Department recognises that in time mayors will seek to expand their powers through further devolution, covering a greater number of public services as has happened in London. However, lack of geographical alignment is likely to increase the complexity of this endeavour; it could, for example, lead to challenges arising around why the same CCG could be included in devolved arrangements for a combined authority but not for neighbouring local authorities. There is the potential for newly elected mayors to work collaboratively to use their soft powers of influence.

Figure 9

Turnout rates for combined authority mayors and comparable areas

Turnout rates for combined authority mayoral elections were similar to comparable elections



Source: National Audit Office

Figure 10

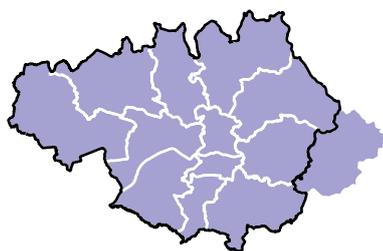
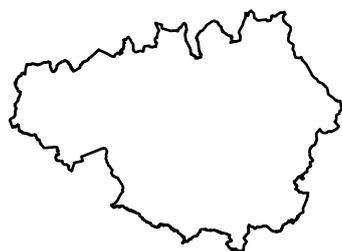
Greater Manchester Combined Authority’s geographical boundaries with Clinical Commissioning Groups, Fire and Rescue Authorities, Sustainability and Transformation Plan footprints and Police Force boundaries

Greater Manchester Combined Authority’s boundaries are principally coterminous with other public administration boundaries

Greater Manchester
(Combined Authority)

Clinical Commissioning Groups

Fire and Rescue Authority



Sustainability and Transformation
Plan footprint

Police Force Area

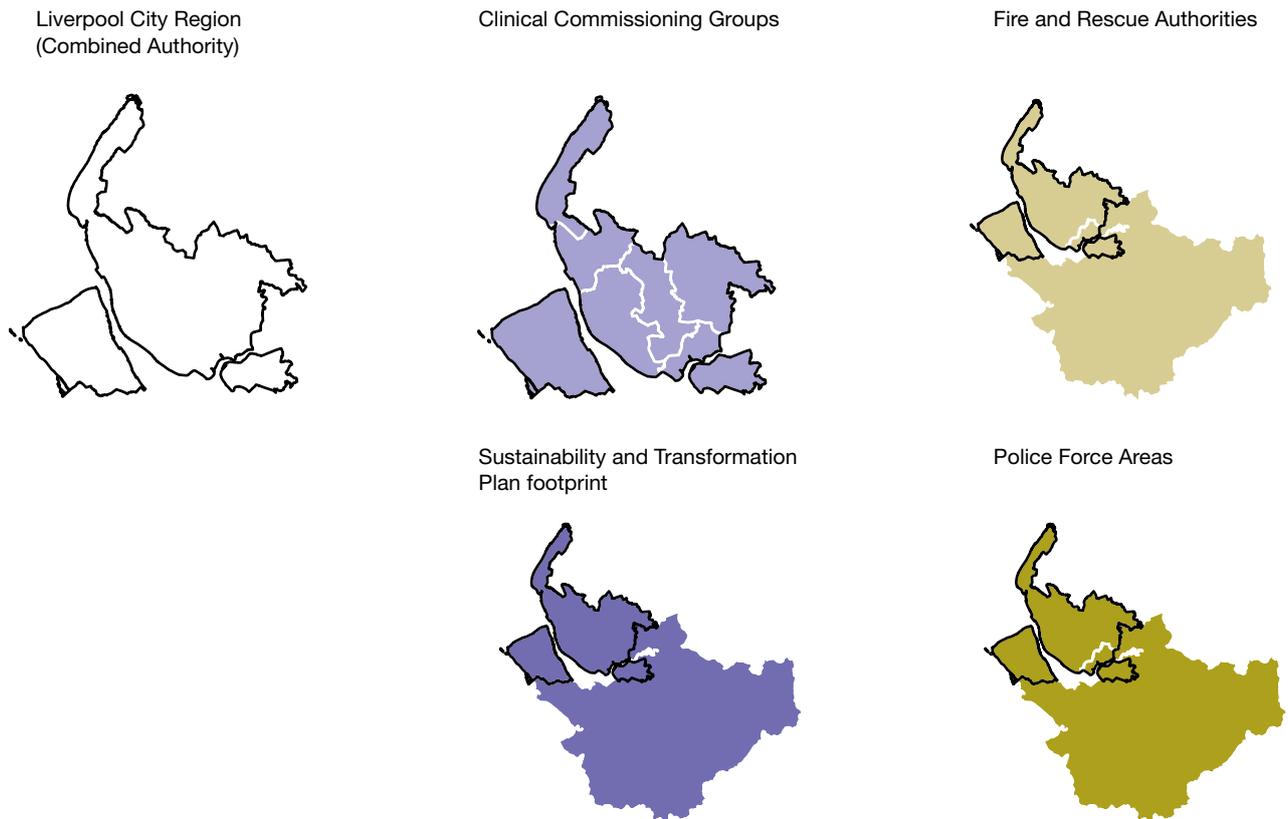


Source: National Audit Office analysis of Office for National Statistics data

Figure 11

Liverpool City Region Combined Authority’s geographical boundaries with Clinical Commissioning Groups, Fire and Rescue Authorities, Sustainability and Transformation Plan footprints and Police Force boundaries

Other public bodies’ administrative boundaries cover a larger area than Liverpool City Region Combined Authority; most include Cheshire



Source: National Audit Office analysis of Office for National Statistics data

Overlapping roles

3.9 Combined authorities add another layer to local government structures in England. London has governance at borough and Greater London Authority level, with a London-wide mayor. Elsewhere in the country there are already a number of levels of governance, including county councils, district or borough, town and parish councils. Many of the powers and responsibilities of the mayoral combined authorities are concurrent with, or require the agreement of, other bodies (**Figure 12**). All the mayoral combined authorities have plans for economic regeneration through land and development. Execution of such shared powers requires agreement and coordination with a number of other bodies. In order to use their compulsory purchase powers, for example, the mayors need the consent of the combined authority member(s) who represents the council(s) the land is in, and these powers are concurrent with the Homes and Communities Agency. For areas included in a mayoral development corporation, the mayor generally needs agreement from two-thirds of the constituent council members. Individual councils will have their own land and housing plans, as will the Homes and Communities Agency. All bodies will need to ensure that their plans align.

3.10 Uniquely, Greater Manchester now has responsibility for the performance of the CCGs in its area, but shares this responsibility with the Greater Manchester Health and Social Care Partnership, which reports to both the combined authority and NHS England. NHS Improvement and the Care Quality Commission also continue to monitor the performance of CCGs in Manchester.

3.11 In all but two areas combined authorities are now the accountable bodies for LEPs (the West Midlands and Cambridgeshire and Peterborough). This means that they are the statutory bodies responsible for the oversight of their funding, which is primarily derived from central government's Local Growth Fund. This makes it more straightforward to align strategic economic planning. It is more complex, however, in the areas where combined authorities do not have this statutory relationship with LEPs. It is also likely to be challenging in areas where the combined authority contains overlapping LEP boundaries, such as Sheffield City Region and West Midlands (**Figure 13** on page 34). In its industrial strategy, the government expects mayoral combined authorities, along with LEPs and other local parties, to support small businesses and promote local strengths internationally. This will also be more challenging where LEPs' and combined authorities' boundaries do not align.

Figure 12

Responsibilities combined authorities share with other bodies

There is overlap between combined authorities' and other bodies' responsibilities

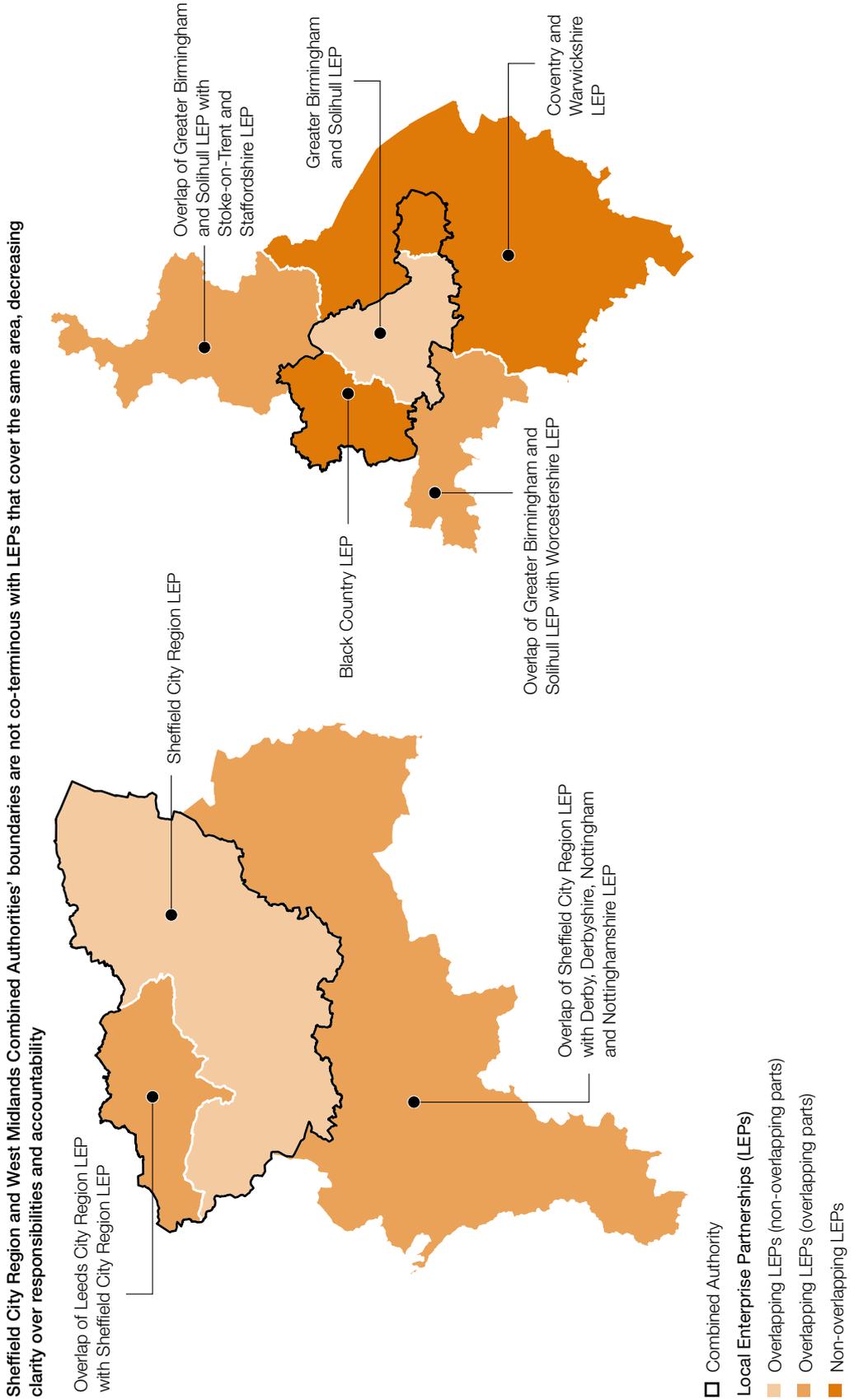
| | Transport | Employment and business support | Further education and skills | Housing, planning and land disposal | Policing and fire services | Criminal justice | Health and social care | Economic growth |
|-------------------------------|-----------|---------------------------------|------------------------------|-------------------------------------|----------------------------|------------------|------------------------|-----------------|
| Central government | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Combined authority | ✓ | ✓ | ✓ ¹ | ✓ | ✓ ¹ | ✓ ¹ | ✓ ¹ | ✓ |
| Upper tier local authorities | ✓ | | ✓ | | | | ✓ | ✓ |
| Tier 2 councils | | | | ✓ | | | | ✓ |
| Local Enterprise Partnership | ✓ | ✓ | | ✓ | | | | ✓ |
| Police and Crime Commissioner | | | | | ✓ | ✓ | | |
| Clinical Commissioning Group | | | | | | | ✓ | |
| Homes and Communities Agency | | | | ✓ | | | | |

Note

1 Not all combined authorities have these powers.

Source: National Audit Office

Figure 13 Sheffield City Region and West Midlands Combined Authority boundaries with the Local Enterprise Partnerships in their areas



Notes

- 1 Sheffield City Region LEP is shown in its entirety, with the parts of Leeds City Region LEP and Derby, Derbyshire, Nottingham and Nottinghamshire LEP it overlaps.
- 2 The Black Country, Greater Birmingham and Solihull and Coventry and Warwickshire LEPs are shown in their entirety, with the parts of Stoke-on-Trent and Staffordshire LEP and Worcestershire LEP they overlap.

Source: National Audit Office analysis of Office for National Statistics data

Capacity of combined authorities

3.12 The Department does not provide combined authorities with funding for planning, management, or the running costs of mayors' offices. Instead, it largely funds the delivery of specific programmes, such as apprenticeship grants and transport. Most of the revenue spending by the six combined authorities which were sufficiently established to provide accounts in 2015-16 was on transport: £818 million out of the total £872 million spent by combined authorities in that financial year. The Department intends mayors and combined authorities to continue to share offices and staff with constituent local authorities; it does not currently plan to increase the revenue funding it supplies to combined authorities for their running costs. There is flexibility in how they use the investment fund grant, so they can draw from it for running costs, but continuation of the grant funding depends on gateway reviews of the impact of this funding, which are performed by an independent panel every five years.

3.13 Most mayoral combined authorities are part of the Department's business rates retention pilots, retaining 100% of the business rates in their area from April 2017. Mayors of combined authorities other than West of England also have the power to add a precept to local council tax bills to fund mayoral functions, with any increase being subject to council tax referendum rules. All combined authorities can raise a levy on constituent councils for transport functions, on top of any other contributions they make. Any levies raised from constituent councils must have their agreement.

3.14 Combined authorities are at different stages of development given their respective dates of establishment (Figure 5), and the extent of responsibilities they have taken on in devolution deals (Appendix Three) will impact on their staffing models. The largest and most established combined authority, Greater Manchester, has a staff of 136 people working full time (excluding staff from the police and crime commission and fire and rescue services), and can second in others as needed. West Midlands and Liverpool City Region have been using staff from the transport authorities they incorporated and from their constituent bodies. West of England Combined Authority has inherited staff previously jointly administering the West of England Partnership and West of England LEP, and plans to recruit additional staff. Cambridgeshire and Peterborough Combined Authority has 10 posts, 2 of which are part time. These two authorities only formally came into existence in 2017.

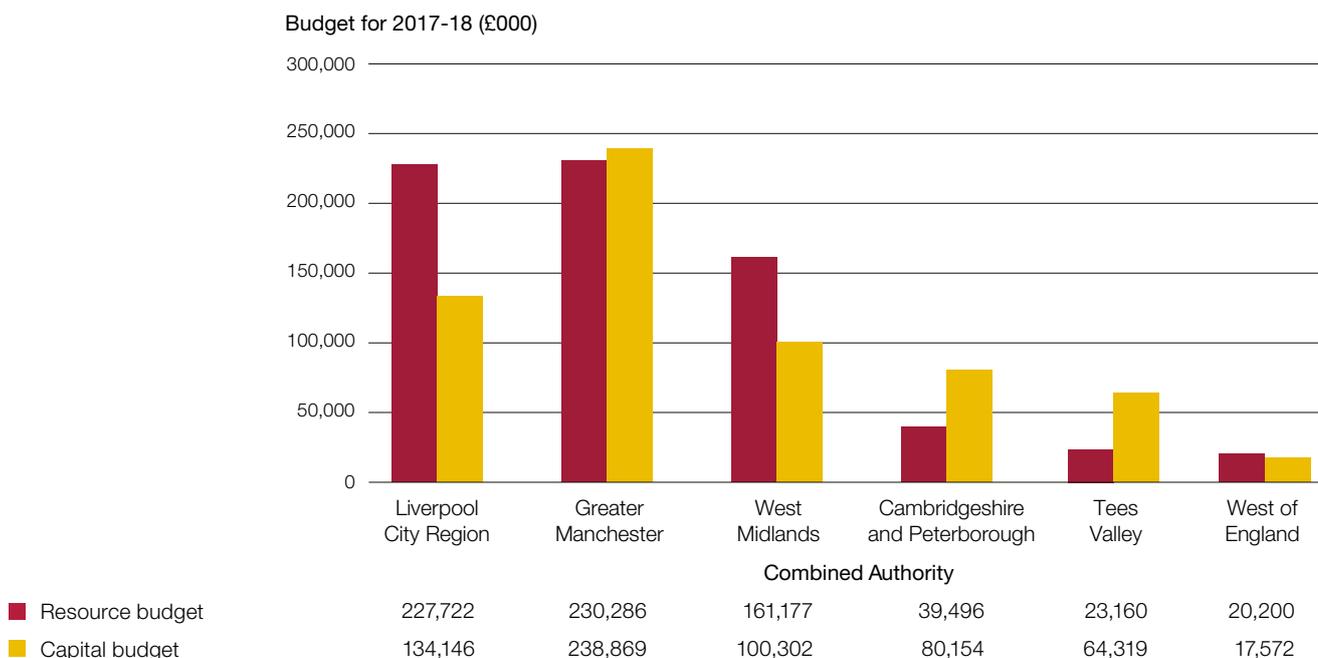
3.15 Most combined authorities we interviewed suggested that the balance between revenue and capital funding was a challenge because of the consequences this had for staffing. The six mayoral combined authorities' budgets for 2017-18 total £1.3 billion (Figure 14 overleaf), 48% of which is capital funding. As we set out in previous reports, local authority spending on economic development fell by an average of 68% between 2010-11 and 2015-16.⁹ Therefore, continuing to draw resources from constituent local authorities may not be sustainable in the longer term.

9 Comptroller and Auditor General, Department for Communities and Local Government, *Local Enterprise Partnerships*, Session 2015-16, HC 887, National Audit Office, March 2016

Figure 14

Mayoral combined authorities' budgets 2017-18

Combined authorities' capital funding is relatively high compared to their revenue funding



Source: National Audit Office analysis of combined authorities' data

Accountability and scrutiny

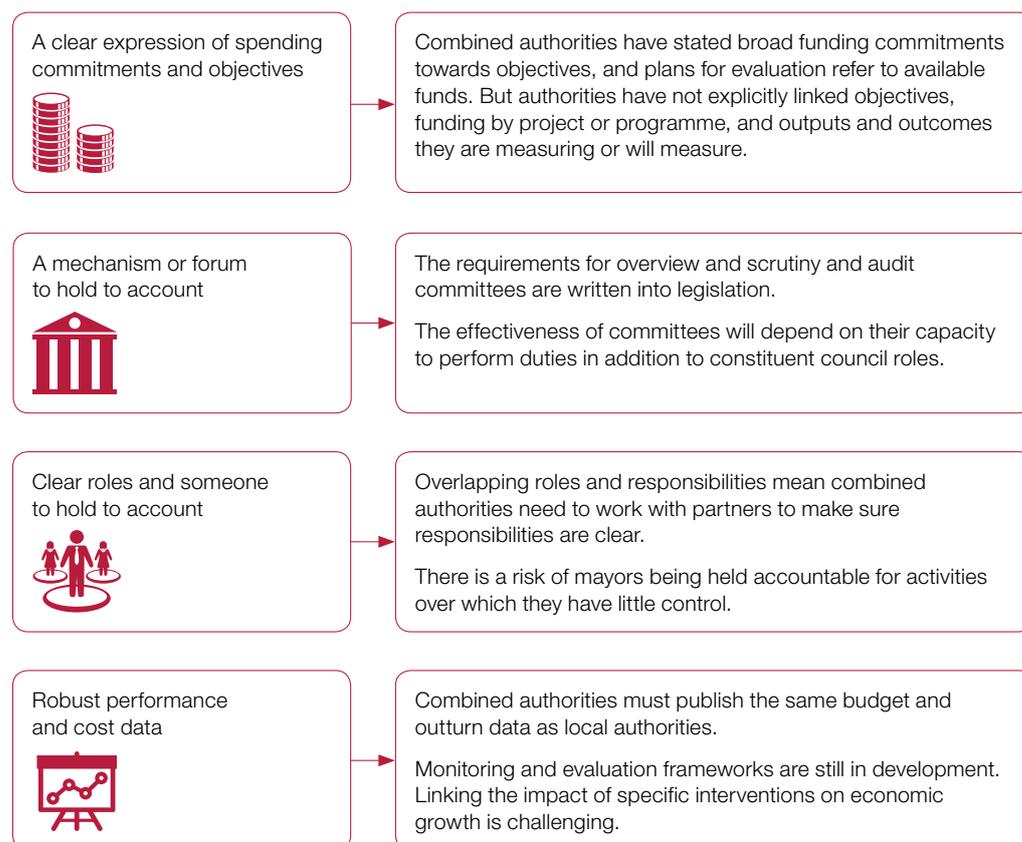
3.16 Many of the accountability mechanisms for combined authorities are written in legislation, providing a clear overall framework. There are, however, still some challenges and gaps in accountability and scrutiny that need to be addressed by the combined authorities as they embed. The extent of these challenges varies, depending on how recently the combined authority was established (**Figure 15**).

3.17 Combined authorities are required to have an officer who is responsible for financial administration, a scrutiny officer, a monitoring officer and a head of paid service. They are also required to appoint independent auditors and publish their accounts. Their audit committees are required to contain at least one independent person. When the mayor sets his or her budget for mayoral functions, it may be amended by a two-thirds (three-fifths in Tees Valley) majority of the other members of the combined authority, who are representatives from the constituent authorities.

Figure 15

National Audit Office assessment of combined authorities against principles of accountability

There is a clear framework for combined authorities' accountability, but some challenges to clarify responsibilities and evidence their outcomes



Source: National Audit Office

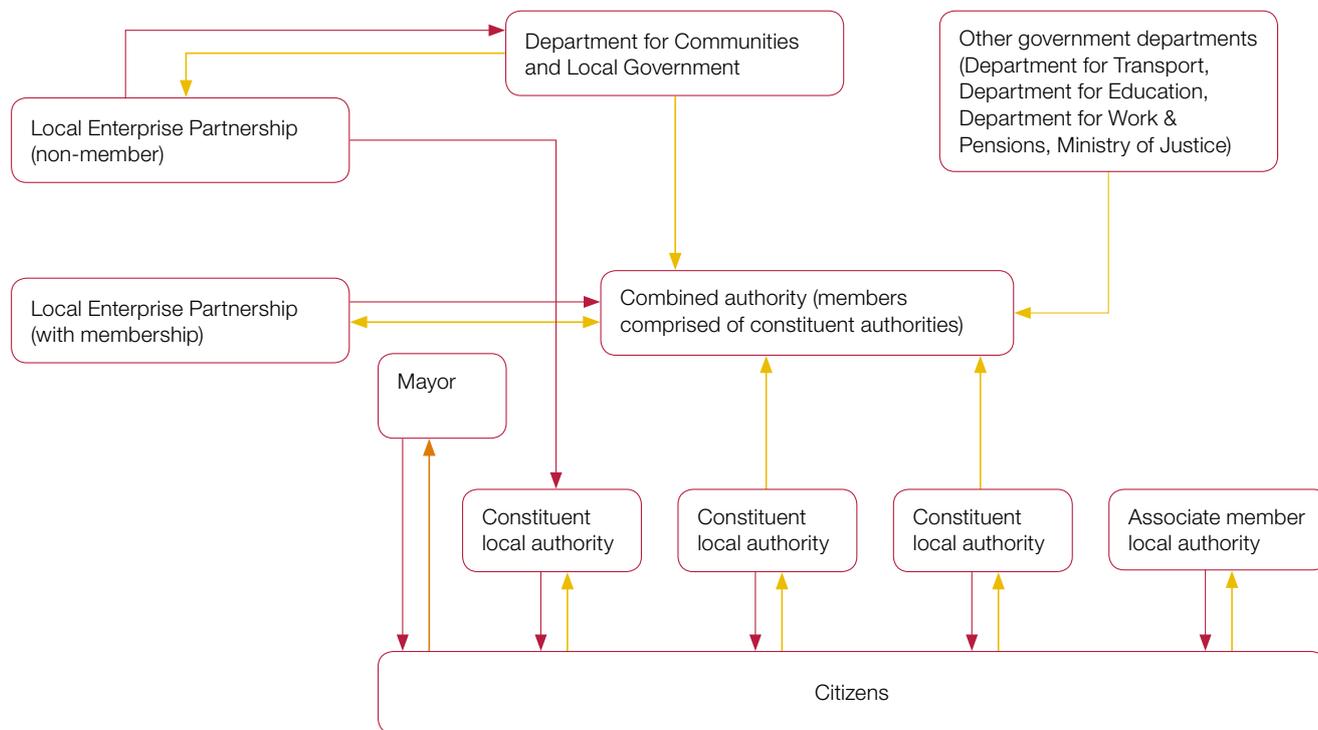
3.18 Each combined authority must also form at least one overview and scrutiny committee to assess the authority's and the mayor's broader performance against their objectives. Legislation specifies a number of requirements that must be met, such as that the chair of the committee must come from a different political party than the mayor (unless no such person exists), and that the composition of the committee should, where practicable, reflect the political make-up of the constituent authorities. Complaints procedures are an important mechanism for accountability, and combined authorities need to set out clearly the complaints procedures for the public, including in non-constituent councils, in line with the principles set out by the Local Government Ombudsman.¹⁰

3.19 Combined authorities must have evaluation plans approved by the Department to monitor the impact of their investment funds, also referred to as gain share funding. 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; measures tend to vary depending on data already available. For example, national data are published on educational outcomes, which can be linked to apprenticeships. Outcomes from investment in transport are harder to measure; indicators include journey times and customer satisfaction ratings. Linking the different areas of the deals to wider economic growth and establishing causation is challenging. Greater Manchester is seeking additional resources to commission a 'meta-evaluation' of the effectiveness of its combined authority's planning, but so far has been unsuccessful in securing these resources.

3.20 The Department intends the mayoral model to provide a single point of accountability to local citizens and central government for devolved powers and funding. However, the sequencing of the formation of combined authorities has meant that devolution deals were put in place by the leaders of constituent councils, who were elected to their local councils, but not directly elected to make plans on behalf of the entire area (**Figure 16**). Some of the mayors' responsibilities are designated solely as theirs; there are some policy areas, however, where the mayor has one vote with equal weight to each of the other members of the authority, meaning that he or she could be held accountable for decisions he or she may have voted against.

¹⁰ Local Government Ombudsman, *Principles of complaint handling in combined authorities and devolved settings*, available at www.lgo.org.uk/information-centre/reports/advice-and-guidance/guidance-notes/principles-combined-authorities

Figure 16
 Mayoral combined authorities' funding and accountability



- Accountability
- Funding
- Funding power

Note

1 Combined authorities are accountable to the Department for Communities and Local Government via an external panel, for the 30-year investment fund, subject to a five-year 'gateway review' process.

Source: National Audit Office

3.21 Non-constituent councils also complicate accountability arrangements.

In the West Midlands there are associate members drawn from 10 non-constituent local authorities and three non-constituent LEPs. They may be given voting rights by resolution of the combined authority, but do not have full membership. In the West Midlands associate members have been assigned voting rights by the authorities' constitution, and include the allocation of funding. The electorate of these areas have not voted for the mayor. Sheffield City Region also has non-constituent councils, and plans to elect a mayor next year.

3.22 Elected councillors sitting on the overview and scrutiny committees of combined authorities are drawn from constituent local authorities, meaning that they have to perform this role in addition to those they perform in the authority to which they were elected. This has implications for their overall ability to function. Greater Manchester, for example, has experienced some difficulty retaining representatives on its scrutiny pool and on its audit committee, although this has not affected its ability to hold meetings.

The impact of exit from the European Union

3.23 Combined authorities currently have access to a number of EU funding streams, and tend to be in regions of the country that are disproportionately beneficiaries of these (**Figure 17**). In 2016 the government said it would guarantee EU funding for structural funds and investment projects agreed or signed before EU exit. This is up to 2020 for structural funds as set out in Figure 17, and for the lifetime of projects agreed individually for other grants, including research and development grants. There are plans for a Shared Prosperity Fund to replace EU structural funds from 2020, based on the government's industrial strategy published before the General Election in June 2017.

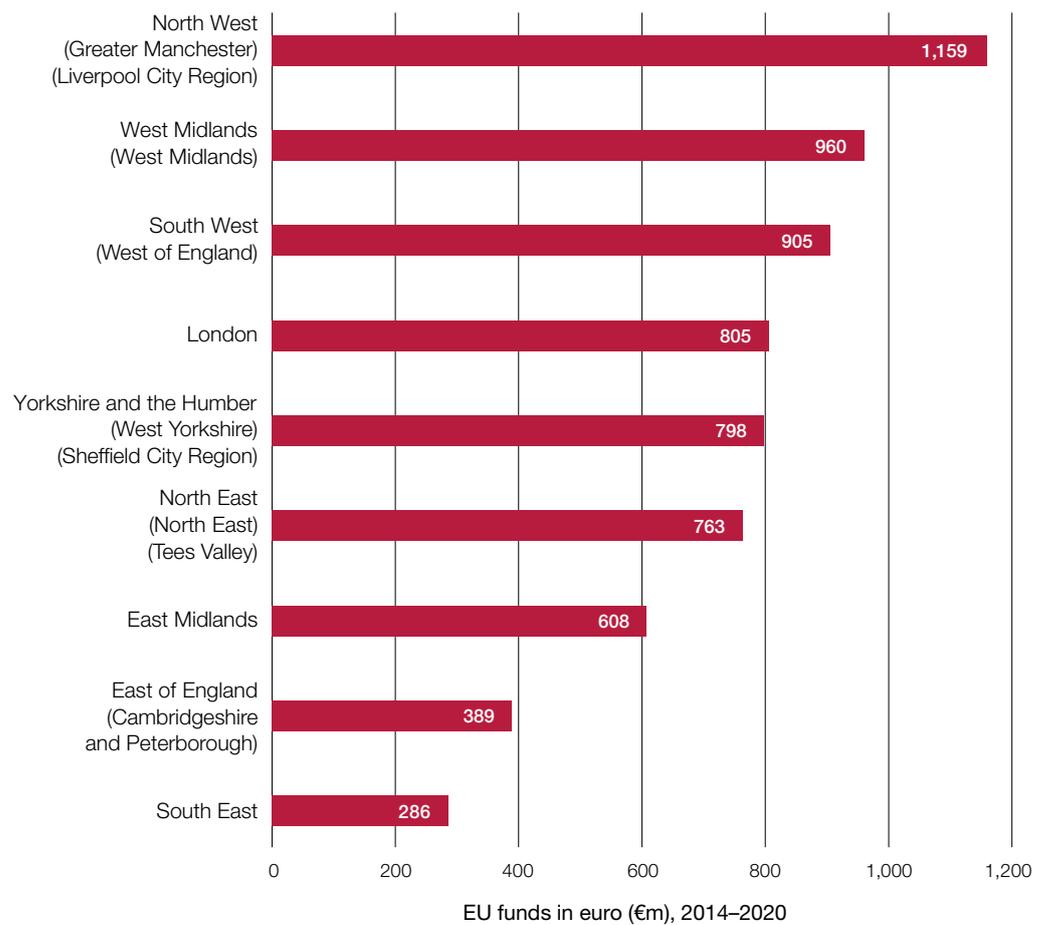
3.24 The outcome of trade and immigration negotiations will also have different impacts on the industries that dominate different areas. For example, aerospace is a major industry in the West of England and one of its biggest employers, Airbus, is based in France. This has implications for trading, accessing skilled workers and accessing EU research projects. When combined with the uncertainty around EU funding streams, this has the potential to increase the challenge that combined authorities have in helping to deliver economic growth in their areas.

Figure 17

European Regional Development Fund, European Social Fund and Youth Employment allocations in England, 2014–2020

Combined authorities are in regions of the country that are disproportionate beneficiaries of EU funds

English regions



Note

1 Of the South West total, around €600 million is allocated to Cornwall, which is not part of West of England Combined Authority.

Source: National Audit Office

Appendix One

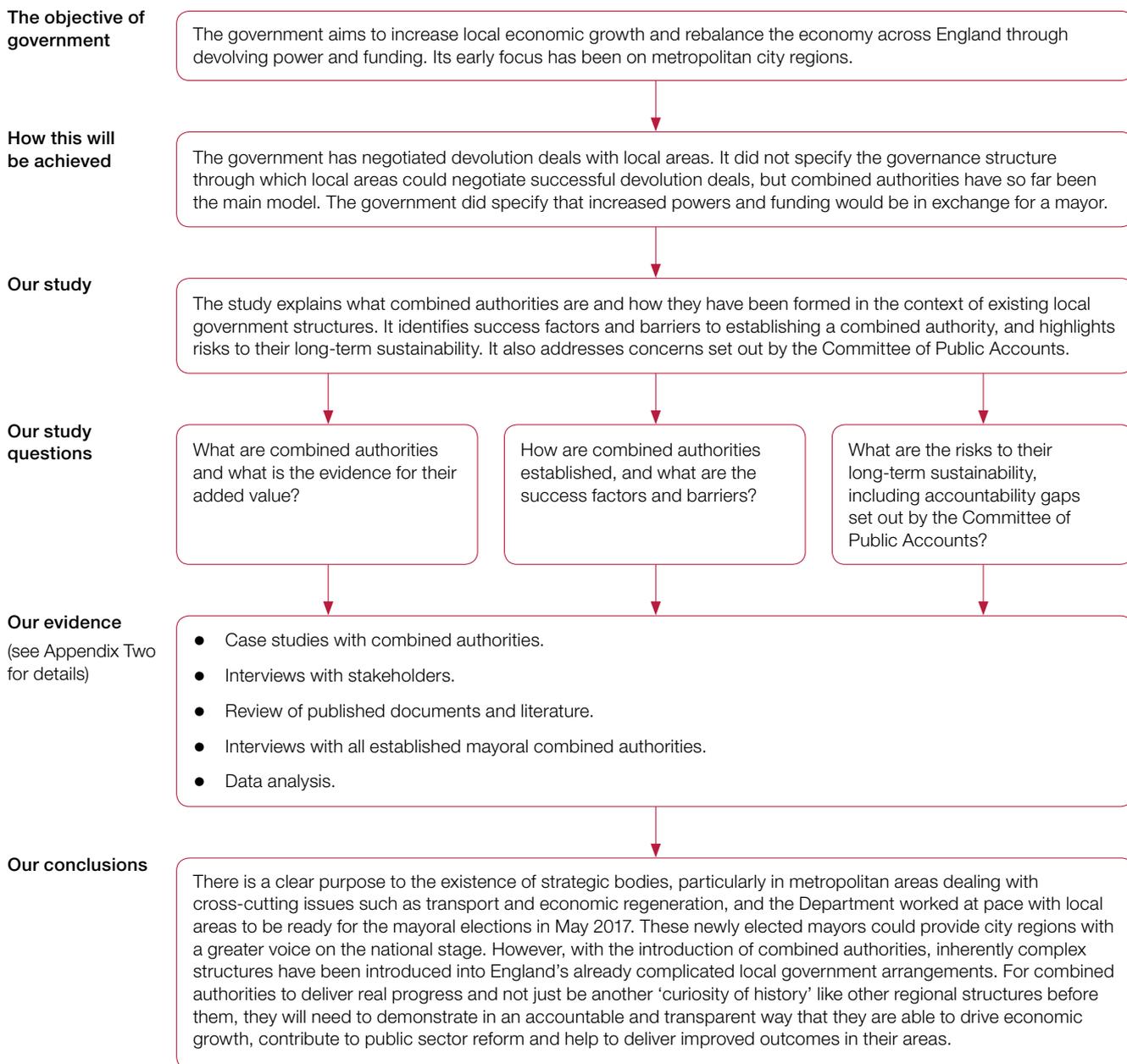
Our audit approach

1 This report is produced under powers granted to the Comptroller and Auditor General under the Local Audit and Accountability Act 2014. 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.

2 This report explains what combined authorities are, and how they have been formed in the context of existing local government structures. It identified success factors and barriers to establishing a combined authority, and highlights risks to their long-term sustainability. It also addresses concerns set out by the Committee Public of Accounts.

Figure 18

Our audit approach



Appendix Two

Our evidence base

1 This report is based on analysis of evidence collected between November 2016 and March 2017.

Interviews with the Department for Communities and Local Government

2 We conducted semi-structured interviews with officials from HM Treasury and the Department for Communities and Local Government (the Department), specifically the Cities and Local Growth Unit, to understand:

- the Department's objectives for and the context of combined authorities;
- the principles for scrutiny and oversight of combined authorities;
- how the Department was supporting areas with mayoral elections; and
- how the Department was working with areas to monitor their use of funds and its impact.

Case studies

3 We conducted five full case studies, three with mayoral combined authorities: West Midlands, Greater Manchester and Tees Valley, and two with combined authorities without mayors and with limited devolution deals: North East and West Yorkshire.

4 In Greater Manchester we spoke to the following members and officers:

- Strategy coordinator, monitoring officer, interim mayor, Vice Chair, Head of Paid Service, Interim Communications Manager, Head of Integrated Services, Chair of the Scrutiny Committee, Section 151 Officer, Head of Integrated Services, Policy Officer for Integrated Services, Member of the Scrutiny Panel, Strategic Investment Director, Head of Finance, Portfolio Lead for Health and Social Care, Portfolio Lead for Skills and Employment, Portfolio Lead for Justice and Rehabilitation, and Strategic Director Health and Social Care Reform.

- 5 In West Yorkshire we spoke to the following members and officers:
- Director of Policy, Strategy and Communications, Executive Officer for Policy Implementation, Managing Director, Head of Communications, Head of Legal and Democratic Services, Director of Resources, Policy and Strategy Manager, Chair of Overview and Scrutiny Committee, Chair of Leeds City Region LEP, Chief Executive of Leeds City Council, Director of Strategy for Transport for the North, York, North Yorkshire & East Riding LEP, Director Leeds & North Yorkshire Chamber of Commerce and Deputy Chief Executive Leeds City Council.
- 6 In West Midlands we spoke to the following members and officers:
- Managing Director Transport for West Midlands, Corporate Services Director, Chief Executive, Managing Director of City of Wolverhampton, Superintendent West Midlands Police, Head of Finance, Director Greater Birmingham & Solihull LEP, Director Birmingham City Council, Director Coventry LEP, Head of Communications, Police & Crime Commissioner, Director Black Country Consortium, Chair and Leader of Solihull Council and Corporate Services Director.
- 7 In Tees Valley we spoke to the following officers and members:
- Managing Director, Governance Manager, Investment Director, Business Director, The Management Group (directors from five constituent councils), Principal Regeneration Officer at Hartlepool Borough Council, Cleveland College of Art & Design, Chief Finance Officer, Monitoring Officer, Senior Finance Manager, Strategic Investment Planning Manager, Chair, Leader of Redcar & Cleveland Council, Chair of Tees Valley LEP, Chief Executive of Stockton-On-Tees Council, Strategy Director and two members of the Scrutiny Committee.
- 8 In North East we spoke to the following officers and members:
- Chair of Overview and Scrutiny Committee, Vice Chair Overview and Scrutiny Committee, Independent Chair Person, Head of Law and Governance, Support Officer for Scrutiny and Oversight Committee, Democratic Services Officer, Business Support Officer, Chief Finance Officer, Principal Accountant, Programme Manager North East LEP, Chair and Leader of Sunderland City Council, Chief Executives from Gateshead, North Tyneside, Sunderland City, Durham County and South Tyneside Councils, representatives from Economic Directors Group, Chair of Economic Directors Group, Policy Manager, members of the Leadership Board, Chair of North East LEP, Vice Chair of North East LEP, Members of LEP and Head of Strategy and Policy of North East LEP.
- 9 We conducted telephone interviews with representatives of Liverpool City Region Combined Authority, Sheffield City Region Combined Authority, West of England Combined Authority and Cambridgeshire and Peterborough Combined Authority.

10 We also conducted telephone interviews with the following areas that have not formed combined authorities: the Solent, Norfolk and Suffolk, North Midlands and Greater Lincolnshire.

11 With each of these interviews we sought to understand:

- the history of the areas;
- reasons for establishing a combined authority;
- the value the model adds;
- success factors and barriers to forming;
- scrutiny and oversight; and
- funding and capacity.

Data analysis

12 To understand combined authorities' capacity and funding we analysed published data on outturn as well as combined authorities' own budget and staffing information. We did not audit their data.

Document and literature review

13 To understand the historical context of combined authorities, what they are and the evidence for the model, we reviewed published information; literature; and legal documentation, including secondary orders.

Stakeholder consultation

14 To understand local government's views on combined authorities in particular and devolution more generally, and to understand wider risks to combined authorities' success, we spoke to a number of stakeholders. These included: the Centre for Public Scrutiny; the Local Government Information Unit, the House of Commons Library, the Chartered Institute of Public Finance and Accountancy, the Centre for Cities and the Institute for Government.

15 We also consulted with Professor Andy Pike, Professor of Local and Regional Development and Director of the Centre for Urban and Regional Development Studies at Newcastle University.

Mapping

16 To assess how the boundaries of combined authorities overlapped with other public administration and LEP boundaries we created maps using public data from the Office for National Statistics' open geography portal.

Appendix Three

Summaries of the mayoral combined authorities

1 The following figures show the constituent local authorities of each of the six established mayoral combined authorities, along with any non-constituent councils and local enterprise partnerships (LEPs).

2 We have also summarised their main powers and funding sources, taken from the published guides put together by the Department for Communities and Local Government (the Department) working with each combined authority. For more details on how the boundaries of combined authorities compare with the boundaries of other public sector bodies, see our separate publication, available on our website: www.nao.org.uk.

Figure 19

Liverpool City Region Combined Authority



Note

1 The Liverpool City Region LEP has the same geographical boundary as the Combined Authority.

Source: National Audit Office

Liverpool City Region Combined Authority

| | | |
|---|--|---|
| Constituent authorities | Halton, Knowsley, Liverpool, St Helens, Sefton, the Wirral | |
| Local Enterprise Partnership | Liverpool City Region | |
| Mayor | Steve Rotheram (Labour) | |
| Population | 1,533,350 | |
| Key powers and functions | | Effective from |
| Transport | Local transport plan | May 2017 |
| | Key route network | May 2017 |
| | Bus franchising | May 2017 |
| Skills | Apprenticeship grants for employers | August 2016 to July 2017 |
| | Adult education services, subject to legislation | September 2018 |
| Land and development | Mayoral Strategic Plan by 2020 | May 2017 |
| | Compulsory purchase powers jointly with the Homes and Communities Agency | Once plan is in place |
| | Mayoral powers over important planning applications | Once plan is in place |
| | Creation of Mayoral Development Corporation, subject to laying of secondary order, and inclusion of areas in Mayoral Development Corporation | |
| Funding | | 2017-18 unless otherwise specified |
| Single pot funding | Investment Fund Grant: £30.0 million per year | From November 2016 |
| | Consolidated Transport Grant comprised of: | |
| | Integrated Transport Block: £10.1 million | |
| | Highways Maintenance Block: £15 million | |
| | Highways Maintenance incentive element: £1.4 million | |
| | Pothole Action Fund: £1.3 million | |
| | National Productivity Investment Fund £4.4 million | (2017-18 only) |
| Local Growth Fund (flexible element): £53.6 million | | |
| | Adult education budget – not yet calculated | September 2018, subject to legislation |
| Other funding | Apprenticeships grant: £1.3 million | May 2017 |
| | Land – determined by combined authority | |
| Tax-raising powers | Council tax precept will be set by mayor | April 2018 |
| Business rates retention | 100% business rates retention pilot | |
| Borrowing powers | Cap to be agreed by government subject to secondary legislation | |
| Council contributions | Levies set by Combined Authority in agreement with constituent councils | |

Source: National Audit Office

Figure 20

Greater Manchester Combined Authority



Note

1 The Greater Manchester LEP has the same geographical boundary as the Combined Authority.

Source: National Audit Office

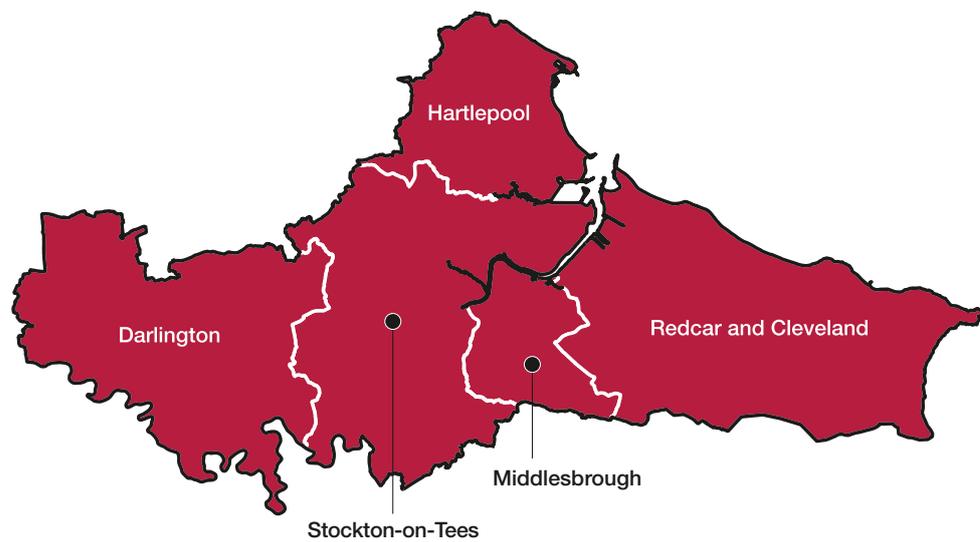
Greater Manchester Combined Authority

| | | |
|--|--|---------------------------------|
| Constituent authorities | Bolton, Bury, Manchester, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford, Wigan | |
| Local Enterprise Partnership | Greater Manchester LEP | |
| Mayor | Andy Burnham (Labour) | |
| Population | 2,782,141 | |
| Key powers and functions | | Effective from |
| Transport | Local transport plan | May 2017 |
| | Bus franchising | May 2017 |
| Skills | Apprenticeship grants for employers | August 2015 |
| | Adult education services, subject to legislation | September 2018 |
| Land and development | Spatial development strategy | May 2017 |
| | Compulsory purchase powers, jointly with the Homes and Communities Agency | May 2017 |
| | Mayoral Development Corporation | May 2017 |
| | Housing Investment Fund (loan from government to lend to developers) | April 2015 |
| | Creation of Mayoral Development Corporation, subject to laying of secondary order, and inclusion of areas in Mayoral Development Corporation | |
| Employment | Work and Health programme in partnership with the Department for Work & Pensions | January 2018 |
| Policing and crime | Police and Crime Commissioner | May 2017 |
| Fire and rescue | Fire and rescue services | May 2017 |
| Health and social care | Improving health and social care and responsible for performance of Clinical Commissioning Groups jointly with Head of Paid Service | April 2016 |
| | Public health responsibilities – subject to parliamentary approval | 2017 if agreed by Parliament |
| Support for people with complex needs – joining up budgets and service | Troubled Families programme | May 2017 |
| | Working Well pilot | |
| | Life Chances investment fund | |
| Funding | | 2017-18 unless specified |
| Single pot funding | Investment Fund Grant £30.0 million per year | From April 2015 |
| | Consolidated Transport Grant comprised of: | |
| | Integrated Transport Block: £16.2 million | |
| | Highways Maintenance Block needs element: £25.6 million | |
| | Highways Maintenance incentive element: £1.6 million | |
| | Pothole Action Fund: £2.1 million | |
| | National Productivity Investment Fund: £7.32 million | (2017-18 only) |
| Local Growth Fund (flexible element): £127.4 million | | |
| Adult education budget – not yet calculated | September 2018 | |

Figure 21 overleaf

Figure 21

Tees Valley Combined Authority



Note

1 The Tees Valley LEP has the same geographical boundary as the Combined Authority.

Source: National Audit Office

Tees Valley Combined Authority

| | | |
|---|--|---|
| Constituent authorities | Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, Stockton-On-Tees | |
| Local Enterprise Partnership | Tees Valley LEP | |
| Mayor | Ben Houchen (Conservative) | |
| Population | 669,946 | |
| Key powers and functions | | Effective from |
| Transport | Local transport plan | May 2017 |
| | Bus franchising | May 2017 |
| Skills | Apprenticeship grants for employers | August 2016 to July 2017 |
| | Adult education services, subject to legislation | September 2018 |
| Land and development | Creation of Mayoral Development Corporation | May 2017 |
| Funding | | 2017-18 unless otherwise specified |
| Single pot funding | Investment Fund Grant: £50.0 million per year | From September 2016 |
| | Consolidated Transport Grant comprised of: | |
| | Integrated Transport Block needs element: £4.7 million | |
| | Highways Maintenance Block: £8.4 million | |
| | Highways Maintenance incentive element: £0.8 million | |
| | Pothole Action Fund: £0.7 million | |
| National Productivity Investment Fund: £2.3 million | (2017-18 only) | |
| Local Growth Fund flexible element: £28 million | | |
| Adult education budget – not yet calculated | September 2018, subject to legislation | |
| Other funding | Apprenticeships grant: £0.76 million | |
| | Other transport funding: £1.9 billion | |
| Tax-raising powers | Council tax precept will be set by mayor | April 2018 |
| Borrowing powers | Cap to be agreed by government, subject to secondary legislation | |
| Council contributions | Set by Combined Authority in agreement with constituent councils | |

Source: National Audit Office

Figure 22
West Midlands Combined Authority

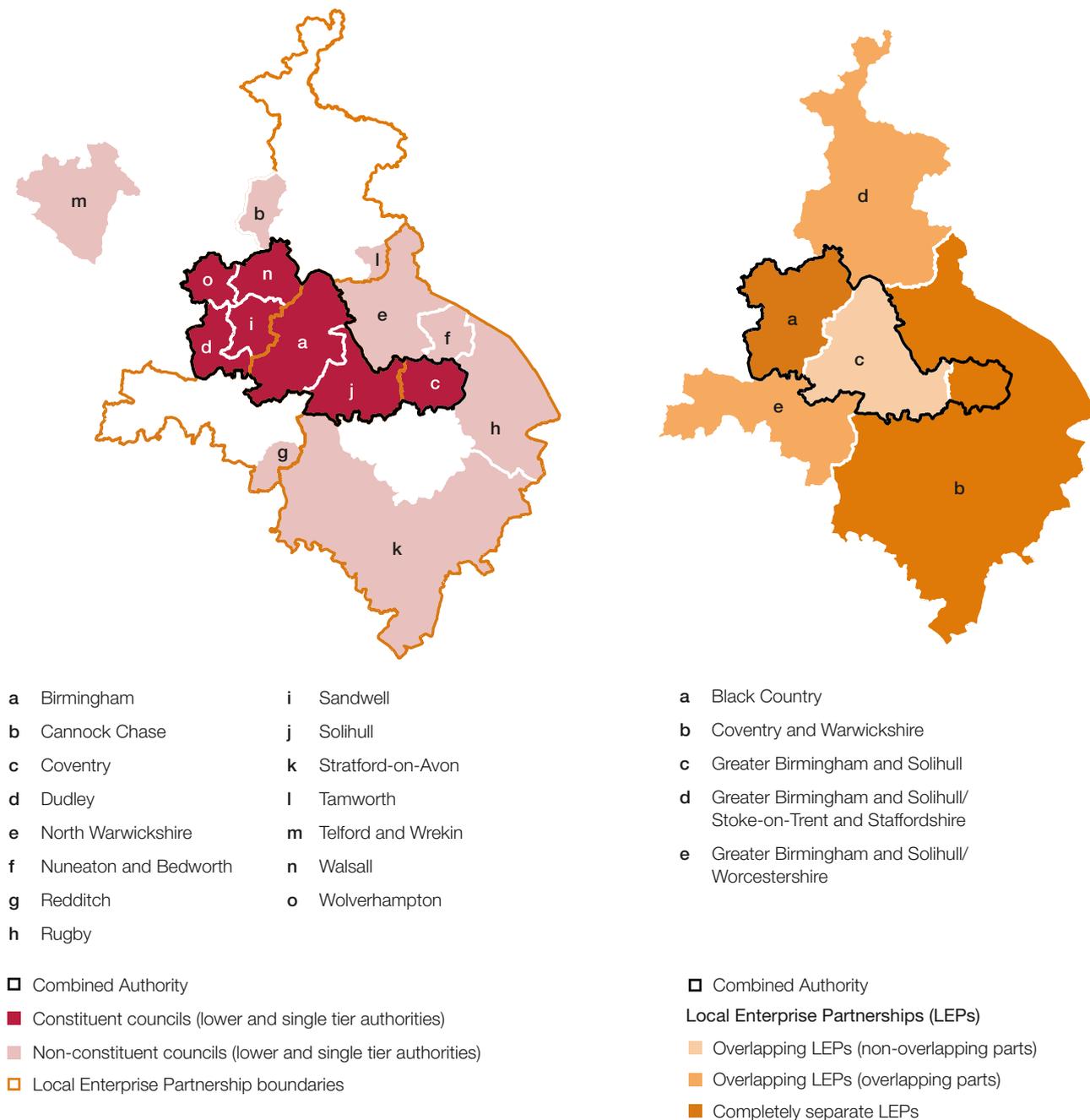
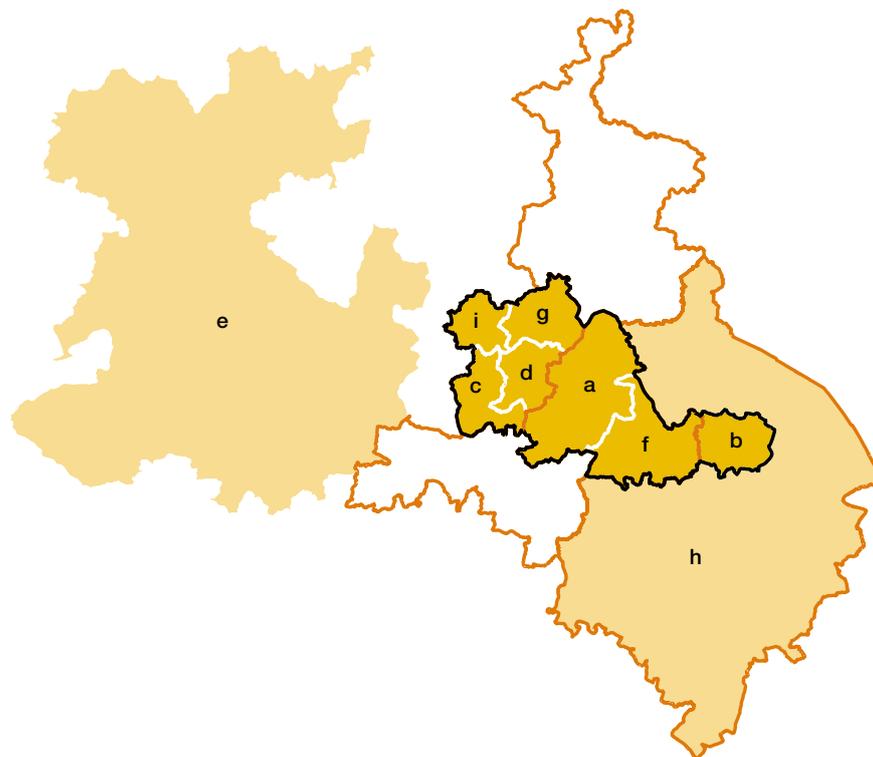


Figure 22 *continued*
West Midlands Combined Authority



- | | |
|---------------------|------------------------|
| a Birmingham | f Solihull |
| b Coventry | g Walsall |
| c Dudley | h Warwickshire |
| d Sandwell | i Wolverhampton |
| e Shropshire | |

- Combined Authority
- Constituent council (upper and single tier authorities)
- Non-constituent council (upper and single tier authorities)
- Local Enterprise Partnership boundaries

Source: National Audit Office

West Midlands Combined Authority

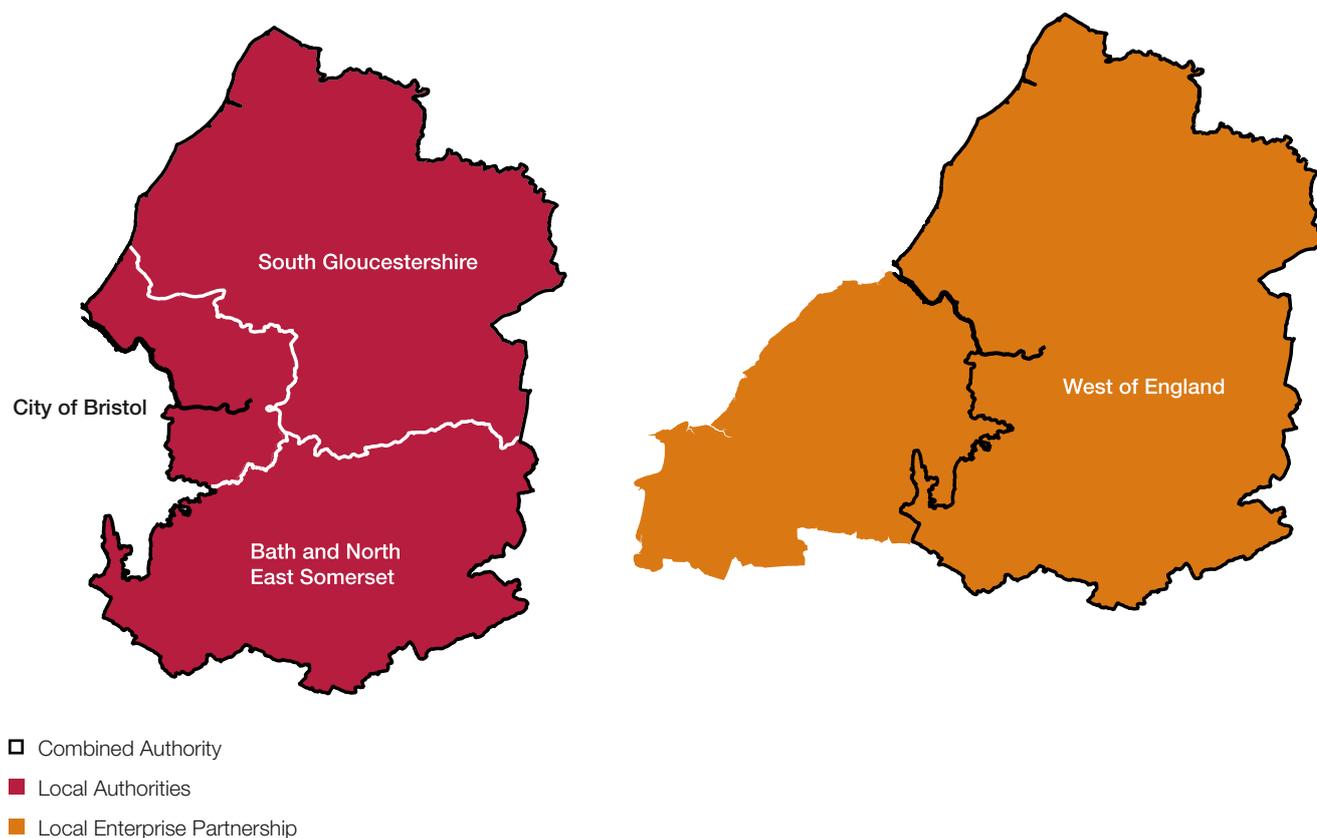
| | | |
|-------------------------------------|--|---|
| Constituent authorities | Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall, Wolverhampton | |
| Non-constituent authorities | Cannock Chase, North Warwickshire, Nuneaton and Bedworth, Redditch, Rugby, Shropshire, Stratford-upon-Avon, Tamworth, Telford and Wrekin, Warwickshire | |
| Local Enterprise Partnership | Black Country, Coventry and Warwickshire and Greater Birmingham and Solihull | |
| Mayor | Andy Street (Conservative) | |
| Population | 2,864,925 | |
| Key powers and functions | | Effective from |
| Transport | Local transport plan | June 2016 |
| | Key route network | |
| | Bus franchising | May 2017 |
| Skills | Adult education services, subject to legislation | September 2018 |
| Land and development | Compulsory purchase powers jointly with the Homes and Communities Agency | Once plan is in place |
| | Creation of Mayoral Development Corporation – subject to laying of second order and inclusion of areas in Mayoral Development Corporation | |
| Funding | | 2017-18 unless otherwise specified |
| Single pot funding | Investment Fund Grant: £36.5 million per year | From August 2016 |
| | Consolidated Transport Grant comprised of: | |
| | Integrated Transport Block: £17.6 million | |
| | Highways Maintenance Block needs element: £14.5 million | |
| | Highways Maintenance incentive element: £1.4 million | |
| | Pothole Action Fund: £1.2 million | |
| | National Productivity Investment Fund: £5.8 million | (2017-18 only) |
| Adult education budget | September 2018, subject to legislation | |
| Other funding | Land – determined by combined authority | May 2017 |
| | Other transport funding: £15.8 million | |
| Tax-raising powers | Council tax precept will be set by mayor | April 2018 |
| Business rates retention | 100% business rates retention pilot | April 2017 |
| Borrowing powers | Cap to be agreed by government, subject to secondary legislation | |
| Council contributions | Levies set by Combined Authority in agreement with constituent councils | |

Source: National Audit Office

Figure 23 overleaf

Figure 23

West of England Combined Authority



Source: National Audit Office

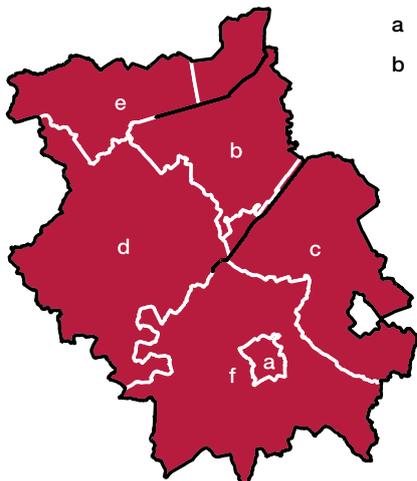
West of England Combined Authority

| | | |
|--|--|---|
| Constituent authorities | Bath and North East Somerset, Bristol, South Gloucestershire | |
| Local Enterprise Partnership | West of England | |
| Mayor | Tim Bowles (Conservative) | |
| Population | 919,587 | |
| Key powers and functions | | Effective from |
| Transport | Local transport plan | May 2017 |
| | Bus franchising | May 2017 |
| Skills | Apprenticeship grants for employers | August 2016 – July 2017 |
| | Adult education services, subject to legislation | September 2018 |
| Land and development | Spatial development strategy (includes North Somerset) | May 2017 |
| | Mayoral powers over important planning applications | May 2018 |
| | Compulsory purchase powers jointly with the Homes and Communities Agency | May 2017 |
| | Creation of a Mayoral Development Corporation, subject to laying of secondary order, and inclusion of areas in Mayoral Development Corporation | |
| Funding | | 2017-18 unless otherwise specified |
| Single pot funding | Investment Fund Grant: £30.0 million per year | From March 2017 |
| | Consolidated Transport Grant comprised of: | |
| | Integrated Transport Block: £5.2 million | |
| | Highways Maintenance Block needs element: £11.3 million | |
| | Highways Maintenance incentive element: £1.1 million | |
| | Pothole Action Fund: £0.89 million | |
| National Productivity Investment Fund £2.9 million | (2017-18 only) | |
| Adult education budget | September 2018, subject to legislation | |
| Other funding | Land – determined by combined authority | May 2017 |
| | Apprenticeships grant: £0.54 million | |
| Tax-raising powers | (No precept on council tax) | |
| Business rates | 100% business rates retention pilot | April 2017 |
| Borrowing powers | Cap to be agreed by government, subject to secondary legislation | |
| Council contributions | Levies set by Combined Authority in agreement with constituent councils | |

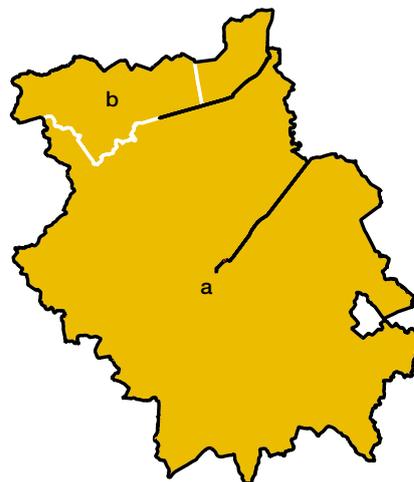
Source: National Audit Office

Figure 24
Cambridgeshire and Peterborough Combined Authority

- a Cambridge
- b Fenland
- c East Cambridgeshire
- d Huntingdonshire
- e Peterborough
- f South Cambridgeshire

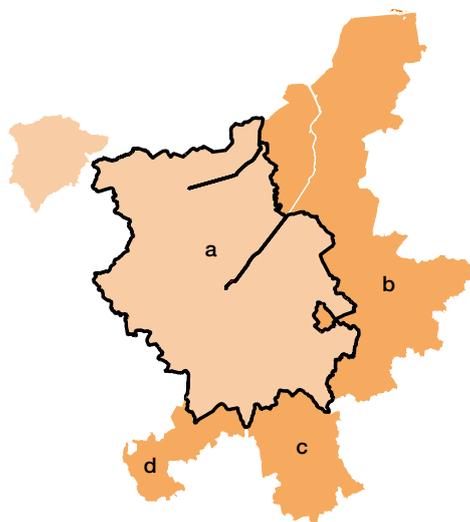


- a Cambridgeshire
- b Peterborough



- Combined Authority
- Lower and single tier local authorities
- Upper and single tier local authorities

- a Greater Cambridge and Greater Peterborough
- b Greater Cambridge and Greater Peterborough/
New Anglia
- c Greater Cambridge and Greater Peterborough/
South East
- d Greater Cambridge and Greater Peterborough/
Hertfordshire



- Combined Authority
- Local Enterprise Partnerships (LEPs)
- Overlapping LEPs (non-overlapping parts)
 - Overlapping LEPs (overlapping parts)

Note

1 Parts of Greater Cambridge and Greater Peterborough LEP overlap with three other LEPs (Hertfordshire, New Anglia and South East) but not the parts which are coterminous with the Combined Authority.

Cambridgeshire and Peterborough Combined Authority

| | | |
|---------------------------------|--|---|
| Constituent authorities | Cambridge, East Cambridgeshire, Fenland, Huntingdonshire, South Cambridgeshire, Cambridgeshire, Peterborough | |
| Local Enterprise Partnership | Greater Cambridge Greater Peterborough | |
| Mayor | James Palmer (Conservative) | |
| Population | 1,500,975 | |
| Key powers and functions | | Effective from |
| Transport | Local transport plan | May 2017 |
| | Key route network | |
| | Bus franchising | May 2017 |
| Skills | Apprenticeship grants for employers | August 2016 to July 2017 |
| Land and development | Acquire land, invest in housing and work with planning authorities | 2016-17 to March 2021 |
| Funding | | 2017-18 unless otherwise specified |
| Single pot funding | Investment Fund Grant: £20.0 million per year | From March 2017 |
| | Consolidated Transport Grant comprised of: | |
| | Integrated Transport Block: £4.6 million | |
| | Highways Maintenance Block needs element: £16.4 million | |
| | Highways Maintenance incentive element: £1.6 million | |
| | Pothole Action Fund: £1.4 million | |
| | National Productivity Investment Fund £3.7 million | (2017-18 only) |
| | Adult education budget | September 2018, subject to legislation |
| Other funding | Housing and infrastructure fund: £30 million; | |
| | Housing in the City of Cambridge: £10.5 million | |
| | Apprenticeships grant: £0.35 million | |
| Tax-raising powers | Council tax precept will be set by mayor | April 2018 |
| Borrowing powers | Cap to be agreed by government, subject to secondary legislation | |
| Council contributions | Levies set by Combined Authority in agreement with constituent councils | |

Source: National Audit Office

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National Audit Office

Design and Production by NAO External Relations
DP Ref: 11524-001

£10.00

ISBN 978-1-78604-133-3



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