Agenda item

9

Cabinet

Report Subject	**A Combined Authority for Strategic Economic Development and Transport for Dorset**
Meeting date	14th October 2015
Cabinet Portfolio	Leader of the Council & Resources – Councillor John Beesley
Corporate Lead	Executive Director Environment & Economy - Bill Cotton
Service Director	Environment & Regeneration - Roger Ball
Status	Public
Classification Key Decision Impact on Key Policy Framework	For decision Yes No
Report author	Chris Shephard Head of Economic Development & Sustainability ☎ 01202 454643 ✉ chris.shephard@bournemouth.gov.uk
Executive summary	The formation of the new Government following May's general election has given a renewed emphasis to alternative forms of governance in both city and county areas, with a view to devolving powers and funding away from the centre, in order to enhance economic growth. Many areas across the country are reacting to the devolution agenda, with early proposals having the potential to affect the future of local government. In order to achieve devolution in any form, new forms of governance must be established. These can take the form of a Combined Authority, an Economic Prosperity Board, or Joint Committee, and should be around a “functional economic area”. A Combined Authority is the technical term referring to a number of Local Authorities establishing a new organisation which combines strategic transport and strategic economic development functions over a broad geography.

	Based on the proposition that Dorset is one functional economic area, work has been commissioned by Dorset authorities to explore a Combined Authority for Dorset, in pursuit of a stronger, more vibrant local economy. A joint report has been written by those commissioned to explore this proposal. The report covers both the history of the project and makes recommendations for next steps including that each of the nine local authorities sign up to a Combined Authority for Dorset. The full report is included as an appendix to this report. All nine Dorset authorities have agreed to review the report on a Combined Authority for Dorset, with a view to discussing the recommendations through their respective democratic processes. A Combined Authority for Dorset is not the only option open to Bournemouth Council. The economic strength of the South East Dorset conurbation (Bournemouth, Christchurch, East Dorset and Poole) is evidenced by the award of growth deal funding to the key economic growth projects of Bournemouth Airport and the Port of Poole, and the continuously developing agenda around devolution which both present opportunities for alternative models. Government has set out an agenda that has significant implications for the future structure of local government. This is a change in circumstances from when the process started for investigating a Combined Authority for Dorset. Consequently, it would seem sensible for the Council not to commit to the recommendations outlined in the attached appendix for a Combined Authority for Dorset at this point in time. Cabinet is therefore asked to review the paper and consider the recommendations within it, along with the recommendations listed below.
Recommendations	**a) Cabinet agrees that whilst Bournemouth Council currently supports the principle of a Combined Authority for strategic transport and economic development across Dorset, discussions should continue with Central Government, our neighbouring authorities, businesses, residents and other stakeholders;** **b) Cabinet agrees to be mindful of the views of other local authorities in the South East Dorset conurbation when considering options as new opportunities arise; and** **c) A further paper is brought to Cabinet which, as the devolution agenda evolves, will provide further opportunities with recommendations for a preferred approach.**

Reasons for recommendations	Bournemouth Council would like to continue to consider other options, alongside its involvement in the development of a Combined Authority for Dorset.

Background detail

1. The formation of the new Government following May's general election has given a renewed emphasis to alternative forms of governance in both city and county areas, with a view to devolving powers and funding away from the centre in order to enhance economic growth.

2. It is important to note that developing an alternative form of governance such as a Combined Authority is a pre-requisite for approaching and negotiating with Government on any devolution deal.

3. A Combined Authority is a formal governance structure designed to strengthen councils' collective approach to strategic decisions on transport and economic development . They are legal entities in their own right, can hold funds, levy, borrow and employ staff. Under existing legislation, combined authorities allow the voluntary pooling of local authority decision-making to improve transport and economic development, over a wider geographical area. At least eight Combined Authorities have been or are in the process of being set up in England, most recently in Hampshire, Derbyshire, Nottinghamshire and Tees-side.

4. The major advantages of a Combined Authority lie in getting more favourable treatment from Government, being a national player, saving money with more effective focusing of efforts, getting better deals and avoiding internal competition, and bridging the gaps between policy, project planning and implementation of jointly agreed priorities.

5. Strategic economic development can be defined as the production of a high level economic development strategy with the Local Enterprise Partnership, based on up to date research and intelligence. Strategic transport would be the agreement of a Local Transport Plan, priorities for major investment and major scheme bidding to government. It is envisaged that a Dorset wide Combined Authority for strategic transport and economic development would have a small team of up to ten officers to undertake its functions and that it would work closely with officers at the Dorset Local Enterprise Partnership. There may be a case to merge the officer support for the two bodies.

Proposals for a Combined Authority for Dorset

6. To date Bournemouth has been part of a move by local authorities in Dorset to explore alternative governance models such as a Combined Authority for strategic transport and economic development, which would enable the area to begin conversations with Government on a devolution deal. This paper summarises the approach and recommendations of those proposing the project, and explains why a Combined Authority for Dorset is not the only option open to the council, concluding with recommendations as to a proposed way forward.

7. In November 2014 Dorset's nine local authorities were awarded £755,000 from the Department for Communities and Local Government (DCLG) to explore new ways of working together to accelerate economic growth and prosperity in the sub-region. An informal Dorset Leader's Growth Board has been established in the last year to start to focus on improved coordination of strategic transport and economic development matters and oversee the Combined Authority research. Council Leaders agreed to explore four options:

- Create a Combined Authority
- Create an Economic Prosperity Board
- Create a Joint Committee
- Do nothing

8. The report contained in the appendix of this report has been written by those commissioned to explore the concept for Dorset, and is in two parts.

9. Part A covers the history and background of this 'Delivering Dorset's Economic Potential' project, including reviews of Dorset's economy and its current governance arrangements. In chronological terms, Part A covers the period June 2014 to May 2015. Part B makes recommendations for next steps, based on the findings of the reviews, policy developments following the general election on 7 May and the views of the Councils' Leaders. A consultation was also undertaken, the results of which are included as a background paper to this report.

10. One of the recommendations the paper makes is that Councillors from across the nine Dorset authorities agree to "submit a case for a Combined Authority for Dorset under the relevant statutory provisions, and approve this Council formally joining a Combined Authority for Dorset once it is established".

An alternative option

11. The South East Dorset conurbation has the greatest strategic potential of the region from an economic and demographic stand point. The collective economic and demographic strength of Bournemouth, Christchurch, East Dorset and Poole would create an economy to rival cities like Bristol, Brighton, Cambridge and Sheffield. The South East Dorset conurbation includes an international airport, an international port, has an average age of thirty four for the next twenty years (based on Office of National Statistics data for Bournemouth), two universities, and thriving financial services, advanced manufacturing, and creative and digital sectors.

12. Government has also recognised its importance, with the award of Growth Deal funding for major projects at Bournemouth International Airport and the Port of Poole, which will create significant jobs and drive economic growth. The alternative option would therefore be to form a Combined Authority for Bournemouth, Christchurch, East Dorset & Poole.

13. This does not support the view of those proposing a Combined Authority for Dorset, that the county area is one “functional economic area”, proposing instead that there are at least two: the (mostly urban) conurbation, and rural Dorset and beyond.

14. Government’s focus is on supporting economic growth in functional economic areas that have the right ingredients, approach and opportunities and will look to reach deals on devolution to those areas with a strong proposition and a clear governance model. Therefore there may be future alternative models of local government in Dorset. For example, there is probably a model for a unitary authority for the South East Dorset conurbation, which includes Bournemouth, Christchurch, East Dorset and Poole. There may also be a model that would see the development of a unitary authority for rural Dorset, or a model that would bring rural Dorset together with others. A recent institutional example would be the recently merged Dorset and Wiltshire Fire and Rescue Service.

Towards a devolved south

15. In terms of devolution happening in the areas around Bournemouth, in the south of England Hampshire has come together with Southampton and Portsmouth (through the Partnership for Urban South Hampshire) to submit an expression of interest for a Hampshire and Isle of Wight Combined Authority. Surrey and West Sussex are jointly and separately considering their options. There is a view that Bournemouth and the South East Dorset conurbation would be a very welcome addition to any future discussions about devolution in the south, based on existing business activity and travel to work information, but it would need to be part of a new alternative governance model such as a Combined Authority. This is based on the growing economic profile and talent pipeline in the financial services and digital and creative sectors that is being generated throughout Bournemouth and the whole South East Dorset conurbation.

16. There is therefore an opportunity to align with other areas in the south from a devolution perspective which would provide Bournemouth and the South East Dorset conurbation with benefits from sharing in strengths that already exist. For example, the sectors of financial, professional and business services, aerospace, and marine stretch across the south central region, as do transport, planning, housing and public health. There are less clear links with the South West however connections through advanced manufacturing supply chains, especially in relation to aerospace and defence are strong

Conclusion

17. If devolution is about increasing economic growth, enhancing connections and improving strategic infrastructure throughout the conurbation, and improving and benefiting from the major travel to work corridor to the east, it is important to ensure the right decision is taken around future governance models.

Consultation

18. A consultation on a Combined Authority for Dorset was undertaken by those commissioned to run the project. Results of this consultation are in the background paper provided.

Options

19. **Option 1**: To accept the recommendations of the report in the appendix which include agreeing to submit a case for a Combined Authority for Dorset under the relevant statutory provisions, and approve Bournemouth Council formally joining a Combined Authority for Dorset once it is established. The case for this option is based on Bournemouth not missing out on playing a major role in the focus and delivery of powers and finances that are devolved to the region, should a Combined Authority for Dorset be submitted and accepted. The case against this option is around ensuring Bournemouth's strong brand across a number of key and growing sectors and economic strength is not subsumed into a Dorset offer, which is potentially more rurally focused.

20. **Option 2**: To not accept the recommendations of the report in the appendix. The case for this option is based on enabling Bournemouth Council to be free to explore all options that are offered and created, that are relevant to Bournemouth's continuing economic success. It could present a greater opportunity to better serve the economic and strategic development interests of Bournemouth and its employment sectors, as well as those of its neighbours. The case against this option is that as all nine Dorset authorities need to agree to the recommendations for a Combined Authority approach through their democratic processes for it to be successful, it is unlikely to proceed as it stands. This may have a negative effect with Government.

21. **Option 3**: To keep all options open, whilst being cognisant of the views of the other authorities in the conurbation. The case for this approach is that it enables the Council to focus on how best to align strategic infrastructure that will enhance economic growth both across the conurbation and potentially the wider south central region. The case against this approach is that as all nine Dorset authorities need to sign up to a Combined Authority approach for it to be successful, it is unlikely to proceed as it stands. This may have a negative effect with Government.

Summary of finance and resourcing implications

22. None at this stage. All costs covered by TCA funds. Longer term costs and savings are being considered by finance officers.

Summary of legal implications

23. There are no legal implications arising from the recommendations. If the Council wishes to proceed with the proposal to establish a Combined Authority it has the power to do so subject to the statutory framework and approval process

Summary of human resources implications

24. The decision Cabinet is asked to make has no human resources implications.

Summary of environmental impact

25. The environmental impact of the decision is not applicable as it has no impact on the environment with either outcome.

Summary of equalities and diversity impact

26. An equality needs impact assessment screening has been done and given the nature of this report, the Cabinet is not being asked to make any decisions that requires an Equality Needs Impact Assessment.

Summary of risk assessment

27. A risk assessment has been carried out and with mitigation the risk to the Council is low.

Background papers:

Consultation information for the Combined Authority for Dorset project

Appendices:

Draft report by the consultant researching the proposal for a Combined Authority for Dorset

Appendix

Combined Authority: Standard Report to Councils

Preface

In November 2014 Dorset's nine local authorities were awarded £755,000 from the Department for Communities and Local Government (DCLG) to explore new ways of working together to accelerate economic growth and prosperity in the sub-region. Council Leaders agreed to explore three options for new arrangements between councils – including a combined authority or a joint committee – in pursuit of a stronger, more vibrant local economy.

This report is in two parts. Part A covers the history and background of this 'Delivering Dorset's Economic Potential' project, including reviews of Dorset's economy and its current governance arrangements. In chronological terms, Part A covers the period June 2014 to May 2015.

Part B makes recommendations for next steps, based on the findings of the reviews, policy developments following the general election on 7 May and the views of the Councils' Leaders.

This report is a standard report that all nine councils in Dorset are considering during the autumn. Each Council will preface the standard report with a covering report to highlight any specific issues for their Council, as well as meeting the needs of their local governance/ constitutional requirements.

Executive Summary

Dorset's councils' Leaders commissioned a review of the Governance arrangements of councils' work on economic development and transport. The review required an examination of Dorset's economy. The reviews concluded that Dorset's economy is relatively self-contained and that current arrangements could be improved, with a combined authority offering the greatest advantages. Stakeholder consultation has been carried out, with a wide range of views obtained. Overall there is limited support for no change, with the majority of respondents supporting the creation of a combined authority.

The formation of a new Government following May's general election has given a renewed emphasis to alternative forms of governance in both city and county areas. The major advantages of a combined authority for Dorset lie in getting more favourable treatment from Government, being a national player, saving money with more effective focusing of efforts, getting better deals and avoiding internal (to Dorset) competition, and bridging the gaps between policy, project planning and implementation of jointly agreed priorities. It is also a pre requisite for subsequently approaching and negotiating a devolution deal.

If councils agree to support the creation of a combined authority then a compelling case has to be made to Government, along with the principles of a draft scheme setting out the combined authority's scope and form of operation. A parliamentary order is required to establish a combined authority and the likelihood is that a combined authority for Dorset could start operations by the autumn of 2016.

Dorset can present a compelling case to Government. There is a strong track record of co-operation and achievement. There is a clear and positive relationship with a single LEP also focused just on Dorset and considerable evidence of joint council co-operation. The economic and governance reviews provide evidence of why a combined authority would benefit Dorset and the consultation provides evidence of stakeholder support.

Alongside the development of any combined authority work is also proceeding on how officer support for it and councils' economic development functions, through a proposed Growth Unit, can be arranged.

Recommendation

That Councillors:

1. Note the findings of the review, particularly that a combined authority appears to offer Dorset the best chance of future growth and prosperity

2. Agree to submit a case for a combined authority for Dorset under the relevant statutory provisions, and approve this council formally joining a combined authority for Dorset once it is established

3. [Subject to 2, above] to note and comment on the draft governance review and the principles of a draft scheme for a combined authority for Dorset, to inform final drafting prior to submission to Government

4. [Subject to 2, above] agree the process for the final approval of a detailed case for a Dorset combined authority by each council in accordance with each council's own decision-making arrangements so that a decision is taken in an efficient and timely manner that will allow the detailed case, if approved, to be submitted to Government by mid-December.

5. To note that no decisions are currently required on the formation of a Growth Unit

Reason for Recommendation

Dorset councils share an ambition for an economically thriving and prosperous Dorset. The national framework within which councils operate has changed over recent years and Government is encouraging new forms of governance. A review with stakeholders shows the creation of a combined authority is the preferred option to achieve this. Given the wide ranging implications of a combined authority, Council consideration of this proposal is required. Finalisation of the detailed case to be submitted to Government (including a final draft scheme, governance and economic reviews along with any freedoms and flexibilities sought) will be needed after each council has considered this report. Delegation to an appropriate set of decision makers is therefore requested in order to avoid undue delay and maintain momentum.

The report explains the relationship between the proposed Growth Unit and a combined authority, but detailed proposals for the formation of the Growth Unit will be the subject of further reports, so no decisions are currently required on any Growth Unit.

Financial Considerations

If councils agree to establish a combined authority and Growth Unit, then there are two areas in which costs will be incurred. The major financial issues involve staffing of the Growth Unit. No decisions are currently required over this, as detailed proposals are currently being developed (the final section of this report gives further details), but the principle against which the proposals are being developed is that staffing and related costs must not exceed current costs, once transitional arrangements have been completed. Clearly councils collectively can take a view in the future about whether to invest more or less in supporting economic regeneration work, but initially costs will be in line with current costs. There may be some additional transitional costs, but these costs will be met from the Transformation Challenge Award (TCA) funds; which were specifically awarded to assist in creating a Growth Unit. An important condition of accepting TCA funds is that efficiency savings are produced over the next 10 years and the business case that has to be developed will set out how this can be approached. As an example, the TCA submission suggested that collectively commissioning work currently carried by consultants offered the prospect of major economies, given that over £500,000 p.a. is currently spent on this work.

In addition most councils, as part of their medium term financial plans, will have built in the requirement for spending reductions in order to cope with the continuing funding restrictions that councils face over the next few years. The target for efficiency savings for a Growth Unit will therefore have to have regard to both the requirements to meet the terms of the TCA as well as councils' own medium term financial plans. These are matters on which decisions will be needed at a later date and are raised to provide a picture of the wider financial landscape. The establishment of a combined authority is not dependent on creating a Growth Unit, and councils can be reassured that there are therefore no additional commitments in relation to the proposed Growth Unit as a result of the recommendations in this report.

In so far as the operation of the combined authority itself is concerned, one of the requirements in making a submission to Government is that arrangements will produce effective and convenient local government. The costs of operating a combined authority fall into two areas. There are some additional organisational overheads and transferred costs. Transferred costs are those costs which are currently incurred and absorbed by the nine councils but may not be identified separately. These include staff time in supporting the current Leader's Growth Board, liaison with the LEP and the hosting of meetings. If a combined authority is created then these costs will be separately identified and shown in the accounts of the combined authority. They do not though result in any additional costs overall to the nine councils and finance officers will ensure there is no significant adverse redistributional impact amongst the 9 councils following separate identification. Additional organisational overheads mainly cover the extra work involved in the additional governance arrangements needed to support a separate legal entity. These cover items such as keeping separate accounts and records, additional audit fees and the costs of statutory officers required by what will be considered a separate local government body. Finance Officers have advised that, based on the principles of the draft scheme and anticipated mode of operation, a figure of £300,000 is a reasonable assessment for the purposes of planning.

The governance review has shown that there is duplication and inefficiencies in current arrangements and any additional governance costs will need to be the first call on savings achieved through the efficiencies generated. Again there will be a transitional period and the costs during this period can be met from the TCA.

The draft scheme deals with future funding by suggesting:

‘The costs of the combined authority in relation to the exercise of its economic development and regeneration functions and all start-up costs will be met by the constituent councils. These costs will be apportioned between the constituent councils in such proportions as they may agree or, in default of such agreement, on a per capita (population) basis’.

The draft scheme also covers voting rights to ensure councils are not exposed to future financial risks without the ability to influence decisions.

Annexes

1. Draft principles for a scheme for a combined authority for Dorset
2. Delivering Dorset's Economic Potential - Consultation Report
3. Draft Governance Review
4. Draft Economic Review

Background Papers

Delivering Dorset’s Economic Potential: We Need Your Views (February 2015)

The Cities and Local Government Devolution Bill (June 2015)

Part A

Part A covers three aspects of the project; the review of Dorset's economy and its governance arrangements, the stakeholder consultation, and the findings of these activities.

1. The Governance and Economic Reviews

The nine councils in Dorset share a commitment to improving economic growth and prosperity in Dorset and in June 2014 the Leaders established a Leaders' Growth Board to focus on this are of joint activity. In November 2014 the councils were awarded £755,000 from the DCLG to explore optimum governance arrangements for the nine councils in order to realise this ambition. Councils considered four options:

- Create a Combined Authority
- Create an Economic Prosperity Board
- Create a Joint Committee
- Do nothing

A combined authority is a formal governance structure designed to strengthen councils' collective approach to strategic decisions on transport, economic development and regeneration. They are legal entities in their own right, can hold funds, levy, borrow and employ staff.

Under existing legislation, combined authorities allow the voluntary pooling of local authority decision-making to improve economic development, transport and regeneration over a wider geographical area. The law limits their functions to economic related disciplines. A new Bill introduced since the election - the City and Local Government Devolution Bill - will remove this limitation and significantly widen the scope of what can be devolved to combined authorities, both from national government departments and from local constituent members.

Eight combined authorities have been or are in the process of being set up in England, most recently in Derbyshire, Nottinghamshire and Teeside.

Economic prosperity boards (EPBs) are similar to combined authorities but they exclude transport powers. EPBs cannot levy and do not have borrowing powers, though they are legal entities in their own right and can be responsible for funding.

EPBs have proved to be considerably less popular than combined authorities (two areas of the country are believed to be looking at creating one). It is not clear why this is, but it may be because transport is a key driver of growth in many areas, and EPBs do not have transport powers.

Combined authorities and economic prosperity boards are established under the Local Democracy, Economic Development and Construction Act 2009.

Councillors will be aware that Joint Committees, by contrast, are established under legislation which dates back to the 1972 Local Government Act and they are familiar forms

of governance in Dorset. Public Health Dorset, the joint archives service and the Dorset Waste Partnership are just three examples of existing Joint Committees between authorities.

Before a combined authority or EPB can be established, councils must undertake a review of the local economy and its governance arrangements. The governance review must establish if a Combined Authority or EPB would be likely to bring about an improvement in Dorset regarding:

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

The economic review must demonstrate that the geographical area is a 'functioning economic market area'. These are the tests that authorities must meet before the Secretary of State will agree to create a combined authority or economic prosperity board.

Between November 2014 and January 2015 officers undertook both a governance and an economic review. The governance review was developed with an officer steering group drawn from all councils, with input from the Local Enterprise Partnership. The economic review was contracted to a local consultant, who brought both expertise and independence to the process. The detailed reviews are attached at appendix 4 and 5, with a summary shown below.

2. Approach to consultation

Dorset's approach to consultation reflects the open way in which the review has been undertaken and the lack of any presumption on behalf of the nine sovereign councils that there is a single preferred outcome.

Accordingly the approach has had three main elements:

- Web based information and questionnaire aimed at any interested party
- Targeted consultation with businesses and specific sectors of the economy
- Focus groups of the general public

The results of the consultation are captured and analysed in the accompanying document - Delivering Dorset's Economic Potential - Consultation Report (annex 2).

Questionnaire and web information

The Leaders of Dorset's councils recognised that with both a General Election and local elections in eight of the nine Dorset councils being held in early May 2015, decisions on any changes to governance arrangements should be deferred until the new councils had been formed. However they were keen for the economic and governance reviews and consultation work to proceed prior to election purdah period commencing at the end of March. This defined the timetable for the production of information and general consultation. The reviews

were completed in early February and the general consultation questionnaire was available for completion between 9 February and 27 March. The information and questionnaire did not suggest any preferred outcome and sought views on three alternative forms of governance as well as making no change.

Awareness of the information and consultation was achieved by centrally contacting businesses or representative organisations and through individual councils, councillors, employees and parish/ town councils. A press release was also issued and Twitter and Facebook used to promote the consultation. Responses to the questionnaire were limited (126 valid responses); in part reflecting the comparatively complex nature of the consultation (consultations carried out in other areas restricted their questionnaires to seeking views on a single alternative - the creation of a combined authority), as well as neutral stances being taken by councils in advance of debate and decision-making in those councils. In addition businesses and business organisations had alternative avenues through which their views could be given. To put the number of responses in context Derbyshire, with a population 50% greater than Dorset, received just over 700 responses - one of the higher levels of responses.

Although the number of responses was limited, valuable feedback has been provided and this is detailed in the accompanying document.

Targeted Consultation with Businesses and Organisations

A wide range of stakeholder engagement meetings have been held; ranging from one to one meetings with individuals through to briefings for Chambers of Commerce, parish, town and district councils and, in conjunction with the Dorset Chamber of Commerce and Industry, workshops with groups of businesses. These meetings and briefings have taken place across the geography of the county. In some instances those attending the briefings have responding by completing the questionnaire, whilst in other instances individual written responses have been provided. Where appropriate, extracts from these comments have been included in the accompanying Delivering Dorset's Economic Potential - Consultation Report. Additionally the report lists the businesses and organisations with whom meetings have been held or briefings provided.

Focus Groups

Given the comparative complexity of the topic an early decision was made to ensure qualitative responses were obtained from the general public. The Market Research Group at Bournemouth University was commissioned to recruit independent participants in four focus groups. The Focus Groups were held in Poole, Dorchester, Sturminster Newton and Bridport. As well as providing comments of a very practical nature about Dorset's economy their conclusions about forms of governance are included in the accompanying report.

3. Finding of the Reviews

The stakeholder Consultation

The stakeholder consultation found there is an appetite for change in council governance in Dorset, Bournemouth and Poole amongst respondents, with 50% saying they would not support 'stay as we are/ no change, as opposed to 19% of survey respondents saying they

would support ‘stay as we are/no change’. A further 31% did not express an opinion/ were unsure.

The creation of a Combined Authority was the preferred option among survey respondents, the majority of businesses and organisations interviewed and residents in focus groups, with many citing potential cost-savings and potential benefits to the local economy, transport services and some other council services as the reason for this. Most respondents considered transport vital to developing the region’s economy and felt any governance changes must include this fundamental function.

Respondents said councils currently not working together may inhibit growth, with different, inconsistent or opposing views or priorities between councils, specifically when it comes to transport; the economy and employment; and planning, development and housing. The main concern from those who would not support a Combined Authority was the ability to reflect local differences.

Overall, respondents were supportive of change and many offered suggestions for the issues they consider key to the success of any change.

The governance and economic reviews.

The governance and economic reviews found that:

- Although Dorset's economy is diverse, it is a 'functional economic market area'
- There are organisations with overlapping mandates
- Partnership working is generally good and there is a mutual understanding of the issues involved
- Transport-based investments are urgently needed, and the integration of strategic transport could have clear benefits
- Sharing officer resources could achieve greater effectiveness, produce efficiencies and be more economic
- Nationally, major public investment is increasingly made through competitive processes
- Government policy increasingly requires authorities to bid as regions rather than individual organisations
- The Growth Board has a number of limitations including no responsibility for strategic transport policies nor any institutional capacity
- There is ambiguity between the different local, sub-regional, regional and national bodies that carry responsibility for transport

In conclusion, the reviews found that the sub-region is a functioning economic area, and the creation of a combined authority is likely to improve the exercise of statutory functions relating to:

- Economic development, regeneration, and transport in the area;
- The effectiveness and efficiency of transport; and
- The economic conditions in the area.

Part B- Creating a Combined Authority for Dorset

The Cities and Local Government Devolution Bill

The new government has reinforced a strong commitment to combined authorities, and has published a Cities and Local Government Devolution Bill. The Bill will remove the current statutory limitation on the functions of combined authorities (currently restricted to economic development, regeneration and transport) to allow local authorities to share governance arrangements wherever they agree. As such it significantly widens the scope of what can be devolved to combined authorities to include all council functions as well as those of other public authorities, provided the bodies involved consent.

The Bill sets out the institutional framework within which future political deals or trades will be made between combined authorities and central government (but does not give further detail on what they might include). The Bill contains a number of provisions (though no requirement for) elected Mayors. The Government has clearly stated that elected Mayors are only a requirement for the most extensive devolution deals. Given that there appears no appetite for a Mayor in Dorset (and in some cases, clear opposition to the idea) these have been omitted from this report but can be found in the Bill, which is listed in the Background Papers.

The provisions in the Bill are deliberately generic. That means while the Bill will be used to confirm the Greater Manchester Devolution Deal, it can be applied by order to specified combined authorities as they come forward.

The Bill states that *"The Secretary of State may by order make provision for a function of a [central government department] that is exercisable in relation to a combined authority's area to be a function of the combined authority"*. The Secretary of State can cede *any* central government function to a combined authority if its constituent member authorities make a sufficiently compelling case.

The Bill also makes it explicit that should the constituent authorities provide their consent, the combined authority can assume the "General Power of Competence" as outlined in the Localism Act of 2011 which in theory allows for local government to pursue any activity that is not explicitly prohibited by central government.

The Bill is expected to receive Royal Assent in early 2016.

Legal Process for Creating a Combined Authority

If the nine councils agree to create a combined authority, a draft scheme and the governance review will be submitted to the Secretary of State. The Secretary of State will then initiate a Government consultation (eight weeks) after which DCLG draft an order creating the combined authority, which is put before both houses of Parliament

Subject to agreement by Parliament, the order is signed and becomes a statutory instrument. The combined authority comes into effect the following day (or the date set within the order). DCLG have advised that the process takes approximately six months from the point of submission, though this is dependent on a number of factors including the quality

of the work done locally and Parliament's legislative programme. There is no requirement for a combined authority to commence on any given date, meaning a start can happen at any time during a financial or municipal year.

Currently, legislation requires all of the councils in two tier areas to agree to be constituent members of a combined authority. Otherwise the combined authority cannot be established. In addition a council can only be a member of one combined authority. This legislation is being changed to allow a combined authority to be established with only some of the councils within a two tier area. In addition a council could be a member of more than one combined authority - to reflect that for some councils their economic interests may be substantial in more than one combined authority's area. This legislation is likely to be enacted after the autumn and therefore after decisions are made by individual councils, but before any decisions are made by DCLG on any case that is presented by Dorset.

Principles of a draft scheme for a Dorset Combined Authority

The scheme sets out the principles involved in the creation and operation of a combined authority. It is a precursor for a full constitution. It can be a light or as full of detail as councils wish. Over the last few months officers have examined the detail of the schemes of other combined authorities/ proposed combined authorities and have drafted the principles shown in Annex 1. It is recognised that further work is required on this draft before any scheme is submitted to Government and this further work will be shaped by the views expressed by councils as the contents of this report are discussed.

The draft tends towards having more detail than most of the other schemes examined. Much of the detail is relatively straightforward, but there are several areas where choices need to be made and options are available to councils. These are in the critical areas of scope of the combined authority, funding and voting rights. The general approach taken is to require the more contentious or critical decisions to be unanimous and, in the case of any transport levy, to restrict voting rights to those representatives providing the funding.

The draft scheme suggests that the scope includes economic development and strategic transport. However the Combined Authority might also provide the opportunity for the coordination of strategic housing and coastal protection. It would also be possible under the scheme for these functions to be delegated to the Combined Authority if councils were to agree their inclusion. However, in preparing the draft, it has been clear that there is sensitivity to the possible inclusion of functions around planning and housing and on 17th September, the Leaders suggested removing strategic planning from the scope of the combined authority. A combined authority may be less effective without taking on a role in relation to these functions, and it is possible that government will comment on this after the submission has been made. Nonetheless the need to respect the sovereignty of individual councils in preparing and approving local plans for each district/ unitary area is essential. The suggested approach tries to achieve this balance by restricting the combined authority's role to co-ordination of the statutory Duty to Co-operate and by requiring unanimity in voting. Officers have also identified sensitivity to the possibility of inclusion of powers to levy for transport purposes, along with a perceived dilution of influence for the councils with transport responsibilities (Bournemouth Borough Council, Dorset County Council and the Borough of Poole). Any levy would fall on the three transport authorities only. The suggested approach

is to limit voting on any levy to representatives of the three transport authorities and also requires unanimity.

The proposal in the principles for the draft scheme (which is based on all 9 Dorset councils becoming constituent members) is that there will be 10 members. Each of the 9 councils will appoint one member - with the expectation that this will be the council leader or equivalent. Unless otherwise stated (such as for voting on transport matters) all 9 votes will be equal. The tenth member will be the chair of the LEP, but he/ she will not be entitled to vote.

Finally the costs of any combined authority need to be met, along with a method of sharing any efficiency savings that can be achieved. In most cases these costs will be transference from existing budgets for supporting economic development and associated functions. However as the combined authority would be a separate legal entity there will be some additional governance costs. These cover the need to keep separate accounts and with it additional audit fees, along with statutory functions needed to support what is a separate local authority. There will therefore need to be individuals appointed to fulfil the roles of head of service, S151 officer and monitoring officer. Whilst these roles may be undertaken by existing personnel it is unlikely they can be undertaken without some additional costs, as against the background of continuing efficiency drives, there is unlikely to be spare capacity. These additional organisational overheads will need to be a first call on efficiency savings. Transitional costs are likely to be incurred and these can be met from the TCA funds of £755,000. Once established councils may wish to increase or decrease the resources devoted to economic development and associated functions. Councils will also need to meet the challenges in their medium term financial plans and achieve the efficiency targets required as part of the terms of accepting the TCA. The suggested approach is to again require unanimity in voting on any overall budget or borrowing commitment, with a sharing of basic costs/ savings on a simple per capita (population) basis in the absence of any other agreement.

Dorset's case to Government and the Reasons for recommending a Combined Authority for Dorset

Dorset has a good case to put to Government. There is a strong track record of co-operation and achievement. There is a clear and positive relationship with a single LEP also focused just on Dorset. Joint council co-operation includes the Dorset Waste Partnership, the development of a single Local Transport Plan, Better Together Health services provision and a single Public Health Service, a range of joint working on planning and housing evidence and policies and a shared Learning and Skills service.

Bringing together the functions that drive and support economic growth and taking collective decisions which guide individual actions is an important next step. It also provides an excellent opportunity to provide committed decisions to support the important and continuing role of the LEP. Although Dorset's economy is stronger than that found in some other parts of the country, it is under performing on its potential and with it the contribution made to the national economy. Productivity is especially low and Dorset's challenge is to tackle the deficiencies in infrastructure (both physical and technological), skills, and wage levels that result in low productivity, whilst protecting the environment and quality of life. In short, the case to Government for a combined authority for Dorset needs to focus on delivering better

infrastructure, skills and productivity and at the same time identify any flexibilities and freedoms required from Government. The detailed case for this is currently being drafted. It is intended that it is ambitious and not self-restricting.

Leaders of the nine Dorset councils have considered the reasons for establishing a combined authority and the majority believe the case for moving forward is strong. The recommendations in this section of the report reflect those views, although it needs to be noted that reservations exist from two Council leaders. There is a belief that the gains from collective action and engagement with the Government's agenda far outweigh placing undue emphasis just on local interests. In the longer term local interests are more likely to be served by achieving success in the strategic Pan Dorset approach.

The renewed emphasis from the recently elected majority Conservative Government is important. Set against a backdrop of continuing fiscal challenges public service reform is inevitable and the Government is looking for cities and county areas to bring forward proposals. Local Government spending as a proportion of national income is already well below 2010 levels and the anticipation is that by the end of the Government's term of office local government spending will have fallen by over 30% in real terms, with spending on planning, transport and housing hit particularly hard.

The case for creating a combined authority can be summarised as:

Achieving more together - Creation of a co-ordinated decision making arm to bridge gaps between policy, project planning and implementation of jointly agreed priorities

Getting a better deal - The ability to work effectively at the local, regional and international level to promote a single economic strategy

Receiving more favourable treatment from Government - The ability to negotiate freedoms and flexibilities to help deliver and achieve, influence funding streams of national organisations and be well placed to gain benefits under the next round of Local Growth Deals.

Being a national player - Making sure Dorset's voice is heard alongside the 'Northern powerhouses' with the opportunity to shape future policies and ensure they are relevant to shire/ rural areas as well as major urban centres.

Saving money - Combining resources and ensure effective deployment by focusing and delivering on a limited number of crucial strategic issues.

Clearly councillors will also want to consider the risks and potential pitfalls of agreeing to a combined authority. In undertaking consultation on the reviews, the reservations that have been expressed can be summarised by concerns that additional bureaucracy would be created, that a combined authority would lead to undue emphasis on one part of the county and the potential for loss of local decision making/ influence. The aim of a combined authority is to reduce bureaucracy and avoid the need for nine separate decision making processes to be invoked in an environment where rapid decisions are required if funding and devolution opportunities are to be maximised. It is through reduced bureaucracy that efficiency savings can be achieved and the additional organisational overheads involved met without increasing overall costs.

The protection of the balance between any one part of the combined authority area having undue emphasis is achieved through the representative and voting arrangements.

Relationship with the devolution agenda

Since the general election there has been much publicity given to agreements between Government and local authorities on areas for devolved powers and responsibilities. The latest for Cornwall was announced in the Chancellor's budget speech in July. Recently authorities have been informed that if they wish to be considered for future devolved powers then expressions of interest need to be submitted by September 4th. A joint submission has been made, explaining that Dorset Councils are currently reviewing governance arrangements and will shortly make decisions about forming a combined authority. The submission then highlights the areas where discussion with Government on any devolution might focus.

The devolution agenda is not, in itself, the same as the establishment of a combined authority and any request for freedoms and flexibilities. It is stage further than that. However the Government has made it clear that devolved powers will only be given where it is satisfied that robust governance arrangements are in place. Advice from civil servants is that devolution of powers could not happen without a combined authority (or the merger of councils into a unitary authority). For the more extensive schemes of devolution there is likely to be a requirement for an elected Mayor.

The development of a case for devolution for Dorset can sit alongside the work on any freedoms and flexibilities requested to accompany a combined authority for consideration by councils later in the year.

Growth Unit

A combined authority does not require the establishment of a separate Growth Unit. However in submitting the successful TCA case Dorset's councils set out an ambition for a Growth Unit to help drive the work on improved economic performance. As a result, alongside the review of governance arrangements, work has also been carried out on the establishment of a Growth Unit (of staff) to support revised arrangements, and in particular a combined authority. In principle a Growth Unit is not dependent on establishing a combined authority but the size and functions of any growth unit need to reflect the collective ambition of Dorset's councils. Whilst no decisions are currently required on establishing a Growth Unit, councillors will want to know how the work of a combined authority would be supported.

There are a variety of models and many simply rely on existing staff in the constituent councils to carry on supporting cross council work. However the TCA submission made in September by the nine Dorset councils set out six principal functions and said "that despite their shared ambition, local authorities lack a fully co-ordinated arm charged with bridging gaps between policy, project planning and the implementation of jointly agreed priorities on the ground, and need a strategic unit with ‘shovel ready’ projects able to respond quickly to investment opportunities."

At the time of preparing this report the work on establishing the unit is not yet complete and will require prior discussion with staff representatives before recommendations to councils

can be made. However it is clear that the key issues on which decisions will need to be made include what a Growth Unit will be accountable for and what will individual councils remain accountable for, how the right relationships are developed with staff employed by the nine councils so that agreed priorities are delivered, the relationship with LEP staff and respective priorities of the two organisations, and how costs of establishing the unit are kept within the limits that can be afforded through the TCA funds (and how future savings are used or shared). These issues will help determine the size and scope of the unit and the added value it can bring.