

The West Midlands Combined Authority: business dominance against local democracy

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England has a highly centralised system of government. Devolution to Combined Authorities could provide the opportunity for local citizens to have much more power over the policies that shape their daily lives. But Combined Authorities are a neoliberal economic and social project dominated by business interests and excluding democratic public participation. Local politicians have the power to open them up to democratic reform, empowering citizens and their organisations to reshape their policies to meet social priorities. It's a question of political will and public pressure.

The paper is in seven parts, followed by notes, appendices and references:

Part 1: Neoliberal devolution (p 1)

Some key ideas that together provide a theoretical framework for understanding the policy of Combined Authorities.

Part 2: The West Midlands Combined Authority (p 3)

The governance of the WMCA and the role of business representatives within it, with some comparisons with the Greater Manchester Combined Authority.

Part 3: Scrutiny: holding the WMCA to account? (p 13)

Why the Scrutiny arrangements can't hold the WMCA to account, and the potential conflicts of interest of the business representatives.

Part 4: Jobs and skills: what the WMCA claims (p 18)

An analysis of the claims for increases in productivity, skills and jobs, including "HS2 growth".

Part 5: The "skills gap": the evidence (p 25)

What is wrong with the WMCA's argument, including the neglect of inequality.

Part 6: "Public service reform" (p 32)

Reforms in a context of cuts, and a focus on Mental Health.

Part 7: For a new combination of representative and participative democracy (p 35)

Practical steps towards a more democratic WMCA.

Part 1: Neoliberal devolution

How can we think about the city, its scalar extension the city region, and the new tier of local government, Combined Authorities? The approach that I take in this paper draws on work in the field of critical urban studies. It is succinctly summarised by Neil Brenner, Peter Marcuse and Margit Mayer in an article entitled 'Cities for people, not for profit':

In the most general terms, critical approaches to urban studies are concerned: (a) to analyze the systemic, yet historically specific, intersections between capitalism and urbanization processes; (b) to examine the changing balance of social forces, power relations, sociospatial inequalities and political–institutional arrangements that shape, and are in turn shaped by, the evolution of capitalist urbanization; (c) to expose the marginalizations, exclusions and injustices (whether of class, ethnicity, 'race', gender, sexuality, nationality or otherwise) that are inscribed and naturalized within existing urban configurations; (d) to decipher the contradictions, crisis tendencies and lines of potential or actual conflict within contemporary cities, and on this basis, (e) to demarcate and to politicize the strategically essential possibilities for more progressive, socially just, emancipatory and sustainable formations of urban life. (Brenner et al, 2009, p 179)

In that context there are a number of theoretical tools that I find particularly useful. First, the concept of totality. The city, and even more so the city region, is a hugely complex and heterogeneous ecology, a totality in which the parts are both shaped by and shape the whole. It is of course nested in a dialectical relationship within wider political and economic structures, most obviously the nation state and the global market.

It is a structured totality riven by contradiction and conflict. For David Harvey there are two determining dynamics: "Within the framework of capitalism, I hang my interpretation of the urban process on the twin themes of accumulation and class struggle." (Harvey, 2010, p 28). A city and a city region are politically defined administrative territories governed by the local state. In contrast the economy of the city region, while centred on one agglomeration economy area, is national and global in its connections and flows in terms of goods, capital, and labour.

The city region is a differentiated totality comprising economic production and social reproduction, as Jamie Gough explains:

Labour power is produced in the 'social' sphere, through a complex system comprising unpaid labour organised within households by relations of gender and age, goods and services bought with the household's income, and, in modern capitalism, free public services. While production and social spheres are under different ownership and control and take place in different spaces, they are moments of a single process of reproduction of the classes, a differentiated totality. Both gender and 'racial' relations are also constructed across production and social spaces.... (Gough, 2014, p 199)

"Roll-back" and "roll-out" neoliberalism

Jamie Peck and Adam Tickell (2002) make an important distinction between two interrelated processes of the neoliberalisation of the local state, "roll-back" and "roll-out". Roll-back neoliberalism refers to "the active destruction or discreditation of Keynesian-welfarist and social-collectivist institutions", begun in the UK by Thatcher in the 1980s and continuing today under May most obviously through the ongoing massive cuts in public services, including in the funding and powers of local authorities. But neo-liberalism is not just about shrinking the state; it is also about transforming the structure and functions of the state. Roll-out neoliberalism comprises "the purposeful construction and consolidation of neoliberalized state forms, modes of governance, and regulatory relations" (Peck and Tickell, 2002, p 384). These new forms of institutional "hardware" include programmes of devolution and localisation:

...these shifts have been accompanied by—and partially achieved through—changes in neoliberalism's scalar constitution. These have involved complex (and often indirect) extensions of national state power, most notably in the steering and management of programs of devolution, localization, and interjurisdictional policy transfer. In welfare reform, for example, the downloading of resources, responsibilities, and risks to local administrations and extra-state agencies has occurred in the context of a close orchestration of the processes of institutional reform and policy steering by national states (Peck and Tickell, 2002, p391)

Combined Authorities are a new neoliberal political-economic project which exemplifies roll-out neoliberalism. In a later paper Peck and his co-authors summarise the destructive and creative processes of the reconfiguration of the local state as follows:

Mechanisms of neoliberal urbanization
Reconfiguring the institutional infrastructure of the local state

Moment of 'destruction'

- Dismantling of bureaucratized, hierarchical infrastructure of local public administration
- Assault on traditional relays of local democratic accountability

Moment of 'creation'

- 'Rolling forward' of new networked forms of local public administration based upon public-private partnerships, 'quangos' and the 'new public management'
- Incorporation of elite business interests in local policy and development

(Peck et al, 2009, p 59. Adapted from Table 1)

In the case of Combined Authorities the reconfiguring of the local state takes the form of the creation of a new higher tier of sub-regional local government based on an elite partnership of councillors and business leaders.

Peck and Tickell note that in this "regime of accelerated interurban competition" (2002, p 394):

a deeply interventionist agenda is emerging around "social" issues like crime, immigration, policing, welfare reform, urban order and surveillance, and community regeneration. In these latter spheres, in particular, new technologies of government are being designed and rolled out, new discourses of "reform" are being constructed (often around new policy objectives such as "welfare dependency"), new institutions and modes of delivery are being fashioned, and new social subjectivities are being fostered. In complex simultaneity, these social and penal policy incursions represent both the advancement of the neoliberal project—of extending and bolstering market logics, socializing individualized subjects, and disciplining the noncompliant—and a recognition of sorts that earlier manifestations of this project, rooted in dogmatic deregulation and marketization, clearly had serious limitations and contradictions. (Peck and Tickell, 2002, pp 389-90)

The agenda of Combined Authorities comprises not only economic growth but interventions in the field of social reproduction through programmes of "public service reform" to address the dysfunctional consequences of neoliberal economic and social policies.

These themes provide the framework within which I am going to examine the West Midlands Combined Authority, with some comparisons to the Greater Manchester Combined Authority.

Part 2: The West Midlands Combined Authority

The WMCA held its official launch meeting in June 2016. It brings together as the constituent voting members the seven metropolitan councils – five of them Labour: Birmingham, Solihull, Coventry, and the four Black Country authorities: Wolverhampton, Walsall, Sandwell and Dudley, with a population of 2.8 million. It also includes (at the time of writing), five neighbouring district and county councils as non-constituent members, with voice but without deciding vote, with four more awaiting membership. The WMCA Board also includes the chairs of the three Local Enterprise Partnerships, the organisations representing employers in the West Midlands (the Black Country LEP, the Birmingham and Solihull LEP, and the Coventry and Warwickshire LEP), again with voice but without vote (apart from on the issue of the business rates), and with the Marches LEP (covering Herefordshire, Shropshire, and Telford and Wrekin) awaiting membership.

The geography of the WMCA

The WMCA area is not a geographically coherent conurbation like Greater Manchester, where eight of the nine authorities share boundaries with Manchester itself. The West Midlands is more linear in shape, with Birmingham located between Coventry and Solihull councils and the Black Country councils. The rationale for the geography of the WMCA is that it is an economically coherent unit. “A Combined Authority is the most appropriate option because [...] The West Midlands is a functional economic market area.” (WMCA, 2015a, p 7). A “functional economic market area” (FEMA) is a technical term based on travel to work flows. But the evidence shows that the WMCA area is not a single FEMA, it is three distinct FEMAs, each corresponding largely to the three LEPs areas, with very limited travel to work flows between them. [1] It confirms that the rationale for the geography of the WMCA is principally political: it is devised to secure a devolution deal from the government. That is also the reason why the WMCA aims to include so many surrounding authorities as non-constituent members.

One effect of the geography and disconnected travel to work flows is the relative weakness of a shared popular sense of identity across the West Midlands, in contrast to the strong local identities in Birmingham, the Black Country and Coventry, which has implications for the public response to the WMCA.

The purposes of the WMCA

The primary purpose of the WMCA is economic growth. The neoliberal character of the project of the WMCA is made explicit in the “Statement of Intent” published by the seven councils in July 2015: “Our objectives must be to amplify the competitiveness, productivity and profitability of private sector enterprise” (WMCA, 2015b, p 5).

Integral to the economic agenda of the WMCA is an agenda for “public service reform”. The WMCA is responsible for housing, land use, transport, employment and skills, some health issues including mental health, and youth justice issues. It is due to take over responsibility for the police and the fire service. Devolution is an ongoing process and it is expected that there will be further devolved responsibilities.

Some of these powers are devolved downwards from central government, but some (for example, over housing policy) are transferred upwards from constituent local authorities, as Lowndes and Gardner note:

Decentralising moves from central to sub-regional government can also be seen as centralising movements from local government (including districts, counties and city unitaries) to the sub-regional level. At the same time as combined authorities are gaining powers from Whitehall, responsibilities for entire areas of policy are being lost from local government as they are drawn upwards into new combined authorities. (Lowndes and Gardner, 2016, p 368)

They point out that this creates “uncertainty about the role of locally elected councillors and prospects for citizen and community engagement” (p 358).

Why do local councils want the WMCA?

The attraction of devolution for local councils, in the context of highly centralised government control of local government and the ongoing unprecedented cuts in their grants from government (Crewe, 2016; Latham, 2017), is the additional powers and funding, however limited, that it offers.

The devolution process has created a situation where Labour local authorities, rather than opposing Conservative government cuts as they did in the 1980s (and acting as a point of resistance against Thatcherism), instead emphasise their capacity to reduce expenditure while committing to further cuts as part of a tacit bargain to secure more powers. Critics suggest Labour local authorities have been co-opted into the implementation of austerity aimed at reducing the overall size of the state (Smith and Jones 2015). This form of devolution has considerable advantages for central government; funding, at reduced levels is devolved to CAs who have responsibility [and accountability] for delivering services (see Leon 2015). The Treasury still retains tight control over spending, with local authorities unable to raise any form of income – except through private sector investment. (Smith and Richards, 2016, p 11)

But “devolution might also be viewed as a neat policy manoeuvre which allows the Conservative government to disavow responsibility for fragmented services it can no longer control, in the context of unpopular and unsustainable budget cuts.” (Lowndes and Gardner, 2016, p 365)

The funding of the WMCA and its allocation

In June 2016 the WMCA published *Making Our Mark*, its Strategic Economic Plan, the SEP (WMCA, 2016a). This details the funding the CA will receive and how it has been allocated:

- Annual amount £36.5 million for 30 years
 - to be invested to drive growth
 - Lever £8bn 30 year Investment Programme:
 - £4.4bn HS2 Growth Package
 - £1.7bn Transport and Roads Package
 - £1.1bn Real Estate
 - £500m Housing
 - £200m Land Remediation
 - £50m Business Innovation
 - £30m Employment, Education and Skills
- (p 28)

(The figure for Employment, Education and Skills does not include the adult skills budget.) There are two points to note here. First, no information is provided about how this distribution was decided, or by who, or when, or what the rationale is. The second point is how limited is the amount of funding that the WMCA gains. Over 30 years £8 billion is equivalent to £267 million a year. Together with the £36.5 million a year the annual total is around £300 million a year. [2]

The WMCA also has some limited fiscal powers: to retain 100% of any additional business rates income raised through economic growth, to increase business rates by up to 2% to fund investment in infrastructure schemes, subject to the agreement of the LEPs, and to raise the council tax. (It would be interesting to compare this with how much funding the local councils in the WMCA have lost and continue to lose as a result of yearly cuts in the Revenue Support Grant – until 2020 when it ceases altogether, though with some compensatory transitional funding (the figures are not available).

The additional funding enables the WMCA to launch some initiatives, even within a context of ongoing cuts in public spending. The neoliberal policy agenda does not necessarily exclude some positive policy initiatives that are in the interest of the majority of citizens in the West Midlands. For example, the introduction of a common ticketing system across local bus and train services, and the plans to re-open some closed local train lines. These initiatives enable the WMCA leaders to promote an optimistic narrative of the Combined Authority even while substantially reducing public spending overall.

Government control of Combined Authorities

Claims that the new Combined Authorities represent decentralisation disguise the reality that they are a new form of highly centralised power, as many critics have noted (e.g. Lowndes and Gardner, 2016; Pike et al, 2016; Blunkett et al, 2016; Smith and Richards, 2016; Shaw and Tewdwr-Jones, 2016; Haughton et al, 2016; Tomaney, 2016). Power lies with government, not just because they have imposed the model (largely through secret deals with local government elites) but also because they set the economic agenda and targets and evaluate the Combined Authorities on their performance. Devolution is licensed, conditional and revocable.

The prototype and the rationale were established first in Manchester in the early years of devolution by the Coalition government, before the policy of Combined Authorities was launched by the Conservative government in 2015. (The GMCA was established in 2011. See Nurse, 2015; Lowndes and Gardner, 2016.)

The unbalanced nature of relations between national and local branches of the state therefore provides part of the explanation for the limited parameters within which city-regional policy has been framed. It provides support for the recurring argument outlined by Manchester's policy community that accommodation with central government is a pragmatic necessity. Partial gains in local autonomy have come in a context of highly centralised decision-making, diminishing funds and with strings attached. The point here is that the nature of the state, and in particular the subordinate position of the local relative to the national state, needs to be taken into account when trying to understand the ways in which apparently post-political local institutional structures and modes of decision-making have materialised. These structural interrelationships between centre and locality mean that local actors have limited scope for diverging from particular strategies of institutional innovation, thereby limiting the extent of local debate. This, when added to the accompanying reluctance to disrupt 'good governance', means there is very limited incentive to promote citizen inclusion in decision-making. (Deas, 2014, p 2309)

As the *Greater Manchester Agreement* makes clear, the Combined Authority is subject to an extensive programme of evaluation by the Treasury:

The next five year tranche of funding will be unlocked if HMT is satisfied that the independent assessment shows the investment to have met the objectives and contributed to national growth' and to rub salt into the wounds the 'assessment will be funded by GMCA but agreed at the outset by the Treasury (HM Treasury and GMCA 2015: 5). (Smith and Richards, 2016, p 25)

The WMCA provides an example of the extent to which government exercises control of the Combined Authorities not only through evaluation of their performance, as in Greater Manchester, but also by intervening in their operations. The *Devolution Agreement* has a section on "future

employment support, from April 2017, for the hardest-to-help claimants” (WMCA, 2015c, paras 29-31). It states that the WMCA will “co-design” this with the Department for Work and Pensions (DWP). But in reality all the power will be in the hands of the DWP, as the wording of the *Agreement* makes clear: “DWP sets the funding envelope”; “DWP set the high-level performance framework”; “in the event employment support for this group is delivered through a contracted-out programme...DWP sets the contracting arrangements...”; “Providers will be solely accountable to DWP” (para 31). The House of Commons Communities and Local Government Committee (2016) report *Devolution: the next five years and beyond* warns that the practices in this example are unacceptable:

There is an obvious difference between joint working and devolution, namely that devolution involves a transfer of responsibilities from, in this case, the DWP to a combined or local authority. With ‘joint working’, there is a risk that Departments will carry on without changing their practices. Devolution, on the other hand, leaves decision-making in the hands of local politicians, with accountability to local voters. We recommend that, where the terms ‘joint working’, ‘joint commissioning’ and ‘co-commissioning’ appear in a deal, they are challenged and defined in practical terms. In such cases, we would expect to see local areas actively involved in designing the project, performance management and its integration with existing local services. Joint working on or co-commissioning of services should be considered as a first step towards eventual fuller devolution. (p 20. In bold in original.)

The governance structure of the WMCA

The strategic decision-making body of the WMCA, the Board, comprises the directly elected Mayor and a Cabinet composed of the leaders of the seven metro councils. In addition there are non-constituent representatives of district and county councils adjacent to the WMCA area, seated on a non-voting basis, and the leaders of the three LEAs, also with voice but no vote.

The Mayor and Cabinet in the West Midlands Combined Authority (in common with all the other Combined Authorities) are not held accountable to an elected assembly, in contrast to London where the Mayor is accountable to the elected Greater London Assembly. The absence of an elected West Midlands Assembly severs the direct link between the Cabinet members and the electorate which exists at local authority level between councillors and voters, and makes the Board less vulnerable to opposition both from the public and from backbench councillors.

The acceptance of a directly-elected mayor is of course the condition for the full devolution deal that the government offered. [3] Its aim is to create an executive presidential model of mayoral leadership. That has several advantages for government. It provides one person to negotiate with rather than a group of council leaders, and unlike council leaders one not tied in to local council party politics. It has similar advantages for the private sector. A presidential model of leader may have public appeal as an easily identifiable figurehead who is directly elected at CA level, aided by the media’s predilection for personality politics. The advent of elected mayors on May 4 provides the opportunity to promote the narrative that their being directly elected to the position represents a form of democracy more responsive to the popular will, a narrative that is likely to be assiduously promoted by the mayor and the media. And finally it offers the possibility of a Conservative mayor, or at least an independent, being elected in Labour-dominated urban areas.

Two recent reports on the WMCA have promoted this model of presidential mayor: the Resolution Foundation’s report *Midlands engine trouble: The challenges facing the West Midlands Combined Authority*, (D’Arcy, 2016) published on 12 December 2016, and the Joseph Rowntree Foundation’s report *Inclusive growth in the West Midlands: an agenda for the new Mayor*, published on 24

January 2017. Both claim that the solution to the economic problems of the West Midlands is solely in the hands of the elected Mayor, as the title of the Joseph Rowntree Foundation's report and this typical claim from the Resolution Foundation's report indicate: "If together the mayor and central government can turn around the city's long-term employment problem, the benefits of devolution will be obvious." (D'Arcy, 2016, p 41). The reports echo what Engelen and his co-authors criticise as "The optimistic new urban economist line [...] that all can succeed with the right leadership, embodied in Michael Bloomberg as the entrepreneurial mayor of the 'big apple'" (Engelen et al, 2016, pp 6-7). [4]

These reports marginalise the role of elected councillors in the WMCA. It is symptomatic that the words 'councillor' and 'council' do not appear once in the Joseph Rowntree Foundation's report. They give legitimacy to the deeply ideological view that what the West Midlands need is strong one-person leadership, the job of councillors is to do the Mayor's bidding, and if councillors don't they are defying the democratic mandate given by the West Midlands electorate. This is a view that mayors are likely to promote, that appeals to the media (as *The Guardian* of 13 December 2016 showed in its report of the Resolution Foundation report: "Turning the region's economic prospects around will be a huge task for the new mayor"), and above all that will have some popular resonance. As the House of Commons Communities and Local Government Committee (2016) report *Devolution: the next five years and beyond* warned:

There will be a complex division of responsibility between local authorities, the combined authority and the elected mayor which will not necessarily be apparent to the public. However, as the figurehead, people are going to hold the elected mayor accountable, regardless of whether or not s/he has responsibility. (p 35)

That is why it is vital to challenge the 'all-powerful Mayor' message by countering it with what the policy documents of the WMCA actually say. The WMCA's founding *Devolution Agreement*, dated November 2015, states that the Mayor's responsibilities largely comprise transport and housing; employment and skills, for example, are the responsibility of the Board:

The WMCA will receive the following powers:

- Control of a new additional £36.5 million a year funding allocation over 30 years, to be invested to drive growth.
- Devolved 19+ adult skills funding from 2018/19, with the Shadow Board responsible for chairing Area Based reviews of 16+ skills provision.
- Joint responsibility with the government to co-design employment support for the hardest-to-help claimants. (WMCA, 2015c, p 6)

The *Governance Review of the West Midlands Combined Authority Functions and Governance Arrangements*, published in May 2016, confirmed that the WMCA will receive "Devolved 19+ adult skills funding from 2018/19" (WMCA, 2016b, p 7).

The document *Implementing the Devolution Agreement – Provision for Mayoral West Midlands Combined Authority* was approved by the WMCA Board meeting on 10 June 2016 (WMCA, 2016c). It divides the WMCA's governance powers into three categories: "A Mayoral function", "A Joint WMCA/Mayor Function", and "A Mayoral WMCA Function". (See Appendix 1 for the full list of functions.) Those allocated solely to the Mayor as Mayoral functions do not include employment and skills. It states that "Arrangements, exercised jointly/concurrently with the Secretary of State, for the purpose of assisting persons to train for, obtain and retain suitable employment" are a "Joint WMCA/Mayor Function", "subject to the Mayor's vote in favour" but "maintained/managed by the

Mayoral WMCA”, i.e. implemented by the WMCA Board (WMCA, 2016c, para 4.10) but requiring their vote in favour.

Confirmation is provided by the *Scheme for the Mayoral West Midlands Combined Authority*: “Mayoral WMCA/Mayoral joint functions are identified in Section 2 of this Scheme and are subject to the Mayor’s vote being included in the majority in favour with the two-thirds of the Constituent Member voting.” (WMCA, 2016d, para 13). The subsequent paragraph on skills states that “The Mayoral WMCA will build on the existing collaboration between the three LEPs and begin to prepare for local commissioning which will allow the Mayoral WMCA to agree with providers the mix and balance of provision that will be delivered in return for the block funding, and to define how success will be assessed.” (Para 32).

Business representatives in the WMCA: from influence over local government from outside to influence inside it

According to Peck and his co-authors roll-out neoliberalism involves the “‘Rolling forward’ of new networked forms of local public administration based upon public-private partnerships” and the “Incorporation of elite business interests in local policy and development” (Peck et al, 2009, p 59). Local business interests have always sought to influence local council policy, and in 2011 the Coalition government established Local Enterprise Partnerships as business-led bodies with participation by local council leaders. The West Midlands business-council partnership continues to be embodied in each of the three LEPs. The Greater Birmingham and Solihull LEP, for example, has 18 directors including eight from the business community and seven from local authorities.

Combined Authorities represent a further stage in the roll-forward of the role of business in local government: a qualitative change from influence over to power within. Combined Authorities are governed by an exclusive alliance of elite business leaders and leading local politicians. This is exemplified by the WMCA. The representatives of employers participate directly in its strategic decision-making structure: the three leaders of the Local Enterprise Partnerships are seated as members of the CA Board. [5] The LEPs also have representatives on other key strategic decision-making committees: (WMCA, 2016a, p 37) and the Scrutiny Committee (WMCA, 2017a, p 13).

On the WMCA Board the LEP leaders have voice but no formal vote, with one significant exception. The CA can increase its income by raising the business rates, but this is subject to approval by the LEPs. However, in reality the LEPs have considerable influence over all the WMCA’s strategic decision-making; in effect a potential veto over it since the CA’s policies are driven by an economic agenda based largely on LEP policies and the CA is accountable for its implementation to government.

When the WMCA was launched in June 2016 there were no representatives of the trade unions on the WMCA Board to counter-balance those of the employers. It is indicative that the SEP (WMCA, 2016a) contains 181 mentions of the word ‘business’ but just one mention of the word ‘union’, and no mention at all of service users, community organisations, or indeed public participation or democracy. This same distribution of power was reflected in other key WMCA bodies in addition to the Board. The WMCA Strategic Economic Plan Governance Framework (WMCA, 2016a, p 37) shows that the key strategic bodies of the WMCA include employers’ representatives from the LEPs but none from unions, service users or community organisations:

- Strategic Economic Plan Board
- Public Service Reform Board
- Audit Committee
- Investment Board

(There is also the question of LEP representatives on the Scrutiny Committee, which is dealt with later in this paper.)

There are places as well for representatives of the LEPs on lower-level bodies concerned more with the implementation of policy than with strategic policy-making, but these also have places for representatives of trade unions:

- Transport Delivery Committee
- Collective Investment Fund Working Group
- HS2 Delivery Programme Board
- Productivity Working Group
- Housing and Land: Housing One Public Estate and Land Remediation Board
- Public Sector Reform: Skills and Employability Troubled Individuals and Criminal Justice Working Group
- Public Sector Reform: Health and Wellbeing and Mental Health Working Group
- Arts & Culture Working Group
- Other working groups or boards as necessary

(WMCA, 2016a, p 37. Some of these designations may have been subsequently amended)

The power of business interests in the partnership between council leaders and employer representatives in the WMCA is evident in the composition of its key body responsible for economic strategy, the Strategic Economic Plan Board (WMCA, 2016e, pp 48-50). Its purpose is stated as follows:

The SEP Board will advise the Combined Authority Board on overarching economic strategy and narrative.

The SEP Board will prepare a Strategic Economic Plan and amend as necessary for approval by the Combined Authority Board.

Performance and evaluation of progress in delivering the Strategic Economic Plan. (p 48)

It has a membership of six: three councillors and the leaders of the three LEPs with voting rights, one of whom is chair of the Board. Similarly the WMCA Investment Board has a membership comprising five councillors, an Independent Chair (not yet appointed) and a representative of each the three LEPs with voting rights (WMCA, 2016f, p 1).

The business-oriented and exclusionary governance of the WMCA is also demonstrated by the Public Service Reform Board (WMCA, 2016e, pp 53-4):

The role of the Board is to ensure the successful delivery of a Public Service Reform programme. The Board will be responsible for investment, decision making, strategy and risk for Public Service Reform in the West Midlands. (p 54)

Its membership comprises councillors, LEP representatives and “public service partners”. The latter refers to organisations providing public services from the private and third sectors, but not to public service workers and their unions, nor to the users of public services, neither of which are represented on the Board. All of the members have a vote, which appears to mean that representatives of employers from private sector and third sector organisations, who are not publicly elected or accountable, will be involved in making decisions which affect their material interests.

The same pattern of exclusionary power is evident in the three Commissions. A case in point is the Land Commission. (I comment on the other two Commissions later.) The WMCA claims that “The Commission is independent” (WMCA, 2016g), but it is clear from its composition that it represents the interests of private developers. Here are the five members as described by the CA:

Paul Marcuse - chair of the Royal Institution of Chartered Surveyors management board.
Bill Oliver - the retiring Chief Executive of one of the UK's leading regeneration specialists, St. Modwen Properties Plc.
Bridget Rosewell - OBE, MA, MPhil, FICE is a prominent UK economist with a track record in advising public and private sector clients on key strategic issues.
Bruce Mann - executive director of the Cabinet Office's Government Property Unit
Jerome Frost - the Leader of Arup's Global Planning Business and leads the Consulting Sector in the UK, Middle East and Africa. (WMCA, 2016h)

It is a small and selected group which deliberately excludes those with different interests and views on issues of land use, including independent experts, local community representatives, the trade union movement, and environmental bodies such as the Campaign for the Protection of Rural England in the West Midlands, which has commented that the Land Commission represents a “‘growth at all costs’ approach that sees the Green Belt, areas of high quality landscape, nature conservation, tranquillity and the environment generally as barriers to development rather than valuable in their own right.” (*Coventry Observer* 26 September 2016).

The governance of the Greater Manchester Combined Authority

Compared to the WMCA the business-political elite partnership which governs the GMCA takes a different organisational form. There are no representatives of the Greater Manchester LEP on the Board of the GMCA. Instead the Board of the Greater Manchester LEP is a key site of the business-councillor partnership which leads the GMCA. It comprises nine private sector members and the chair and three vice-chairs of the GMCA. But while the LEP is external to the formal structures of the GMCA it has an explicit central role in its strategic leadership:

Greater Manchester's Local Enterprise Partnership is a private-sector led, voluntary partnership whose core function is to provide strategic leadership (alongside the GM Combined Authority) to deliver the conurbation's growth ambitions. Their joint strategic plans - the Greater Manchester Strategy and Growth and Reform Plan - set out these ambitions. The GM LEP and the GMCA are jointly responsible for making sure these plans are delivered. (GMLEP, 2015, p 5)

The representation of employers on GMCA bodies varies. For example, there are none on the Greater Manchester Health and Well Being Board and the Transport for Greater Manchester Committee. But they are represented on other key strategic committees. For example, the Greater Manchester Planning and Housing Commission (2015) has four employer representatives and no union representatives. The GMCA permits trade union representation only on lower-level bodies. For example, there is a Skills and Employment Strategy Group accountable to the GMCA and the GM LEP, and a lower-level Programme Board “accountable to the Strategy Group” and “responsible for implementation of the Partnership's delivery plan”. The Strategy Group has no union representative. The Programme Board has 16 members including three employers' representatives (two from the LEP and one from the Greater Manchester Chamber of Commerce) and a single union representative (GMLEP, 2015, pp 8-9). The Greater Manchester Skills and Employment Partnership (2015) has two representatives from the GM LEP, a representative from the GM Chamber of Commerce, and representatives from a range of other bodies including the unions.

A change of WMCA policy: the addition of one place for a union representative on the Board

From July 2015 when the WMCA was launched the campaign organisation Birmingham Against the Cuts has carried a series of articles on its website calling for unions to be represented on the Board of the WMCA and on the other bodies where there are places for employers' representatives from the LEPs. As BATC has pointed out, this is explicitly permitted by the constitution of the WMCA: "The Combined Authority may co-opt additional non-voting representatives to attend its meetings as it considers necessary." (WMCA, 2017b, Part 1, para 4.5).

In December 2016 a powerful boost was given to the campaign for democratising the WMCA when Unison in the West Midlands published a manifesto for the West Midlands Mayor election, comprising 20 policy 'asks' addressed to the candidates for Mayor (Unison, 2016). Unison's manifesto contains four points on "Accountability, Engagement and Scrutiny", one of which echoes BATC's demands: "Three non-voting trade union seats on WMCA and seats on the key working groups, including public sector reform."

The pressure has had some success. At the WMCA Board Meeting on 17 February 2017 a report entitled *Trade Union Congress (TUC) Engagement with the Combined Authority* was adopted, containing the following proposals:

1. Approve that the Trade Union Congress (TUC) be co-opted (1 seat) onto the WMCA Board will [with] effect from 1 March 2017 (first meeting 3 March 2017).
2. Agree in principle that the TUC have a seat on relevant working groups within the WMCA structure, subject to the approval of the WMCA Board on 7 April 2017.
3. Agree to add a new section to the Constitution of the WMCA regarding co-optees.
4. Agree that the Constitution changes will include the ability for the WMCA Board to both select co-optees and de-select co-optees by approval of the WMCA Board voting members. (WMCA, 2017c, p 199)

5.1 As a co-optee, the TUC may attend Board meetings and engage in discussions and contribute where appropriate at the discretion of the Chair, but cannot vote... (p 201)

The co-option of a TUC representative on the Board, even as a non-voting member, and even though the LEPs have three members, is a step forward. It provides the opportunity to challenge the business dominance of the WMCA and it sets a precedent for further representation of the unions and of other organisations. It should be noted though that the decision to allow the TUC to have a seat on relevant working groups is not new: it was agreed by the Board in June 2016 and it is in the SEP (WMCA, 2016a, p 37).

The key role of officers in WMCA strategic policy-making

The governance of the WMCA is heavily dependent on the role of senior officers for the development as well as implementation of its business-driven policy agenda. Jonathan Davies makes the point that:

state managers tend to behave like 'collective capitalists' not primarily because they are part of the capitalist class, are compelled by the capitalist class or are otherwise culturally inclined (though they may well be), but because it makes practical sense to them given the daily tasks of system reproduction and maintenance in which they are employed. (Davies, 2011, p 91)

A case in point is the key role of local government officers, along with senior private sector officials, consultants and government officials, in developing the economic strategy of the WMCA through their involvement in the Strategic Economic Plan Board referred to above:

The following officers will be entitled to attend to advise and report on the work of the Group:

- a. Chief Executive, Combined Authority
- b. Executive Directors of the three LEPs
- c. Officers of the Combined Authority as necessary
- d. Representatives of external agencies commissioned to support the development of the SEP
- e. Other officers, representatives or officials of Government Departments, Councils or Agencies at their request or with the agreement of the Chair of the SEP Board. (WMCA, 2016e, p 48)

The leading role of officers in developing the WMCA's medium and long-term strategy is demonstrated by a report entitled *Driving Policy Development for Devolution* submitted by Mark Rogers, the CEO of Birmingham City Council, on behalf of the Devolution Strategy Group to the WMCA Board Meeting on 20 January 2017 (WMCA, 2017d, pp35-40). [6]

The Group, chaired by Mark Rogers is responsible for taking forward a strategic approach to devolution and for overseeing devolution discussions and negotiations with government. It also prepared the WMCA submission to the Autumn Statement. It reports to the CA Board and its membership includes the three LEP directors, most of the metropolitan council CEOs and representatives from the NCMs. (para 2.1.) (NCMs are Non-Constituent Members.)

The report identifies a number of policy issues and asks for more resources to address them.

2.3. However, we need to dedicate more capacity to a number of policy issues prioritised in the SEP or where little progress has been made with government, such as housing, skills, employment and fiscal devolution, if we are to develop genuinely radical proposals for further devolution. To address this, DSG (and the CA as a whole) needs to be able to draw on a greater resource input (principally in terms of time and expertise).

3.4. The group has identified the following themes where further policy work is needed and the existing resources in place. More detail on the policy work required is in the Appendix.

The themes specified cover virtually the whole range of the CA's responsibilities: Fiscal devolution, Employment and Skills, Health and Social Care, Public Service, Housing and Land, Transport, Culture and creative industries. The Appendix to the report comprises two pages of detailed proposals (WMCA, 2017d, pp 39-40). Given the track record of the WMCA it seems likely that the "greater resource input" of "expertise" is a request for more officer time to be allocated and more input by consultants, and does not envisage contributions by representatives of service users, community organisations or trade unions.

Part 3: Scrutiny: holding the WMCA to account?

The WMCA (like the GMCA and all the other CAs) has no elected assembly to hold the Combined Authority to account, unlike London which has a Greater London Assembly of 25 members, elected on a proportional political basis with a scrutiny function. In the absence of an elected assembly, and

apart from the election of a mayor every four years, the Overview and Scrutiny arrangements of the WMCA bear the responsibility for its public accountability.

According to the House of Commons Communities and Local Government Committee (2016) report *Devolution: the next five years and beyond*:

The Devolution Bill requires each combined authority to establish at least one overview and scrutiny committee, consisting of backbench councillors from the constituent councils, to review and scrutinise its decisions and actions and those of the elected mayor. (p 32)

The House of Commons Public Accounts Committee report *Cities and Local Growth*, published on 1 July 2016, says that accountability is supposedly through Scrutiny but “We are not confident that existing local arrangements for scrutinising devolved functions are adequate” (p 7):

The Department told us that all combined authorities are required to have local scrutiny committees, which have an important function; however they do not have independent support and there is very little resource in many local authorities to provide independent evaluation and scrutiny. (House of Commons Public Accounts Committee, 2016, pp 14-15)

The fundamental problem underlying these severe criticisms is that the Combined Authority scrutiny arrangements recreate at Combined Authority level the local council model of scrutiny based on the split executive/scrutiny structure introduced by the Local Government Act 2000. The 1999 White Paper *Local Leadership, Local Choice* announced the government’s claim that:

...the new forms of local governance will ensure that a council’s affairs are conducted openly and subject to effective scrutiny. Councillors, local media, and others interested will be helped by these new forms of governance to question those taking decisions and to hold them to account as never before. Open and accountable decision taking will become a reality. (Department of the Environment, Transport and the Regions, 1999, para. 3.59.)

But subsequent research studies demonstrated that:

...scrutiny could never provide a comprehensive mechanism for day-to-day holding to account. A small number of committees of councillors, in composition reflecting the party-group make-up of the council as a whole, meeting relatively infrequently, and supported in most councils by less than a handful of officers, cannot substitute for an effective Opposition. Its tools for this purpose, including call-in, are cumbersome, bureaucratic, and almost toothless. (Coulson, 2011, p106)

These criticisms equally apply to the scrutiny arrangements of the Combined Authorities. The submission by the GLA Conservatives group to the House of Commons Communities and Local Government Committee (2016) report *Devolution: the next five years and beyond* is telling. It states that the proposed model in the Devolution Bill had nothing like the London Assembly’s level of scrutiny or expertise:

The London Assembly, amongst other things, produces between 30-40 policy reports every year; hosts 11 Plenary Meetings each year to hold senior public servants to account; and scrutinises the Mayor of London at 11 Mayor’s Question Time events that are televised and open to the public (often more than 100 are in attendance). A single scrutiny committee could not possibly have this level of influence or power. (p 266)

The scrutiny arrangements of the WMCA

The WMCA has a single Scrutiny Committee which is scheduled to have only four meetings during the year, for two hours each. There are currently “13 members on the Scrutiny Committee, 7 from Constituent Authorities, 3 from Non-Constituent Authorities and 2 from LEPs.” (WMCA, 2017a, p 13). There is a place allocated to a representative of the GBSLEP which is unfilled at present. (In contrast Greater Manchester Scrutiny Pool has 30 members and meets monthly.) The WMCA Scrutiny Committee decided at its meeting on 16 December 2016 (WMCA, 2017e, p 5) to set up three Select Committees to focus on the reports of the three Commissions, Mental Health, Land and Productivity, beginning with scrutiny of the Mental Health Commission action plan *Thrive West Midlands* published on 31 January 2017 (WMCA, 2017f).

The Select Committees could enable in-depth scrutiny of the Commissions, especially if they are ongoing. But at the subsequent Scrutiny Committee meeting on 27 January 2017 the extraordinary decision was taken that the Select Committees would not scrutinise the substance of the Commissions’ reports, only how they could be implemented: “Scrutiny may be able to add value [...] not in scrutinising the content of commission reports, but in investigating how recommendations from the Commissions may be taken forward and implemented effectively” (WMCA, 2017g, para 2.1.)

The Scrutiny Committee arrangements are subject to the same serious criticisms that apply to the capabilities of council committees. It is difficult to conceive that the Committee can critically engage with the huge range of responsibilities and activities of the WMCA (each set of documentation for the monthly CA Board meetings typically amounts to two or three hundred pages), select issues to scrutinise and carry out a serious process of scrutiny on the basis of four meetings a year.

Another key factor is the absence of officer support for scrutiny, in striking contrast to the substantial officer resources supporting the Strategic Economic Plan Board or those in the Devolution Strategy Group. Leach makes the point that it is vital that scrutiny committees have independent dedicated officer support:

Overview and scrutiny can only work effectively if it has access to independent advice. Mainstream officers are unlikely to provide information which facilitates challenge of a policy or decision already agreed with (or destined for) the executive. Using the pretence that the officer structure can serve both executive and scrutiny functions with ‘equal effectiveness’, there are still authorities which argue that there is no need for a dedicated scrutiny support unit. Even where such units exist, they may find their role as sources of briefings to scrutiny committees which challenge mainstream officer advice to the executive constrained by the organisational culture of the authority. (Leach, 2009, p 13)

Representatives of the LEPs on the WMCA Scrutiny Committee: potential conflicts of interest?

The control of the WMCA by an exclusive alliance of business representatives and local councillors is also evident in its scrutiny arrangements. Three places on the WMCA Scrutiny Committee are allocated, alongside the 13 councillors, to representatives of the LEPs, with voting rights. There is no corresponding representation of trade unions on the committee.

Having representatives of LEPs on the WMCA Scrutiny committee, and able to vote, appears unique among CAs: in contrast there are no LEP representatives on the GMCA Scrutiny Committee, or on the other three CAs with Mayoral elections in May for which information is available: Liverpool, Tees Valley, and Cambridgeshire and Peterborough.

It raises two major potential issues of conflicts of interest. The first is that they are not independent: they are there as representatives of the interests of employers. More than that, they will be responsible for scrutinising policies which the leaders of the same LEPs on the WMCA Board, and LEP representatives on other committees, have been influential in formulating.

The second problem is the relationship of the representatives of the LEPs on the Scrutiny Committee – and indeed on other WMCA bodies – to the LEPs they represent, because the LEPs may not themselves meet the standards of probity that should inform the work of the Scrutiny committee. LEPs have been strongly criticised by the House of Commons Public Accounts Committee (2016) report into devolution and Combined Authorities, *Cities and local growth*, published in July 2016: “It is alarming that LEPs are not meeting basic standards of governance and transparency, such as disclosing conflicts of interest to the public.” (p 8).

As LEPs have the potential to give business leaders significant influence over decisions on how public money is used, it is essential that their decision-making is transparent to the public and free of perceived or actual conflicts of interest. (p 22)

At the 16 December Overview and Scrutiny Committee meeting Councillor John Mutton of Coventry raised the issue of the role of the Audit, Risk and Assurance Committee and its relationships with the Local Enterprise Partnerships. The minutes record that “he expressed some concern regarding possible conflicts of interest in the event that LEP members had been involved in the development of Business Cases which subsequently received financial assistance from the Combined Authority”. The Chair replied that the LEP Members were subject to the same rules on declarations of interest as Councillors. (WMCA, 2017e, p 3).

That is formally true, but influence can work in less tangible and more pervasive ways. The WMCA and the LEPs share a common policy framework dominated by a business agenda and both are dependent on the Conservative government for funding. This creates a common set of interests, aims and values, shared by the LEPs and the CA and embodied in each LEP. Personal bonds and loyalties develop, including between members within each LEP working closely together over time. Within this pervasive cultural climate shared interests and ways of thinking become the accepted common-sense, taken for granted without necessarily being articulated.

In that context I want to give some examples of how the importing of business representatives into the heart of the WMCA’s decision-making and scrutiny processes raises potential conflicts of interest.

The issue of potential conflicts of interest is particularly relevant in the case of Paul Brown, a member of the Black Country LEP Board its representative on the WMCA Scrutiny Committee. Paul Brown is Director of Government Services for Ernst & Young. Ernst & Young is one of the world’s big four accountancy firms with annual global revenues of \$28.7bn in 2015, \$2bn of it from the UK. In the UK, as Ernst and Young’s website says, it is closely involved in the formulation and delivery of policy “across a wide range of central Government departments”.

The presence of a senior executive of Ernst & Young on the WMCA Scrutiny committee raises a number of questions of potential conflicts of interest. Given the controlling role of government in the WMCA it is very likely that Paul Brown would be exercising scrutiny on behalf of the CA over policies which his employer, Ernst and Young, would have been involved in formulating and delivering. It could also be the case that Ernst & Young is, or could be in future, carrying out work for the Councils which make up the WMCA, and even for the WMCA itself.

A further potential conflict of interest is that Paul Brown is not only the representative of the BC LEP on the Scrutiny Committee, he is also a member, with a vote, of the WMCA Investment Board (WMCA, 2016f) representing the Black Country LEP, along with representatives of the other two LEPs and five councillors. The potential conflict of interest here is that he would be scrutinising the work of the Investment Board of which he is a member.

There is another sense in which there is a potential conflict of interest. Ernst & Young is one of the accountancy and consultancy companies at the heart of the neoliberal economy. According to *The Independent* (27 January 2016):

When it comes to the most controversial tax-avoiding US technology companies, one common thread appears: the accountancy giant Ernst & Young (EY). The firm serves as auditor and tax adviser to Google, Apple, Facebook and Amazon – the businesses which have come under the most fire for avoiding taxes. EY's presence at each multinational makes it by far the most prevalent accountant in the current tax controversy.

Ernst & Young is one of the global drivers of neoliberal economic policies which create huge inequalities of wealth in society (and from which of course senior staff at EY personally benefit). [7] The question that then arises is whether that would create a conflict of interest for the Black Country representative on the Scrutiny Committee when, for example, it is addressing issues of economic policy and social inequality.

There are also potential conflicts of interest raised by the role of the Chair of the Black Country LEP, Simon Eastwood. He is the BCLEP representative on the Board of the WMCA. He is also Managing Director of Carillion Developments, Carillion plc. Carillion plc is a British multinational facilities management and construction services company with its headquarters in Wolverhampton. It is one of the largest construction companies operating in the UK. (Among its projects in the West Midlands is the redevelopment of Paradise Circus in Birmingham city centre.)

There are several potential issues here. One is the obvious interest that Carillion would have in the housing and land use policies and projects of the WMCA. The Black Country LEP has bid for and received some £500 million from the CA for investment in land, according to the minutes of a meeting of the BC LEP Partnership Board on 21 November 2016.

130/16 Policy Update

The Board received an update on the following policy items: –

Land Commission – Land Remuneration Fund – Submission

The meeting received details of the Land Commission submission by the Black Country (BC) LEP, prepared jointly with BC local authorities, Call for Evidence was submitted to the Combined Authority (CA) Investment Fund. It was noted that the BC programme was now in excess of £300 million of potential investments and the CA had made a commitment to use £200 million of its own funds for brownfield land treatment. (Black Country Local Enterprise Partnership, 2016, pp 4-5)

The WMCA is “Further developing facilities such as the Wolverhampton [University] Construction Campus and the Construction Training Centre at Dudley [FE college] to ensure the availability of a skilled workforce to deliver increased housebuilding.” (WMCA, 2016a, p 50). The Vice-Chancellor of the University of Wolverhampton and the Principal of Dudley College of FE are also members of the Black Country LEP Board.

In view of the House of Commons Public Accounts Committee's damning indictment that "LEPs are not meeting basic standards of governance and transparency, such as disclosing conflicts of interest to the public" (House of Commons Public Accounts Committee, 2016, p 8), are there potential conflicts of interest in the policy-making on Housing and Land issues by the WMCA Board when the leader of the BCLEP, the Managing Director of Carillion Developments, is a member of the Board? And are public interests in the independence and effectiveness of the WMCA's Scrutiny of Housing and Land policies in the Black Country best served by having as a member of its Scrutiny Committee someone who is so closely involved in these policies as a member of the BC LEP?

There is one final potential issue. Carillion is one of the big construction companies which have recently been found guilty of operating a blacklist of trade union activists. According to the Hazards Blacklist Blog (2016), Carillion is one of the firms which have agreed to pay an estimated £50m in compensation to blacklisted workers and legal fees as the result of a legal case brought by their union, Unite. Can the public be confident that such practices would be brought to the attention of the WMCA Scrutiny Committee by a representative of the BC LEP of which the managing director of Carillion is the chair?

Part 4: Jobs and skills: what the WMCA claims

An elite partnership of local business leaders and politicians control the WMCA. They stated its neoliberal agenda explicitly in the "Statement of Intent" published in July 2015: "Our objectives must be to amplify the competitiveness, productivity and profitability of private sector enterprise" (WMCA, 2015b, p 5). Participation by other interests and stakeholders is excluded because they might question those overriding objectives. The exception is some limited representation permitted to the unions in an attempt to integrate them into the business agenda.

It is private profitability that drives the WMCA but after that initial unusually explicit statement in 2015 there is no mention of profit in the Strategic Economic Plan or any other WMCA documents as an aim or a measure of performance. What serves as a surrogate indicator is productivity, expressed as GVA – Gross Value Added, a measure of the value of goods and services produced. What proportion is profit, and who gains by it, remains the hidden heart of the WMCA's economic targets and forecasts.

The need to increase productivity is the key theme of the economic discourse of the WMCA is. The WMCA Strategic Economic Plan states that "At the heart of the strategy is the drive to accelerate an improvement in productivity..." (WMCA, 2016a, p 23). [8] Productivity is low in the UK compared to the rest of the G7 countries, and it is lower in the West Midlands than the national average. To address it the WMCA has established a Productivity and Skills Commission. Its terms of reference state that:

The West Midlands has not been immune from the productivity gap. The total output gap is some £14 billion which translates to output of £19,423 per head, some £3,427 lower than the national average. (WMCA, 2016i, p 206)

The Strategic Economic Plan is built around a set of claims for the increases in productivity which the WMCA will generate. Those claims are based on forecasts of increases in jobs and skills. In this section I want to examine those claims and predictions.

The SEP gives baseline figures for GVA for each of its priority growth sectors and the increases it forecasts for 2021 and 2030. I have combined them in this table:

	Baseline	Increase in GVA by 2021 from baseline	Increase in GVA by 2030 from baseline
New manufacturing economy (pp 38-9)	£8bn	£3bn	£8bn
Creative and digital (pp 40-1)	£4bn	£3bn	£7bn
Environmental technologies (pp 42-3)	£2.6bn	£1bn	£2bn
Medical, health and life sciences (pp 44-5)	£6bn	£2bn	£6bn
HS2 growth (pp 46-7)	£7bn	£2bn	£6bn
Housing (pp 50-1)	£4.5bn	£2bn	£4bn
Exploiting the economic geography (pp 52-3)	£45bn	£17bn	£41bn
Total increase in GVA	£77.1bn	£30bn	£74bn

The prediction is that GVA will almost double by 2030. It can be assumed that profits will roughly double too. However, it needs to be remembered that these and all the other forecasts of the WMCA were made before Brexit. The data presented in the SEP raises a number of questions:

1. The date of the baseline of these figures is not specified in the SEP. One of the technical appendices of the SEP, *Vision Setting* (WMCA, 2016j), presents the economic forecasting model from which these figures are taken. The appendix presents eight scenarios for future economic growth, three of which were agreed by the WMCA SEP board. Of the three the one on which the SEP bases its claims, the sixth highest performing out of the eight scenarios, is “Scenario D2 – Super SEP Economy +”, referred to as “Economy Plus” in the SEP (WMCA, 2016a, p 24). It uses 2013 as its baseline year (p 29), three years before the WMCA came into existence in 2016 and even longer before it could have any impact on GVA.
2. The “Economy Plus” scenario, like the other seven, is simply a hypothetical scenario based on extrapolating current trends, taking account of national factors. There is no analysis of what might be the causal factors of the predicted growth.
3. There is no explanation in the SEP of what “Exploiting the economic geography” of the West Midlands means. The answer, though not an explanation of its rationale, can be found in the separate technical appendix entitled *Sectors* (WMCA, 2106i). Exploiting the Economic Geography comprises Business, Professional and Financial Services; Public Sector including Education; Retail; and Cultural Economy including Sports (p 8). In short, it appears to be a residual category comprising all the sectors which are not covered by the six specified categories in the table. The appendix also shows that the category “HS2 Growth” rather oddly comprises only “Logistics & Transport Technologies” (p 8).

There is a breakdown of the forecast GVA increase by 2030 of “Exploiting the Economic Geography” in the *Vision Setting* technical appendix of the SEP, (WMCA, 2016j, pp 32, 35-6):

- Business, Professional and Financial Services £25.8bn
- Public Sector including Education £2.1bn
- Retail £10.6bn
- Cultural Economy including Sports £2.9bn

You might assume that these predicted increases in GVA will be the result of the interventionist policies of the WMCA into the West Midlands economy. What is needed in order to assess this claim

is the data which would forecast how much increase in GVA there would be anyway, if there were no Combined Authority. Some information is provided in the SEP (WMCA, 2016a, p 24). If the present trend of development of the West Midlands economy is extrapolated to 2030 GVA per head would increase but the gap with the national average would widen, whereas in the Economy Plus scenario it would surpass the national average per head by 2026.

The focus on skills

What does the WMCA claim will cause the increases in productivity that it predicts? Writing of neoliberal urban policies in the US, Engelen and his co-authors say that “new urban economics offers a menu of policies and in practice often reinforces the privileging of training and infrastructure which are the generally established ways of spending state money to make labour markets work better.” (Engelen et al, 2016, p 6). These are the two main strategies to raise productivity which the WMCA has adopted: improve the transport system, with a focus on HS2, and improve the skills of the workforce. [9] The two are inter-related: it is claimed that the building of HS2 will create jobs requiring skills and when built it will generate economic growth including more jobs and higher skills.

The premise of the Productivity and Skills Commission is, as its name suggests, that the principal cause of low productivity is a shortage of skills and the solution is skills development: “The Productivity Commission is based on a model for radical reform of the whole skills system that will reduce unemployment, raise skills levels and make a significant contribution to raising productivity.” (WMCA, 2016k). It is promoting three programmes: “Ignite”, for those in education and training, “Accelerate”, “Targeting those in work that can progress, supporting increases in productivity”, and “Re-Tune”, “Targeting unemployed and those whose skills don’t match demand” (WMCA, 2016a, p 54).

The skills development agenda includes schools although the WMCA has no responsibility for school education. The Ignite programme includes “partner engagement with [...] the regional Schools Commissioner and education providers, including schools” (p 48) and an ““HS2 Ready” careers inspiration programme delivered from primary” (p 46), and the SEP includes a table of the number of state funded mainstream secondary schools performing above and below the national average in each LEP area (WMCA, 2016a, p 49). [10]

The Adult Skills budget

The WMCA will receive from government £36.5 million a year for 30 years to be invested to drive growth, and this enables it to borrow £8bn in a 30 year investment programme. Of this budget the WMCA has allocated is just £1m a year for Employment, Education and Skills (WMCA, 2016a, p 28). The bulk of the WMCA’s funding for skills development comes from another source, the devolution to the Combined Authority of the 19+ Adult Skills budget from 2018, currently largely allocated to FE colleges and representing about 20% of their income. There is little information about this in the SEP (and none in the technical appendices) beyond the table below in the SEP (WMCA, 2016a, p 28):

Public sector reform programme: -19+ adult skills budget

Area of Focus	Total Spend £	Number of Projects
Employment, Education and Skills	50	15
Land Remediation	18	5
Real Estate	14	18
Housing	21	4

Transport and Road Packages	261	24
HS2 Growth Package	86	7
Regional Growth Fund	6	1
Programme Management	7	1
Business Support	6	2
Total	469	62

There is no explanation provided of what this table means. My assumption is that the Total Spend figures are millions of pounds, that they refer to the annual funding for skills development being transferred from FE colleges, and that the Areas of Focus are in most cases the WMCA's priority sectors of the West Midlands economy considered in need of skills development (though the meaning of some of the categories is unclear).

The claims for increases in jobs

The SEP claims that devolution to the WMCA will create 500,000 jobs by 2030 (WMCA, 2016a, p 12). There are claims for increases in employment, itemised by sectors. I have combined them here in a table:

	Baseline	Increase in number of jobs by 2021 from baseline	Increase in number of jobs by 2030 from baseline
Total number (p 12)	1.9 million		500,000
New manufacturing economy (pp 38-9)	184,000	18,000	20,000
Creative and digital (pp 40-1)	72,000	18,000	29,000
Environmental technologies (pp 42-3)	23,000	1,000	1,000
Medical, health and life sciences (pp 44-5)	250,000	35,000	75,000
HS2 growth (pp 46-7)	153,000	19,000	25,000
Housing (pp 50-1)	119,000	23,000	47,000
Exploiting the economic geography (pp 52-3)	1.1 million	160,000	306,000

The claims in the table for increases in employment add up to 503,000 jobs. They raise a number of issues:

1. The date of the baseline of these figures is not specified. As with the baseline for the GVA predictions, the data is taken from the "Economy Plus" scenario in the *Vision Setting* technical appendix of the SEP (WMCA, 2016j). It uses 2013 as its baseline year, three years before the WMCA came into existence in 2016 and even longer before it could have any impact on jobs.
2. The "Economy Plus" scenario is simply a hypothetical scenario based on extrapolating current trends, taking account of national factors. There is no analysis of what might be the causal factors of the forecast increases in jobs.
3. The "New manufacturing economy" is one of the economic priorities of the WMCA. Why is it forecast that it will generate 18,000 new jobs in the five years between 2016 and 2021 but only a further 2,000 in the nine years between 2021 and 2030 – an average of 188 jobs a year?

4. There is a breakdown of the “Exploiting the economic geography” category in *Vision Setting* (pp 32, 35-6). The predicted increases in jobs by 2030 are:
 - Business, Professional and Financial Services 151,000
 - Public Sector including Education 7,000
 - Retail 83,000
 - Cultural Economy including Sports 65,000

According to this four times as many jobs will be created in retail as in the “New manufacturing economy”. Retail tends to have a large proportion of low skill low pay jobs.

5. Why are “Environmental technologies” forecast to create not one new job between 2021 and 2030?
6. How much of these forecast increases is due to the advent of the WMCA? In other words, what are the forecast increases in jobs if there were no WMCA? The SEP gives the predicted increase in jobs based solely on extending existing trends as 168,000 (WMCA, 2016a, p 24). It is based on the “trend” forecasts in the *Vision Setting* technical appendix. “These forecasts are policy neutral - they do not account for future changes in policy. They are based upon historical data and trends” (WMCA, 2016j, p 11). On that basis the number of jobs would increase from the 2013 baseline of 1,899,000 jobs to 2,068,000 in 2030, an increase of 168,000 jobs (p 29). This is roughly a third of the “Economy Plus” scenario prediction of an increase of 504,000. So the real difference the WMCA makes, according to its own calculations, is not 504,000 new jobs but 336,000.

The SEP (p 24) also contains a scenario based only on the growth predictions for the three LEPs, without the claimed additional growth contributed by the WMCA. The three individual LEP strategic economic plans together forecast an additional 455,000 jobs by 2030. The additional “further and faster growth” enabled by the WMCA SEP therefore results in a relatively small gain of 49,000 more jobs,

“HS2 Growth”

The SEP contains a page headed “HS2 Growth: the Facts” (WMCA, 2016a, p 46) followed by a page of summary figures (p 47). It is entirely unclear what “HS2 Growth” refers to. It seems to refer to two quite different things. Does it refer to all the economic growth in the West Midlands that HS2 might generate, including new businesses and the expansion of existing ones? That is certainly what the opening sentence seems to be saying: “The WMCA’s vision is to fully maximise the benefits of the largest infrastructure project in Europe in order to drive economic growth across the Midlands and secure 104,000 new or safeguarded jobs” (p 46). The term “safeguarded” is nowhere explained, nor how many are therefore not actually new jobs but existing ones.

But this is apparently not the meaning of “HS2 Growth”: its meaning and the claims made for it are much more restricted. The explanation can be found in the SEP’s separate technical appendix entitled *Sectors* (WMCA, 2106i). It shows that the category “HS2 Growth” comprises only “Logistics & Transport Technologies” (p 8). It concerns the supply lines across the region. That explains why the SEP, also on page 46, says “Impact by 2030 from baseline: + 25k jobs”. This sector has 153,000 jobs according to the 2013 baseline figure in the SEP (p 47). It is forecast to increase by 2030 by 25,000 jobs. This is 16% over 17 years, a rather modest average increase of about 1% a year. On the other hand, the SEP says the *HS2 Growth Strategy* will “Double the growth of the logistics and transport technologies” (WMCA, 2016a, p 47) but it is difficult to understand why only the 10 companies in this category are among the Top Strategic Companies in the West Midlands to benefit.

The SEP technical appendix *Top Strategic Companies* (WMCA, 2016l) contains a list of the 262 largest strategic companies in the West Midlands area by turnover. One category of companies is “HS2 Growth”. It only contains ten companies, all logistics and transport businesses, including bus companies. (Appendix 2)

HS2 and the claims for jobs and skills

The claims for HS2 in the SEP are closely based on two prior and much more detailed reports by the Greater Birmingham and Solihull LEP, both published a year previously in 2015: *The Midlands HS2 Growth Strategy* (GBSLEP, 2015b) and *Getting Our People Ready for HS2* (GBSLEP, 2015c). These reports make clear that it is the Greater Birmingham and Solihull LEP, not the WMCA, that is in charge of the HS2 Growth Strategy: “To achieve the employment and skills vision for the HS2 Growth Strategy, the LEP will set the strategic direction and lead the coordination of employment and skills provision across the range of HS2 related activity in the West Midlands.” (GBSLEP, 2015c, p 6).

There are two phases for HS2: the build phase and the post-build phase. HS2 will require workers with appropriate skills and qualifications to build it. The SEP anticipates that it will subsequently generate a wider need for skills and qualifications. The tables on pages 12 and 13 of *Getting Our People Ready for HS2* set out the expected skills requirements for both the build and post-build phases.

The construction of HS2, from London to the Midlands, is likely to require a labour force of 65,000 job years, with the majority of construction activity taking place between 2017 and 2022. A large proportion of HS2 construction jobs will be on a contract basis, which means that the actual labour requirement is unlikely to greatly exceed 10,000 jobs in any one year. These jobs will be primarily in the fields of design, project management, civil engineering construction and specialist railway engineering. (GBSLEP, 2015c, p 11)

This raises two issues. First, the dates need adjusting since the start of construction of HS2 has been delayed: the HS2 phase 1 Bill only received Royal Assent, allowing construction to start, in February 2017.

Second, most of the construction of HS2 will take place outside the West Midlands, and even the construction within the WMCA area will attract many workers from outside it, especially as there is a need for highly specialised skills. What are the implications for the employment of residents of the West Midlands? How many of the forecast 65,000 job years will actually benefit them? *Getting Our People Ready for HS2* acknowledges that “there could be some supply side constraints in specialist fields.” (GBSLEP, 2015, p 16). (This assessment is based on 2011 census data, so it may not be accurate either way.)

The only assurance offered is that “10% of all jobs relating to the construction of HS2 (1,042 per year) will be filled by Midlands residents previously unemployed.” (GBSLEP, 2015c, p 7)

The expected skills requirements from 2015-2024 will include 8,450 “Apprenticeships & Other” and 16,250 Level 4 and above (p 12). [11] “Other” isn’t explained, and again these figures are for the whole length of HS2 from London to the West Midlands.

Once HS2 construction is complete and the line is operational, increased connectivity both to the West Midlands and across the region are expected to generate significant amounts of new investment, with around 81,000 new jobs created over a 20 year period across all sectors of the economy as a result. GBSLEP, 2015c, p 21)

The 20 year period is from 2025 to 2045, and it refers specifically to the West Midlands. Most of the new jobs forecast are linked to new developments in and around Curzon Street HS2 terminal in the Birmingham city centre, the HS2 rolling stock depot at Washwood Heath in Birmingham and the UK Central Interchange and Hub in Solihull near the airport (all within the GBSLEP area). The GBSLEP claims that “Post build 10% of all jobs created across all sectors in the wider economy (average of 4,000 new jobs per year from 2026 to 2045) will be filled by Midlands residents previously unemployed.” (GBSLEP, 2015c, p 7). (Note not just the West Midlands.) But there is no guarantee for the other 90% of new jobs, most of which are predicted to require level 3 and 4 qualifications:

42% of the new jobs created as a result of HS2 are expected to require Level 4 skills and above, whereas just 32% of economically active 16-64 year olds are currently qualified to this level across the West Midlands. (GBSLEP, 2015c, p 23)

No arguments are presented for how this figure of 42% is arrived at. Closing the gap of 10% corresponds to an average increase of workers with Level 4 skills and above over 20 years from 2025 to 2045 of 0.5% a year. No data is provided of how this apparently very low figure compares to forecasts based on the current trend excluding the possible impact of HS2.

The SEP predicts “an increase in skills, with 36% of the local population qualified to level 4” (WMCA, 2016a, p 46). No dates are given but presumably it means the period from now until 2030. The GBSLEP claims that “The West Midlands will match the England average for resident workforce qualified to level 4 to meet both HS2 and wider skill needs” (2015c, p 7). According to the SEP technical appendix *Skills* in 2014 28.5% of the working age population qualified to NVQ4+ across the WMCA compared to the national rate of 35.7% (WMCA, 2016m, p 4). To bridge the gap of seven percentage points in the fourteen years between 2016 and till 2030 requires an average increase of 0.5% a year. In assessing this forecast it would be useful to know what the current trend is, before HS2.

Apprenticeships

The SEP predicts “an increase in skills, with [...] 2000 apprenticeships” (p 46). In *Getting Our People Ready for HS2* the GBSLEP said it was asking businesses to sign up to a detailed employment and skills charter that included commitments to create a thousand apprenticeships” and to “Overtraining to meet demand beyond own workforce needs” (GBSLEP, 2015c, pp 8, 9). However, I can find no further reference to this charter. The following extract from the report may explain why:

While the majority of employers recognise that training their employees is the right thing to do there are many barriers that prevent them from implementing training programmes including the cost of training, loss of productivity due to college commitments, low return on investment if staff decide to leave and crucially a lack of insight into the detailed plans and skills requirements for future government infrastructure projects such as HS2. (GBSLEP, 2015c, p 20)

At the WMCA Board Meeting on 19 August 2016 it was reported that the *HS2 Growth Strategy Implementation Plans* had been submitted to Government in May and were endorsed by the WMCA HS2 Growth Delivery Board on 23 June. “GBSLEP are currently preparing a suitable version of the implementation plan which will be circulated to Combined Authority members and available publicly via the Combined Authority website.” (WMCA, 2016n, para 10.1). By the beginning of March 2017 it had still not been made publicly available.

In this section I have examined the highly precise and detailed claims made by the WMCA about the impact it will have on productivity, skills and jobs. My conclusion is that they are inflated claims based on hypothetical scenarios unsupported by adequate evidence and analysis of causal factors. Much of it is entirely speculative. Its credibility is further undermined by the use of out of date data and questionable categories.

However, there is a more fundamental problem with the economic policy of the WMCA. It is based on the premise that low productivity is primarily the result of a “skills deficit”. In part 5 I examine the evidence for this claim.

Part 5: The “skills deficit”: the evidence

The basic premise of the priority that the WMCA and its Productivity and Skills Commission give to skills development is that the fundamental cause of low productivity in the West Midlands economy is a “skills deficit”. I want to examine the evidence for this claim.

There is no question that there are skills shortages in some specialised sectors of the UK economy, and that they apply to the West Midlands. For example, according to the GBSLEP, “All sectors in the West Midlands appear to have a deficit in terms of employees qualified to level 4+ and substantially so in the business, professional & financial services and digital & creative sectors. (GBSLEP, 2015c, p 27). And, most recently:

Whilst by comparable historic standards the region now possesses its most academically educated population, there remain critical skill shortages. Access to technically experienced, process competent and bespoke machine-trained personnel is a particular problem. (Centre for Brexit Studies, 2017, p 11)

The national picture is the subject of the UK Commission for Employment and Skills report *Growth Through People: Evidence and Analysis* (UKCES, 2015):

The science, research, engineering and technology professionals category has the highest density of skill shortages of any of the 25 occupational groups. At 43 per cent it is almost twice as high as the overall average of 23 per cent and it is the third highest of the occupational groups in terms of overall volume of shortages (with 13,000). (p 73)

A case in point is the automotive industry, including Jaguar Land Rover, based in the WMCA area, which faces critical skills shortages in engineers, designers and technicians, according to Begley et al. (2015). They argue that the skills shortage in engineering is in part the responsibility of the employers themselves: it is “a legacy of the engineering sector being locked into a low-skills equilibrium caused by a long-term failure to educate and train its workforce” (p 594).

A major cause of skill shortages is the shortage of good quality apprenticeships. As Allen (2017) notes:

Governments have continued to complain about a shortage of skills, but the number of apprenticeship vacancies posted by the manufacturing sector in 2015/16, was under 30,000 – the majority of these being at a relatively low (skill) level.

Recent Department for Education statistics show that the number of apprenticeship applications far outstrip the number of apprenticeship vacancies.

For example, between Aug 2015/16 there were a total of 1,656,680 applications for 211,380 vacancies, a ratio of about 8 to 1 – about half of these were from 17-18 year olds. Three quarters of vacancies were for Intermediate (GCSE level) positions. The figures do not allow us to calculate the number of young people wanting apprenticeships because they will include multi applications, but they do reflect a continued shortage of opportunities. The largest number of vacancies are in the Business, Administration and Law category – well over a third. In comparison, there were just over 8,000 vacancies in Construction (a sector considered to be suffering from skill shortages) and 30,000 in engineering and manufacturing, a 20% increase on the previous year.

These totals are based on 'on-line' vacancies only and do not include the large number of (mainly low-level) apprenticeships created by regrading existing workers, allowing employers to qualify for funding. (Allen, 2017)

Most employers say they don't have a skills shortage

Skills shortages certainly affect some specialised sectors of the economy, but they do not apply to the majority of the UK economy. This is the analysis of *Growth Through People: Evidence and Analysis*, the report of the employer-led UK Commission for Employment and Skills UKCES (2015):

...our workforce has never been more qualified, as demographic change adds in new workers with greater opportunities for higher education, as well as vocational training. How can this happen? [...] We may have a more qualified and – if qualifications are of good quality – a more skilled workforce, but are those skills being used effectively? It seems that as world markets have become more difficult in the past decade, many of our workplaces have struggled to adapt. (p 6)

...there is limited movement on measures of training and development activity, and indeed some signs of decline. Meanwhile, many businesses report a high level of underemployed staff – approximately 4 million workers across the UK, with somebody underemployed in half of all workplaces. (p 7)

Overall, more than a third of employees had qualifications beyond those necessary to be hired for their current job. That's equivalent to around 11 million workers. Those most likely to be overqualified are concentrated in sales and customer service roles and elementary roles, both with over-qualification rates of more than 60 per cent. Young people (aged 20-24) are much more likely than average to be overqualified (more than 50 per cent), although some of this reflects the early stage of their career. (p 45)

...the high level of over-skilling and over-qualification among those with intermediate qualifications. The UK's large number of jobs designed for those with very little education offer little outlet for those with middle- or high-level skills. (p 59)

According to the OECD "The low-skill low-cost economy means Britain has the highest proportion of low-skilled jobs in the OECD countries after Spain. Twenty-two percent of UK jobs require no more than primary education, compared with less than five percent in countries like Germany and Sweden." (Roberts, 2016, p 149)

Further and more recent evidence is provided by the UKCES report *Employer Skills Survey 2015*, published in January 2016 and based on data from employers themselves.

The majority of establishments reported that they had a fully proficient workforce: 86 per cent felt that all their staff were fully proficient at their job. However around one in seven employers (14 per cent) experienced skills gaps within their establishment. This equates to approximately 1.4 million staff who were not fully proficient (five per cent of the UK workforce) (UKCES, 2016, p 55).

Only a relatively small proportion of employers – 14% - reported a skills deficit. Furthermore, the two most common reported causes of skills gaps are temporary, the result of workers in the process of training. But the survey also makes the crucial point that a significant minority of employers report staff having under-utilised skills and qualifications.

Across the UK, nearly two in five establishments (39 per cent) reported having employees with qualifications more advanced than required for their current job role. [...] It is possible that this is an underestimate: eight per cent of employers did not know whether their staff have skills or qualifications more advanced than required for their role, with this proportion rising to nearly half (46 per cent) among establishments employing 250+ workers. (p 79)

Thus the number of staff with under-utilised skills and qualifications significantly exceeds those reported to be at least temporarily “not fully proficient”. UKCES says this is almost certainly an underestimate.

Using the UKCES data, Centre for Cities (2016) has provided the figures for each city. Here are the figures for Birmingham, based on employers’ data:

% of employers with staff not fully proficient	15.95%
% of workers who are not fully proficient	5.1%
% of employers with hard to fill vacancies	8.48%
% of employers with hard to fill vacancies due to skills shortages	7.23%
% of employers with staff whose skills are not fully utilised	30.23%

Over four times as many Birmingham employers said they had staff with under-utilised skills as reported hard to fill vacancies due to skills shortages.

The under-utilisation of skills is not just a feature of the Birmingham economy, it is replicated in Greater Manchester and it is acknowledged by the Greater Manchester Combined Authority and the Greater Manchester LEP in the *Greater Manchester Skills Analysis 2015/16*, a report published by New Economy, their joint policy, strategy and research body, in January 2016:

there are problems with skill utilisation. There are more level 4 qualified people than ‘level 4 jobs’ available. [...] a worrying 39% of unemployed people have level 3 and above skills (19% have a level 4 qualification). [...] This shows that qualifications are not necessarily a guarantee of work. Many unemployed people have valuable skills. (p 4)

The report “identifies one of the paradoxes of the skills formation system: although employers continue to demand higher skill levels, there continue to be issues of poor utilisation once those skills are created. The number of people qualified to level 4 has risen considerably faster than the numbers of ‘level 4 jobs’ in the economy.” (p 27). (See Appendix 2 for more on Greater Manchester.)

The 2016 UKCES survey report offers this explanation of the cause of the under-utilisation of skills:

...many businesses seem to want to diminish their use of skill in the workplace to offset their own management limitations. The number of UK employees reporting their jobs being able to be performed with only primary-level education is higher than in most other advanced economies. This problem of skills underuse is not confined only to those with low skills. 30 per cent of graduates find themselves in jobs which don't require their education. But it is those with intermediate level qualifications who are most likely to find themselves overskilled or overqualified for the jobs they do. (UKCES, 2016, p 7)

... there are few signs to suggest more than a minority of businesses are adopting 'high performance working' to develop a workplace culture which nurtures and harnesses talent. Instead, too many businesses seem in a 'low skill equilibrium', limiting their ambitions by organising work around a low level of skill. These businesses use the minimum necessary skill from their employees, rather than seeking to fully utilise their talents, or develop them further, to drive the business forward. (p 41)

The conclusion of the report is that "We can continue to improve the skills of the UK workforce, but unless we can be sure that workplaces are going to use them, the impact on productivity will be muted." (p 8. In bold in original).

What the UKCES report doesn't explain is why these low-skill businesses don't improve their work processes to harness the under-utilised skills and qualifications of staff. The answer is not primarily because they are "poorly managed businesses" (p 6), though they might be that too: it is because it isn't profitable enough to do so. What drives business is profitability, and for many businesses that comes from employing low-wage workers in low-skill work processes. As Ainley (2016, p 35) points out, "Alongside high-skilled, knowledge-intensive employment there has been long-term growth of 'low-knowledge' (information processing), un- or semi-skilled manual jobs at the bottom of the service sector." "According to the Trades Union Congress (TUC) Hudson, 2014) almost 80% of new jobs created since June 2010 were low-skilled, low-paid and often part-time, insecure jobs in sectors such as retailing, waitressing and residential care..." (p 36). The Strategic Economic Plan itself acknowledges "the large number of low value companies in low growth sectors" (WMCA, 2016a, p 7).

It's investment that is the key to economic growth

The crucial factor in improving productivity is investment, and what determines investment by the private sector is profitability, as Michael Roberts argues in his book *The Long Depression* and the following quotes from it demonstrate (Roberts, 2016). The EU Commission has commented on corporate profitability in Europe. It noted that non-residential investment (which excludes households buying houses) as a share of GDP "stands at its lowest level since the mid-1990s." The main reason: "a reduced level of profitability." (quoted in Roberts, 2016, p 127). According to the Bank for International Settlements "Even if they are relatively confident about future demand conditions, firms may be reluctant to invest if they believe that returns on additional capital will be low." (quoted in Roberts, 2016, p 128). "Ben Broadbent from the Bank of England noted that UK companies were now setting very high hurdles for profitability before they would invest as they perceived that new investment was too risky." (p 103).

The WMCA acknowledges "historically low levels of capital investment both in plant and machinery" as a factor in the UK's productivity gap (WMCA, 2016i, p 206). A new report on the West Midlands economy stresses that "there is a need to enhance the region's skills base and boost productivity through greater access to finance and capital." (Centre for Brexit Studies, 2017, p 7). But the SEP also reports that today

The area is a national leader in attracting foreign direct investment. Coventry and Warwickshire has double the employment share in foreign owned firms than the UK average. In 2014/15 the Greater Birmingham and Solihull LEP had the highest number of foreign direct investment (FDI) successes and the highest number of new jobs arising from FDI of all LEPs. (WMCA, 2016a, p 19)

But there is no information in the WMCA documentation of how large a proportion it represents of total new investment in the West Midlands economy, what this investment is in and who benefits. How much is in city centre property development as against high-value manufacturing or socially-useful services, and how many jobs are created, of what sort and for whom? In fact, in contrast to the prominence of the need for skills development in the WMCA's documentation, there is no data or analysis at all of current investment in the West Midlands economy either in the SEP or in its technical appendices.

One of the technical appendices of the SEP, *Vision Setting* (WMCA, 2016j), presents the economic forecasting model that the WMCA uses and the seven scenarios for future economic growth which it generates, but remarkably they make no reference to investment at all. The document itself contains an appendix listing the 19 variables on which the scenarios are based, but inexplicably they do not include investment as one of the factors. (See Appendix 4 for the list of variables.) The Combined Authority's *Investment Prospectus* (WMCA, 2016o) largely consists of vignettes of 42 sites of varying size and value available for or receiving investment, with little information about what the investment might consist of.

The robust rate of expansion was leading to many respondents reporting some capacity constraints. As a result, if demand continues at this pace into the New Year, access to capital financing for investment, as well as additional labour resources in an already tightening market, will be critical to sustaining momentum. (Birmingham City University and Midlands Economic Forum, 2016, pp1-2)

Of course, investment may increase productivity and thus profitability but it may actually reduce skill requirements, as Ainley notes, giving the examples of call centres and fast food chains (Ainley, 2016, p 32): "while the latest applications of new technology may raise the productivity of workers, at the same time they can reduce not only skill requirements but also the individual autonomy and job discretion that employees may have previously enjoyed." And of course they may reduce not only skill requirements but the number of workers required as a result of automation. These are consequences of the market economy that only a radical change in government policy could redress.

I have challenged the claim that the source of the problems of the West Midlands economy is primarily a "skills deficit". Before I consider the implications of this there is one further aspect that needs to be taken into account: the high level of various forms of inequality in the West Midlands.

WMCA policy and issues of inequality

The SEP makes a number of brief references to issues of inequality, posed in terms of "poor life chances caused by issues like poor mental health, worklessness in households and complex needs" (WMCA, 2016a, p 8). But what is absent from the SEP and other WMCA documentation is a detailed presentation and analysis of economic inequality in the West Midlands. Tackling it should be one of the principles of the CA's policies. [12]

There is no shortage of evidence of the high level of inequalities of gender, race and social class in the West Midlands. A recent analysis was published in December 2016 by the Resolution Foundation in its report *Midlands engine trouble: The challenges facing the West Midlands Combined Authority* (D'Arcy 2016). It presents detailed data to show that "On a range of indicators – growth, pay and income – the West Midlands ranks not just below the UK average, but also below most other city regions but has a particularly severe employment problem." (p 4).

The most important divide between employment in the WMCA and elsewhere is the gap between 'low activity' groups (those who have traditionally been less likely to be in work, such as those with low levels of qualifications, BAME people, single parents and people with disabilities) and the 'prime' group (those who are more strongly attached to the labour market, covering white, non-disabled, non-single parent, highly educated, prime-age adults). The difference in the employment rate between these two groups is 33.4 per cent in the WMCA, compared to just 21.7 per cent in the West of England and 24.5 per cent in London. (D'Arcy, 2016, p 7)

The report *Mental Health in the West Midlands Combined Authority: A report for the West Midlands Mental Health Commission* by Newbigging and Parsonage, published in January 2017, also contains valuable contextual information on social inequality:

The WMCA covers areas of affluence as well as those with significant socioeconomic deprivation and this is reflected in the prevalence data. Eight of the councils have indicators of socio-economic deprivation that are lower than the average for England, while over half of the WMCA population is living in areas, which are among the 20% most deprived areas in England namely: Walsall, Wolverhampton, Sandwell (Black Country) and Birmingham (Greater Birmingham), which constitute part of the core of the WMCA. In these areas nearly 30% of children are living in low income households and rates of overcrowding are higher than the average for England. (Newbigging and Parsonage, 2017, p 16)

Both these reports address the ethnic and gender dimensions of economic inequality (though the Resolution Foundation report only presents gender issues through the lens of ethnic differences). But the SEP ignores both these equality issues. It does not contain in its 57 pages, or in the technical appendices, any mention at all of issues of ethnicity and racial inequality, although they are pervasive issues in the economy of the West Midlands. Nor does it make any reference to gender inequality – in fact the word 'gender' does not appear in the SEP – even though it is central both to economic production and to social reproduction, including, for example, the issue of mental health, as the WMCA's recent Mental Health Commission report *Thrive West Midlands* recognises (WMCA, 2017f).

Will the WMCA's economic strategy reduce inequality in the West Midlands or increase it?

According to the WMCA Productivity Commission the focus of its strategy for improving skills and qualifications will be on "the area's priority growth sectors":

The Accelerate programme will ensure that the WMCA has a labour market with the right levels of skills and qualifications to meet the needs of businesses from the area's priority growth sectors. However, the geographic area currently performs worse than the national average to the tune of 7.2pp requiring an additional 187,000 people to secure level 4 and above re degree level (equivalent to level 5) qualifications and skills. (WMCA, 2016i, p 207)

According to the SEP there are four WMCA “priority growth sectors”: “new manufacturing economy: creative and digital: environmental technologies: medical and life sciences (WMCA, 2016a, p 29). These sectors represent only a relatively small proportion of the economy of the West Midlands. However the GBSLEP forecasts that “all of these sectors, with the exception of advanced manufacturing & engineering (where employment levels could fall due to productivity gains) will be subject to relatively high levels of employment growth through to 2030.” (GBSLEP, 2015c, p 25.) The recent Resolution Foundation report on the WMCA area contains the following breakdown of the current share of employment by industry, July 2015-June 2016 (D’Arcy, 2016, p 36):

- Public admin, education & health 30.7%
- Distribution, hotels & restaurants 18.1%
- Banking, finance and insurance 14.3%
- Manufacturing 13%
- Transport & comms 8.7%
- Other services 6.4%
- Construction 6.4%

The categories don’t correspond to those of the SEP’s priority sectors, but they do show that only 13% of jobs are in the general category of manufacturing, which would include the “new manufacturing economy” and presumably also jobs in the SEP priority areas of “creative and digital” and “environmental technologies” since they don’t fit the other Resolution Foundation categories.

For a new economic strategy for the WMCA

In short, the WMCA’s “priority growth sectors” represent only a relatively small minority of jobs in the West Midlands. The decision of the WMCA and the Productivity Commission to focus its strategy for improving skills and qualifications on those minority sectors of the local economy means neglecting the needs of the majority of workers in the West Midlands: workers both in the broad low-skill low qualification sectors of the local economy and also higher skill employment in those areas which aren’t priority growth sectors for the WMCA. The likely consequence is that it will exacerbate the existing inequalities in the West Midlands. The SEP’s promise of “skills investment zones reflecting communities with high levels of worklessness” (WMCA, 2016a, p 48) could be a step in the right direction, but at present it appears an add-on to the WMCA’s economic strategy that is out of step with its overall direction.

To reduce inequality rather than risk deepening it requires a radical re-orienting of the whole WMCA economic strategy. Its aims should be economic growth to meet social priorities and provide good well-paid jobs for workers across the West Midlands, with support for developing skills and qualifications for all who want it. But decent well-paid jobs require investment, and since the private sector cannot be relied on to invest where it is socially as well as economically justified the WMCA must press for effective government programmes of public investment.

Among those whose interests are most at stake are the trade unions. They have the power to press for those policies from outside the Combined Authority and they can voice them within it on the bodies where they are entitled to have representatives: the Board and working groups including the Productivity Working Group and the Public Sector Reform: Skills and Employability Troubled Individuals and Criminal Justice Working Group (the designation may have changed).

There is however one key body on which the unions should be represented but aren’t: the Productivity and Skills Commission, which comprises only “Independent Commissioners”, councillors and “Advisers”. The chair of the Commission is Andy Palmer, president and chief executive officer of

Aston Martin Lagonda Ltd. There is still currently no information about other Commission members even though its terms of reference were established in July 2015 (WMCA, 2016i). They say the following:

In undertaking its work the Commission will:-

- a) Be led by Business and seek to ensure the continuing engagement and support for business in the implementation of its recommendations. [...]
- f) Engage with and involve relevant intermediary organisations such as the FSB, EEF, Chamber, Trades Unions and other Trade Bodies as appropriate. (WMCA, 2016i, p 208)

So trade unions may be invited to be involved in some capacity. But it is apparently not as “experts” – the Productivity Commission has a list of 32 experts who are involved. It includes five representatives of the LEPs but no union representatives, in spite of the obvious knowledge and expertise they could contribute (WMCA, 2016i, p 169)

Part 6: “Public service reform”

While roll-back neoliberalism focuses on cuts in public services roll-out neoliberalism comprises interventions not only in economic production but also in the field of social reproduction, in order to address the dysfunctional consequences of neoliberal policies (Peck and Tickell, 2002, pp 389-90). These two dynamics inform the approach of Combined Authorities.

In the context of the austerity cuts to public services nationally and locally, local authorities have been encouraged to develop and pilot new forms of intervention for vulnerable people. The aim is to reduce aggregate demand made on the public purse by targeting service users said to account for a disproportionate share of demand, and by coordinating support for them across multiple agencies in a more effective and cost efficient way. (Haughton et al, 2016, p 365)

The government claims that the apparent austerity/devolution paradox can be resolved through moves to a ‘smarter state’ in which ‘reform’ and ‘efficiency’ combine with devolved powers to deliver a local state in which ‘we can spend less but deliver more’ (Cameron 2015). (Lowndes and Gardner, 2016, p 358)

The economic growth agenda of the WMCA is coupled with an agenda for the continuing reform of public services. “Our pursuit of growth will be accompanied by an agenda of innovation and public service reform that will reduce the overall level of public spending.” (WMCA, 2015b, p 13).

The WMCA has an explicit target: “Current deficit between taxes raised and public expenditure in the area eliminated” by 2030. This deficit amounts to £3.9bn a year (WMCA, 2016a, p 12). To eliminate it would require a reduction of an average of £278m each year for the next 14 years, for which the means are a combination of cuts in spending on public services and whatever increased revenue accrues to the CA from business rates. Thus the Combined Authority will be, like its constituent local councils, an instrument for relaying the ongoing unprecedented cuts in public sector budgets. That may also contribute directly to its economic agenda through providing opportunities for private profit through outsourcing and privatisation, which the scale of CA services may make an attractive proposition for the private sector.

As Finberg (2015) observes: ‘Private sector returns are more easily achieved by delivering a wider range of services over an area bigger in population than a typical local authority. By packaging together the range of public services across a sub-region, a private sector provider

will be able to present more successful bids on the basis that they can redesign and integrate services'. (Smith and Richards, 2016, p 13)

However, the technical appendix of the SEP on *Fiscal Impact* (WMCA, 2016p) makes a very different forecast. It contains a section headed "The 'Vision' Scenario" which makes, in its own appendix, the extraordinarily optimistic claim that this deficit will be transformed by 2030 into a surplus of over £25 billion:

The supporting technical appendix - "An Economic Forecasting Model for the WMCA" sets out the various economic scenarios that were generated in order generate the 'vision' scenario for the WMCA. Utilising the estimates for population, GVA and employment we have calculated the potential impact on income and expenditure under this 'Vision Scenario' in order to forecast how the net balance will change as a result. Income is expected to almost double from a current estimate of £30.7bn to a forecasted £60.3bn, whilst expenditure will increase only modestly from £34.6bn to £35.2bn. **The WMCA therefore shifts from a -£3.9bn deficit to a surplus of £25.1bn.** (WMCA, 2016p, p 17. Emphasis in original)

No evidence in terms of an analysis of causal factors is provided for this highly optimistic prediction. It is, as I have said above, a hypothetical scenario based on extrapolating current trends in the West Midlands economy. The same method informs the technical appendix on *Sectors*, which comprises a series of claims presented throughout as "expected", with no evidence provided to justify the expectations (WMCA, 2016q).

"Public service reform" and Mental Health

The *Devolution Agreement* of the WMCA does not include devolution of the budget for Health and Social Care, as has happened in Greater Manchester, though it may be included in future stages of devolution. There is though one public service issue which the *Devolution Agreement* specifically includes: what it calls "troubled individuals", a term which comprise three inter-related policy areas: the youth justice system, mental health issues, and the police. It exemplifies neoliberal interventions in the field of social reproduction to attempt to redress the dysfunctional consequences of its economic policies (Peck and Tickell, 2002, pp 389-90).

in October 2015, about eight months before the WMCA was officially launched, the WMCA set up a Mental Health Commission, chaired by Sir Norman Lamb, a Conservative MP and ex-Minister for Care and Support. It is in keeping with the neoliberal framework of the WMCA that the rationale is presented in terms of its economic agenda: poor mental health and well-being is a significant driver of demand and expenditure for public services and has a negative impact on the economy:

Productivity is constrained by poor life chances caused by issues like poor mental health, worklessness in households and complex needs. (WMCA, 2016a, p 7)

The government will support the Combined Authority Shadow Board to co-design and implement approaches to improving the life chances of troubled individuals (those with multiple problems of homelessness, substance misuse, offending and mental health) and in doing so reduce their cost to public services. (WMCA, 2015c, p 14)

On 31 January 2017 the Commission published its action plan report, *Thrive West Midlands* (WMCA, 2017f). The rationale that the WMCA has stated for prioritising mental health does not necessarily prevent the report from containing positive proposals that should be welcomed. It is beyond the

scope of this paper to assess them. But there are three issues that do reflect its neoliberal provenance.

The first two issues arise from the report's failure to situate mental health in the context of austerity. Austerity both creates and exacerbates mental health problems and severely limits the resources, principally financial, available to address them. Yet the word austerity and its significance are not mentioned in the 76 pages of the *Thrive West Midlands* report.

The report is accompanied by another report, *Mental Health in the West Midlands Combined Authority: A report for the West Midlands Mental Health Commission* by Newbigging and Parsonage, published in January 2017 by the University of Birmingham. In contrast it gives full weight to the importance of austerity both as a causal factor of mental health issues and a financial constraint on responses to them.

There are a wide range of factors influencing mental health. Social, economic and physical environmental influences have been shown to be critical, with social inequalities increasing the risk of many common mental health problems.

Another recent review of the evidence has concluded that austerity measures, which have hit poorer people the hardest, have damaging psychological consequences, including humiliation and shame; fear and distrust; instability and insecurity; isolation and loneliness; and feeling trapped and powerless (McGrath et al., 2015: 1). (Newbigging and Parsonage, 2017, p 16)

Their report also emphasises austerity as a factor in limiting solutions. They note:

the impact of austerity measures on Local Authority budgets, which combined with shifting eligibility criteria will impact adversely on access to services and the range of support available. (p 13)

Some of these initiatives are short-term projects and at particular risk of austerity measures being taken by Local Authorities to reduce overall expenditure. (p 8)

Initiatives to promote good mental health are at risk of austerity measures being taken by local Authorities (p 9)

I will give as an example how austerity might affect the plans of the *Thrive West Midlands* report regarding mental health and children:

We will establish a working group to examine whether applying early intervention approaches could benefit people who experience other mental health conditions. For example, it could include evaluating the impact of early interventions during a child's early years and through school. (WMCA, 2017f, p 55)

But, as Allan (2017) points out, "between 2010 and 2015 funding for Child and Adolescent Mental Health Services (Camhs) was slashed by £50m, despite massively increasing demand." Furthermore, a few months ago the government announced a change in the funding formula for schools which will mean cuts of around 8% between now and 2020 in school budgets in urban authorities, including most of the West Midlands, which up to now have benefitted from positive discrimination in funding because of high levels of social deprivation, a major causal factor in mental health problems. This loss of funding will lead to fewer teachers and support staff and larger class sizes, reducing the capacity of schools to address children's special needs. A third and most recent example of the

impact of austerity on mental health in the West Midlands is cuts in support for services relevant to children's mental health care in the Birmingham City Council budget passed at the council meeting on 28 February 2017. They include the following cuts in the four years from 2017/18 till 2020/21: £24.4m for Early Years support (p 81); £250,00 for Educational Psychologists (p 83); and £20m for Special Educational Needs (p 84). Yet in the budget public online consultation survey mental health issues were the top priority (p 161). The *Thrive West Midlands* report makes no mention of these consequences of austerity policies for mental health, nor for how they relate to and perhaps be compensated for by its own action plans.

The *Thrive West Midlands* report makes no mention of the costs of its action proposals so it is not possible to assess their plans in financial terms, or how much they will contribute to reducing the cost of mental ill health in the West Midlands, which according to the report is estimated to be £12.6 billion per year (WMCA, 2017f, p 5). However, at the WMCA Board Meeting on 20 January 2017 it was agreed to allocate project funding from the CA of £200,000 and to lever additional funding of "up to more than £2 million" (WMCA, 2017h, p 109). (See Appendix 5 for details.) What this will mean in practice and how it relates to the cuts in local authority funding for services relevant to mental health remains to be seen.

The third issue of concern is the composition of the Mental Health Commission panel. It comprises nine members (WMCA, 2016r): the Chair Sir Norman Lamb, seven senior academics and experts, one of them also a past mental health service user, and the head of Deutsche Bank's Birmingham office. [13] Only three of them work in the West Midlands. There is no record of representatives of frontline professionals working in mental health in West Midlands – social workers, teachers etc., or their unions and professional associations – either as panel members or as advisers. In that respect the Commission follows the familiar exclusionary model of the WMCA, though with one important exception: the involvement of service users in the inquiry which led to the report.

These concerns about the Mental Health Commission report should be the subject of critical scrutiny. But the decision of the Scrutiny Committee meeting on 27 January 2017 that the Select Committees would not scrutinise the substance of the Commissions' reports, only how they could be implemented (see p 15 above) means that they will simply be approved without any questions being asked (WMCA, 2017g, para 2.1).

Part 7: For a new combination of representative and participative democracy

The concept of democracy demands the active involvement of diverse citizens in determining policy. It also demands institutions that address the current power inequalities that allow elites to dominant the policymaking process. It therefore involves both representative and participative democracy.... (Newman, 2016, p 104)

The deal-making behind closed doors processes by which the Combined Authorities were set up, the exclusion from their key bodies of participation by trade unions, service unions and community organisations, and the absence of elected assemblies, have created a problem for them of lack of public support and democratic legitimacy. Recognition of the problem has been voiced by numerous critics of the Conservatives' devolution policy, including by a supporter of it in other respects, David Blunkett, in a recent co-authored article:

what we are seeing is a 'new partnership' around a centrist and market-focused agenda under the banner of more devolution. While this may deliver some significant benefits [...], the full potential of this reform process is unlikely to be realised without more public engagement and deeper democratic processes. (Blunkett et al, 2016, p 563)

The underlying issue was posed by Gramsci: the importance of securing popular consent in the continuing struggle by the ruling elite to construct hegemony:

The 'normal' exercise of hegemony on the now classical terrain of the parliamentary regime is characterised by a combination of force and consent, which counterbalance each other, without force predominating excessively over consent; rather, it appears to be based on the consent of the majority... (quoted in Thomas, 2009, 164)

Jonathan Davies (2011) draws on Gramsci in his study of governance during the last Labour government. Public consent was sought through policies intended to encourage public participation. Labour published three local government White Papers advocating democratic renewal through new localism and community empowerment. The thesis that local networks of participative governance were becoming pervasive, replacing the old bureaucratic hierarchies, became the dominant view in the field of urban theory. Local popular participation in governance seemed to satisfy the requirements of both efficiency and democratic enhancement. But, as a series of research studies revealed (e.g. Barnes et al, 2007; Barnes, 2009; Davies, 2011), participation in local governance networks too often failed to engender consent, in fact it often became an arena for the assertion of opposition, and consequently the dominance of state-driven agendas had to be imposed.

The subsequent austerity policies pursued by the Coalition government and its current Conservative successor entail an ongoing programme of reductions in local government budgets, resulting in the imposition of savage cuts in jobs and services by local authorities of all political complexions, regardless of popular opposition. It marks the definitive abandonment of a strategy of consent through popular participation in governance at the local level, and the dominance of a coercive policy agenda.

It is in this context that Combined Authorities are being constructed and put to work. The hegemonic strategy they are employing is a combination of constructing closed elite governance partnerships of executive-level local politicians and leading local business representatives, and governance by the coercive strategy of exclusion of public participation. In Deas' terms it represents:

the quintessentially post-political view amongst local political elites that popular scrutiny and citizen engagement are distracting and potentially disruptive influences on the development of effective policy (even if there are also occasional worries about voter disenchantment, anti-politician hostility and the resultant scope for challenge to the legitimacy of the local state) (Deas, 2014, p 2307)

However, a reliance predominantly on governance by exclusion is a contradictory and vulnerable strategy, as Colin Crouch says in his book *Post-Democracy*:

This is the interesting paradox of the political class. It wants as much as possible to exclude the mass of citizens from becoming actively involved in probing its secrets, organizing oppositional activities, disturbing the tight control exercised by the politico-business ellipse. But it desperately wants us to offer passive support... [...] The solution it sees is to find means of encouraging the maximum level of minimum participation. (Crouch, 2004, p 112)

An example is provided by Greater Manchester Combined Authority. In June 2016 four of its leaders - Interim Mayor Tony Lloyd, Cllr Richard Leese, Cllr Jean Stretton and Sir Howard Bernstein, Head of Paid Service – published a document entitled *Refreshing the GM Strategic Approach* (GMCA, 2016a). It states the problem:

To date, the debate about wider devolution has, in the main taken place amongst those partners, staff and communities that are already highly informed and highly engaged. As a result, awareness and understanding of the GMCA, GM Strategy and our devolution settlement is still low among our residents and staff. Greater Manchester must deliver a simple, compelling and consistent story about growth and reform in Greater Manchester, with devolution as a key vehicle for driving transformation. (p 5)

To do so it proposed to hire a marketing company “to develop an overarching brand strategy” (p 6) and bring forward “a softer or more engaging personality for resident engagement” (p 10).

In September 2016 the GMCA approved a follow-up document *Refreshing the Greater Manchester Strategy and Consultation Proposals* (GMCA, 2016b) which argued that “Resident, business, partner and stakeholder engagement and participation is needed if the objectives for growth and reform are to be achieved” and proposed a series of consultation measures. “The suggested approach to this is a ‘big conversation’ engaging people in the language and using the channels and at a geography that is meaningful for them, not based on our organisational norms.” (p 9). The approach includes “A variety of face to face opportunities [...] across the city region alongside a specific event in each locality lead by the appropriate Leader. These sessions will demonstrate how important people’s opinions are to shape the strategy...” (p 13).

However, this is not intended to institutionalise public participation in the architecture of the Combined Authority. On the contrary, it is a temporary consultation exercise limited to eight weeks or so (p 15), by which time it is hoped that the public’s approving consent will have been secured and the CA can return to its normal exclusionary way of working.

Consultation outside the WMCA is not the same as participation inside its policy-making processes

The WMCA is faced with a similar need to generate public support and engagement. The role of the directly elected mayor has an ideological function here, even though the mayor is elected only once every four years (three years this time) and cannot be removed in the interim. But between elections the WMCA will seek public support and engagement through consultation, which is likely to take three main forms.

First, online consultation exercises. These can allow everyone to have their say, but it is an individualised process and there is no dialogue, let alone public debate. Another strategy is public question and answer sessions, which are likely to be led in most cases by the mayor. And the third is managed meetings with selected interest groups, again in most cases with the mayor (even though the topic may lie outside his areas of responsibility). Of course politicians will always say they listen, but consultation is not empowerment. There is a qualitative difference between consultation outside the governance structures of the WMCA and public participation within its governance structures, ensuring that citizen representatives can take part in the policy-making process as it happens.

Towards the democratising of the WMCA

What are the reforms that would contribute towards democratising the WMCA and what opportunities are available to implement them? The key starting point is to recognise that the model of devolution to Combined Authorities that the government has imposed does not prevent reforms being made at the local level to make their structures and processes more democratic and participatory. The power to introduce democratic reforms lies in the hands of the local politicians

who govern the Combined Authorities. It is a matter of political will. The alternative is not just lack of public support, it is increased public cynicism and alienation, fuelling right-wing populism.

In Birmingham the campaign body Birmingham Against the Cuts has called in a series of articles on its website for the opening up of the structures and processes of the WMCA to participation by citizens, trade unions, service users and community organisations. The most inclusive and democratic reform would be an elected West Midlands Combined Authority Assembly. There is a precedent, London. The Greater London Assembly has 25 members, directly elected on a proportional political basis, responsible for holding the Greater London Authority and the Mayor publicly accountable. If it's right for London why isn't it right for the West Midlands? [14]

The constitution of the WMCA doesn't exclude the option of establishing an elected Assembly, though without constitutional changes its powers would only be advisory, unlike the Greater London Assembly. A number of models are possible. One would be to replicate the London model, with assembly members specifically elected. But a more inclusive and democratic model would be a much larger body composed of elected delegates not only from political parties but also from the range of organisations representing the diverse interest groups that make up the West Midlands, including community organisations, unions and service users, and reflecting its gender and ethnic make-up more effectively than the present WMCA Board. A change in the constitution of the WMCA would be needed to give it executive powers, at least over the general policy priorities and budget of the CA. But even under the present constitution, although its powers would only be advisory, its inclusive and representative character would enable the citizens of the West Midlands to bring to bear a powerful influence over WMCA policy that would be difficult for its leaders to disregard.

But it is not a question of an Assembly or nothing; there are other democratic reforms which would open up the WMCA to more democratic participation. First, the initial concessions of allowing union representation on some bodies needs to be extended to enable parity with the LEP representatives in terms both of the CA bodies accessed and the number of places, ensuring parity with the three LEP members on the Board and on the Scrutiny Committee.

Second, the Commissions should also be opened up to union representatives: it is illogical and counter-productive that, for example, the Productivity and Skills Commission should have no union representatives when their interests are at stake and they have knowledge and experience to contribute. Its constitution actually permits co-option: "At any time the Commission may recommend to the Combined Authority the appointment of additional members with specific areas of expertise to support particular elements of its work." (WMCA, 2016i, p 209). The membership of the Land Commission is at present restricted to a small group representing property development interests. It should be much wider and more inclusive, with places for, for example, environmental bodies such as the Campaign for the Protection of Rural England and Friends of the Earth.

Third, all these bodies should also be opened up to representation from community organisations and service users, with advisory or voting powers as appropriate, including the Board itself. The constitution of the WMCA explicitly permits the co-option of delegates onto the Board (WMCA, 2017b, part 1, para 4.5). Ideally they would be elected representatives from the WM Assembly.

Four, the scrutiny arrangements of the WMCA urgently need democratising. The House of Commons Communities and Local Government Committee report *Devolution: the next five years and beyond*, February 2016, recommends that:

the overview and scrutiny requirements in the Bill are an initial framework to be used as a basis for more robust provisions [...] These should be developed to suit the characteristics of

the local areas as a result of deliberate efforts to hold active discussions at local level, with residents involved in designing new and more open methods of scrutiny. (p 34)

The reforms of local council scrutiny arrangements advocated by Johnson and Hatter (2004) are equally applicable to Combined Authorities: “The co-opting of local stakeholders can help embed community involvement in O&S.” (p 14). They recommend that “O&S meetings should not be run on the old committee system basis – they should be exploratory and include where possible stakeholder and public representatives” (p 12).

The WMCA Scrutiny Committee should be opened up to public participation. This was acknowledged at the meeting of the Scrutiny Committee on 16 December 2016:

The Chair [Councillor Peter Hughes] commented that he was also of the view that there was a need for the Committee to engage with the public and special interest groups when undertaking its work. Councillor David Sparks supported the need to engage with the public and special interest groups and emphasised the need to be accountable to the public. (WMCA, 2017e, p 4)

This is a step in the right direction, but the WMCA constitution allows for more than inviting one-off contributions, it permits co-option onto the Committee: “The appointment of co-opted members is a matter reserved to the Combined Authority. An overview and scrutiny committee can make recommendations to the Combined Authority on the appointment of co-opted members.” (WMCA, 2017b, part 2, para 5.1). This could enable the co-option of representatives of unions and community and user bodies.

In addition, to enable an effective process of scrutiny of the full range of the activities of the Combined Authority a single committee meeting four times a year is entirely inadequate, even with the supplement of Select Committees to scrutinise the reports of the three Commissions. (Cambridgeshire and Peterborough CA has five scrutiny committees, Liverpool has three.) Since the work of the CA is organised in seven portfolios, one for each of the council leaders on the Board, it would seem appropriate to establish seven corresponding scrutiny committees. [15] This would have the advantages of involving more backbench councillors in the processes of the Combined Authority and of enabling the committee members to develop expertise in their particular field.

The manifesto for the West Midlands Mayor election that Unison published in December 2016 Unison’s manifesto contains four points on “Accountability, Engagement and Scrutiny” which echo the proposals above. Here are extracts from them:

1. “All items in this manifesto should be developed jointly with the full engagement of all key stakeholders including trade unions.”
2. “Three non-voting trade union seats on WMCA and seats on the key working groups, including public sector reform.”
3. “Develop a system to allow maximum public scrutiny of WMCA decisions.”
4. “Consider the development of a proper democratically elected assembly for WMCA.” (Unison, 2016).

It is particularly significant that a major trade union is calling for a democratically elected West Midlands Assembly for the Combined Authority. The trade union movement at the national level has been silent on Combined Authorities for the past year. There was nothing on Combined Authorities on the TUC conference agenda in September 2016.

The key point is that Combined Authorities can be changed. They can be made more democratic and participatory. It is not government that prevents it, it is the refusal of the leaders of the CAs, the majority of whom are Labour, to exercise their powers to do it. (See Appendix 6 for the national position of the Labour Party on Combined Authorities and democracy.) Change will therefore require pressure from both inside, initially from the union representatives, and from outside. But democratic change is not just an end in itself, its purpose should be to challenge the current neoliberal-dominated policy trajectories of the Combined Authorities.

In the WMCA at present pressure from inside can only come from the union representatives, and the difficulties should not be minimised. The WMCA operates within a framework dominated by a business agenda and overseen by the Conservative government. That context shapes not only its policy agenda but its organisational culture, in which the interests and policies of the LEPs and their representatives tend to become normalised as identical with those of the WMCA itself. It is a culture which aims at consensus, codified in its procedures: “Any matters that are to be decided by the Combined Authority Board are to be decided by consensus of the Board where possible.” (WMCA, 2016e, p 39). This engenders a depoliticised problem-solving discourse, as the minutes of meetings demonstrate, hostile to political opposition. In this powerful cultural context union representatives may well be lone voices confronting dominant interests and their experienced policy advocates, and subject to pressure to accommodate to them. Support for union representatives from their delegating union bodies in terms of well-prepared policy positions and pressure when needed is vital to sustain them.

But union delegates would also need support from the wider West Midlands public, and should be pressing for the right of their organisations and campaigns to representation on WMCA bodies. The conclusion of recent research studies of attempts by citizens to engage in local authority policy-making is relevant: participation in institutions of local government needs to be combined with organising to campaign outside them.

Political power is not necessarily shared. Indeed, civic culture and democracy are more likely to be strengthened by the development of independent organisations as well as oppositional parties and social movements that can challenge the council’s decisions. If the local civic and political culture were more adversarial, such that the community had the chance to challenge the council, this would have the potential to secure greater change while also providing opportunities for people to learn from experience, increasing the store of civic capacity within the locale. (Wills, 2016, p 86)

The social and political terrain of the West Midlands poses a particular challenge. It is large in scale compared to local authority campaigns and is not united by a strong sense of local identity. Some important organisations have a West Midlands-wide structure – in particular the unions, political parties and some third sector organisations – but many are much more local and will need to develop links and collaboration on a West Midlands-wide scale in order to campaign most effectively to influence the policies of the WMCA.

But it is also likely that, as the WMCA increasingly exercises its powers and rolls out its policies over time, questioning of them and opposition to them will also increase. There is a rich body of experience of such struggles over the right to the city – whose interests it serves - to draw on, in this country and internationally. The most relevant examples currently are the ‘Cities of Change’ in Spain. [16] What is possible there is also possible for us here in the West Midlands.

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Notes

1. A “Travel to Work Area (TTWA) as an area where at least 75% of the resident working population also work.” (WMCA 2015a, p 3). The data is based on the geography of the three Local Enterprise Partnerships, though only two of the three actually qualify under this definition. (The Black Country LEP figure is 71%.) But it is far from true of the WMCA area as a whole. The data available in the report (WMCA, 2015a) shows that the largest travel to work (TTW) flows into Birmingham are from Solihull (29,458) and Sandwell (28,088). But very few people travel to work between the Black Country in the north-west of the CA and Solihull and Coventry in the south-east. Data for only the ten largest travel flows from each place of origin are provided, but it shows that, for example, daily TTW from the Black Country to Coventry is less than 3,072 and to Solihull less than 1,612 (p 25). Similarly the TTW into Dudley from either Solihull or Coventry is less than 2,333 (p 23).
2. The £8 billion is borrowed money for investment in growth and therefore has to be paid back. I cannot find any information about this in the WMCA documentation.
3. There are elections for Mayor in six Combined Authorities on 4 May: Cambridgeshire & Peterborough, Greater Manchester, Liverpool City Region, Tees Valley, West Midlands, West of England.
4. “Increasingly, we see the right to the city falling into the hands of private or quasi-private interests. In New York City, for example, the billionaire mayor, Michael Bloomberg, is reshaping the city along lines favourable to developers, Wall Street and transnational capitalist-class elements, and promoting the city as an optimal location for high-value businesses and a fantastic destination for tourists.” (Harvey, D. (2013) *Rebel Cities*. London: Verso, p 23).
5. The Liverpool City Region seems to be the only other Combined Authority that has a similar arrangement to the WMCA. The Board comprises the leaders of the six constituent councils, the mayor, and a representative of the LEP. There is one difference: the LEP representative has a vote. (Liverpool City Region Combined Authority, 2016, p 35).
6. An indication of how intolerant the government would be of deviation by the WMCA from its imposed neoliberal agenda is the sudden departure of Birmingham City Council chief executive Mark Rogers in February 2017. According to the *Birmingham Post* (23 February), “many have come to the view that the removal of Mr Rogers has been engineered by Local Government Secretary Sajid Javid” because of Rogers’ failure to make sufficient cuts in the council budget and his public criticisms of “the impact of cuts on the city’s most vulnerable”.
7. In 2015 the 696 UK partners of EY each received a profits pay-out of £700,000.
8. Much of the SEP is based, some of it word for word, on the Greater Birmingham and Solihull Local Enterprise Partnership (2015) Strategic Economic Plan. The director of the GBSLEP at the time and until he resigned in the autumn of 2016 in order to stand as the Conservative candidate for mayor of the WMCA was Andy Street – an example of the close relations between the WMCA and business.

9. For some comments on HS2 see Hatcher, R. (2016a) 'Beyond the hype: Assessing the WMCA's claims for HS2'. Birmingham Against the Cuts, 10 August 2016.
10. Hatcher R (2016b) Skilled and ready: what Combined Authorities want from schools. *Forum: for promoting 3-19 comprehensive education* 58: 2,217-231.
11. Level 4 qualifications are above A Level and below degree level. They include Level 4 NVQ and HNC (Higher National Certificate).
12. The one exception seems to be the data in the technical appendix on *Skills* (WMCA, 2016m) about unemployment in each of the local authorities in the three LEP areas, on GCSE qualifications and the proportion of 16-18 year olds Not in Employment, Education or Training (NEETs) in the LEP authorities, and maps (based on 2011 data) showing the density of skills, qualifications and training across the WMCA.
13. Presumably Paul Anderson, the Head of Deutsche Bank's Birmingham office, is innocent of any involvement in Deutsche Bank's recent convictions for serious financial malpractices. See Treanor, J. (2017) 'Deutsche Bank fined \$630m over Russia money laundering claims', *The Guardian* 1 February. The article reports five recent Deutsche fines:
 - January 2017 £500m for Russian money-laundering offences.
 - January 2017 £75m to resolve a US government lawsuit over hiding tax liabilities to the Internal Revenue Service in 2000.
 - December 2016 £5.9bn for toxic bond mis-selling scandal.
 - November 2015 £200m for breaching US sanctions with Iran and Syria.
 - April 2015 £1.7bn for rigging Libor.
14. The population of the WMCA is 4 million. That is bigger than Wales (3m) and Northern Ireland (1.8m) and two-thirds the size of Scotland (5.4m), all of which have elected Assemblies.
15. Portfolio arrangements :
 - Councillor Bob Sleigh (Solihull), Chair of the WMCA: HS2 growth strategy
 - Councillor Pete Lowe (Dudley), Vice Chair: Health
 - Councillor John Clancy (Birmingham): Economic growth; the arts and cultural activity
 - Councillor Sean Coughlan (Walsall): Housing and land
 - Councillor George Duggins (Coventry): Skills and productivity
 - Councillor Steve Eling (Sandwell): Public service reform
 - Councillor Roger Lawrence (Wolverhampton): Transport
16. Currently the most radical experiences in Europe are the 'Cities of Change' in Spain, most notably in Barcelona where Ada Colau, an activist in the anti-eviction movement, was elected mayor in May 2015 on behalf of Barcelona en Comú, a new "citizens' movement" backed by several left-wing parties. Now Barcelona en Comú is working to establish a global municipalist network because "many of the struggles of the city hall and social movements in Barcelona are also taking place in other cities." "We must create a political space so that we can work with others to challenge, with greater strength and from more areas, the democratic deficit imposed by states and markets." See the article by Kate Shea Baird, Enric Brcena, Xavi Ferrer and Laura Roth at <http://www.internationalviewpoint.org/spip.php?article4816>

Appendices

Appendix 1

Far from the Mayor having the majority of power, the response from advocates of a more powerful Mayor was expressed by the West Midlands Police and Crime Commissioner, David Jamieson, who warned that “The proposed powers of the West Midlands metro mayor are 'totally inadequate' to oversee the new combined authority” (*Express & Star* 23 July 2016). At the Board Meeting on 9 December 2016, item 4.1 on the Mayoral Combined Authority ‘Functions’ Order, “On behalf of the West Midlands Police and Crime Commissioner, Jonathan Jardine made the following observations: The role of the mayor was too restricted by the Order and Constitution” (WMCA, 2017i, p 9)

Kevin Johnson (2016) on the Birmingham *Chamberlain Files* website (9 December) reports that councillors are restricting the mayor’s powers:

The key drivers for political leaders in the West Midlands have been to ensure that the Combined Authority and, in turn, the Mayor do not take away any of the current powers and responsibilities of their local authorities and to ensure the Mayor only makes decisions on the small number of policy areas which have been directly devolved to them. The leaders want to have the ability to check mayoral prerogative when they feel necessary.

The key issue is the insistence by WMCA leaders on requiring unanimity of voting on a large number of matters and excluding the Mayor from such votes.

Here is the distribution of WMCA functions according to the report *Implementing the Devolution Agreement – Provision for Mayoral West Midlands Combined Authority* (WMCA, 2016c), approved by the WMCA Board meeting on 10 June 2016:

4.10 The Scheme details those functions that will be a Mayoral function, a joint Mayoral WMCA/Mayoral function and a Mayoral WMCA function, in summary:

- **A Mayoral Function**

Exercised by the Mayor, WMCA Cabinet does not have a vote or limitation on these functions unless explicitly stated.

- **HCA CPO powers** (with the consent of the appropriate authority(ies))
- **Grants to Bus Service Operators** (Secretary of State to consult the Mayor)
- **Devolved, consolidated transport budget**
- **Reporting on the West Midlands Key Route Network (WMKRN)** (in consultation with the authorities)
- **Mayoral precept**
- **Raising of a business rate supplement** (in agreement with the relevant LEP Board(s) and the Mayoral WMCA)
- **Functional power of competence**

- **A Joint WMCA/Mayor Function**

The responsibility of the Mayor but, for example, is maintained/managed by the Mayoral WMCA. These functions are the responsibility of the Mayor therefore matters in relation to the exercise of these functions by the Mayoral WMCA would be subject to the Mayor’s vote in favour:

- **The West Midlands Key Route Network** – The WMKRN is the responsibility of the Mayor but maintained and managed by the WMCA, powers and

functions sought to achieve this are outlined in the Scheme (appendix C). Further joint WMCA/Mayoral transport functions sought are regarding bus re franchising and enhanced quality contracts.

- **Low emissions and clean air zones** - the Mayor and the Mayoral WMCA will have the power, subject to proposals being brought forwards, to create low emissions and clean air zones, with the affected highway authority(ies) consent.

- **Homes and Communities Agency (HCA) objectives and functions** – Mayoral WMCA to exercise functions concurrently with the HCA to drive housing delivery.

- Arrangements, exercised jointly/concurrently with the Secretary of State, for the purpose of **assisting persons to train for, obtain and retain suitable employment**, and enter into agreement for the provision of ancillary goods and services.

- **A Mayoral WMCA Function**

Exercised by the Mayoral WMCA and **not** subject to the Mayor’s vote in favour, the Mayor votes as a member.

- **Current WMCA powers and functions** – contained within the WMCA establishment Order – i.e. transport functions currently undertaken by the Passenger Transport Executive (PTE), and economic development and regeneration functions. It is not appropriate that the Mayor is required to vote in favour as such functions are Local Authority functions, exercised concurrently/in parallel and with the Local Authorities.

- **HS2 Growth: Development Corporations** - The WMCA to have the ability to designate any area of land, with the consent of the local planning authority(ies) for the area(s) in the Mayoral WMCA Area, as a development area leading to the establishment, by Order, of WMCA development corporations. As per the devolution agreement, this would be a Combined Authority-led development corporation to deliver local growth.

- **Matters reserved to unanimous Constituent Member voting** – contained within the WMCA establishment Order and WMCA Constitution, agreement of such matters are subject to a unanimous vote of the Constituent Member.

Appendix 2

This ambiguity over what is meant by “HS2 Growth” appears elsewhere. For example, the SEP claims that “the benefits of the largest infrastructure project in Europe” will secure “support for 2000 businesses” (p 46). What are these businesses? The SEP *Technical Appendix Top Strategic Companies* (WMCA, 2016l) contains a list of the 262 largest strategic companies in the West Midlands area by turnover. They are categorised into Strategic Priorities and one category is “HS2 Growth”. It only contains the following 10 companies, all logistics and transport businesses:

- Birmingham Airport Holdings Limited
- Davies Turner & CO. Limited Logistics & Transport Technologies
- Dpd group UK Ltd Logistics & Transport Technologies
- HS2 National Construction Headquarters Construction and Building Technologies
- National Express Group PLC Logistics & Transport Technologies
- Palletways Group Limited Logistics & Transport Technologies
- Princess Motor Yacht Sales Holdings Limited Logistics & Transport Technologies
- Renault Trucks UK Ltd Logistics & Transport Technologies
- The Alternative Parcels Company Limited Logistics & Transport Technologies

- West Midlands Travel Limited Logistics & Transport Technologies

Appendix 3

New Economy (2016b) *Low Pay and Productivity in Greater Manchester: Summary of Main Findings:*

The five low-productivity sectors are: administrative and support services; human health and social work; arts, entertainment and recreation; accommodation and food services; and retail. The low productivity sectors account for a growing share of jobs. In 2000 they represented 35% of employment. By 2014 the proportion was 40%. Two sectors are responsible for most of this growth. They are administrative and support service work (10.3% of all jobs) and human health and social work activities (12.7% of all jobs). (New Economy, 2016b, para 11)

Jobs in the low productivity sectors are typically people-facing, interactive service tasks that are difficult to automate (and to a lesser extent to standardise) in order to drive productivity improvements. They have been productivity laggards throughout recent economic history. The exception may be retail, which has seen greater increases in productivity (spurred by automation, self-service and online innovation) than the others. For these reasons, the chances that productivity growth in most low productivity sectors will reduce the incidence of low pay in the near to medium future are slim. (Para 14)

The explanation for low productivity is low value products and services requiring only low skills.

Demand for skills is also constrained by the business models of Greater Manchester employers. Employers in the city region appear to pursue 'low cost, low value, low skill' business models to a greater extent than is the norm in the UK. Some 21% of Greater Manchester businesses have 'low or very low specification product market strategies'. This compares with 18% for the UK as a whole. This low road approach implies lower demand for skills than would be the case if customised, differentiated, innovative (and in turn higher cost) products and services were being marketed by more employers. (Para 23)

In 2015 New Economy held a conference entitled *Exploring the debate between the low wage labour market and productivity improvement*. Below are extracts from the summary report by Stephen Overell, Principal, Employment and Skills, New Economy.

The British business model generates a lot of low paying work by international standards. Over a fifth of jobs pay less than the low pay threshold (two thirds of median earnings).

Low pay is concentrated in private sector services. Three quarters of jobs which pay the National Minimum Wage (NMW) are to be found in industries such as hospitality, accommodation, retail, care, cleaning, employment agencies, leisure, security and hairdressing. Some 9.7 million of the UK's total of 28 million jobs are found in these low-paying sectors (although not all are minimum wage jobs). With rare exceptions, these are also the sectors where productivity per employee is low and has been throughout economic history – implying at least some kind of a connection between productivity and pay.

Low wage, low productivity employment has grown significantly in the years since the recession to give the labour market its increasingly bottom heavy appearance. Excluding the self-employed, since March 1999, the number of jobs in the low paying sectors has grown by

1.4 million (17.2%) while the number of jobs in the rest of the economy grew 1.9 million (11.2%). (Overell, 2015)

Appendix 4

List of variables which are included in the economic forecasting model in *Vision Setting*, a technical appendix of the SEP (WMCA, 2016j, p 37):

- Population (2014 mid-year population estimates)
- Working age population
- Migration
- Employees (workplace based jobs)
- Self-employed jobs (workplace based jobs)
- Employment by 85 sector (workplace based jobs)
- Employment (workplace based people)
- Occupations by 25 minor groupings
- Sectoral forecasts (broad 19 groups) split into major occupation groupings
- Unemployment (claimant count)
- Unemployment rate (claimant count as % of population aged 16-64)
- GVA by sector (£m, 2011 prices)
- Resident employment (people based)
- Resident employment rate (resident employment as % of population aged 16 plus)
- Net commuting
- ILO unemployment
- Earnings
- Consumer spending
- Household incomes

Appendix 5

Extract from *Mental Health Commission Update*, Board Meeting 20 January 2017 (WMCA, 2017h, pp 108-9):

4.0 Financial implications

4.1 To support the on-going work of the MH Commission and enabling the implementation of the plan a budget of £290,000 is being requested which includes the salary of the Implementation Director which is shared through the Police and Crime Commissioner, West Midlands Combined Authority and NHS (E). The additional funding will support the on-going development and engagement;

- £10,000 for the Walk out of Darkness event in May 2017
- £10,000 for the citizen jury to support service user engagement
- £15,000 for the Criminal Justice Project lead – Lived Experience Consultant
- £30,000 for on-going project support to develop the primary care Mental health interface
- £20,000 for on-going project support for the Commission key leads
- £40,000 for project management resource
- £75,000 for on-going action activity

4.2 Whilst this is a substantial investment it will lever in considerable additional funds which includes:

- £250,000 from the Office of Police and Crime Commissioner for Offender related projects

- £65,000 from the Health and Work Unit to support the £10 Million pound bid for the roll out of Individual Placement and Support Budgets across the region
- £60,000 to initiate a Mental Health Treatment Requirement approach in Birmingham Courts
- Up to £2 Million being bid with NHS (E) and the Health and Work Unit currently to support a Wellbeing Tax incentive pilot scheme.
- Up to £1 Million to support a complex needs Housing First Project

Appendix 6

What is the national position of the Labour Party on Combined Authorities and democracy? In June 2016 the Labour Party held its annual National Policy Forum. At the time the shadow minister for Communities and Local Government was Jon Trickett MP. In previous months he had made several statements on local democratic empowerment. For example, giving evidence to the All-Party Parliamentary Group Inquiry on Reform, Decentralisation and Devolution (All-Party Parliamentary Group, 2016) in January 2016 he said "I think empowering communities and individuals should be at the core of whatever we do...., I think we need to now devolve decisions down to the lowest possible level compatible with achieving social justice." But the Report of the section on "Localism and local government" at the Labour National Policy Forum in June 2016, which Jon Trickett participated in, criticises the lack of democracy by the government in centralising power "at a time when the Government should be taking steps to empower communities", but makes no mention at all of what Labour councillors in Combined Authorities could themselves do to open them up to public participation.

In a speech to Labour supporters on 21 August 2016 Jeremy Corbyn promised a "radical devolution of power" from Whitehall to local councils, regions, and the devolved administrations, the replacement of the House of Lords with an elected second chamber, as well as new "citizens' assemblies". People would be given a greater say in their local communities through "democratic participation in budgeting, online democracy and control of local service" with a "citizens' right to challenge" the privatisation or outsourcing of services through referendums. (*Daily Mirror* 22 August 2016.) But there is no mention of the role that Labour councillors could play now to democratise Combined Authorities.

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