

CABINET ITEM COVERING SHEET PROFORMA

AGENDA ITEM

REPORT TO CABINET

4 DECEMBER 2014

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISION

Leader of the Council – Councillor Cook

TEES VALLEY UNLIMITED GOVERNANCE – A COMBINED AUTHORITY FOR THE TEES VALLEY

1. Summary

The purpose of the report is to:

- Highlight our ambition for establishing a Combined Authority for the Tees Valley to achieve our economic goals and to receive greater devolved powers
- Clarify what the Combined Authority would do
- Clarify its membership
- Clarify its relationship with the LEP
- Describe the scrutiny arrangements and how they would be funded
- Provide an update on timescales following a recent discussion with DCLG
- Set out plans for consulting on our Combined Authority
- Outline the decision-making process going forward

2. Recommendations

Cabinet is asked to:

- Endorse the progress being made towards the creation of a Combined Authority for the Tees Valley as set out in this report
- Request that appropriate consultation is carried out as outlined in the report
- Receive a further report to all five Borough Councils at the conclusion of the consultation prior to submission of a scheme to the Secretary of State.

3. Reasons for the Recommendations

To obtain in principle support for the establishment of a Combined Authority for the Tees Valley, in order to deliver the maximum economic benefits for the Borough and the Tees Valley; and to ensure appropriate consultation about the proposals is carried out with all interested parties, prior to a further report to all five Councils and the submission of a scheme to the Secretary of State.

4. Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in **paragraphs 9 and 11** of the Council's code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the Council he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the members financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the member or any person or body described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code)

Members may participate in any discussion and vote on a matter in which they have an interest, as described in **paragraph 18** of the code, where that interest relates to functions of the Council detailed in **paragraph 20** of the code.

Disclosable Pecuniary Interests

It is a criminal offence for a member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted) **paragraph 21** of the code.

Members are required to comply with any procedural rule adopted by the Council which requires a member to leave the meeting room whilst the meeting is discussing a matter in which that member has a disclosable pecuniary interest (**paragraph 22** of the code)

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DETAIL

A Combined Authority to help us achieve our economic ambitions

1. A great strength of the area has been its ability to demonstrate its unity of purpose in securing a more prosperous economic future. The five local authorities of the Tees Valley, working together with business as the Local Enterprise Partnership (LEP), have firmly established the sub-region on the national stage. An obvious example of our unity is the Statement of Ambition with its clear explanation of the policies to be pursued in achieving sustainable prosperity.
2. Our partnership is robust. It is a matter of great credit acknowledged by the Government, Business Representative Organisations such as Confederation of British Industries, Chamber of Commerce, Federation of Small Businesses, the Manufacturers' Organisation for Britain (EEF), and Institute of Directors and

neighbouring areas that the grasping of opportunities to help implement our economic strategy has only been possible because of the area's local authorities' steadfast ability to work together and in concert with the private sector. There is a focussed and proactive approach to growth which is pursued at the sub-regional level. This approach has led to a successful Enterprise Zone and numerous Regional Growth Fund (RGF) awards for local companies.

3. We are hugely ambitious for the Tees Valley and our communities. Our existing governance arrangements have served us well but we are in a fast changing world and it is essential that we build on our success. Our economy can only grow if we all work together, and the speed at which change is occurring warrants an appraisal of options that will help us to strengthen decision-making and cement our partnership. The reasons for this are:
 - We are securing more money to deliver our economic ambitions and we need to make sure we spend the money wisely, in line with our agreed priorities and to generate outcomes for our Boroughs and communities as quickly as possible.
 - We need to move fast in the modern world. Opportunities are presented to us which often require a fleet of foot approach so that we can compete effectively with other sub-regions for available resources.
 - We need to offer our communities and businesses the certainty that comes with cementing our partnership and the consistency of approach that this will bring.
 - We need proper scrutiny of what we do as a partnership in the spirit of openness, transparency and accountability.
 - We need to continue to consider the views of business in a proper, democratically accountable governance structure.
4. We want to be a big player, competing successfully alongside other, often much larger, sub-regions, both in the UK and internationally. We have always been ahead of our competition as illustrated by the establishment of our Enterprise Zone and RGF awards, for example. We have achieved this through being innovative, collaborative and creative. We must remain in the premier league, rather than risk lagging behind. We have a strong track-record of working together, recognised nationally, but we now have an opportunity to cement our partnership through a Combined Authority and benefit from the security of approach this would bring for us and our partners.
5. Our partnership needs to be supported by specific powers (as may be secured through a Combined Authority) so that its decisions, made by democratically elected members alongside business representatives, are speedily made – once instead of five times - and implemented. This will allow us to respond rapidly to opportunities to secure further resources, and to provide certainty to our communities and businesses about our purpose.
6. The funds for which TVU is responsible will increase substantially in size with EU Structural Funds, Local Growth Fund, the schemes approved through the City Deal (e.g. the Business and Skills Hubs) and funds returning from the Enterprise Zones. Future governments may well channel further additional resources through Combined Authorities. We will need to ensure that the decision-making,

accountability and claw-back in relation to these funds are effective, efficient and meet the requirements of funders.

7. Building on the strengths of our partnership, we are clear that new arrangements and powers would:
 - Combine the strengths of our LEP with new powers afforded by a Combined Authority.
 - Be non-bureaucratic. A Combined Authority which operates as the LEP would achieve this.
 - Be cost-effective. Our analysis estimates that there is limited additional cost across the Tees Valley to deliver more effective decision-making and delivery of our strategy.
 - Not re-create the former Cleveland County Council. A Combined Authority would not do this; it would assist decision-making on matters of jointly agreed priorities of economic development, skills and transport across the five Boroughs, and
 - Ensure we continue to work in harmony with business

Getting ready for greater devolved powers from Government

8. In the light of the Scottish referendum and commitment by all major political parties in the UK to greater devolution, the creation of a Combined Authority is our opportunity to seize the moment by having the right governance arrangements in place to make the case for and receive devolved powers and associated additional resources. It is right that we have been reviewing our own governance arrangements at the Tees Valley level and can position ourselves to maximise our involvement in shaping the devolution agenda.
9. At the heart of our governance review has been an options appraisal. There are essentially four types of governance model, each with variations within them:
 - (i) Enhancements of the status quo.
 - (ii) Joint Committees
 - (iii) Combined Authority models;
 - (iv) Company models;
10. These four options have been assessed against a set of 11 criteria. The assessment criteria relate to operational efficiency and effectiveness, capability to enhance our economic development, local authority governance, public sector financial management, and engaging the private sector.
11. Our appraisal of the options concludes that the most desirable model would be a Combined Authority for the Tees Valley. The status quo does not deliver the kinds of improvements needed as set out earlier in the report. The Joint Committee could be implemented relatively quickly but could not receive new powers in the way an authority could. The company, whilst having some advantages, could not recover VAT, there could be issues around Corporation Tax and the company's autonomy.
12. Part of the rationale for the Combined Authority is to make decision-making more efficient by requiring just one decision instead of five locally, and this is rightly

covered in **Appendix 1**. The major prize, however, is the devolution of powers from Government and the opportunities afforded by reversing decades of centralisation in the UK.

13. As a Combined Authority, we would want to attain the same level of powers on transport as have been held by Integrated Transport Authorities (formerly Passenger Transport Authorities) which have been transferred to every one of the five newly created Combined Authorities in the North East, West Yorkshire, South Yorkshire, Greater Manchester and Merseyside. The Tees Valley is unique in that we do not have an Integrated Transport Authority. Attaining the same transport powers as other Combined Authorities would support our strategic transport functions as set out in **Appendix 1**, and support our ambitions to accelerate economic growth, recognising the need to improve:-

- Connectivity within the Tees Valley, improving access to work, leisure etc;
- Connectivity between the Tees Valley and other regional and national centres to improve both mobility and our logistics industry, a key driver of economic growth; and
- Connectivity internationally, to scale up exports and inward investment

These ambitions cover road, rail, air and sea; for freight, passengers, commuters and visitors

14. The main powers exercised by ITAs are:
- a) Subsidising bus services which are not profitable to run but are considered socially necessary.
 - b) Providing/maintaining bus stations and shelters and planning and funding new public transport facilities.
 - c) Providing travel information about transport services.
 - d) Funding/managing concessionary travel schemes for the elderly, disabled, students, etc. including free passes and "Dial-a-Ride" services.
 - e) Potentially obtaining more powers over buses through Quality Contracts (QC) or Quality Partnerships.
 - f) Certain powers over local train services including influencing setting of fares and timetables.
 - g) Producing a Joint Local Transport Plan for the area.
15. In relation to economic development we would assume broad General Powers of Competence for Combined Authorities to promote economic prosperity, have the power to accept devolved funding for economic development purposes and to manage significant investment in transport and economic infrastructure to boost economic growth.
16. The scope for devolution of greater powers in future is significant. Greater Manchester Combined Authority has developed a Framework for Planning Cooperation which is designed to take a collaborative approach to land use for

housing and economic growth across its 10 local authority areas. This is one example.

17. The report 'Northern Futures' outlines some key asks, including devolved powers and resources to create competitive advantage with other regions nationally and internationally across key areas of energy, skills, international trade, transport and connectivity, resources, culture and tourism. The 'asks' range from rebalancing resource distribution to a more equitable share to support growth in northern regions, but devolved responsibilities around skills (to target STEM skills needs, for example), support for renewable energy, carbon capture and storage, and greater development of new and emerging markets / economies in support of international trade.
18. There has never been a better time to establish a Combined Authority.

What Would the Combined Authority do?

19. The principal functions of the Combined Authority would be to:-
 - (i) Set the strategic economic vision, key priorities and outcomes for the Tees Valley area, in relation to:-
 - Economic Development;
 - Strategic Transport and Infrastructure
 - Employment and Skills
 - Business Investment
 - Low Carbon; and to
 - (ii) Fulfil other duties and responsibilities including to:-
 - determine the use of funding received for joint purposes;
 - approve the commissioning of capital projects; and
 - consider funding agreements and joint venture arrangements
20. **Appendix 1** shows the proposed Terms of Reference for the Combined Authority setting out a comprehensive list of its functions in relation to each of the functional areas in (i) above. It also sets out the decisions that the Combined Authority would take, alongside the decisions to be taken by the local authorities.

Who would be Members of the Combined Authority and how would Membership work?

21. The Combined Authority would consist of a representative Member appointed by each of the five Tees Valley Authorities, with the intention being that this would be either the Authority's Leader or directly elected Mayor, each with one vote. The term of office of each Member would be for one year. Each Leader / Elected Mayor could take responsibility for a specific portfolio within the Combined Authority's remit, working with the support of other Members through a designated Sub-Committee (see 27 below)
22. Each constituent Authority would nominate a specified Member (e.g. relevant Cabinet portfolio Member / Committee Chair) to be a substitute to attend meetings of the Combined Authority, when a representative Member is unable to attend, or at a time when there is a vacancy in respect of the Authority's representative Member.

23. A constituent Local Authority may terminate the appointment of its representative Member and nominated substitute at any time and may appoint others in place of those Members. A representative Member or nominated substitute may resign his/her membership of, or position on, the Combined Authority at any time by providing for the appropriate notice.
24. A representative Member or nominated Substitute would cease to be a representative Member or Substitute if they cease to be a Member of the constituent Council that appointed them. Appropriate notice would be given. As soon as practicable, the relevant Authority would arrange to appoint a new representative Member or nominated substitute.
25. Members on the Combined Authority could co-opt others (e.g. business representatives) in line with the current TVU Leadership Board.
26. The Chair and Vice-Chair would be appointed annually for a one year term by the Combined Authority from amongst the representative Members of the constituent Local Authorities and the positions would rotate between the constituent Councils each year.
27. The constitution of the Combined Authority would include the ability to create a sub-committee for transport functions given the extent of the powers of an Integrated Transport Authority that would need to be managed by the Combined Authority.
28. **Appendix 2** sets out some detail of the current TVU management and financial arrangements. It then goes on to set out the detailed proceedings of the Combined Authority.

What would be the Relationship with the LEP?

29. We want our Combined Authority to be as efficient and effective as possible. One means of achieving this is to make the business and meetings of both the LEP and the Combined Authority seamless. In other parts of the country where Combined Authorities have been set up, they continue to operate the LEP in a separate, if coordinated, cycle of meetings to the Combined Authority. Our intention is to join them together, supported by a single officer team (TVU staff), with a single agenda.
30. It would be necessary to ensure that meetings are chaired and managed appropriately. There is a requirement for LEPs to be chaired by someone from the private sector and constitutionally a Combined Authority should be chaired by an Elected Member. Local authorities are involved in, advise and are represented on the LEPs, usually through the Council Leader, and businesses can be involved in, advise and be represented on a Combined Authority. This model brings to decisions the expertise of business in the Tees Valley, and ensures through the Combined Authority that the local authorities are accountable for the money that is being spent. Business members would effectively be expert non-executive directors of the Combined Authority.
31. It would be possible to enhance governance arrangements by ensuring Leaders and the Elected Mayor, when not chairing the Combined Authority, each acts as a spokesperson for a specific theme in a similar way to the current arrangements with the LEP, e.g. Cllr Dixon speaking on transport issues and with these roles each having a corresponding business “shadow”, maintaining and enhancing the strength of the current arrangements.

32. It is important as part of any future developments that the excellent delivery and working arrangements that we have currently (through our LEP) are preserved but that transparency and accountability of democratic decision-making is at its core.
33. To facilitate and provide for effective governance arrangements going forward LEP and Combined authority meetings would essentially be one meeting with a two-part agenda.
34. The LEP element of the meeting would be chaired by a representative of the Business Community (with a local authority Vice Chair who would be the Chair of the Combined Authority). Local authorities would continue to be involved in, advise and influence the business of the LEP, as now. This is not a decision making body as decisions would be taken by the Combined Authority.
35. The meeting would then seamlessly move to the business of the Combined Authority. For that aspect which is decision-making, the Chair would be a local authority elected member. The decisions would be taken by those representatives with voting rights, with others in attendance.
36. If the intention is that membership of the Combined Authority is afforded to all LEP members, then this would aid a seamless approach.

How would Scrutiny Arrangements work?

37. Part 6 of the Local Democracy, Economic Development and Construction Act 2009 states that every Combined Authority must put into place arrangements for the review and scrutiny of the discharge of its functions.
38. CLG has set out to all local authorities what it sees as good practice in relation to governance and scrutiny and this formed the basis of its recent consultation on Combined Authorities and Economic Prosperity Boards, to which the Tees Valley responded. CLG's proposal to amend the legislation is expected to be confirmed.
39. The proposed scrutiny arrangements for the Tees Valley Combined Authority are therefore based upon and incorporate the CLG guidance, plus items which have been included in the current Orders for the new Combined Authorities published by the Secretary of State.
40. We propose a Scrutiny Panel of 3 Councillors from each of the Tees Valley constituent councils. This is consistent with a number of Combined Authorities already set up and would produce a sensible number of Councillors to be a Panel for the Tees Valley. Membership of the Scrutiny Panel must be politically proportionate.
41. The quorum of the Combined Authority Scrutiny Committee is proposed to be 7, which must include representatives of 3 out of the 5 Tees Valley Authorities. There could not be a minority of councils making recommendations on behalf of the majority.
42. Whilst it is anticipated that it would have the ability to 'call-in' decisions of the Combined Authority, the work programme of the Scrutiny Panel is intended to encompass upstream work: reviewing, informing and shaping policy and decisions and the direction of the Combined Authority. This would help to ensure that any decisions which are made by the Combined Authority are in line with its agreed policies. The Greater Manchester Scrutiny Panel is deemed to be working well under this model with Members examining significant areas of policy in relation to the

Combined Authority's business.

43. The support necessary to run the Combined Authority Scrutiny Committee arrangements (i.e. any necessary resources and staff) is intended to be provided by the Authority of the Chair, and is to rotate annually between the Tees Valley Authorities in the same way.
44. It is intended that by operating the support in this way that the Scrutiny arrangements can be run at little or no extra cost to the Combined Authority, with the support work being absorbed into the relevant Authority's day to day work. This is similar to the arrangement already in place at the Greater Manchester Combined Authority, where it is working effectively. The democratic services officers already in place at Manchester City Council run the scrutiny panel in practice, and have been able to absorb the extra work into their own department. West Yorkshire Combined Authority have also confirmed that there is to be no additional cost associated with their own scrutiny arrangements. As part of the development of the new arrangements further work will be undertaken to establish the support arrangements and model for scrutiny. More detail behind the scrutiny arrangements is set out in **Appendix 3**.

Update on the Timetable to becoming a Combined Authority

45. There are 4 stages to the process of becoming a Combined Authority as defined by Government, and this dictates, in part, the timescale for securing this status.
46. First, we have to review our governance arrangements and we did this in the form of our detailed options appraisal that was reported to Leaders and the Elected Mayor in the Spring. Having concluded that the Combined Authority is right for the Tees Valley (and this will be subject to confirmation through the Cabinet / Finance and Policy Committee reports indicated in the Next Steps below), we move to stage 2.
47. Stage 2 is the drawing up of what is known as our "scheme"; what the Combined Authority is, what its powers are intended to be, who is on it, how it would operate. The contents of this report would form the basis of the scheme. We would work closely with officials at the Department for Communities and Local Government to prepare this. Much of the detail within this report and its appendices would form the basis of our scheme. It is expected that we would have consulted locally on our scheme before submitting it to Government. In accordance with our own good practice as local authorities we would want to do this anyway. Outline plans for consultation are set out below.
48. Stage 3 involves Government engaging and consulting on our scheme. We will have consulted locally already, effectively warming up our partners, business and stakeholders to the benefits of our proposals. If Government concludes that our proposals are supported (including by our own local authorities) and meet statutory criteria of improving the efficiency and effectiveness of transport and economic development and delivering economic growth, then Government moves to stage 4.
49. Stage 4 involves the laying of an Order before both Houses of Parliament. Once approved by both Houses, the Order is made and then comes into force on a specified, pre-agreed date.
50. In broad terms, this report to Cabinets / Finance and Policy committee in November / early December seeks approval to progress to local consultation. We anticipate that, subject to the outcome of consultation, we would be ready to submit our scheme to Government in February / March 2015. The General Election takes place in May

2015 and there will undoubtedly be a delay in proceedings within Government for several weeks afterwards. There is a need for the Order to be debated in both houses of Parliament so the most likely conclusion is that the earliest our Combined Authority could come into being is October 2015 or during the winter of 2015/16.. It may be desirable to consider our Combined Authority as operating in shadow form, through our LEP, ahead of its formal approval by Parliament. This would aid a seamless transition.

How would we Consult on our Proposals?

51. A detailed consultation plan has been developed and will be implemented subject to all five Cabinets' / Finance & Policy Committee's approvals. Considerable work has already been undertaken to inform key stakeholders about our ambitions and the rationale for a Combined Authority for the Tees Valley, but consultation will commence in earnest as soon as all five authorities have approved this report. Set out below is a summary of the approach to consultation.

Who

52. There are a range of organisations, groups, individuals which may form part of the proposed consultation arrangements.
- Association of North East Councils/North Yorkshire Councils
 - Businesses and Business Organisations
 - Colleges/Schools
 - Durham Tees Valley Airport
 - Government Departments and Agencies
 - Members of Parliament and House of Lords representatives
 - North Yorkshire LEP
 - Parish and Town Councils
 - Ports
 - Regional and Sub Regional Newspaper Editors
 - Residents
 - TVLEP/NE Combined Authority
 - Trade Unions
 - Universities
 - Other partners

When

53. The consultation with those groups detailed above is to be arranged and delivered in December 2014 and January 2015.

What

54. For each of the target groups there are a range of potential options. Taking the examples cited from the NE Combined Authority , which was recommended to us by CLG, the proposal would be as follows:
- Key documents and FAQ and contact information for feedback on each LA website.
 - Letter to key stakeholders inviting direct response to proposals.
 - Key contacts for each key consultee for more detailed discussion for feedback if required.

- Online consultation with residents via each authority website.

FINANCIAL AND LEGAL IMPLICATIONS

Financial

55. The financial implications of establishing a Combined Authority are set out in **Appendix 2** and **Appendix 3** (Scrutiny). In summary, based on the analysis undertaken to date, it is estimated that there will be minimal additional costs to each local authority in establishing and running the Combined Authority. There will, for instance, be some costs associated with the setting up of the new body, such as Audit Fees, but these will be kept to a minimum.

Legal

56. Part 6 of the Local Democracy, Economic Development and Construction Act 2009 (“the Act”) enables the creation of combined authorities. They are public corporate bodies that can be given local authority functions (powers and duties) relating to economic development and regeneration, and also transport functions that are available to integrated transport authorities. The Act establishes a framework and process for the creation of combined authorities. This report and its proposals are the initial stage in complying with the statutory process for establishing a combined authority for the Tees Valley.

RISK ASSESSMENT

57. Risks associated with establishing a combined authority for the Tees Valley, or perhaps more importantly not doing so, have been considered during the governance review and as part of the options appraisal referred to in the report. In particular, although the LEP works very well and is well-regarded as a model by other areas, there is a danger that we could be left behind other regions who already have the full range of powers of a Combined Authority. We need to be able to compete nationally and internationally, so it is vital that we have the same legal status through a Combined Authority. The risk is that if we get left behind, we will miss out on devolution of powers and resources from Government and that our economy and communities suffer while others prosper. Risks will continue to be considered as the process of establishing the combined authority develops. The combined authority itself, if and when established and operational will consider risk as an essential part of its governance arrangements.

COUNCIL PLAN IMPLICATIONS

58. The Combined Authority would set the strategic economic vision, key priorities and outcomes for the Tees Valley in relation to economic development; strategic transport and infrastructure; employment and skills; business investment and low carbon.

EQUALITY IMPACT ASSESSMENT

59. An assessment will be undertaken during the development of the proposals for the combined authority, but the most significant impact will be as a result of our strengthened ability to create more jobs, to target skills and training to local people, so that they can share in the future prosperity of the Borough and the wider Tees Valley. All five Councils in the Tees Valley have effective services to help unemployed and low paid people to gain skills and confidence to move into work or

to progress up the jobs ladder. With this kind of support in place, we are all well placed to ensure the benefits of accelerated economic growth through the Combined Authority are shared with people from low income households.

CONSULTATION

60. Details of the intended consultation process are set out in the report, specifically at paragraphs 51 to 54 inclusively.

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<u>Background Papers:</u>	None
<u>Ward(s) and Ward Councillors:</u>	Not Ward Specific
<u>Property Implications:</u>	None at this stage