

AGENDA ITEM

REPORT TO COUNCIL

4 MARCH 2015

REPORT OF THE CORPORATE MANAGEMENT TEAM

A COMBINED AUTHORITY FOR THE TEES VALLEY

SUMMARY

The report provides information on the outcome of the consultation results, details of the Draft Scheme and an outline of the future timetable.

RECOMMENDATIONS

Members are recommended to:

1. Note the positive nature of the consultation results.
2. Agree to the referral of the Draft Scheme to Council for consideration and endorsement prior to submission to the Secretary of State.
3. Delegate authority to the Chief Executive in conjunction with the Leader of the Council to make any minor changes which may be required to the draft scheme through the negotiation process with the Department for Communities and Local Government.
4. Note that further reports may be forthcoming to Cabinet as required following DCLG processes.

DETAIL

1. At the Cabinet meeting of 4 December 2014 a report was received in respect of the potential creation of a Combined Authority for the Tees Valley (including Darlington, Hartlepool, Middlesbrough, Stockton and Redcar & Cleveland).
2. As part of this report it was agreed to undertake consultation as outlined and receive a further report prior to the submission of a draft scheme to the Secretary of State.
3. This report incorporates a recap on the rationale for the establishment of a Combined Authority (the original report is available on agenda at **Appendix 1 page 7**), and how it will support the achievement of our economic goals, the results from the consultation and the draft scheme for submission to the Secretary of State.

The Benefits of Moving to a Combined Authority

4. 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.
5. 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
6. The Authorities 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 further develop our partnership.
7. Across the Tees Valley 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.
8. The funds for which TVU is currently 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.
9. Part of the rationale for the Combined Authority is to make decision-making more efficient by requiring just one decision instead of five locally. The major prize, however, is the devolution of powers from Government and the opportunities afforded by reversing decades of centralisation in the UK.
10. 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. 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 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.

11. In relation to economic development we would assume broad well-being powers 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.
12. The creation of a Combined Authority would benefit our communities by improving our ability to:
 - Create employment opportunities;
 - Target resources to skills development where they are most needed;
 - Attract businesses here to make the most of opportunities especially in new and emerging industries as we diversify our economy; and
 - Create the transport infrastructure and strategy that helps people and goods move around the Tees Valley more effectively, and between the Tees Valley and other centres both nationally and internationally.
13. There has never been a better time to establish a Combined Authority.

The Operation of a Combined Authority

14. As was highlighted in the last report 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. Members on the Combined Authority could co-opt others (e.g. business representatives) in line with the current TVU Leadership Board. 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.
15. 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. The proposed scrutiny arrangements for the Tees Valley Combined Authority are based upon and incorporate CLG guidance and it is proposed that there be 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.

Consultation Results

16. As agreed as part of the report in December 2014 a consultation process has been running across all five local authorities. At **Appendix 2, page 31** (available on egenda) are the results of this consultation which provide more detail than is included in this section of the report.

17. The consultation ran from 10 December 2014 to 31 January 2015 and was publicised through press releases, inclusion on authority websites, social media and direct contact across the five boroughs.
18. In total there were over 1900 responses (of which 1638 were residents) which is a significant return. It was important that the numbers of responses were maximised (hence the promotion around the consultation). As context, when the consultation was undertaken in the north of the region in respect of the establishment of their Combined authority there were a total of 650 responses to the consultation (of which 450 were residents).
19. The results are supportive of the creation of a Combined Authority. A number of people did not answer the question. Of the 1828 responses almost 65% were in favour of the creation of a Combined Authority (with 27% against and 8% don't know).
20. In addition to the responses to the questions posed there have been a number of comments made. These have been both in favour and against the creation of a Combined Authority and a range of them are reflected at **Appendix 2, page 31** (available on egnda).
21. The results of the consultation are clearly in favour of the creation of a Combined Authority and a strong endorsement of the proposals.

A Draft Scheme for the Establishment of the Combined Authority

22. The Authorities are required to submit a draft scheme for the operation of the Combined Authority to the Secretary of State to lay the appropriate orders in Parliament.
23. A draft Terms of Reference was submitted to Cabinet in December. Attached as **Appendix 3, page 65** is the proposed Draft Scheme for submission to the Secretary of State for the Combined Authority. There are no significant differences between the draft scheme and the draft Terms of Reference previously submitted. It sets out a comprehensive list of its functions in relation to each of the functional areas in 24(i) below. It also sets out the decisions that the Combined Authority would take, alongside the decisions to be taken by the local authorities.
24. Based on this (and shown in more detail in **Appendix 3, page 65**) 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

Update on the Timetable to Becoming a Combined Authority

25. There are a number of stages to the process of becoming a Combined Authority as defined by Government, and this dictates, in part, the timescale for securing this status.
26. Following consideration of the matter by respective Cabinets/Finance and Policy Committees officers from each of the five councils have been working on the drawing up of the “scheme” (**Appendix 3, page 65** to this report); what the Combined Authority is, what its powers are intended to be, who is on it, how it would operate. It is expected that we would have consulted locally on our scheme before submitting it to Government (see **Appendix 2, page 31** (available on egnda) to this report and paragraphs 16-21 above).
27. Following consideration by each of the Finance and Policy Committees/Cabinets the proposals included in this report require consideration and endorsement by each of the respective Councils before submission to the Secretary of State.
28. The next stage involves Government engaging and consulting on our scheme. We have consulted locally already, effectively warming up our partners, business and stakeholders to the benefits of our proposals and providing the opportunity for any comments and views to be expressed. 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 the final stages.
29. The final stage 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.
30. In broad terms we would be ready to submit the scheme to Government in early April 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.
31. Cabinet considered the item on 12th February 2015 and a copy of the relevant minute extract is attached to the report.

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