



RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** on **MONDAY 24 JUNE 2013**.

The decisions will come into force and may be implemented from **THURSDAY 4 JULY 2013** unless the Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Improving Economic Governance – Creation of a Combined Authority [Key Decision: R&ED/16/13]

Summary

The Cabinet considered a joint report of the Chief Executive and the Corporate Director, Regeneration and Economic Development advising of the outcome of the extensive area-wide review of governance arrangements undertaken in relation to local authority functions concerning economic growth, skills and transport across the seven North East Local Authority areas comprising: Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. Cabinet considered the submission to Government of a request to establish a Combined Authority covering the area of the seven local authorities.

A Combined Authority is a legal structure to lead collaboration between local authorities and enable strategic decision-making on economic growth and transport. They were introduced in the Local Democracy, Economic Development and Construction Act 2009 and are designed to enable groups of local authorities to work closely together to deliver improvements in economic growth and transport across local authority boundaries.

In order to establish a Combined Authority, a review assessing existing governance arrangements for the delivery of economic growth and transport must be carried out. If the review concludes that establishing a Combined Authority would be beneficial, authorities may then draw up a scheme for the new body. Once the scheme is completed and published the Secretary of State will consider and consult with authorities concerned and any other appropriate persons. If approved, a draft order will be laid before Parliament and must be approved by a resolution in each House of Parliament.

There is one Combined Authority already in existence, namely, the Greater Manchester Combined Authority. Other regions have undertaken a Governance Review and have requested the Secretary of State to approve the making of Orders

establishing combined authorities in these regions. These regions are the Sheffield City Region Combined Authority and the West Yorkshire Combined Authority.

The leaders of the seven North East local authorities (Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland) meet as the LA7 Leadership Board (LA7LB) to discuss key issues affecting the area. The LA7LB share an ambition to create the best possible conditions for growth in jobs, investment and living standards, to make the North East an excellent location for business, to prioritise and deliver high quality infrastructure and to enable all the people of the area to raise their skill levels and to benefit from economic growth long into the future.

With this ambition in mind, the LA7LB tasked the Chief Executives of the 7 local authorities to lead a Governance Review to assess the existing governance arrangements across the LA7 local authorities' areas in relation to functions concerning economic growth, skills and transport. The review was undertaken to ascertain if the governance arrangements could be improved.

A Governance Review commenced in February 2013 and concluded in May 2013.

The remit of the Governance Review was to:-

- Evaluate the effectiveness and efficiency of existing governance arrangements for economic growth, skills and transport;
- Consider the options available for making changes to the governance structures and arrangements, including leaving the existing governance arrangements in place or strengthening or restructuring such arrangements;
- Consider the establishment of either an Economic Prosperity Board (EPB) that would make strategic decisions in relation to only economic growth and skills functions in the constituent authority areas, or a Combined Authority that would make strategic decisions not only in relation to economic growth functions but also transport in the area; and
- Recommend which option is likely to be most beneficial to the constituent authority areas.

The Governance Review drew on expertise from across the constituent authorities and a Governance Review project team comprising officers of different disciplines were responsible for co-ordinating the Governance Review. The project team reported directly to the LA7LB consisting of the seven Leaders and Elected Mayor of the constituent authorities and the Chief Executives group. Ongoing support and guidance was provided throughout the review process by representatives from the Department for Communities and Local Government.

The key findings of the Governance Review were that:

- The evidence review of the economy sets out a rationale to work collaboratively across the LA7 area, recognising strong and increasing integration across labour markets, housing markets and key sectors.

- There is scope for a joint approach to enable economic growth based on key sectors and place.
- Real opportunities exist for policy coordination and integration across different policy themes.
- There is a need for 'institutional capacity' across the area to:
 - take on devolved powers and responsibilities;
 - provide the governance framework for a single approach to investment across the area; and
 - raise the profile of the area.
- There is a clear impetus to ensure the North East is maximising the use of new funds alongside local resources.
- There is a need to simplify and strategically coordinate the skills system for employers, providers and learners.
- The seven local authorities have been successful at attracting inward investment and there is further untapped potential, but the current approach lacks coordination.
- There is a significant opportunity to take a joint and prioritised approach to transport investment within a coordinated strategic approach that is integrated with wider economic development objectives.

The review therefore concluded that the existing governance arrangements could be improved and after consideration of alternative options, concluded that the formation of a Combined Authority made up of the 7 constituent local authorities (the 'constituent authorities') would be most beneficial. As a result a Scheme detailing the operational arrangements and constitutional makeup of the proposed Combined Authority was drafted for consideration by the Secretary of State.

The Secretary of State will only place an Order before parliament if he considers that the Order is likely to improve:-

- The exercise of statutory functions relating to transport and economic growth in the area or areas to which the Order relates, and
- The economic conditions in the area.

The LA7LB are confident that the findings of the Governance Review demonstrate that a Combined Authority will provide robust, joined-up decision making across the wider area that will in turn improve the economic wellbeing of the area and provide a stronger voice nationally and internationally.

The Combined Authority will, subject to the making of the appropriate Order by parliament, come into existence on 1 April 2014. The Combined Authority will put on a statutory footing the long history of collaboration that has existed between the constituent authorities.

The functions of the Combined Authority relate to economic growth, skills and transport. At the conclusion of the Governance Review, the constituent authorities determined that some of the economic growth functions of each constituent authority will be shared with the Combined Authority. As those functions are to be exercised concurrently with the Combined Authority, the Council, along with the other constituent authorities, will not lose any of these powers. The transport functions

unlike the economic growth functions are to be discharged solely by the Combined Authority. The Governance Review and draft scheme were widely consulted on between 21 May 2013 and 11 June 2013.

The detailed Governance Review concluded that a Combined Authority would improve the exercise of statutory functions in relation to economic growth, skills and transport across the North East. The proposal by the LA7LB to establish a combined authority was also endorsed in the findings of the North East Independent Economic Review led by Lord Adonis.

The Governance Review and the Combined Authority proposals emphasise the role that local authorities collectively play in promoting economic growth across the area. The *“Altogether Wealthier”* theme in the County Durham Sustainable Community Strategy sets out an approach, within the framework of the County Durham Partnership, which places great emphasis on creating a vibrant economy, highlighting the crucial role of transport, skills and inward investment as well as quality of place in enabling economic growth. The Combined Authority proposals support County Durham’s already established approach, opening up further opportunities to capitalise on assets and strengths in County Durham to boost both local and regional economic growth.

Decision

The Cabinet agreed to:

- (a) Endorse the findings of the Governance Review document at Appendix A in the report, and specifically that establishing a Combined Authority will improve the exercise of statutory functions in relation to economic growth, skills and transport in the Combined Authority’s area, leading to an enhancement of the economic conditions and performance in the area.
- (b) The submission to Government of the Scheme for the establishment of a Combined Authority on the basis of the Scheme at Appendix 1 of the Governance Review report, and noted the proposed transfer and sharing of the functions contained within the Scheme as detailed in paragraphs 28 to 34 of the report.
- (c) Submit this report and appendices to Council for endorsement of Cabinet’s decisions upon the recommendations in this report.
- (d) Transfer Local Transport Powers and Duties to the Combined Authority as detailed in Appendix C.
- (e) Authorised the Chief Executive in consultation with the Leader to agree the terms of any documentation required to enable the Authority to become a constituent authority of the Combined Authority including the constitutional arrangements and operating agreement in so far that this does not place additional financial commitments on the Council, and to authorise the Corporate Director of Regeneration and Economic Development, the Head of Legal and Democratic Services and the Corporate Director of Resources, to complete the relevant documentation and take all steps necessary to give effect to the above recommendations.
- (f) Receive further reports, as and when necessary, once the full financial and governance arrangements have been finalised.

Neighbourhood Planning – Council Procedure

Summary

The Cabinet considered a report of Corporate Director, Regeneration and Economic Development to agree a formal procedure for Neighbourhood Planning introduced by the Localism Act.

The Localism Act introduced Neighbourhood Planning which includes three components; Neighbourhood Development Plans (or Neighbourhood Plans), Neighbourhood Development Orders and Community Right to Build Orders. To support their implementation the Government has now published the regulations on how they are to be prepared – The Neighbourhood Planning (General) Regulations 2012 (Statutory Instrument 2012, No. 637), which came into effect on 6 April 2012. Although they are to be prepared by the local community, the Council, in its role as local planning authority, has a statutory duty to support and enable the process.

Neighbourhood Development Plans will form a statutory part of the planning system, carrying weight in planning decision making, with the County Durham Plan and a Neighbourhood Plan being the “Development Plan” for that area. They are to be prepared by Neighbourhood Forums, which in parished areas will be Town or Parish Councils (Local Councils) but in unparished areas the Act makes it clear that they must be formed by an organisation or body “established for the express purpose of promoting or improving the social, economic and environmental well-being of an area”.

Neighbourhood Development Orders (NDO) are prepared by a forum set up in the same way as for a Neighbourhood Plan. They can allow certain types of development in certain locations, without the need to submit a planning application to the Council. They can apply to all of a Neighbourhood Plan area, or to a particular site within the neighbourhood. They can also be prepared as an alternative to a Neighbourhood Plan. Their purpose is to simplify the planning system in a specified area, for example, by allowing changes of use that would normally need permission or by allowing certain types of development that would normally need permission. The Council must approve NDOs and they are subject to an examination by an independent person. The establishment of the forum is governed by the same requirements as for Neighbourhood Plan forums.

Community Right to Build Orders are a mechanism for delivering community Right to Build, and are a specific type of Neighbourhood Development Order. They allow a local community organisation to bring forward a small development, which might include proposals for new homes, business premises and/or community facilities. They are subject to independent examination and the Council must be closely involved in their preparation.

These three elements to neighbourhood planning are a formal part of the planning process and the regulations are quite specific, with the Council having particular functions to carry out. The report to Cabinet outlines Durham County Council’s approach to fulfil its obligations to support the preparation of Neighbourhood Plans,

Neighbourhood Development Orders and Community Right to Build Orders at paragraphs 13-27 of the report.

In order to support local communities who decide to prepare a plan or an order, the County Council is preparing a “Neighbourhood Planning Toolkit” that sets out the procedures and how it can help. Officers have also been involved in providing and inputting into general workshop and advice sessions to groups of Local Councils and the County Durham Association of Local Councils (CDALC).

The Council has a statutory duty to support the process, and, given the scale of the County this could have major cost implications depending on the success or otherwise of bids to the Government’s funding stream.

The introduction of Neighbourhood Planning through the Localism Act gives local communities the opportunity to develop plans and orders with real planning powers. Such an approach is to be welcomed but communities have to work within the framework of the County Durham Plan. As such, the Council, in preparing that Plan, must work to get community support in order that communities can develop their proposals in a framework that they support. Equally, those seeking to create a forum in unparished areas must abide by the requirements of the Localism Act and the Council will need to assess applications carefully to ensure that a forum’s membership and constitution reflects the requirements of the Act.

Decision

The Cabinet approved the process set out in paragraphs 13 to 27 of the report as Durham County Council’s approach to meet its obligations to support the preparation of Neighbourhood Plans, Neighbourhood Development Orders and Community Right to Build Orders

Proposed ICT Services Collaboration between Durham and Sunderland

Summary

The Cabinet considered a report of the Corporate Director, Resources advising of the strategic proposal to deliver a collaborative ICT service for Durham County Council and Sunderland Council from a single joint organisation in conjunction with a commercial partner.

The ICT managers of the North East LEP authorities in the North East ICT group (NEICT) are facing the same problems of reduced budget against a background of increasing ICT service demands and usage. A proposal was put forward to work more collaboratively and share service delivery across the region, where practical, by each authority taking responsibility for the delivery of functions across all authorities rather than just their own. This proposal has been considered and developed further by Durham and Sunderland authorities with a view to the possible collaborative merging of the two ICT services. The concept and practicalities of a collaborative merging of the two ICT services has been agreed in principle by the two Corporate Management Teams of both authorities. Following several strategic

meetings between the two ICT Management Teams, the following benefits of a combined service approach have been identified:

- A significant reduction in overall cost, ensure sustainability and deliver better value for money ICT services in both authorities
- A retention of the necessary skills to support ICT across the authorities and the ability to respond to change to support transformation, maintain operational performance levels and respond to new service requirements
- Retained public sector ownership of their ICT by each authority.
- Provide a common platform to support new models of public service delivery including future shared services between the participating councils
- A common regional ICT infrastructure strategy, including networks and data centres
- A review of how applications are licensed and supported across the councils with a view to driving down costs
- Economies of scale in infrastructure provision not only for local public services but also for small businesses, mutuals, community groups and other emerging service delivery models

Together, the two ICT Services have a turnover of between £35m and £40m per year, revenue budgets of around £18m per year and directly employ 400 ICT staff. Approximately 250 are directly employed in core ICT Services who would be affected by the proposed collaborative working service. There is a good synergy between the two ICT Services. Each provides similar functions to its respective authorities and both have specific areas in which it can demonstrate particular expertise.

As well as internal customers, the ICT Services' sections also provide services to external customers in the learning and children services (including schools and academies), community services, regeneration and businesses, adults and social care, corporate services, housing, emergency services, the community and private sectors.

A considerable amount of additional work would be required in order to prepare a full business case. This would include:

- Defining the project fully with project management arrangements, work streams, defined stages, benefits realisation and project plans etc.
- Baselining the two services to get a true picture of the financial positions, assets, key technologies, skills etc.
- Considering people and culture issues and identify plans and processes to address these.
- Defining the overall required outcomes of the combined ICT Services and the two authorities.
- Considering the options for future governance and business operating model.

- Defining the role and requirements for an external commercial partner within the final organisation.
- Planning joint communications, consultation and engagement plan to prepare both organisations for this strategic change.

A possible grant is available through the Department for Communities and Local Government's Transformation Challenge Award to cover external assistance in developing the business case. The department is looking to provide support under a major multi-authority awards scheme, for radical innovations involving two or more local authorities combining their operations across all or a major part of their service delivery. The report to Cabinet requested Cabinet's approval to make an outline submission for funding ahead of the required deadline of 23 July 2013.

Bringing the two ICT Services to work together in a more collaborative way will lead to a significant reduction in the overall cost of service provision. In addition, by combining the trading strengths of both ICT Services there is a greater possibility of growing income for both Councils. Detailed savings estimates will be made as part of the business case. Each Council has a governance process in place to manage the ICT Services. The collaborative working proposal is to consider the options for governance mechanisms building on the recognised strengths of each organisation's approach. Until the full governance model is determined a Project Governance Board will be jointly agreed.

Decision

The Cabinet agreed to:

- Authorise the management of the two ICT Services to develop a full business case to create a single ICT Service to cover both authorities and to bring a further report to Cabinet in October 2013.
- Support the general direction on the collaboration work so far and commit to the general direction of closer integration, leading to a joint communications plan.
- Approve the consideration of a submission of an outline application for funding from the Transformation Challenge Award.
- Agree to the appointment of an external project manager, using an existing procurement framework, to assist on the development of the business case.

Colette Longbottom
Head of Legal and Democratic Services
26 June 2013