



Special Economy and Enterprise Overview and Scrutiny Committee

Date Tuesday 10 September 2013
Time 9.30 am
Venue Committee Room 2, County Hall, Durham

Business

Part A

Items during which the Press and Public are welcome to attend. Members of the Public can ask questions with the Chairman's agreement.

1. Apologies for Absence
2. Substitute Members
3. Declarations of Interest, if any
4. Items from Co-opted Members or Interested Parties, if any
5. Council's Approach to Regeneration - Overview of the Regeneration Statement: (Pages 1 - 6)
 - (i) Joint Report of the Assistant Chief Executive and the Corporate Director of Regeneration and Economic Development.
 - (ii) Presentation by the Head of Strategic Programmes and Performance, Regeneration and Economic Development.
6. County Durham Economic Partnership - Overview: (Pages 7 - 10)
 - (i) Joint Report of the Assistant Chief Executive and the Corporate Director of Regeneration and Economic Development.
 - (ii) Presentation by the Head of Strategic Programmes and Performance, Regeneration and Economic Development.
7. EU Structural Funds Programme: (Pages 11 - 16)
 - (i) Joint Report of the Assistant Chief Executive and the Corporate Director of Regeneration and Economic Development.
 - (ii) Presentation by the Head of Strategic Programmes and Performance, Regeneration and Economic Development.

8. Improving Economic Governance in the North East Local Enterprise Partnership (LEP) Area: (Pages 17 - 24)
 - (i) Joint Report of the Assistant Chief Executive and Corporate Director of Regeneration and Economic Development.
 - (ii) Presentation by the Spatial Policy Team Leader, Regeneration and Economic Development.
9. Such other business as, in the opinion of the Chair of the meeting, is of sufficient urgency to warrant consideration

Colette Longbottom
Head of Legal and Democratic Services

County Hall
Durham
2 September 2013

To: **The Members of the Economy and Enterprise Overview and Scrutiny Committee:**

Councillor R Crute (Chairman)
Councillor A Batey (Vice-Chairman)

Councillors E Adam, J Armstrong, J Bell, J Clare, J Cordon, I Geldard, D Hall, C Kay, J Maitland, P McCourt, H Nicholson, R Ormerod, J Rowlandson, M Simpson, P Stradling, O Temple, A Willis and S Zair

Co-opted Members:

Mr T Batson, Mrs O Brown, Mr A Kitching, Ms J McKee and Mr JB Walker

**Economy and Enterprise
Overview and Scrutiny Committee**

10 September 2013



Regeneration Statement

**Joint Report of Lorraine O'Donnell, Assistant Chief Executive and
Ian Thompson, Corporate Director, Regeneration and Economic
Development**

Purpose of the Report

- 1 To provide Members of the Economy and Enterprise Overview and Scrutiny Committee with background information on the Regeneration Statement prior to the overview presentation outlining the Council's approach to regeneration.

Background

- 2 As part of the refresh of the Committee's work programme for 2012-2014, it was identified by Members that an overview would be provided in relation to the refresh of the Regeneration Statement which was considered by the Economy and Enterprise Overview and Scrutiny Committee at the meeting on the 24 September 2012. At that meeting it was agreed by Members that an update on the development of the Regeneration Statement would be included in the future work programme of the committee.
- 3 It was therefore thought timely particularly for new Members of the Committee to receive an overview presentation outlining the Council's approach to regeneration at the Committee meeting on the 10 September 2013.

Regeneration Statement

- 4 The County Durham Regeneration Statement was developed in 2009 and underpins the 'Altogether Wealthier' theme of the Sustainable Community Strategy for County Durham. It sets an integrated economic development, planning, housing and transport policy framework for County Durham and outlines the County Durham Economic Partnership's (CDEP) approach to delivering its ambitions. The Statement specifies the spatial, social and economic priorities over the coming years whilst recognising the tough economic climate that still exists and the altered landscape of economic development and regeneration.
- 5 The Regeneration Statement underpins the Sustainable Community Strategy and has framed the County Durham Plan, the County's Planning Framework, the Local Transport Plan, the County Durham Housing Strategy and the Business, Enterprise and Skills Strategy. Each of these plans and strategies are targeting delivery and channelling investment which makes the most of opportunities and tackles the key issues.

- 6 The initial County Durham Regeneration Statement that was developed in 2009 was welcomed by partners and set the direction of travel for Regeneration and Economic Development in County Durham. In 2012, following the experience and evidence which had been gained during the previous three year period it was considered time to reflect and refresh the Vision and restate our ambition of shaping a County Durham where people want to live, work, invest and visit whilst enabling our residents and businesses to achieve their potential.

Progress

- 7 The first Regeneration Statement developed in 2009 recognised the progress that had been made up to that point. Following Local Government Reorganisation it looked at what needed to be delivered in the following years. Although at the start of the recession, the economic climate of the County was changing significantly, when the first Statement was developed the full impact of the recession could not have been predicted. The pre-recession employment rate had been rising and was close to the national average, with 72% of the working age population in employment. Gross Value Added (GVA), which captures the productivity of an area, had declined since the 1990s and had remained static at around 61% of the UK average. Educational attainment was continuing to improve in the County, with the proportion of people with no qualifications reducing and those with low level qualifications increasing in line with regional and national rates. Higher level qualifications attainment still had a significantly wider gap between regional and national averages. A lot has happened since then, with the continuing stagnation of the economy, and major reductions in the public sector.
- 8 Despite the substantial challenges facing the County, a good start had been made. The emerging County Durham Plan provides a coherent Spatial Planning Framework, focused on areas of opportunity closely aligned to housing and economic development strategies. Masterplans are in place for the majority of main towns, with private sector interest and investment in key sites.
- 9 Council investment has been directed towards major projects such as the East Durham Rail Station which will improve accessibility to labour markets for the residents of East Durham, the DurhamGate development in Spennymoor which will lever in £200m of private investment and locate 2,000 jobs in the County, as well as additional business space in Consett, and housing renewal programmes across the County. Confidence has been further strengthened by the announcement of the location of the Hitachi train manufacturing facility in the south of the County.

- 10 The focus on Durham City as an under utilised economic asset is becoming well established. While the focus on Tourism has progressed despite the withdrawal of support and funding by ONE North East. Successful events such as Lumiere have been delivered which raised the City's profile and boosted the economy by over £4m over the four day event in 2011. Physical improvements to the market square, clear identification of sites for development and planning for further growth and transport options is underway.
- 11 The Statement has been used to identify key priorities for funding bids and future investment planning within wider regional and sub regional policy settings such as the North Eastern Local Enterprise Partnership (NELEP) and Tees Valley Unlimited.

Regeneration Statement 2012

- 12 A refreshed Regeneration Statement was agreed by Cabinet on the 24 July 2012 and recognised the progress made since 2009 and looked forward over the next 10 years to a challenging integrated programme of activity which takes advantage of key assets and tackles any constraints to growth
- 13 The refreshed Statement identifies the key issues facing the County as including a weakened local economy and high unemployment. The achievement of the pre-recession employment rate will require a substantial level of employment growth to replace and exceed the level of jobs lost through the economic downturn and public sector contraction.
- 14 In addition, the refreshed Statement suggests how these issues can be tackled through a partnership approach continuing to invest in opportunities across the County and capitalising on strengths including Durham City and Hitachi locating at Newton Aycliffe, aligning activity and leveraging private sector investment, to deliver the aims and objectives outlined in this Statement, to tackle the key issues facing the County. By building on and investing in our major assets, alongside complementary interventions this will support the County's potential for growth and connect areas of growth with deprived areas in need of regeneration. By following a phased approach across the County, utilising these opportunities we will be able to deliver the greatest impact for each locality and the whole of the County, using the resources available to us to best effect. Through a partnership approach we will:
 - Lift constraints on development and stimulate investment in the economic infrastructure needed to increase economic activity and wealth
 - Capitalise on Durham City's business and tourism potential to drive forward economic growth for County Durham
 - Invest in our major towns, continuing with our 'Whole Town' approach.
 - Drive forward the delivery of new homes with the right mix of services to support growth aspirations
 - Improve the range of choice and standard of existing public and private housing

- Invest in our human capital as a direct contributor to growth
- Address the needs of our most vulnerable residents, mitigating the impact of welfare reform.

15 As well as the refresh of the Statement, the 'Altogether Wealthier' Delivery Plan has also been refreshed to ensure that the necessary steps are taken towards achieving the ambitions of the CDEP for the County.

16 The presentation to the Economy and Enterprise Overview and Scrutiny Committee on the 10 September 2013 will provide an overview focusing on the following:

- Ambition and Objectives
- Challenges
- Opportunities
- Approach to Regeneration and Economic Development in County Durham
- Key Initiatives

Recommendations

17 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment upon the information provided during the presentation.

Background Papers

- Cabinet Report, 24 July 2012 – County Durham Regeneration Statement 2012
- Economy and Enterprise Overview and Scrutiny Report, 24 September 2012 – Regeneration Statement 2012

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Appendix 1: Implications

Finance – The Regeneration Statement outlines the approach for investment which includes Durham County Council’s capital programme.

Staffing – The Regeneration Statement shapes delivery as articulated through the operational planning framework.

Risk – None

Equality and Diversity – Equality and diversity principles have been an integral of policy development in relation to the Regeneration Statement. Detailed Equality Impact assessments have been and will be carried out for individual strategies or projects.

Accommodation – None

Crime and Disorder - None

Human Rights - None

Consultation – The Regeneration Statement has been consulted upon through the CDEP.

Procurement - None

Disability Discrimination Act - None

Legal Implications – None

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**Economy and Enterprise
Overview and Scrutiny Committee**

10 September 2013



**Overview of the County Durham
Economic Partnership**

**Joint Report of Lorraine O'Donnell, Assistant Chief Executive and
Ian Thompson, Corporate Director, Regeneration and Economic
Development**

Purpose of the Report

- 1 To provide Members of the Economy and Enterprise Overview and Scrutiny Committee with background information prior to the presentation providing an overview of the County Durham Economic Partnership (CDEP).

Background

- 2 The work programme for the Economy and Enterprise Overview and Scrutiny Committee focuses on the priority areas identified within the context of the Council Plan, Cabinet's Notice of Key Decisions, Sustainable Community Strategy, Partnership plans and strategies, performance and budgetary control data and changes in Government legislation.
- 3 In addition, the Committee invites on an annual basis when the committee is refreshing the work programme the Chair or Vice - Chair of the CDEP to discuss with Members changes to the economy, challenges faced and opportunities within County Durham. This has previously resulted in additional areas being identified for inclusion in the Committee's work programme.
- 4 The Vice-Chair of the CDEP, Sue Parkinson attended the meeting of the Economy and Enterprise Overview and Scrutiny committee on the 24 June 2013 and discussed with members changes to the economy at a national and local level together with several areas that presented delivery opportunities within County Durham. Following that discussion, members of the Committee thought it was timely to have an overview of the work of the CDEP which would be of particular relevance to new members of the Committee and it was agreed that this would be included as an additional item in the Committee's work programme.
- 5 Arrangements have therefore been made for Andy Palmer, Head of Strategy, Programmes and Performance, Regeneration and Economic Development, to attend the meeting to give a presentation focusing on the CDEP.

County Durham Economic Partnership (CDEP)

- 6 The CDEP is one of five thematic partnerships within the County Durham Partnership. There are over 60 public, private and voluntary and community sector organisations that make up the membership of the partnership. These are all members of the Working Groups and Board that make up the structure of the Partnership.
- 7 The current structure of the Partnership consists of the Board and Working Groups focusing on:
 - Business and People
 - Business Enterprise and Skills Working Group.
 - Place
 - Housing Forum – Housing Partnership Working Groups.
 - Thriving Durham City Group.
 - Rural
 - Rural Working Group – NEFRAN.
 - Culture
 - Cultural Partnership.
 - Tourism
 - Visit County Durham.
- 8 The aim of the CDEP is to contribute to the well being of County Durham by leading, developing and delivering the County Durham Regeneration Statement in partnership with others. The Regeneration Statement outlines the underlying ambition of creating sustainable places where people want to live, work, invest and visit can be achieved. The statement outlines the current Durham County position and looks forward ten years, identifying key priorities and ambitions for where we want to be. The Regeneration Statement will be delivered through the planning policies set out in the County Durham Plan together with the improvements brought about by the Local Transport Plan and the Durham Housing Strategy. It also underpins the Sustainable Community Strategy (SCS) for County Durham and forms the 'Altogether Wealthier' Priority Theme.

9 The Partnership also works towards achieving the aims identified in the SCS. The SCS Priority Theme 'Altogether Wealthier' is focused on creating a vibrant economy and putting regeneration and economic development at the heart of the SCS. The objective of achieving an 'Altogether Wealthier' County sits at the heart of the County's strategies with the County prioritising economic regeneration as the core means of achieving its vision. The following 'Altogether Wealthier' aims and objectives are identified:

- Thriving Durham City.
- Vibrant and successful towns
- Competitive and successful people
- Sustainable neighbourhoods and rural communities
- A top location for business

The Partnership is developing a delivery and investment plan to achieve the aims and objectives together with a framework which is used to measure their performance.

10 The presentation to the Economy and Enterprise Overview and Scrutiny Committee on the 10 September 2013 will provide an overview of the CDEP and will focus on the following:

- The history of the Partnership
- The role and focus of the CDEP
- Partnership Restructure
- Working Arrangements
- Members of the CDEP
- Relationships
- Scrutiny

Recommendation

11 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment upon the information provided during the presentation.

Background Papers

- Economy and Enterprise Overview and Scrutiny Committee – Update on the work of the County Durham Economic Partnership – 24 June 2013.
- Economy and Enterprise Overview and Scrutiny report – Refresh of the Work Programme 2013-2015 – 24 June 2013.

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Appendix 1: Implications

Finance - None

Staffing - None

Risk - None

Equality and Diversity - None

Accommodation - None

Crime and Disorder - None

Human Rights - None

Consultation - None

Procurement - None

Disability Discrimination Act - None

Legal Implications - None

**Economy and Enterprise
Overview and Scrutiny
Committee**



10 September 2013

**European Union Structural and
Investment Funding Programme
2014 – 2020**

**Joint Report of Lorraine O'Donnell, Assistant Chief Executive and
Ian Thompson, Corporate Director, Regeneration and Economic
Development**

Purpose of the Report

- 1 To provide Members of the Economy and Enterprise Overview and Scrutiny Committee with background information on the European Union (EU) Structural and Investment Funding Programme 2014 – 2020 prior to the overview presentation.

Background

- 2 Members will recall that at the Economy and Enterprise Overview and Scrutiny Committee on the 24 June, 2013 the work programme of the committee for 2013 -2015 was agreed which identified as a future item for consideration by the committee an overview of the European Union Structural and Investment Funding Programme for 2014 – 2020.

European Union Funding Programme

- 3 On the 14 March, 2012, the European Commission published a working document setting out its proposals for elements of a 'Common Strategic Framework' (CSF) for EU funds in 2014 – 2020. The Common Strategic Framework covers the European Social fund, European Regional Development Fund, Cohesion Fund, European Agricultural Fund and Rural Development and European Maritime and Fisheries Fund. The framework proposed that the funds:
 - should be implemented in a more complementary way to drive growth and improve the combined impact of the funds,
 - are delivered in a more effective and efficient way: national performance management will be more rigorous and tied to the release of funds at national level, while each of funds will still be subject to their own audits to show improved accountability and value for money for the EU taxpayer,
 - will have an agreed set of aims from the beginning and will be monitored so that these aims are met,
 - will have specific objectives so that they can have the biggest impact.

The CSF also included a proposal for a new category of regions; “Transition Regions” for those areas whose GDP is between 75% and 90% of the EU average. Transition Regions would receive a greater share of resources, more freedom over spend and a higher intervention rate. The document also sets out how the funds can work together and contribute to the Europe 2020 strategy for growth and jobs.

4 The key priorities for investment will be:

- Innovation, research and technological development,
- support for small businesses,
- the low carbon economy,
- skills,
- employment,
- social inclusion.

5 In April 2012 the Government conducted an informal written consultation on how the Structural and Investment funds should be delivered in England, seeking initial views on how the new round of funds can best be used to support sustainable economic growth and jobs including various delivery options for the future. On the 13 July 2012, the Department for Business, Innovation and Skills (BIS) published the results from its informal consultation which had resulted in 187 consultation responses from local and non-departmental government bodies, universities, the civil society sector and business organisations. In broad terms, stakeholders called for:

- a reduction in administrative burdens,
- the ability to align funds, as appropriate, to enable a more holistic approach to dealing with barriers to growth,
- a flexible approach to funding programmes that allow for place and issue based approaches,
- local engagement through out all programmes,
- better use of match funding by aligning national funding sources and being more creative in the use of local sources, including private sector.

Delivery of the European Union Structural and Investment Funds

6 In June 2013, the Government announced that the new programme combining the two structural funds, the European Regional Development Fund (ERDF) and the European Social Fund (ESF), part of the European Agricultural Fund for Rural Development (EAFRD) and aligned to the European Maritime and Fisheries Fund will be allocated to Local Enterprise Partnerships (LEP) areas for a full 7 year period through a new decentralised EU Growth programme.

7 The Growth Programme Funds will be allocated to LEP areas as an important new source of finance to stimulate local growth and jobs, money will no longer be constrained by artificial regional boundaries and can be used to deliver local smart, sustainable and inclusive growth in the most effective way. This marks a significant shift from previous European programmes which were substantially centralised with limited local involvement in many key areas.

8 LEPs will be responsible for designing and delivering strategies on how best to use this funding with each LEP area receiving a notional allocation from the funds which must be spent in line with a set of overarching priorities set out in the EU regulations. LEPs will not be responsible for administering the funds themselves this will remain with central government to ensure compliance with EU rules. However, LEPs are very much in the driving seat and are responsible for the following:

- devising an investment strategy for spending their allocation,
- finding projects to deliver that strategy, using a mixture of commissioning, bidding and co-financing as best meets local needs,
- finding match funding for projects,
- ensuring those projects deliver their targets,
- making sure their allocations are spent on time,
- monitoring how well they are delivering against their strategies and the programme priorities.

Each LEP will come up with a strategy which does all of the above as part of their wider plans for local growth. The strategies will be signed off nationally.

9 Each LEP will work with the appropriate range of partners such as local business representatives, Universities, the civil society sector, rural interests and others best placed to deliver local growth, and to promote social inclusion and combat poverty.

10 On the 27 June, 2013 it was confirmed how the £6.2 billion England allocation of the European Regional Development Fund and the European Social Fund for 2014 – 2020 resulting in the NELEP receiving a £539.6 million allocation. This has resulted in an allocation for Durham of £160 million following lobbying by DCC of both the Government and the European Parliament for the inclusion of Transition Regions. Allocations for the part of the EAFRD being channeled through the Growth programme will be published at a later date by the Department for Environment, Food and Rural Affairs.

11 The presentation on the 10 September, 2013 will provide an overview focusing on:

- Programme Summary
- Transition Regions
- UK proposed 'Growth Programme'
- Allocations
- Types of Projects
- Durham Investment Plan
- Process and Opportunities for Involvement

Recommendations

12 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment upon the information provided during the presentation.

13 That the Economy and Enterprise Overview and Scrutiny Committee receive a future update on the further development of the EU Structural and Investment Funds Programme at the meeting on the 27 February, 2014.

Background Papers

- European Commission working Document – March 2012.
- Department of Business, Innovation and Skills consultation document – April 2012 – summary of responses – July 2012.
- Department of Business, Innovation and Skills – Structural and Investment Fund Strategies – preliminary guidance for LEPs – April, 2013.

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Appendix 1: Implications

Finance – None

Staffing – None.

Risk – None

Equality and Diversity – None

Accommodation – None

Crime and Disorder - None

Human Rights - None

Consultation – None

Procurement - None

Disability Discrimination Act - None

Legal Implications – None

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**Economy and Enterprise
Overview and Scrutiny Committee**

10 September 2013



**Improving Economic Governance
in the North East Local Enterprise
Partnership (LEP) Area**

**Joint Report of Lorraine O'Donnell, Assistant Chief Executive and
Ian Thompson, Corporate Director, Regeneration and Economic
Development**

Purpose of the Report

1. To provide Members of the Economy and Enterprise Overview and Scrutiny Committee with background information prior to the presentation providing an update on the development of the proposals to improve economic governance arrangements within the North East LEP area.

Background

2. At the meeting of the Economy and Enterprise Overview and Scrutiny Committee held on the 24 June, 2013 Members considered a report and presentation providing an overview on the key findings of the then recently published North East Independent Economic Review (NEIER) and background information in relation to the decision of the seven Local Authority Leaders and the Elected Mayor in the North East LEP area to embed collaborative working arrangements in a statutory form and improve economic governance within the North East LEP area.
3. As part of the refresh of the Economy and Enterprise Overview and Scrutiny Committees work programme for 2013 – 2015 it was proposed that an update on the development of the new economic governance arrangements and progress on the recommendations in the NEIER be considered by the committee at the meeting on the 27 February, 2014. However, during the discussion of this item of business, members requested that they receive additional updates. It was therefore thought timely that a further update be considered by the Committee at the meeting on the 10 September, 2013.

NEIER Recommendations

4. The NEIER report was published in April 2013 and offers an agenda for NELEP and its partners, reflecting the commitment of the seven Local Authorities to strengthen collaborative working arrangements and strategic decision making across the area. Creating “**more and better jobs**” within the area’s economy is at the heart of the agenda and the highlighted themes and the recommendations support this outcome.

5. The NEIER made 14 recommendations in total some for the North East LEP (NELEP), some for NELEP and partners and some for Government. The five top priorities as identified by Lord Adonis are:

- Champion 'North East International', promoting the region at home and abroad as a magnet for trade, talent, tourism and inward investment.
- A doubling in the number of young apprenticeships to tackle low skills and high youth unemployment, alongside higher school standards and an increase in the proportion going into higher education.
- The development of strong 'innovation and growth clusters', stimulating universities and their graduates, and existing companies and public institutions, to create and finance new high growth enterprises and jobs.
- Big improvements in transport infrastructure and services to overcome the relative national and international isolation of the North East and to improve connections within the North East so that people can get to and from work more easily and cheaply.
- The creation of stronger public institutions, including the location of key national institutions such as the new British Business Bank in the North East.

In addition, the NEIER also endorsed the Local Authority 7 Leadership Board commitment to establish a combined authority building upon the Leadership Board statement of intent.

Local Authority 7 Leadership Board

6. The Local Authority 7 (LA7) Leadership Board was established in 2012 and consists of the 7 Local Authority Leaders and Elected Mayor from Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland focusing on working collaboratively for economic growth and transport.
7. In a submission to the NEIER, the Leadership Board outlined their statement of intent to establish a statutory body that will enable the seven local authorities to come together around a shared vision for economic growth. The creation of a statutory vehicle will put into legal form what the LA7 Leadership Board has been doing by consent for some time, but as a legally independent and accountable body it will have a greater impact and provide a strong platform for the North East to obtain devolved powers and resources from Government. A Combined Authority is a new cross local authority boundary structure, designed to support the effective governance and management of economic development, regeneration and transport.

8. The Combined Authority proposal for the North East builds upon the LA7 Leadership Boards statement of intent. The draft scheme that has been endorsed by all constituent authorities and has been submitted to Secretary of State details the functions and activities that the constituent local authorities have decided would add value when delivered across a wider geographical area. The Combined Authority, which will be called the North East Leadership Board will initially focus on economic growth, transport and skills with scope to develop further in the future.

Governance Review Findings

9. There are three stages towards the creation of a Combined Authority. First there is the review of the existing governance arrangements. Second a scheme is drawn up showing the operational arrangements and constitutional makeup of the proposed Combined Authority in relation to the delivery of economic development, regeneration and transport. Third, the agreed scheme is submitted to the Secretary of State who after consultation with each of the authorities (and the Integrated Transport Authority) and any other persons considered appropriate, submits an Order to parliament.
10. The purpose of the Governance Review was to determine whether the existing governance arrangements for promoting economic development, regeneration and transport in the area, including the exercise of relevant statutory functions, can be improved and made both more effective and more efficient. The review considered the system, structure and procedures that are in place across the area to make decisions, set strategy, manage delivery assess performance and report on progress.
11. The key findings of the Governance Review, published in May 2013 for consultation 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 which is integrated with wider economic development objectives
12. The review therefore concluded that the existing governance arrangements would be improved by the formation of a Combined Authority made up of the 7 constituent local authorities (the ‘constituent authorities’). As a result a Scheme detailing the operational arrangements and constitutional makeup of the proposed Combined Authority was drafted for consideration by the constituent authorities and the Secretary of State.

Combined Authority - Approach

- 9 The LA7 Leadership Board 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 indeed internationally.
- 10 There is consensus across the seven local authorities, that a Combined Authority for the North East should be thin and strategic, focusing on strategy setting and prioritisation of investment in regards to transport, economic development and regeneration either through delegation of a statutory duty or on a collaborative arrangement depending on the function. The Combined Authority will:
- Deliver a flexible, responsive and joined up approach to funding opportunities across the North East.
 - Provide a coordinated structure for skills collaboration, underpinned by robust economic and labour market intelligence.
 - Place employers at the centre of design and delivery of a simplified skills system.
 - Establish an Investment Gateway, adding strategic capacity for handling and relationship building.
 - Coordinate promotion of the area.
 - Provide leadership and area wide voice on key strategic transport issues.
 - Deliver a strategic transport approach integrated with economic priorities.

Scheme

- 11 A scheme was drawn up showing the operational arrangements and constitutional makeup of the proposed Combined Authority in relation to the delivery of economic development, regeneration and transport. The final draft of the scheme was considered by the LA7 Leadership Board on the 18th June, 2013 with the scheme then considered and endorsed by each of the Local Authority Cabinet/Executive on the 24 June, 2013. Following endorsement by each Authority’s full Council, the agreed scheme was submitted to the Secretary of State on the 31 July, 2013.

The Secretary of State will now consult on a draft Order with each of the authorities (and the Integrated Transport Authority) and any other persons considered appropriate and following consultation will submit the Order to Parliament. If the Order is made by Parliament it is anticipated that the Combined Authority will come into existence on the 1 April, 2014.

Update

- 12 The presentation to the Economy and Enterprise Overview and Scrutiny Committee on the 10 September, 2013 will focus on the following:
- Next steps towards establishing the North East Leadership Board, the Combined Authority for the area including parliamentary timetable, shadow arrangements and process for on-going engagement with partners and stakeholders.
 - Key messages from the 'Driving Forward Economic Growth Conference' on the 6 September which is focusing on what has happened since the NEIER recommendations were launched and the shared agenda moving forward.
 - The Strategic Economic Plan for the North East, including developing a Growth Deal for the NELEP area

Recommendations

- 13 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment upon the information provided during the presentation.
- 14 That the Economy and Enterprise Overview and Scrutiny Committee receive further updates on the development of the Combined Authority at future meetings of the committee.

Background Papers

- Improving Economic Governance in the North East LEP Area and the North East Independent Economic Review Findings - Economy and Enterprise Overview and Scrutiny Committee Report – 24 June, 2013.
- Improving Economic Governance in the North East Local Enterprise Area – Presentation – 24 June, 2013.

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Appendix 1: Implications

1. **Finance** – The establishment of a Combined Authority will have financial implications for each council.

The core principles are:

- for transport costs, the total contribution from each authority for the year does not exceed the equivalent cost as it would have been calculated under previous arrangements.
- any other costs incurred in establishing new arrangements would be offset by efficiency gains achieved through the new body and met through existing resources and utilising the skills and capacity that already exist within the constituent local authorities. Staffing requirements will be fulfilled by existing staff across the 7 local authorities wherever possible.

Transport funding

As the Combined Authority will become the Local Transport Authority for the LA7 area, it will become a levying body with respect to Transport costs that will be paid by council tax payers in the respective areas. The significant differences in the transport responsibilities and the cost of transport services between Tyne and Wear, Durham and Northumberland mean that a single transport levy would not be appropriate. The solution proposed following discussion with DCLG and DfT, is that the Combined Authority would issue a levy on a differential basis that will accommodate the differentials in the cost of delivering transport services in County Durham, Northumberland and Tyne and Wear.

On the abolition of TWITA; its property, rights and liabilities will be transferred to the Combined Authority. These would be ringfenced under the terms of the Combined Authority agreement to the Tyne and Wear area and will not be the responsibility of Durham and Northumberland.

Combined Authority costs

The costs of the Combined Authority that are reasonably attributable to the exercise of its functions (including start-up costs) will be met by its constituent authorities. Such costs shall be apportioned between the constituent authorities in equal shares. The Combined Authority will agree an annual budget for the purpose of expenditure.

Any change in the contributions would need to be agreed by the new Combined Authority in consultation with its member authorities and in time for the contribution to be built into Council Budgets in future years.

2. **Staffing** - The Combined Authority will be a small, focused organisation and it is expected that it can be delivered within existing resources.

3. **Risk** - There has been engagement with representatives from the Department for Communities and Local Government at an early stage and the timescales for the creation of a North East combined authority discussed in detail. The timescales are challenging if any combined authority is to be in place by 1 April 2014. The Leadership board of the 7 local authorities are aware of the timescales and the project board met on a weekly basis to ensure so far as possible that the review process is driven forward.
4. **Equality and Diversity** - There are no equality and diversity issues arising directly from this report.
5. **Accommodation** - There are no accommodation issues arising directly from this report.
6. **Crime and Disorder** - There are no crime and disorder issues arising directly from this report.
7. **Human Rights** - There are no human rights issues arising directly from this report.
8. **Consultation** - consultation with key Stakeholders took place in May and June 2013 with a view that continuous engagement will take place over the coming months towards establishment of the Combined Authority. Stakeholders include representative organisations, service providers, delivery partners and relevant regulatory bodies. Each local authority has engaged with the stakeholders in their area. There is also a period of consultation that the Secretary of State will undertake before deciding whether or not it is appropriate to recommend the making of an Order creating a combined authority.
9. **Procurement** - There are no procurement implications directly arising from this report.
10. **Disability Discrimination Act** - There are no Disability Discrimination Act implications directly arising from this report.
11. **Legal Implications** - The Cabinet/Executive of each constituent authority received a report on 24 June 2013. A report has been considered by the Council of each constituent authority on various dates during July 2013.

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