



Special Cabinet

Date Wednesday 23 March 2016
Time 11.00 am (Please note start time)
Venue Committee Room 2, County Hall, Durham

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. Declarations of interest

Key Decision:

2. North East Combined Authority: Devolution Agreement - Report of Chief Executive [Key Decision: CORP/R/16/01] (Pages 1 - 50)
3. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration.
4. Any resolution relating to the exclusion of the public during the discussion of items containing exempt information.

Part B

Items during which it is considered the meeting will not be open to the public (consideration of exempt or confidential information)

5. Such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration.

Colette Longbottom
Head of Legal and Democratic Services

County Hall
Durham
15 March 2016

To: **The Members of the Cabinet**

Councillors S Henig and A Napier (Leader and Deputy Leader of the Council) together with Councillors J Brown, N Foster, L Hovvels, O Johnson, M Plews, B Stephens, E Tomlinson and J Allen

Contact: Ros Layfield

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Cabinet

23 March 2016



**North East Combined Authority:
Devolution Agreement.**

Key Decision: CORP/R/16/01

**Report of the Corporate Management Team
Report of Terry Collins, Chief Executive
Councillor Simon Henig, the Leader of the Council**

Purpose of the Report

1. To invite cabinet to consider whether to consent to the proposed Devolution Agreement including the provision of an Elected Mayor for the North East Combined Authority.

Background

2. Durham County Council is a constituent Council of the North East Combined Authority (NECA) that was established in 2014.
3. It has responsibility for strategic transport for all seven local authorities. Members of this council have been appointed to various key roles within the combined authority with Councillor Simon Henig (Leader of this Council) chairing the NECA and together with the five other Leaders and Mayor for North Tyneside form its central leadership board.
4. Following the 2015 General Election, the Chancellor of the Exchequer announced the availability of devolved powers to combined authorities. The Leadership Board of NECA negotiated and signed a proposed agreement on 23 October 2015, subject to a number of conditions:
 - The outcome of the Spending Review on 25 November; including fair funding
 - The legislative process
 - Further public consultation;
 - Formal endorsement by the Leadership Board and Ministers early in 2016/17

A condition for devolved powers is that NECA will become a Mayoral Authority.

5. More detail on how these conditions have been met will be dealt with further in a report which will be circulated to cabinet by its meeting on the 23^r March 2016.
6. On the 24th February, Council considered a report of the Leader which contained more details on the proposed mayoral authority and advised on the analysis of the responses to the Poll of the electorate of County Durham. It also provided an update on the legislative position, financial issues and highlighted the continuing key issues for County Durham and recommended that Council:
 - a) note the information on the proposed deal provided in the report
 - b) note the conditions on which the proposed deal is to be decided namely:
 - The outcome of the spending review on 25 November 2015;
 - The legislative process
 - Further public consultations (which for Durham includes the results of the poll of all electors)
 - Agreement by constituent councils
 - Formal endorsement by the Leadership Board and Ministers.
 - c) note the update on the degree to which these have been met, namely
 - That negotiations on funding to the North East are continuing following the outcome of the settlement of 16/17
 - Consultation outcomes, including those of the poll support the devolution of funding and resources to the North East but are cautious as to the degree to which devolution should go beyond the current proposed deal and would wish to see a mayor with more limited powers;
 - That the legislation to enable devolution through mayoral combined authorities has received Royal Assent and that further detail is under development;
 - That each constituent council will consider the proposed deal, making decisions through cabinets;
 - The Leadership Board will make a final decision when the position of all constituent councils is known.

d) Note and confirms that the following Durham specific conditions have been accommodated within the combined authority development and proposed devolution deal to date and must continue to be so in the final decision making

- There will be no change to the transport levy in a way as to disadvantage Durham;
- Integrated transport arrangements will not mean more cost or disadvantage to Durham;
- That absorption of the role of the Durham PCC is currently not part of the devolution deal and that any future devolution will not be to the detriment of Durham's police and fire services;
- That any future interpretation of health and social care takes account of the significantly different patient flows in County Durham and is not to the detriment of health services.

7. When the report was presented to Council it was against a backdrop of continuing negotiations with the Government and a need, acknowledged by the members to have more information before Cabinet could consider whether to agree to the proposed Devolution Agreement including the provision of an Elected Mayor for the North East Combined Authority. At the point where the agenda for this meeting is circulated, the negotiations are continuing.
8. A Report will therefore be circulated to Cabinet members by the meeting.

Background Papers

Report to the Council "North East Combined Authority: Devolution Deal" Dated 9 December 2015

Report to the Cabinet "North East Combined Authority Devolution Deal" Dated 10 February 2016

Report to the Council "North East combined Authority: Devolution Deal and Poll Result. Dated 24 February 2016

Contact: Colette Longbottom Tel: 03000 269732

Appendix 1: Implications

Finance – None Specific in this report.

Staffing –. None specific in this report.

Risk – None specific in this report.

Equality and Diversity / Public Sector Equality Duty- None specific in this report.

Accommodation – None specific with this report.

Crime and Disorder - None specific with this report.

Human Rights – None specific with this report.

Consultation –. None specific with this report.

Procurement – None specific in this report.

Legal Implications - None specific with this report

Cabinet

23 March 2016

North East Combined Authority: Devolution Decision



Report of the Corporate Management Team Councillor Simon Henig, Leader Terry Collins, Chief Executive

Purpose of the Report

- 1 This report updates Cabinet on the proposed devolution agreement and invites Cabinet to consider next steps.

Background

- 2 A report to County Council on 24 February 2016 provided an update on the proposed devolution agreement, including the results of the County Durham poll. It also provided an update on the legislative position, financial issues and highlighted the continuing key issues for County Durham. The Council agreed to:
 - a) note the information on the proposed deal provided in the report (attached as **Appendix 2**)
 - b) note the conditions on which the proposed deal is to be decided namely:
 - i. The outcome of the spending review on 25 November 2015;
 - ii. The legislative process;
 - iii. Further public consultations (which for Durham includes the results of the poll of all electors);
 - iv. Agreement by constituent Councils; and
 - v. Formal endorsement by the Leadership Board and Ministers.
 - c) note the update on the degree to which these have been met, namely:
 - i. That negotiations on funding to the North East are continuing following the outcome of the settlement of 16/17;
 - ii. Consultation outcomes, including those of the poll, support the devolution of funding and resources to the North East but are

cautious as to the degree to which devolution should go beyond the current proposed deal and would wish to see a mayor with more limited powers;

- iii. That the legislation to enable devolution through mayoral combined authorities has received Royal Assent and that further detail is under development;
 - iv. That each constituent Council will consider the proposed deal, making decisions through Cabinets; and
 - v. The North East Combined Authority (NECA) Leadership Board will make a final decision when the position of all constituent councils is known.
- d) Note and confirm that the following Durham specific conditions have been accommodated within the Combined Authority development and proposed devolution deal to date and must continue to be so in the final decision making:-
- i. There will be no change to the transport levy in a way as to disadvantage Durham;
 - ii. Integrated transport arrangements will not mean more cost or disadvantage to Durham;
 - iii. That absorption of the role of the Durham PCC is currently not part of the devolution deal and that any future devolution will not be to the detriment of Durham's Police and Fire Services; and
 - iv. That any future interpretation of health and social care takes account of the significantly different patient flows in County Durham and is not to the detriment of health services.

- 3 The report to Council described the negotiations with Government that were continuing at that time and are still continuing. The remainder of this report summarises the progress made to date and the issues that are still outstanding.

Extent to which conditions have been met

- 4 Of the conditions listed in paragraph 2(b), only the outcome of public consultation remains at the same position as described in the February Council report which presented detailed findings of the poll and the other consultations undertaken in County Durham and across the NECA area. No further consultations were planned given the comprehensive nature of that conducted to date.

- 5 Progress has been made on the legislative process with more detailed understanding emerging of the decision-making process including the timetable for the development of orders required to enable a Mayoral Combined Authority to function, although there are a number of issues that remain to be resolved. There has also been greater assurance provided of the legislative issues affecting County Durham, which are described in the next section.
- 6 Whilst progress has been made to clarify aspects of the financial benefits of the proposed agreement, negotiations are still continuing to clarify the issue of 'fair funding'. These include issues such as: the principle of a single five year programme of allocation of local growth funding to form part of the North East Investment Fund; more detail on the Government's five year gateway tests on the £30 million a year investment fund which as things stand could put the commitment to ongoing funding at risk; the devolution of sustainable travel funding; comparison with the fiscal freedoms granted to Scotland and consideration of protecting Newcastle Airport from the impacts of the proposed reduction in Air Passenger Duty to Scotland in 2018. Clarity is still required at this stage on the power for the elected mayor to levy a council tax precept for the running of the mayor's office and support functions plus the election costs for the mayor which will be incurred every four years from 2017.
- 7 The Council report made clear that a decision to agree to the proposed devolution agreement is an executive function. Cabinet meetings have been scheduled by the seven NECA constituent authorities for the period 21-24 March. At the time of writing it is understood that two authorities (Newcastle and North Tyneside) have agreed to the proposed agreement.
- 8 A meeting of the NECA Leadership Board has been scheduled for 24 March, after all seven cabinets have considered their position.

County Durham Issues

- 9 Previous reports on the combined authority and devolution have highlighted that Durham has significant issues, some of which are unique within the combined authority area. These are:
 - a) **Transport:** Durham and Northumberland were never part of the Tyne and Wear Integrated Transport Authority (ITA) and have rural transport issues that are unique to largely rural counties;
 - b) **Health:** the footprint for health services for County Durham residents involves significant patient flows to Tees Valley. The council is part of an NHS unit of planning which comprises Durham, Darlington and Tees and has been involved for some time in an NHS sub-regional project to consider hospital and out of hospital care from the Tees Valley and County Durham known as the 'Better Health Programme'.

- c) **Police and fire:** whilst police arrangements for six of the seven constituent councils are shared, Durham's police authority is separate and covers both County Durham and Darlington. Darlington is part of the Tees Valley combined authority. Durham's fire authority covers the same footprint as the police and therefore again straddles two combined authority areas.
- 10 In the weeks since the council report, there has been significant progress in addressing the issues that are specific to County Durham, with an acceleration of pace in the last week or so.
- 11 On transport, there has been written assurance that solutions will be found to avoid any material redistribution of costs between the three areas by any new council tax precepting arrangements. A commitment has been given by Government to retain the current three council tax levy arrangement for County Durham, Northumberland and the five authorities in Tyne & Wear to fund transport costs in these three areas.
- 12 On health, police and fire arrangements, there is recognition, and the proposed legislation reflects this, that any further devolution proposals in any of these areas, or indeed any other, will require the explicit agreement of Durham County Council. In other words, such future devolution proposals would be supported by the inclusion of appropriate safeguards in decision-making to protect the interests of DCC or other constituent authorities in a minority voting position.

Conclusion

- 13 The Council supports the principle of devolution, noting that almost 60% of respondents to the recent consultation agreed that the region could benefit from devolved powers. It is clear that progress has been made on the issues identified in the County Council report of 24 February, including on the conditions attached to consideration of the proposed agreement and those specific to County Durham.
- 14 However, there remain outstanding issues to be addressed, particularly on fair funding and governance. At the time of writing, more information is required on the mayoral precept.

Recommendation

- 15 It is recommended that Cabinet:
 - a) note the progress made since the Council report on 24 February 2016;
 - b) note the conditions that were set out in the proposed agreement and described in the Council report;

- c) note in particular that the condition regarding fair funding has not been fully met;
- d) note that further clarification and commitment from Government on outstanding issues (including governance) is being requested through NECA;
- e) defer making a final decision on the proposed devolution agreement until the outstanding issues are resolved.

Contact: Lorraine O'Donnell, Assistant Chief Executive

Appendix 1: Implications

Financial – the main potential financial benefits of NECA are set out in the report and include an additional £30 million of funding per year from Government for 30 years to set up an Investment Fund for the NECA region.

The pre-conditions for County Durham of the current transport levy arrangements for NECA to be retained have been met by the government.

Staffing there will be additional staffing costs in the setting up of the Mayor's Office that will have to be met from either a council tax precept on all local authorities within NECA or from the £30 million a year revenue funding from government.

Risk – the pre-condition of 'fair funding' arrangements to be met prior to the proposed deal being agreed is subject to further negotiations between NECA and government.

Equality and Diversity / Public Sector Equality Duty - none

Accommodation - none

Crime and Disorder - none

Human Rights - none

Consultation - Within the body of the report

Procurement - none

Disability Issues - none

Legal Implications - Within the body of the report

County Council

24 February 2016

North East Combined Authority: Devolution Update and Poll Results



Councillor Simon Henig, Leader

Purpose of the Report

- 1 This report provides an update on the proposed devolution agreement, including the results of the County Durham poll, in order to facilitate a Council debate to influence the required Cabinet decision on whether Durham County Council should agree any final devolution agreement.

Executive Summary

- 2 Durham County Council is a constituent council of the North East Combined Authority (NECA) that was established in April 2014. Background information is provided on the constitution and function of the combined authority and the changes required if the devolution agreement is finalised.
- 3 Following the 2015 General Election, the Chancellor of the Exchequer announced the availability of devolved powers to combined authorities. The Leadership Board of NECA negotiated with Government and signed a proposed agreement on 23 October 2015, subject to a number of conditions which are described within this report, together with a summary of the extent to which these conditions have been met.
- 4 One of the important conditions required before making a decision on the deal was public consultation. This report summarises the consultation undertaken across the NECA area. Durham is unique in having conducted a poll of all electors, as agreed by Council on 9 December 2015. The poll closed on 8 February and the results are presented in the report together with a summary of the outcomes of consultation with local businesses and other stakeholders.
- 5 Legislation required to enable combined authorities to deliver devolution arrangements is contained within the *Cities and Local Government Devolution Act 2016*, which received Royal Assent on 28 January 2016. The Act has been subject to considerable amendment during its passage through the legislative process. A summary is provided of the key changes and the timetable for further detail to be developed through Orders and Regulations.
- 6 Previous reports on the Combined Authority and devolution have highlighted issues that are both significant for and unique to Durham, including transport arrangements, police and fire arrangements and patient flows for health services. A description of these issues and the provisions made for them are described in the report.

- 7 Finally, the next steps on decision making by each council's Cabinet and by the NECA Leadership Board are described.

Background – Creation of Combined Authorities, including NECA

- 8 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 were designed to enable groups of local authorities to work closely together to deliver improvements in economic growth and transport across local authority boundaries.
- 9 On 24 June 2013 Cabinet endorsed the findings of the governance review undertaken in April/May 2013, including specifically the finding that the creation of a combined authority covering the authority areas of Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland would improve the discharge of functions relating to transport, skills, and economic development across the region. All seven cabinets considered that a combined authority (later named the North East Combined Authority) would strengthen collaboration between the constituent local authorities and enable strategic decision making on economic growth and transport. On 24 July 2013 Council endorsed the decision of Cabinet. The councils of the other constituent councils in turn endorsed the decision of their respective cabinets.
- 10 Subsequent Cabinet and Council decisions included appointing members of the council to the Leadership Board and Scrutiny Committee of NECA and agreeing specific arrangements for transport as described later in the report.
- 11 The NECA Leadership Board is supported by a part time interim Chief Executive, a part time interim Chief Finance Officer plus part time monitoring officer support provided by North Tyneside. A small support team of officers is also in place. The costs for these officers are being funded from equal contributions from the seven authorities plus the use of NECA reserves.
- 12 Combined authorities that agree to a devolution deal must become mayoral combined authorities. The legislation to enable this to happen has been under development and is described later in the report. For NECA, the election of a mayor would be expected to take place in May 2017.

Devolution and the Proposed North East Devolution Agreement

- 13 The Chancellor of the Exchequer announced the availability of devolved powers to combined authorities following the General Election in May 2015. Thirty-eight cities and regions put forward bids by the Government's deadline of 4 September 2015. To date, devolution deals have been agreed for Greater Manchester, Sheffield, Leeds, Cornwall, the West Midlands, Liverpool and the Tees Valley. More deals, including the proposed North East devolution agreement are at different stages of development. Given the fact that devolution powers originated in the area of economic regeneration and transport, and linkages have been made to the Northern Powerhouse, it is

perhaps not surprising that the greatest initial interest and most advanced development of combined authorities and devolution deals have so far been in conurbations in Northern England.

- 14 The NECA Leadership Board negotiated with Government and signed a proposed North East devolution agreement on 23 October 2015, subject to the following conditions:
 - The outcome of the spending review on 25 November 2015;
 - The legislative process
 - Further public consultations (which for Durham includes the results of the poll of all electors)
 - Agreement by constituent councils
 - Formal endorsement by the Leadership Board and Ministers.
- 15 The proposed agreement was circulated to members at the full council meeting on 28 October and is reproduced as **Appendix 2**.
- 16 The main points of the proposed agreement are:
 - to give the North East new opportunities to support businesses and create more jobs. That includes giving the North East an extra £30 million a year to set up an Investment Fund to help business growth.
 - To let the North East develop its own plans to improve post 16 education and training so that people have better skills and better prospects.
 - To let the North East take more decisions about transport investment, particularly public transport.
 - To enable the North East to do more to identify opportunities for investment in new housing.
 - To give the North East more say over how money from European Union is spent in the North East.
 - To enable the North East to review health and social care provision and develop plans to improve and integrate services so that people receive better care.
- 17 As explained above, agreement to a devolution deal would require the election of a mayor for the combined authority area. It is proposed that the mayor would have personal accountability for the following:
 - Responsibility for a devolved and consolidated transport budget, with a multi-year settlement to be agreed at the Spending Review.

- Responsibility for franchised bus services and, through Rail North, franchised rail services, contributing to the delivery of smart and integrated ticketing across the North East.
- Powers over strategic planning, including the responsibility to create a North East Planning Development Framework and to chair a new North East Land Commission to release land for development.
- Powers to place a supplement on business rates to fund infrastructure, with the agreement of the local business community through the local enterprise partnership, up to a cap.

18 The Leadership Board, made up of the Leaders and Elected Mayor of the constituent authorities would be renamed as the ‘Cabinet’ of NECA and working with the Mayor would have the following powers:

- To create a North East Combined Authority Investment Fund, bringing together funding for devolved powers and used to deliver a 15 year programme of transformational investment in the region.
- Control of a new £30 million a year funding allocation over 30 years, to be included in the NECA Investment Fund and invested to boost growth.
- Joint responsibility for an Employment and Skills Board, that will undertake a comprehensive review and redesign of the post-16 education, skills and employment support system in the North East, delivered through the area-based review of post 16 provision, devolution of adult skills funding by 2018/19 and co-design by Government and NECA of employment support for harder-to-help claimants.
- Responsibility for a devolved approach to business support from 2017, including further responsibility for UKTI export advice services, to be developed in partnership with Government.
- Joint responsibility for the rollout of broadband across the North East.
- Increased devolved responsibility for rural growth.

19 The Elected Mayor would be the Chair and a member of NECA. All members of NECA, including the Elected Mayor would have one vote and any proposal requiring a decision of NECA could be put forward by either the Mayor or a Cabinet Member.

Extent to which conditions have been met

20 An update is provided below on the conditions set out in the proposed devolution agreement.

The outcome of the spending review

21 The devolution agreement made reference to seeking a fair funding settlement for the North East: ‘ensuring that the North East does not suffer disproportionately from future reductions in funding through a fair funding settlement’. The spending review of 25 November 2015 made clear that

austerity will continue for local government until at least 2020. The final financial settlement for 16/17 received on 8 February 2016 is summarised in the financial implications section at **Appendix 1**. Of the additional £150m of Government Transitional Grant funding for the next two years and the additional £61m Rural Services Delivery Grant included in the final settlement, only Northumberland benefited.

- 22 In finalising the proposed devolution agreement, further discussions are being held with DCLG and Treasury.

Consultation including the Durham Poll

- 23 Previous paragraphs highlighted the consultation that was undertaken and which influenced the decision to form NECA. At each stage of the process there was consultation throughout the NECA area in each of the constituent local authority areas and further consultation bespoke to each area. At each stage, Durham has had the highest turnout within the NECA area, and in conducting the poll, has carried out the largest consultation in England on a policy issue.
- 24 The consultation events and the issues emerging from them are summarised in **Appendix 3**. The main points are:
- There was general support voiced for the concept of devolution amongst partners, businesses, the general public and the voluntary sector
 - The issues covered by the proposed agreement were thought to be appropriate
 - Suggestions of areas for future devolution included culture, tourism, housing and the environment
 - There were concerns expressed as to how issues such as the rural nature of County Durham, and the non-co-terminous boundaries of Durham's police and fire services would be accommodated within the proposed devolution arrangements
 - There was interest expressed as to how Durham could continue to work with areas beyond the combined authority area, particularly for businesses and regarding health and social care services.
- 25 The decision to conduct a poll of all electors was made by full council on 9 December 2015. The methodology for conducting the poll was also agreed at that meeting and included a postal survey, background information and questions developed by the University of Durham, and the commissioning of the poll and its analysis by a third party organisation with the infrastructure to carry out such a high volume poll (377,110 electors) within a short period. Electoral Reform Services was appointed in mid-December and the poll was conducted from 11 January to 8 February 2016.
- 26 The results of the poll are presented in **Appendix 4**. The total number of responses received was 81,964 from an electorate of 377,110 representing a

21.7% turnout. This is evidence of a significant amount of interest in what is essentially a policy issue. Advertisements informing residents of the poll were placed in the local press and ran on local radio. There were articles and editorials on the issue in the regional press and interviews/coverage on regional TV. In the absence of significant national coverage of this issue and campaigning, such a turnout is very encouraging.

27 Analysis of the poll results shows that:

- A clear majority (59.5%) of electors responding thought that devolving some power and resources to the North East would be a step in the right direction. A minority (14.9%) thought that it would be the wrong thing to do. A quarter of respondents thought that devolving some power and resources would make little difference or didn't know (19.9% and 5.7% respectively).
- Respondents' views on the powers of an elected mayor were more mixed. 47.8% thought that the mayor should have limited power and influence i.e. someone who chairs the combined authority but does not have a major role representing the area. 40.3% of respondents took the view that the mayor should have quite a lot of power and influence – perhaps coming to be seen as someone who represents the voice of the North East area. 11.9% of respondents were unsure of their views on this topic. At 1,088 this issue had the most invalid responses of the four questions.
- The most popular response to the question as to whether if the agreement goes ahead, people would like to try to get additional powers and resources devolved to the north east was “not sure – it depends, let's wait and see” (42.9%). Clear views of “no, I wouldn't want to see more devolution” were expressed by 22.4% and “yes, I would like to see more devolution” by 28.3% on this issue; 6.4% were unsure of their views.
- On being asked their views as to whether if the agreement goes ahead, it would bring more prosperity and jobs to County Durham, 40.5% thought it would, 9.1% thought it would not, and 36.2% thought it would make little or no impact to jobs and prosperity. More people (14.2%) answered “I don't know” to this question than any of the others

Legislation

28 Legislation required to enable combined authorities to assume devolved powers is largely contained within the *Cities and Local Government Devolution Act 2016*.

29 The Act received Royal Assent on 28 January 2016 and will be in force before the end of March. The Act provides a framework for:

- Devolution of powers and responsibilities to combined authorities from Government
- Introduction of new mayoral combined authorities

- Transfer or sharing of powers and responsibilities from other public bodies
- 30 A key principle underpinning these opportunities for change is consent and the Act envisages that any material change in power or the introduction of a combined authority mayor will be with the consent of the combined authority and constituent authorities. A decision to provide such consent is a matter for the NECA Leadership Board and the cabinets of the constituent authorities.
- 31 The act envisages costs incurred in, or in connection with, the Mayoral office could be met through a Mayoral Precept with effect from 2018/19, subject to enabling orders that are yet to be agreed. The Mayoral responsibilities include a devolved and consolidated transport budget and so the current transport levy arrangement is expected to change from the current arrangements where the council tax payers in the five Tyne and Wear authorities currently pay a levy for the transport services provided by the former Integrated Transport Authority and Durham and Northumberland have separate levies for passenger transport services and concessionary fares costs in their areas.
- 32 It is not yet confirmed when an order permitting a mayoral precept will be made. More detail about the process for agreeing and funding the Mayoral budget will emerge in secondary legislation but the Act envisages scrutiny of the draft budget and the power to change it.
- 33 Details of the operation of some aspects of the new legislation, such as scrutiny and budget setting will be set out in orders and regulations following consultation by DCLG, which is expected over the next few months.
- 34 The Government is therefore enacting legislation to enable devolution powers to be assumed by mayoral combined authorities. At this stage, much of the detail has yet to be developed.

Agreement by Constituent Councils

Formal endorsement by the Leadership Board and Ministers

- 35 The proposed devolution agreement must be considered by each constituent council's Cabinet in advance of a final decision to be taken by the NECA Leadership Board.
- 36 Each constituent council is planning to debate the issue at a council meeting in advance of the Cabinet decision on the issue. The current timetable is that Council meetings and Cabinet meetings will take place prior to a NECA Leadership Board meeting on 24 March 2016.
- 37 This report, updated with any further emerging information will form the background information to a report to Cabinet.
- 38 Any constituent council that decides not to agree the proposed devolution agreement would be required to leave the combined authority. The proposed devolution agreement could still be agreed provided that there are two or more constituent councils in the combined authority. However the final decision on whether to agree the proposed agreement lies with the NECA

Leadership Board once all constituent councils have made clear their positions.

County Durham Issues

- 39 Previous reports on the combined authority and devolution have highlighted that Durham has significant issues, some of which are unique within the combined authority area. These are:
- Transport: Durham and Northumberland were never part of the Tyne and Wear Integrated Transport Authority (ITA) and have rural transport issues that are unique to largely rural counties;
 - Health: the footprint for health services for County Durham residents involves significant patient flows to Tees Valley. The council is part of an NHS unit of planning which comprises Durham, Darlington and Tees and has been involved for some time in an NHS sub-regional project to consider hospital and out of hospital care from the Tees Valley and County Durham known as the 'Better Health Programme'.
 - Police and fire: whilst police arrangements for six of the seven constituent councils are shared, Durham's police authority is separate and covers both County Durham and Darlington. Darlington is part of the Tees Valley combined authority. Durham's fire authority covers the same footprint as the police and therefore again straddles two combined authority areas.
- 40 Durham's position on transport is very clear and has been provided for in the constitution and Order of NECA.
- 41 There are some significant differences in the way in which transport is delivered and the cost of transport services between Tyne and Wear, Durham and Northumberland. There is a commitment to consider transport integration across the NECA area, with the potential for an elected mayor to take direct responsibility for all transport matters across NECA. This could extend to franchising of all bus services under the proposed Buses Bill. The authority will need to ensure that this will only be progressed where it can be shown to be more effective and efficient, whilst maintaining or improving the quality of service across the County.
- 42 The Order transferred the responsibility for passenger transport and concessionary fares from the Council to the combined authority. However, in order to protect the Council's position set out above, the Constitution of the Combined Authority, and the Operating Agreement between the constituent authorities delegated these functions back to the County Council.
- 43 The Order also made provision for three separate levies to be issued, to the Tyne and Wear districts, Durham and Northumberland; and protected the two county councils from any costs or liabilities in relation to the functions, property and rights transferred to the Combined Authority from the former Tyne and Wear ITA.

- 44 The constitutional changes required to change from a combined authority to a mayoral combined authority bring similar risks to those managed so far on the creation of the combined authority. Care must therefore be taken to delineate our arrangements in a similar fashion, in the creation of a mayoral combined authority if the proposed devolution agreement is agreed.
- 45 Whilst we should consider the opportunities presented by any new legislation, full harmonisation of passenger transport could reduce flexibility for Durham in dealing with our own budget pressures.
- 46 The existing alignment of transport functions with other place shaping functions within Regeneration and Economic Development is also considered to be more effective in delivering against Durham's strategic and economic agenda.
- 47 The current integration across home to school, public transport, health transport and adult social care transport delivery areas is considered to offer greater efficiency for meeting transport needs in rural areas. Any further integration within NECA would need to demonstrate that it would be more efficient and provide greater value for money than the present arrangements.
- 48 The devolution agreement contains the proposal to establish a Commission for Health and Social Care to establish the scope and basis for integration, deeper collaboration and devolution across the combined authority's area. In contributing fully to the evidence base and sharing with partners the development of the commission's findings, it will be important to continue to ensure that there is widespread understanding of and account taken of Durham's significantly different patient flows and health service planning footprint, if the proposed devolution agreement is finalised.
- 49 Some devolution deals, including that for Greater Manchester include provision for the Mayor to assume the responsibility of the Police and Crime Commission for that area. This is not a part of the proposed North East devolution agreement.

Financial implications

- 50 The financial benefits of the devolution agreement have been described above and in the financial implications section of **Appendix 1**. Negotiations are still ongoing as to how the overall funding package for the North East could be improved. Costs would be incurred to hold mayoral elections and run the mayoral office. Legislation, subject to enabling orders that are yet to be agreed, gives the mayor power to raise a council tax precept to pay for these costs but this power will not be able to be put in place until at least 2018/19 i.e. the first financial year after the mayor is elected. The costs for NECA and the mayoral office for at least the first two years would therefore have to be met from the £30m a year grant funding.

Next steps

- 51 As outlined above the next step in decision making is consideration of the proposed agreement by each constituent council through a series of council and cabinet meetings. The NECA Leadership Board will then take a final decision once the position of each constituent council is known.
- 52 Following Royal Assent of the Act, a series of Orders necessary for implementation of the act will be required. These include:
- An Order allowing for the creation of mayors to allow elections in 2017.
 - An Order modifying the existing Combined Authority Order;
 - Further Orders to convey specific information regarding for example the budget process, precept etc.

Conclusion

- 53 Local Government in England has long asked for greater powers to be devolved from Westminster. The devolution deal on offer is a complex one. At its heart is collaboration on economic regeneration, transport and skills beyond local authority boundaries. A review of this area was conducted before the establishment of NECA which found that there would be economic benefit from collaborating over this geography.
- 54 The Government has committed to the investment of £30m revenue funding over the next 30 years from 2016 and the devolution of powers in relation to regeneration, transport and skills. A condition of this deal is the election of a mayor with effect from May 2017 and the transition of NECA to a mayoral combined authority.
- 55 Much is still uncertain about the details of the new legislation enabling mayoral combined authorities to assume devolved powers. Negotiations are still continuing as to how the financial offer can be strengthened. It is also unclear as to how Government will work with combined authorities in comparison to those areas that have not agreed to work in this way. In an ideal world, we would have complete visibility on these issues and how they would develop.
- 56 Durham has sought the views of stakeholders and the public to a much greater extent than any other authority through the poll of all electors. There is clear support for devolving some power and resources to the North East and a view that we should “wait and see” how further devolution could be achieved in the future. General support for devolution was also apparent in the consultation held with partners, businesses and the voluntary sector.
- 57 Consultation responses in general highlighted concerns and suggested that care would be needed to deal appropriately with Durham specific issues such as rurality, transport, health and social care patient flows and the police and fire boundaries. Throughout the negotiations and development of the combined authority and the proposed devolution agreement, care has been

taken to stress the issues that are specific to Durham. These have been accommodated to date and it is important that they continue to be so.

Recommendation

58 It is recommended that Council:

- a) notes the information on the proposed agreement provided in the report
- b) notes the conditions on which the proposed agreement is to be decided namely:

The outcome of the spending review on 25 November 2015;

The legislative process;

Further public consultations (which for Durham includes the results of the poll of all electors);

Agreement by constituent councils;

Formal endorsement by the Leadership Board and Ministers.

- c) notes the update on the degree to which these have been met, namely
 - That negotiations on funding to the North East are continuing following the outcome of the financial settlement for 16/17
 - Consultation outcomes, including those of the poll support the devolution of funding and resources to the North East but are cautious as to the degree to which devolution should go beyond the current proposed agreement and would wish to see a mayor with more limited powers;
 - That the legislation to enable devolution through mayoral combined authorities has received Royal Assent and that further detail is under development;
 - That each constituent council will consider the proposed agreement, making decisions through cabinets;
 - The Leadership Board will make a final decision when the position of all constituent councils is known.
- d) Notes and confirms that the following Durham specific conditions have been accommodated within the combined authority development and proposed devolution agreement to date, and must continue to be so in the final decision making:
 - There will be no change to the transport levy in a way as to disadvantage Durham;

- Integrated transport arrangements will not mean more cost or disadvantage to Durham;
- That absorption of the role of the Durham PCC is currently not part of the devolution agreement and that any future devolution will not be to the detriment of Durham's police and fire services;
- That any future interpretation of health and social care takes account of the significantly different patient flows in County Durham and is not to the detriment of health and social care services.

Reason

- 59 To take account of all of the issues associated with the proposed devolution agreement, including the results of the Durham poll, prior to consideration of the proposed devolution agreement by Cabinet.

Contact: Lorraine O'Donnell, Assistant Chief Executive
Don McLure, Director of Resources
Ian Thompson, Director of Regeneration and
Economic Development
Colette Longbottom, Head of Legal Services

Appendix 1: Implications

Finance - In finalising the proposed devolution agreement, negotiations are currently taking place on how the concept of 'fair funding' for NECA can be satisfied with Communities and Local Government (CLG).

The provisional grant settlement for 2016/17 in December 2015 was a less bad settlement when compared to previous years due to the formula taking into account council tax raising levels of each local authority in the context of 'core spending power'.

The final settlement included £150m of Transitional Grant funding for 2016/17 and 2017/18 plus £61m Rural Services Delivery Grant where the biggest beneficiary authorities were the southern upper tier county councils. Durham did not receive any funding from these two additional grants.

2016/17 Actual Position

The average 'core spending power' across the whole of England in 2016/17 is a cut of 2.3%.

The cut for Durham is 4.1% and the NECA average is a cut of 3.7%

2016/17 to 2019/20 Actual Position

The average 'core spending power' across the whole of England across the 4 years is a cut of 0.4%.

The cut for Durham is 2.4% and the NECA average is a cut of 1.8%

Impact on Core Spending Power (Excluding Council Tax Income)

2016/17

The average 'core spending power' across the whole of England in 2016/17 is a cut of 9.6%.

The cut for Durham in 2016/17 is 10.5% and the NECA average is a cut of 9.8%

The reason why the cut for Durham and NECA average is higher than the England average in this first year is due to the impact of the additional £150m of Transitional Grant funding which is a Government commitment for two years only in 2016/17 and 2017/18 plus the £61m Rural Services Delivery Grant included in the final grant settlement.

Along with all the other north east authorities (apart from Northumberland), Durham did not receive any of this additional funding and this has caused our cut in core spending power to be higher than the England average in 2016/17.

Impact on Core Spending Power (Excluding Council Tax Income)

2016/17 to 2019/20

The average 'core spending power' across the whole of England across the next four years - 2016/17 to 2019/20 is a cut of 24.5%.

The cut for Durham across the four years is 19.6% and the NECA average is a cut of 19.8%

The reason why the cut for Durham and NECA average is lower than the England average across the four year period is due to the £150m of Transitional Grant funding and the £61m Rural Services Delivery Grant including only being paid in the

first two years. This therefore has a beneficial impact in average comparison terms for Durham and the north east from 2018/19 onwards.

Staffing - None

Risk – within the body of the report

Equality and Diversity / Public Sector Equality Duty - None

Accommodation - None

Crime and Disorder - None

Human Rights - None

Consultation - None

Procurement - None

Disability Issues - None

Legal Implications - within the body of the report



HM Treasury

neca
north east combined authority

NORTH EAST DEVOLUTION AGREEMENT

DEVOLUTION AGREEMENT BETWEEN GOVERNMENT AND THE NORTH EAST

This document sets out the terms of a proposed agreement between the North East Combined Authority Leadership Board and the Government to move forward with a radical devolution of funding, powers and responsibilities. Final agreement is conditional on the legislative process, the Spending Review, further public consultation, agreement by the constituent councils, and formal endorsement by the Leadership Board and Ministers early in the New Year.

The document we have negotiated together, set out alongside this statement, provides for the transfer of significant powers for employment and skills, transport, housing, planning, business support and investment from central government to the North East. It paves the way for further devolution over time, and for the reform of public services, including health and social care, to be led by the North East.

Devolution must deliver new opportunities for the people of the North East, helping to meet our Strategic Economic Plan to create 100,000 jobs. By prioritising Human Capital development, we will create a radical new approach to enhancing employment and skills, with devolved responsibility for adult skills, co-design of employment support for harder-to-help claimants, and partnership arrangements to create opportunities for young people.

The deal would enable the Combined Authority to create an Investment Fund focused on supporting the North East to compete in international markets, worth up to £1.5 billion, with an initial allocation of revenue funding for capital financing of at least £30 million a year for 30 years. The incoming Mayor would also have the option, with business support, to raise up to a further £30 million a year through a business rate supplement. The North East would in addition benefit from access to Local Growth Funding, from new Enterprise Zones, through the current bidding round, and from local leadership over European funding. Further details would be set out at and following the spending review through a place-based settlement and a single capital programme, demonstrating fair funding.

A Mayor for the North East would be established, working as part of the Combined Authority and subject to local democratic scrutiny, and with a strong partnership with business. Elections would take place in 2017. We will together review the appropriate relationship between the mayor and the role of police and crime commissioners.

We believe we can deliver a deal which is good for the North East, good for our individual communities, and good for the UK. It demonstrates the central role that the North East plays in delivering the ambitions of the Northern Powerhouse. We will now move forward to champion the progressive devolution which the North East demands and expects, with radical reforms of the relationship between the region and central government. Above all, we will help create new opportunities for the people of the North East, more and better jobs, and a greater say over their communities and their future.



HM Treasury



north east combined authority

.....
The Rt Hon George Osborne
Chancellor of the Exchequer

.....
Clr Simon Henig
Chair of the Combined
Authority and Leader of
Durham County Council

.....
Clr Mick Henry
Vice Chair of the Combined
Authority and Leader of
Gateshead Council

.....
Mayor Norma Redfearn
Vice Chair of the Combined
Authority and Elected Mayor
of North Tyneside

.....
Clr Nick Forbes
Leader of Newcastle City
Council

.....
Clr Grant Davey
Leader of Northumberland
County Council

.....
Clr Iain Malcolm
Leader of South Tyneside
Council

.....
Clr Paul Watson
Leader of Sunderland City
Council

.....
Paul Woolston
Chair of the North East
Local Enterprise Partnership

.....
Lord O'Neill
Commercial Secretary to
The Treasury

Governance

1. The proposal for a Mayoral Combined Authority is subject to the final formal consent of the Combined Authority (Leadership Board), the constituent councils, agreement of ministers, and to the Parliamentary process for the necessary primary legislation (The Cities and Local Government Devolution Bill and the proposed Buses Bill) and subsequent orders. This agreement is also conditional on the outcome of the Spending Review.
2. The Mayor will be the Chair and a Member of the North East Combined Authority and subject to the Authority's Constitution and associated procedures (to be amended in the light of the introduction of a Mayor). The powers contained in this deal document will be devolved from Government to the Mayoral Combined Authority. The Mayor will exercise certain powers with personal accountability to the electorate, devolved from central Government and set out in legislation:
 - Responsibility for a devolved and consolidated transport budget, with a multi-year settlement to be agreed at the Spending Review
 - Responsibility for franchised bus services and, through Rail North, franchised rail services, contributing to the delivery of smart and integrated ticketing across the North East.
 - Powers over strategic planning, including the responsibility to create a North East Planning Development Framework and to chair a new North East Land Commission to release land for development.
 - Powers to place a supplement on business rates to fund infrastructure, with the agreement of the local business community through the local enterprise partnership, up to a cap.
3. The North East Combined Authority (NECA), working with the Mayor, will receive the following powers:
 - To create a North East Combined Authority Investment Fund, bringing together funding for devolved powers and used to deliver a 15 year programme of transformational investment in the region.
 - Control of a new £30 million a year funding allocation over 30 years, to be included in the NECA Investment Fund and invested to boost growth.
 - Joint responsibility for an Employment and Skills Board, that will undertake a comprehensive review and redesign of the post-16 education, skills and employment support system in the North East, delivered through the area-based review of post-16 provision, devolution of adult skills funding by 2018/19 and co-design by Government and NECA of employment support for harder-to-help claimants
 - Responsibility for a devolved approach to business support from 2017, including further responsibility for UKTI export advice services, to be developed in partnership with Government.
 - Joint responsibility for the rollout of broadband across the North East.
 - Increased devolved responsibility for rural growth.

4. Other members of the North East Combined Authority Leadership Board (to be renamed as a Cabinet) will become portfolio leads for the Combined Authority's responsibilities, on the basis to be set out in its Constitution, and take on delegated powers as agreed with the Mayor. Cabinet portfolios will be established for all leaders, building on the existing arrangements established within the Combined Authority.
5. The Mayor for the North East will be elected by the local government electors for the areas of the constituent councils of the North East Combined Authority. Subject to parliamentary time allowing for the passage of legislation through parliament, the first election will be held in May 2017.
6. Proposals for decision by the Combined Authority may be put forward by the Mayor or any Cabinet Member. All members including the Mayor will have one vote. Any questions that are to be decided by the Combined Authority are to be decided by a majority of the members present and voting, unless otherwise set out in legislation. Decisions by the Combined Authority should have the support of the Mayor, unless set out otherwise in the Authority's Constitution, or specifically delegated to Cabinet members. The Cabinet will examine the Mayor's draft annual budget, plans and strategies and will be able to amend them if two-thirds of the members who have been appointed by the constituent authorities agree to do so.
7. The Overview and Scrutiny arrangements currently established for the Combined Authority will be retained, subject to any amendments required to reflect the introduction of the Mayor and any new statutory provisions.
8. Any transfer to the Combined Authority or Mayor of existing powers or resources currently held by the constituent authorities must be by agreement, unless set out in legislation.
9. The Combined Authority will work with partners across the North of England to promote opportunities for pan-Northern collaboration, including Transport for the North, to drive northern productivity and build the Northern Powerhouse.
10. Arrangements will be made to ensure a strengthened role for business working with the Mayor and Combined Authority.

Finance and Funding

11. Future funding outcomes under this agreement should take account of:
 - a. The scale of opportunities presented in the overall devolution portfolio.
 - b. Ensuring the North East is not disadvantaged in relation to the fiscal freedoms granted to the Scottish Government.
 - c. Ensuring the North East does not suffer disproportionately from future reductions in funding through a fair funding settlement.
 - d. The ability for the Combined Authority to bid into any additional resources that become available over the 15 year period, on a fair and equitable basis.
12. The North East Combined Authority will create a fully devolved funding programme covering all budgets for devolved functions ("The North East Investment Fund"), accountable to the Combined Authority. The Fund will operate as a single programme,

- bringing together resources for economic growth, skills and employability, regeneration, transport and housing; including allocations from the Local Growth Fund.
13. The Combined Authority will use the North East Investment Fund to deliver a 15 year programme (2016-2031) of transformational long-term investment. A minimum commitment of capital and revenue spending from Government will be set by agreement through the Spending Review.
 14. As an initial allocation to the Investment Fund, an allocation of £30 million a year for 30 years (2016-46) in revenue funding for capital financing and other costs will be made, allowing the North East Combined Authority to create an investment fund up to £1.5 billion, subject to 5-yearly gateway assessments to confirm the investment has contributed to national growth. In addition, the Mayor will be given the power to place a supplement on business rates to fund infrastructure, with the agreement of the local business community through the local enterprise partnership, up to a cap. In the North East this could provide up to an additional £30 million a year in revenue funding to double the size of the Fund.
 15. In addition, the North East will bring forward a proposal for consideration by Government for a single allocation of the Local Growth Fund to support a programme of investment, including an element of flexible revenue funding, committed over a 5 year period, and devolved to the Combined Authority.
 16. The costs of the Mayoral Combined Authority will be met from within the overall resources devolved to the Combined Authority.
 17. Where functions are agreed to be devolved or to be jointly accountable, the Spending Review will identify a fair level of revenue funding for those functions over the Spending Review period, in the form of a place-based funding settlement for the North East Combined Authority.
 18. Within its powers and resources, the Combined Authority will have full flexibility, without reference to government departments, to:
 - a. Make multi-year commitments to projects and programmes
 - b. Secure substantial private and public sector leverage
 - c. Vire resources between projects and programmes, and across financial years
 - d. Use capital receipts from asset sales as revenue funding for public service transformational initiatives.
 19. The Cities and Local Government Devolution Bill currently in Parliament makes provision which will govern further prudential borrowing for Combined Authorities. Following Royal Assent, Central Government will work with the Combined Authority to determine how these powers could apply within a framework of fiscal responsibility and accountability to the Combined Authority and local authorities.
 20. The North East will receive additional Enterprise Zones and/or extension of existing zones, subject to the current bidding round for further Enterprise Zones.
 21. The Combined Authority and Government will pilot a scheme which will enable the Combined Authority to retain all business rate growth that would otherwise have been paid as central share to government, above an agreed baseline, for an initial period

of five years. Government and the Combined Authority will also discuss wider localisation of business rates.

22. The Government agrees to delegate to the North East Combined Authority project selection powers for the European Regional Development Fund and the European Social Fund. The Combined Authority will be granted Intermediate Body status to deliver these delegated powers. This will allow the North East to integrate and align investments with other aspects of the devolution deal, to select projects for investment, to improve performance and maximise economic impact. The Government will work with the Combined Authority to agree the detail of this delegation and, subject to agreement, it is expected to begin from April 2016.
23. Government will ensure fair funding for the constituent authorities, and the Combined Authority will publish an annual report setting out the overall extent of, and prospects for, public funding within its area.

Human Capital Development

24. The North East Combined Authority will create an integrated employment and skills system tailored to the specific needs of the area, and thereby raise labour market participation and skills at all levels, to increase productivity, improve the life chances of young people, help people into work and meet the skills shortages experienced by North East employers.
25. This process will be overseen by an Employment and Skills Board with dual accountability to both the North East Combined Authority and to Government. The Board will bring together relevant senior representation from the Combined Authority; the Department for Business, Innovation and Skills; Department for Education; Department for Work and Pensions; the Regional Schools Commissioner (with their agreement); appropriate representation from business; and, HM Treasury. The Board will be chaired by the Commercial Secretary to the Treasury, Lord O'Neill.
26. The Board will:
 - a. Undertake a comprehensive review and redesign of the post-16 education and skills system and employment support for harder-to-help claimants in the North East. This will encompass the current area-based review of post 16 education and training institutions. The Board will subsequently evaluate the strategic fit and effectiveness of this system in meeting the future needs and demands of the local labour market.
 - b. Facilitate the full devolution to the Combined Authority of the 19+ adult skills budget, at the latest by 2018, subject to agreement on readiness to take on these responsibilities.
 - c. Develop key local strategies and plans for post-16 learning provision.
 - d. Collaborate to maximise the opportunities within the North East presented by the introduction of the apprenticeship levy and any annual underspends within the national Employer Ownership of Skills pilot programme (subject to the Spending Review).
 - e. Actively stimulate, promote and champion initiatives that seek to strengthen

and deepen partnerships between education and business to provide a focus upon economically-driven activity, such as vocational training (including 19+ apprenticeships and traineeships); experience of work; and, enterprise learning.

- f. Facilitate joint responsibility between Government and the Combined Authority to co-design the future employment support from April 2017 for harder-to-help claimants, many of whom are currently referred to the Work Programme and Work Choice.
 - g. Examine the case for further devolution of employment and skills powers and budgets and bring forward proposals to government for potential transfer of accountability to the North East Combined Authority, in time to implement any resulting reforms by April 2019.
27. The Combined Authority will create a Service Transformation Fund, to support early intervention to support individuals and families with complex needs, to reduce high dependency on public services and support economic participation, supported by a data sharing agreement and other measures to promote the integration of local public services.

Supporting and Attracting Business and Innovation

28. The North East Combined Authority will simplify and strengthen the support available for business growth, innovation and global trade in the North East in order to create more and better jobs. To deliver this commitment:
- a. Working within the scope of existing contracts (2015/16 and 2016/17), the Government will work with the North East to align the Business Growth Service and other national services with local business support through its Growth Hub, to give businesses a joined-up, simplified service that meets their needs. The North East will take full responsibility for a devolved approach to business support from 2017 onwards.
 - b. The Government and North East Combined Authority will work to devolve further responsibility for UK Trade and Investment (UKTI) Export Advice services. This will include ring-fencing and a dual key approach to activities, and enhanced reporting on outputs and outcomes by UKTI.
 - c. Government and the Combined Authority will take joint responsibility for the delivery of inward investment into the region. There will be a strengthened partnership between locally delivered services and UKTI, with a quarterly board to follow-up on progress. The Government will consider the case for creating a Northern Powerhouse hub for foreign investment, in discussion with key partners including the North East. This approach will be focused on maximising high level jobs and long-term economic impact.
 - d. Government will offer the Combined Authority expert advice and support to put forward a strong proposal for a science and innovation audit. The audit would allow the Combined Authority to work with its universities and businesses to map the strengths of the North East. This would provide a new and powerful way to understand the region's strengths and how to maximise

the economic impact from the UK's research and innovation investment nationally. The audit would, for example, provide Government with part of the evidence base on which to make decisions on any further catapults and could be used to explore the North East's potential in smart data.

29. Government and the Combined Authority will agree a joint programme to create the right environment to drive the commercial rollout of ultrafast broadband following successful testing and to ensure 4G services are available to at least 95% of the North East's population. Government will also support the Combined Authority to reinvest funds into creative solutions to supply superfast broadband to remaining premises. The Combined Authority will work with businesses and universities in the North East to develop applications for 5G technology.
30. The Combined Authority will commission a feasibility study into the establishment of a National Smart Data Institute in the North East.

Health and Social Care Integration

31. The North East Combined Authority and the NHS will jointly establish a Commission for Health and Social Care Integration, chaired by a senior national figure, to establish the scope and basis for integration, deeper collaboration and devolution across the Combined Authority's area, in order to improve outcomes and reduce health inequalities. It will report by Summer 2016. Terms of reference, agreed between the Combined Authority and NHS England, are attached.
32. The Commission will look across the whole system, including acute care, primary care, community services, mental health services, social care and public health. It will strengthen the NHS in the North East Combined Authority area, and continue to uphold its values, standards and constitution. The commission will build on best practice, including pioneer status, and the experience of integration in Northumberland.

More and Better Homes

33. The Combined Authority and its constituent authorities will support an ambitious target for the increase in new homes, and will report annually on progress against this target. To ensure delivery of this commitment, the Combined Authority and Government agree to:
 - a. Establish a North East Land Board to review all land and property held by the public sector, and all suitable brownfield land, to identify surplus land in suitable locations for housing or economic development use.
 - b. Devolve statutory planning powers, including Compulsory Purchase Order powers and those powers available to the Homes and Communities Agency. These powers would be exercised, where needed, by the Mayor, with the consent of the Combined Authority and member(s) appointed to the Combined Authority by the relevant local authority in which the powers are exercised, to drive housing delivery and improvements in the stock of housing in the North East.

- c. The creation of a North East Planning Development Framework (not a regional spatial strategy) led by the Mayor, to enable the constituent authorities to deliver on housing growth. This will create an overarching framework for development in the North East, delivering the National Planning Policy Framework according to the specific needs of communities in the North East, supporting local development frameworks, and incorporating the duty to cooperate between the constituent local authorities.
- d. Support effective close working between the Housing and Communities Agency and the Combined Authority to ensure a focus on delivering housing on growth sites within the region.

Transport

34. The Mayor and the Combined Authority, will create the UK's first fully integrated transport system, with the ambition to bring together responsibilities for rail, local highways, metro, buses and ferries, for both urban, sub-urban and rural communities.

To achieve this ambition:

- a. The Government is bringing forward legislation, as part of the Cities and Local Government Devolution Bill, to allow for the devolution of transport powers and funding to the Combined Authority to be exercised by the Mayor.
- b. Specific delivery arrangements will reflect the particular transport needs and challenges of areas within the region, including the option for the Mayor to delegate specific responsibilities to the Combined Authority or individual Cabinet members, for example over rural transport.
- c. Government will devolve a consolidated local transport budget with a multi-year settlement to be agreed at the Spending Review, including all relevant local highways and sustainable travel funding.
- d. Government will consider establishing and devolving a long-term funding programme to support investment in the Metro. This will include, :
 - a. Considering, through the spending review, setting a multi-year funding allocation for Metro reinvigoration phase 2, committed up to 2020-21,
 - b. The Combined Authority producing a business case, for consideration by Government, for investment in the Metro network to 2030, including the upgrade of the Metro fleet , potential expansion, and future integration of the Metro with the rail network.
- e. Rail North will, in partnership with DfT, assume full responsibility for oversight of the Northern and TransPennine Express franchises from April 2016, with the aim of delivering further improvements in rolling stock quality, frequency and quality of services, and new connections. As part of this arrangement, the Mayor and Combined Authority, with Tees Valley, Cumbria and North Yorkshire, will oversee rail matters included within the North East Business Unit area. As part of this, the Combined Authority and Government will consider a business case for the re-establishment of passenger services on the Ashington, Blyth and Tyne line.

- f. Longer-term, the Mayor and the Combined Authority, will bring forward a business case, for consideration by Government, for the unification and full devolution (beyond the forthcoming Northern franchise) of the management of rail and metro services within the North East, with the aim of creating the UK's first integrated regional rail network combining light and conventional rail.
- g. The Mayor and the Combined Authority will deliver a fully multi-modal smart ticketing and transport information network across the North East, aligned with the plans of Transport for the North on the implementation of integrated smart ticketing across the North.
- h. The Combined Authority will take forward, in accordance with the quality contract process, its existing proposals for the franchising of bus services from 2017, with the ambition for further extension to communities in Durham and Northumberland. Government will work with the Combined Authority to support the delivery of effective bus services in the North East, with the option for the Mayor to use additional powers through the Buses Bill, subject to necessary legislation and local consultation.
- i. On strategic, inter-regional transport issues and investment, DfT, Network Rail, Highways England and HS2 will continue to work with the North East Combined Authority and Mayor through Transport for the North, which will be put on a statutory footing by 2017.
- j. To support better integration between local and national networks, the Government and the North East Combined Authority will enter into joint working with Highways England and Network Rail on operations, maintenance and local investment through a new joint agreement on the delivery of investment and operations, which will be established by 2016.

Rural Growth and Stewardship

- 35. Government will support the existing North East Rural Growth Network and approved LEADER programmes, and will work towards the devolution of rural growth programmes to the North East, including closer coordination of future stewardship and environmental programmes, to a timetable to be agreed by 2016.
- 36. The Government will explore with the Combined Authority and Northumberland National Park Authority the options to give the Park Authority greater commercial freedom.

Regulatory Powers

- 37. Government and the Combined Authority will review which regulatory and planning powers that are currently held by ministers and public authorities should be transferred to the Combined Authority, to be exercised with the agreement of, or following a proposal from, the constituent authority or authorities in which those powers are applied. The powers to be reviewed include those that:

- a. support the Combined Authority's transport, regeneration and housing functions;
- b. promote safe and high quality neighbourhoods and town centres;
- c. support housing growth;
- d. support improvements in the quality of housing and challenge poor quality landlords; and
- e. promote public health by addressing obesity, smoking and substance misuse.

Events

38. The Combined Authority will work with the Government to identify ways for the North East to play a major role in the UK's programme of business, cultural and sporting events.

Other areas

39. This deal represents a first step in a progressive process of devolution of funding, powers and responsibilities to the North East. As well as the areas set out in this deal, the Combined Authority and Government will consider further opportunities for devolution, including but not limited to:

- a. Business cases for the relocation of significant government functions from London to the North East;
- b. Devolution of funding and assets held by central government which could be devolved to support faster housing and regeneration;
- c. Devolution of climate change initiatives, support for investment in energy efficiency and technological development;
- d. Measures to implement the Prime Minister's commitment to protect Newcastle Airport from the impact of devolution of Air Passenger Duty to Scotland;
- e. Opportunities for joint initiatives between the North East and Scotland, in areas such as tourism, culture, transport and industrial collaboration.
- f. Proposals for an appropriate relationship between the functions of a Mayor and future role of the Police and Crime Commissioners, including in relation to fire services, to be developed, subject to local consent and a business case developed jointly by PCCs and council leaders, and in consultation with the Fire and Rescue Authorities.

Delivery, Monitoring and Evaluation

40. The North East Combined Authority will work with the Government to develop an agreed implementation, monitoring and evaluation plan in advance of implementation, which sets out the proposed approach for evaluating the impact of devolution.

41. The North East Combined Authority and Government will agree a process to manage local financial risk across local public bodies and will develop written agreements to agree accountability between local and national bodies on the basis of the principles set out in this document.

42. The provisions of this deal will be monitored by a Steering Group of senior officials from the Combined Authority and Government, meeting at least quarterly, with any issues of concern escalated to Ministers and Leaders to resolve, in keeping with the letter and spirit of this deal.

NE COMBINED AUTHORITY AND THE NHS

COMMISSION ON HEALTH AND SOCIAL CARE

TERMS OF REFERENCE

The North East Combined Authority and the NHS will jointly establish a Commission for Health and Social Care Integration, chaired by a senior national figure, to establish the scope and basis for integration, deeper collaboration and devolution across the Combined Authority's area¹, in order to improve outcomes and reduce health inequalities.

The Commission will look across the whole system, including acute care, primary care, community services, mental health services, social care and public health. It will strengthen the NHS in the North East Combined Authority area, and continue to uphold its values, standards and constitution.

Membership will be determined by agreement, and include representation from the Department of Health, NHS England, the Combined Authority, Clinical Commissioning Groups, the Voluntary and Community Sector, and Providers.

The Commission will produce a report, by Summer 2016, setting out the case for further devolution and integration, and the steps that would be required to deliver them, with a view to:

- Ensuring that the system is financially sustainable, with a clear and credible plan, by identifying areas for investment of the North East's fair share of the additional resources available for the NHS, demonstrating how efficiencies can be secured through integrated delivery of services and service transformation, and reinvesting savings to improve health outcomes.
- Establishing a mechanism for the North East to input into decisions about the use of NHS capital investment in the area.
- Advising on which additional services commissioned by NHS England might be suitable for either co-commissioning with CCGs or for devolution, driven by a principle of subsidiarity.
- Setting out a plan for improvement of public health outcomes across the North East, narrowing health inequalities within and beyond the region.

¹ "North East" in this context means the area covered by the North East Combined Authority (Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland).

- Establishing a close link with the Combined Authority's proposals for devolution of human capital development, in particular measures to address worklessness and inequality; assessing the feasibility of options for the devolution of powers to address public health challenges, including obesity, smoking and substance misuse; and linking to plans for innovation and economic growth.
- Proposing the most appropriate governance mechanism for devolution or joint accountability arrangements for any aspect of NHS spending, commissioning and performance management which the Commission recommends are devolved.
- Establishing the basis for democratic, legal and financial accountability to local leaders and communities and to NHS England, ministers and parliament.
- Developing an appropriate joint management regime between councils and NHS partners, effective operational and risk management arrangements, and a clear plan and timeline for transition.
- Ensuring that service delivery operates on the basis of subsidiarity, with local partnerships meeting the diverse needs of local communities on the basis of clear locality plans executed within an agreed framework.
- Recognising interdependencies and involving health and social partners in surrounding areas which would potentially be affected, or where there is potential benefit from delivering services in partnership.
- Identifying opportunities to accelerate progress in implementing the Five Year Forward View, building on existing initiatives.

In recognition of the progress already made towards integration and new models of care by particular areas in the North East, the Commission may make recommendations that allow for a faster pace of change in areas that have already made significant progress.

Any resulting devolution proposals will need to be formally agreed by the Combined Authority and either the NHS England Board (thereby ensuring consistency with NHS England's principles and criteria for devolution) or, depending on the nature of the proposal, the Department of Health.

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Summary of consultation on NECA

The proposed devolution agreement, signed in October 2015 by the Combined Authority and Government was subject to a number of conditions prior to being considered and accepted by the seven local authorities and combined authority. A key condition was consultation.

Approach to Consultation

Consultation and engagement has informed the development of the North East Combined Authority (NECA) and the development of the priorities and key areas in the proposed Devolution Agreement. Consultation has taken place at three key stages, involving a wide range of stakeholders at both regional and local authority levels.

Stage One: Stakeholders including the public were consulted about the creation of a North East Combined Authority during December 2013 and January 2014.

Stage Two: In January 2015, the NECA Leadership Board developed outline proposals for potential devolution themes to discuss with Government and stakeholders. These were consulted upon in March 2015.

Strong support (97%) for the broad principle of devolution was identified through a range of methods including local and regional facilitated events, a questionnaire and the opportunity to submit comments in writing or online. Participants were asked for the views on whether the proposed priority areas were the right areas to concentrate on, if there were any areas missing, and how would they like to be involved in the work of the NECA in the future.

More than 290 people attended seven events held across the NECA area, with the highest turnout in Durham of 80 people participating in facilitated discussions. 101 people from the NECA area completed written responses and online responses were received via the NECA website. In addition, meetings were held with regional stakeholders and North East MPs and House of Lords members.

Stage Three: Following signing of a proposed devolution agreement in October 2015, consultation took place between November 2015 and February 2016 both at regional and local authority area.

This included providing people with information and the opportunity to consider the content of the proposed agreement, ask questions and make informed comments. Participants were asked for their views on whether the proposed agreement focused on the right issues to drive growth in the North East, if there were any key areas to be included in the next round of discussions with government, how they saw their role in implementing the proposals and what would they want to discuss in more detail at future events.

Consultation opportunities were publicised through press releases, local authority websites and social media.

As with previous consultation, the highest turnout was in County Durham with 172 people attending the event held at County Hall. This was supplemented by the participation of 85 businesses at an event hosted by Business Durham at the Gala Theatre in January 2016. Durham residents and organisations also participated in the wider thematic consultation held at a NECA area level.

The remainder of this appendix provides a summary of the outcomes of the Stage 3 consultation, with particular emphasis on the Durham response. It identifies the key themes, level of support, considerations and concerns raised. Consultation methods included:

- A facilitated consultation event at County Hall - part of a series regionally
- NECA website and online consultation
- Business Durham event at the Gala Theatre
- Additional meeting at Teesdale Area Action Partnership

Facilitated Consultation - Durham County Hall

Local consultation events were hosted across the NECA area, the Durham event, held on 9 November 2015, was attended by 172 people. Following presentations on the draft proposals negotiated with Government, facilitated discussions took place. These provided participants with the opportunity to consider the information, discuss, ask questions and make informed comments.

The outcomes of the Durham event strongly reflected regional outcomes and themes, showing broad support for the proposed agreement. Significant to Durham was discussion about rural inclusion and the need to give careful consideration as to how those services that would work across two Combined Authority areas might be impacted.

When asked 'Does the proposed agreement focus on the right issues to drive growth in the North East?' discussions indicated broad agreement and support and the following key issues emerged.

- a) **Governance:** There was wide discussion about the future governance arrangements of NECA and the role of the mayor. Discussions stressed the need for clarity regarding scrutiny and monitoring, the balance of power and decision making in Combined Authority. Questions were raised about the selection and election of the mayor as well as the future cost of the mayor and its administrative office.
- b) **Finance and Funding:** The impact and usefulness of receiving £30m per annum for 30 years covering seven local authority areas was discussed. In particular it was highlighted that this needed to be considered in relation to the ongoing budget reductions across the region. The need for clarity as to how funds would be allocated fairly, including the needs of rural areas was stressed.
- c) **Business:** Discussions stressed the need to focus on economic growth including encouraging enterprise, inward investment and innovation. The need to have a clear relationship with the LEP was also stressed.

- d) **Employment, skills and education:** Ensuring a range of employment opportunities at all levels exist across the area. The need to review and reorganise post-16 education and apprenticeships was highlighted, as well as the need to ensure that pre-16 education meets business needs and future employability. The key link between transport network and access to work and training was also highlighted.
- e) **Health and Social Care:** There was strong agreement that health and social care should be a priority. The governance of the (then) proposed Health and Social Care Commission was discussed including how various partners will be able to influence and shape the direction and decisions.
- f) **Engagement and communication:** Engagement and communication was a key issue in Durham, stressing the need to raise awareness of the Combined Authority amongst the public and ensure that there are continued opportunities for people to be heard. Bottom up engagement is valued and there should be a continued dialogue and with clear, simple and impartial messages.

Participants were asked what they saw as their role in the implementation of the proposals. It was suggested that the following stakeholders need to be involved.

- The Voluntary Sector
 - Partners such as health, police, fire service, universities
 - Town and Parish Councils
 - Trade unions
 - Young people
 - In Durham, Area Action Partnerships
- g) **Boundaries and Geographical issues:** The boundaries of the combined authority were discussed, including the size and diverse needs of the area as well as the urban and rural mix. In particular, the issue that the combined authority boundary is not coterminous with organisational boundaries such as Fire and Police in Durham was a concern.
- h) **Additional Areas:** Participants were asked to identify additional areas for future discussions with Government about extending devolved powers. The key areas identified were culture and tourism, which it was stressed, should feature as an element in the agreement given its key economic role. There were also some suggestions that the environment and housing should be included as key themes.

The Business Durham Event

Over 85 businesses attended the Devolution Business Event held at the Gala Theatre, Durham on 26th January 2016 which included a presentation on the proposals followed by a question and answer session.

A broad range of questions covering key areas such as targeted investments, business growth and engagement, skills development, the Mayor and governance arrangements, rurality and the need to ensure the NECA does not lose sight of the region's wider connectivity and opportunities were highlighted by attendees. The overall tone of the meeting was in support of the agreement with the majority of those who raised questions indicating their enthusiasm for the potential offered by the proposals.

Teesdale Action Partnership Event

A devolution consultation event attended by 36 members of the public was hosted by Teesdale Action Partnership on 1 February 2016. The event included a presentation on the proposals followed by a question and answer session.

There were a broad range of questions raised by attendees, these covered areas such as how the proposed deal could benefit County Durham, links with neighbouring areas such as Cumbria and North Yorkshire, and the scope for future negotiations and options open to the county council. The impression from the meeting was attendees felt there were a range of factors that would need to be addressed if the agreement was to go ahead.

VONNE (Voluntary Organisations' Network North East) Regional Event

VONNE in partnership with NECA hosted a consultation event on 18 January 2016 at Mea House which was attended by 62 organisations to discuss devolution proposals with the voluntary, community and social enterprise (VCSE) sector. The event was attended by a number of organisations that are based and operate in County Durham. The format was presentations followed by roundtable discussions with opportunity for the VCSE to feed back. There was broad support for the proposal and priorities.

The strong themes emerging from the voluntary sector included:

- The Health and Social Care Commission was discussed and the sector felt it was important that it should be involved in its work.
- The need for continued dialogue, ongoing communications and simple and clear messages. This should include bottom up grass roots engagement.
- The need to review and reorganise post-16 education and apprenticeships was highlighted, as well as the need to ensure that pre-16 education meets business needs and future employability.
- Boundaries in relation to other Combined Authority and potential issues for health, fire and police.
- Working collaboratively could counter balance budget reductions.

The NECA regional online consultation and comments

92 people used the opportunity to respond to the questions posed at the events through a regional online questionnaire on the NECA website.

It is not possible to attribute local authority areas to the responses.

The responses were diverse however similar strong themes emerged which reflect the outcomes of the other consultation methods. These include:

- A strong agreement that the proposal could encourage inward investment, enterprise and innovation to support growth
- The need to look at an integrated transport infrastructure including rural areas and single ticketing with a regional coordinating body
- The additional areas suggested for future consideration were culture and tourism as well as the environment.

In relation to governance, there was significant support for ensuring robust scrutiny and monitoring. Also mentioned was the need to clarify the relationships with other levels of government such as local authorities, parish or town councils and central government.

The importance of grass roots bottom up engagement was stressed as well as the importance of local consultations such as the Durham poll.

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**DURHAM COUNTY COUNCIL
NORTH EAST COMBINED AUTHORITY DEVOLUTION POLL**

Our report for the above consultation which closed at 5pm on Monday 8th February 2016 is as follows:

Number of eligible participants:		377,110
Responded by post:	75,163	
Responded online:	6,801	
Total number of responses received:		81,964
Turnout:		21.7%

Question 1

Number of responses found to be invalid:	371
Total number of valid responses to be counted:	81,593

The Devolution Deal would mean that more decisions about spending on public services would be made in the North East, rather than by the Government in London. Do you think that devolving some power and resources to the North East would:

Be a step in the right direction?	48,588	(59.5% of the valid responses)
Make little or no difference?	16,268	(19.9% of the valid responses)
Be the wrong thing to do?	12,120	(14.9% of the valid responses)
I don't know	4,617	(5.7% of the valid responses)

Continued...

Question 2

Number of responses found to be invalid:	1,088
Total number of valid responses to be counted:	80,876

If we agree the Devolution Deal we would have to have a North East Elected Mayor. The Mayor would be directly elected by voters across the North East area and would chair the Combined Authority, made up of Council Leaders. It's not yet clear how powerful the Mayor would be. If the Deal goes ahead, how powerful should the Mayor be? Do you think the Mayor should be someone who:

Has quite a lot of power and influence - perhaps coming to be seen as someone who represents the voice of the North East area?	32,611	(40.3% of the valid responses)
Has limited power and influence - someone who chairs the Combined Authority but does not have a major role representing the area?	38,648	(47.8% of the valid responses)
I don't know	9,617	(11.9% of the valid responses)

Question 3

Number of responses found to be invalid:	583
Total number of valid responses to be counted:	81,381

The Devolution Deal would only cover some issues - some aspects of business support, post-16 education and training, transport, and housing. If the Deal does go ahead, do you think we should then try to get additional powers and resources devolved to the North East?

No, I wouldn't want to see more devolution	18,235	(22.4% of the valid responses)
I'm not sure - it depends, let's wait and see	34,909	(42.9% of the valid responses)
Yes, I would like to see more devolution	22,992	(28.3% of the valid responses)
I don't know	5,245	(6.4% of the valid responses)

Continued...

Question 4

Number of responses found to be invalid:	537
Total number of valid responses to be counted:	81,427

The Devolution Deal is intended to improve our economy and create more and better jobs. But do you think it will make much difference? If the Deal does go ahead, do you think it will:

Help to bring more prosperity and more jobs to County Durham?	33,000	(40.5% of the valid responses)
Have little or no impact on prosperity and jobs in County Durham?	29,475	(36.2% of the valid responses)
Lead to less prosperity and fewer jobs in County Durham?	7,405	(9.1% of the valid responses)
I don't know	11,547	(14.2% of the valid responses)

Electoral Reform Services can confirm that, as far as reasonably practicable, every person whose name appeared on the electoral roll supplied to us for the purpose of the consultation:-

- a) was sent the details of the consultation and
- b) if they chose to participate in the consultation, had their response fairly and accurately recorded.

All consultation material will be stored for six months.

Yours sincerely



p.p Simon Hearn
Deputy Chief Executive

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