

Economy and Enterprise Overview and Scrutiny Committee

10 September 2013



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

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

Purpose of the Report

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

Background

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

NEIER Recommendations

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

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

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

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

Local Authority 7 Leadership Board

6. The Local Authority 7 (LA7) Leadership Board was established in 2012 and consists of the 7 Local Authority Leaders and Elected Mayor from Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland focusing on working collaboratively for economic growth and transport.

7. In a submission to the NEIER, the Leadership Board outlined their statement of intent to establish a statutory body that will enable the seven local authorities to come together around a shared vision for economic growth. The creation of a statutory vehicle will put into legal form what the LA7 Leadership Board has been doing by consent for some time, but as a legally independent and accountable body it will have a greater impact and provide a strong platform for the North East to obtain devolved powers and resources from Government. A Combined Authority is a new cross local authority boundary structure, designed to support the effective governance and management of economic development, regeneration and transport.

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

Governance Review Findings

9. There are three stages towards the creation of a Combined Authority. First there is the review of the existing governance arrangements. Second a scheme is drawn up showing the operational arrangements and constitutional makeup of the proposed Combined Authority in relation to the delivery of economic development, regeneration and transport. Third, the agreed scheme is submitted to the Secretary of State who after consultation with each of the authorities (and the Integrated Transport Authority) and any other persons considered appropriate, submits an Order to parliament.
10. The purpose of the Governance Review was to determine whether the existing governance arrangements for promoting economic development, regeneration and transport in the area, including the exercise of relevant statutory functions, can be improved and made both more effective and more efficient. The review considered the system, structure and procedures that are in place across the area to make decisions, set strategy, manage delivery assess performance and report on progress.
11. The key findings of the Governance Review, published in May 2013 for consultation were that:
 - The evidence review of the economy sets out a rationale to work collaboratively across the LA7 area, recognising strong and increasing integration across labour markets, housing markets and key sectors.
 - There is scope for a joint approach to enable economic growth based on key sectors and place.
 - Real opportunities exist for policy coordination and integration across different policy themes.
 - There is a need for 'institutional capacity' across the area to:
 - take on devolved powers and responsibilities;
 - provide the governance framework for a single approach to investment across the area; and
 - raise the profile of the area.
 - There is a clear impetus to ensure the North East is maximising the use of new funds alongside local resources.
 - There is a need to simplify and strategically coordinate the skills system for employers, providers and learners
 - The seven local authorities have been successful at attracting inward investment and there is further untapped potential but the current approach lacks coordination

- There is a significant opportunity to take a joint and prioritised approach to transport investment which is integrated with wider economic development objectives
12. The review therefore concluded that the existing governance arrangements would be improved by the formation of a Combined Authority made up of the 7 constituent local authorities (the 'constituent authorities'). As a result a Scheme detailing the operational arrangements and constitutional makeup of the proposed Combined Authority was drafted for consideration by the constituent authorities and the Secretary of State.

Combined Authority - Approach

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

Scheme

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

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

Update

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

Recommendations

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

Background Papers

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

Contact:	Stephen Gwilym, Principal Overview and Scrutiny Officer	
Tel:	03000 268 140	E-mail: stephen.gwilym@durham.gov.uk
Contact:	Diane Close, Overview and Scrutiny Officer	
Tel:	03000 268 141	E-mail: diane.close@durham.gov.uk
Author:	Maria Antoniou, Spatial Policy Team Leader	
Tel:	03000 263 421	E-mail: maria.antoniou@durham.gov.uk

Appendix 1: Implications

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

The core principles are:

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

Transport funding

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

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

Combined Authority costs

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

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

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

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