

**Economy and Enterprise
Overview and Scrutiny Committee**

9 December 2013



**North East Leadership Board –
Secretary of State Statutory
Consultation on Proposals**

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

Purpose of the Report

- 1 To inform Members of the Economy and Enterprise Overview and Scrutiny Committee of the Secretary of State Consultation on the proposal to establish a Combined Authority for Durham, Northumberland and Tyne and Wear.

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. An update was considered by the Committee at the meeting on the 10 September 2013 on the next steps towards establishing the North East Leadership Board as a Combined Authority for the area the key messages from the 'Driving Forward Economic Growth Conference' on the 6th September and the process for developing a Strategic Economic Plan for the North East, including developing a Growth Deal for the area.
- 4 A Combined Authority is a legal structure to lead collaboration between local authorities and enable strategic decision-making on economic growth and transport. They were introduced in the Local Democracy, Economic Development and Construction Act 2009 and are designed to enable groups of local authorities to work closely together to deliver improvements in economic growth and transport across local authority boundaries.

- 5 Following the agreement by each Local Authority in the North East, a proposal was submitted in July 2013 to the Secretary of State at the Department for Communities and Local Government, to establish a new body, the North East Leadership Board (NELB), as the combined authority for the area.
- 6 As part of the legislative process to establish the new body and gain parliamentary approval, the Government must run a consultation to seek views on the proposed combined authority. The consultation to establish the North East Leadership Board will run until Thursday 2 January 2014.

Secretary of State Consultation

- 7 The consultation seeks comments on the proposal to establish a combined authority and sets some specific questions on:
 - local support for establishing the CA;
 - if the CA will improve the provision of transport, economic development, regeneration in the area and the economic conditions of the area;
 - the impact of the CA on local communities;
 - the constitutional arrangements and functions for the CA; and finally
 - how NELEP and the CA will work together.
- 8 The question on local support does not appear in the West or South Yorkshire consultation documents and for the North East, the DCLG consultation document also references the elected Regional Assembly referendum in 2004.

Regional and local consultation to support single Local Authority consultation response

- 9 A letter will be sent to regional stakeholders from the newly appointed Chair, Cllr Simon Henig. The letter will direct them to the DCLG consultation and also seek letters of support. In addition to regional stakeholders, a number of County Durham stakeholders and partners will be contacted.
- 10 In regards to the local consultation element a common set of questions will be used to ensure consistency and enable an overall analysis of results. There are four questions that seek to gather views on the North East Leadership Board proposals, these will be used for online surveys and will also frame the focus group exercise. All of these questions have been circulated to Local Authorities and will be live on the 26 November for two weeks.
- 11 Each Local Authority will also hold at least one focus group with the larger authorities of County Durham and Northumberland considering the option of more to allow for representative population and geographical coverage. The focus groups will be scheduled for the week commencing the 9th December. Three focus groups are proposed for County Durham, one in Durham City, one in Murton and one in Crook.

- 12 All of the information arising from the local and regional consultation activity will feed into a single consultation report which will accompany the single consultation response from the seven local authorities.

Single Local Authority response to government consultation - approach

- 13 A draft single response to the Secretary of State's consultation is currently being prepared and will be considered by Durham County Council's Cabinet on the 18 December 2013.
- 14 The timetable below sets out dates for developing the response, the consultation activity and approvals processes.
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| Wed 27 Nov | Online survey opens |
| Wed 4 Dec | Circulation of draft response to Leaders/CEXs – response to additional question on local support will only be partially completed at this stage pending the outcome of local consultation activity |
| Fri 6 Dec | Deadline for Leader/CEX comments on draft |
| Tue 10 Dec | Draft response published/circulated for Cabinet/Executive meetings |
| 9-12 Dec | Focus groups |
| Wed 11 Dec | Online consultations close |
| Thu 12 Dec | Draft response to additional consultation question prepared |
| Mon 16 Dec | Response to 'local support' consultation question published/circulated as an appendix for Cabinet/Executive report |
| 17 – 19 Dec | Response approved by Cabinet/Executives, Durham County Council Cabinet – 18 th December |
| Fri 20 Dec | Response approved by Leadership Board |

Recommendations

- 15 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment upon the information provided in this report and during the presentation.
- 16 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.
- Improving Economic Governance in the North East Local Enterprise Partnership Area – 10 September 2013.

- Improving Economic Governance in the North East Local Enterprise Area – Presentation – 10 September 2013.
- Government Consultation Document on the proposal to establish a Combined Authority.

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Appendix 1: Implications

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

The core principles are:

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

Transport funding

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

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

Combined Authority costs

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

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

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

Appendix 2 - Consultation Questions

The following questions are included in the Secretary of State's consultation.

1. Whether consultees support changing the governance institutions for the area of the "North East Local Enterprise Partnership" area by the creation of a combined authority
2. Whether establishing the proposed combined authority would be likely to improve the provision of transport in the area and its effectiveness and efficiency, the provision of economic development and regeneration in the area, and the economic conditions in the area
3. How establishing such an authority may impact on the identities and interests of local communities and on securing effective and convenient local government
4. The proposed constitutional arrangements (including the formal name of the combined authority) and functions for a combined authority as set out in the Annex to this consultation paper
5. How such an authority and the local enterprise partnership can work in a seamless manner to ensure the private sector is 'hardwired' into the leadership and decision making for the functional economic area