

Cabinet

18th December 2013



Response to Secretary of State Consultation - Creation of a Combined Authority for the North East

Key Decision R&ED/20/13

Report of Corporate Management Team

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Development**

**Councillor Neil Foster, Cabinet Portfolio Holder for Economic
Regeneration**

Purpose of the Report

- 1 The purpose of this report is to inform Cabinet of the Secretary of State Consultation on the proposal to establish a Combined Authority for Durham, Northumberland and Tyne and Wear and ask Cabinet to consider the proposed response from the seven local authorities in the North East.

Background

- 2 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.
- 3 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 (the LA7) would improve the discharge of functions relating to transport, skills and economic development across the region. All of the LA7 Cabinets considered that a Combined Authority would strengthen collaboration between the seven local authorities and enable strategic decision-making on economic growth and transport to be taken. On 24th July 2013 Council endorsed the decision of Cabinet. The Councils of the other LA 7 Authorities in turn endorsed the decision of their respective Cabinets.
- 4 The Scheme and Governance Review documents were submitted to the Secretary of State in August 2013, after a period of consultation had been

undertaken with regional and local stakeholders, inviting him to consider making an Order that would establish a Combined Authority across the LA7 area. There was support for the creation of a Combined Authority from all stakeholders.

Secretary of State Consultation

- 5 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 Secretary of State is consulting with the seven local authorities and the Tyne & Wear Integrated Transport Authority as statutory consultees and has also invited the North East Local Enterprise Partnership, the Northumberland National Park Authority and Local Authorities that neighbour the Combined Authority area to respond. The consultation to establish the Combined Authority will run until Thursday 2 January 2014. The consultation document and draft Order published by DCLG are appended to this report at **Appendix 2**
- 6 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.
- 7 The consultation document specifically requests the LA7 Authorities “to actively seek through such means as they consider appropriate the views of their residents, local businesses, and the voluntary sector with a view to providing the necessary evidence for Government to be satisfied about the degree of local support there is for a combined authority.” This question on local support does not appear in the West or South Yorkshire consultation documents.
- 8 The consultation document makes specific reference to the referendum that took place in November 2004 in relation to the creation of a North East Regional Assembly. Whereas the Secretary of State in the consultation document accepts that there are substantial differences between a Regional Assembly and a Combined Authority, the document states “the Government believes that it is right that before any decision on a combined authority for this “North East Local Enterprise Partnership” area is taken, there is clear and compelling evidence that the past opposition of electors within the local area to governance changes in that area does not continue to any new proposal for a combined authority. Accordingly, it will be important that this consultation yields the evidence necessary for Government to reach a conclusion on this issue”.

Local consultation to support single Local Authority consultation response

- 9 Through the consultation, the Local Authorities concerned have been asked to actively seek the views of residents, local businesses, and the voluntary sector with a view to providing the necessary evidence for Government to be satisfied about the degree of local support there is for a combined authority. To satisfy this requirement within the short timescale of the consultation period a programme of engagement and local consultation has commenced.
- 10 A letter has been sent to regional stakeholders from the Chair informing them of the DCLG consultation and seeking support for the North East Leadership Board. Online surveys have been published on each Local Authority website with a common introduction and set of questions. The online surveys went live on the 26th November for two weeks with four questions that seek to gather views on the North East Leadership Board proposals
- 11 In addition each of the LA7 Authorities have undertaken consultation in their areas as considered appropriate by them. As well as the on line consultation activity, the local consultation in each of the LA7 areas has included face to face discussions with residents and other key stakeholders within business as well as the public and community/voluntary sectors.
- 12 The following local stakeholders and partners in County Durham have been contacted: the County Durham Partnership, the County Durham Economic Partnership, Visit County Durham Board, Business Durham Board, Area Action Partnerships and the County Durham Association of Local Councils.
- 13 Each Local Authority has arranged focus group sessions to allow for representative population and geographical coverage. The focus groups were scheduled between the 4th and 14th December. Three focus groups sessions were held in County Durham, one in Durham City, one in Crook and one in Murton. A brief update was circulated to Durham County Council Members and employees to keep everyone informed about this stage of the process. In addition the Durham County Council Economy and Enterprise Overview and Scrutiny Committee has received regular updates on the process, a response from the committee will be available to Cabinet at the meeting.
- 14 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. This report will be available to Cabinet at the meeting.

Recommendations

Cabinet are asked to

- a. Consider the single local authority response to the SoS consultation. The full proposed response will be circulated on the 11th December and the additional local consultation report will be circulated on the 16th December.

- b. To delegate to the Corporate Director in consultation with the Cabinet Portfolio Holder for Economic Regeneration the finalisation of the joint response and the submission to Government by the 2nd January 2013.

Appendices:

Appendix 1 – Implications

Appendix 2 – DCLG Consultation Document on the proposal to establish a combined authority for the area of Durham, Northumberland and Tyne and Wear

Background papers:

- Creating the right governance for growth in the North East – LA7 Leadership Board, available at <http://www.gateshead.gov.uk/DocumentLibrary/council/LA7/LA7-proposition-FINAL2.pdf>
- North East Independent Economic Review Findings and Review of Governance Arrangements, Durham County Council Cabinet Report 5th June, available at <http://democracy.durham.gov.uk/documents/s30446/NEIRReportFINAL.pdf>
- Improving Economic Governance - Creation of a Combined Authority, Durham County Council Cabinet Report 24th June <http://democracy.durham.gov.uk/ieListDocuments.aspx?CId=154&MId=7193&Ver=4>

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Appendix 1: Implications

1. Finance

1.1 The establishment of a Combined Authority will have financial implications for each council.

1.2 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

1.3 As the Combined Authority will become the Local Transport Authority for the LA7 area, it will become a levying body with respect to Transport. 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.

1.4 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. This, however is missing from the current draft order and through discussions with DCLG it is understood that necessary amendments will be made.

Combined Authority costs

1.5 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.

1.6 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

- 2.1 There may be TWITA employees who would have the right to transfer their employment to the Combined Authority under the provisions of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).

3. Risk

- 3.1 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 a 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 implementation process is driven forward.

4. Equality and Diversity / Public Sector Equality Duty

- 4.1 There are no equality and diversity issues arising directly from this report. The equality and diversity implications will be kept under review as further work is undertaken to develop more detail in relation to the outline proposals.

5. Accommodation

- 5.1 There are no accommodation implications directly arising from this report

6. Crime and Disorder

- 6.1 There are no crime and disorder implications directly arising from this report.

7. Human Rights

- 7.1 There are no human rights implications directly arising from this report.

8. Consultation

- 8.1.1 A consultation exercise was carried out over a 3-week period between 22 May and 11 June 2013. A copy of the draft governance review report and draft scheme was sent to key stakeholders and published on all 7 local authorities' websites. Views of key stakeholders were obtained through a series of meetings and 121 discussions as well as two stakeholder events hosted by the Leaders and Elected Mayor. In addition, each constituent authority engaged with the stakeholders in their local area.

- 8.1.2 The results of the consultation were considered in agreeing the final governance review and scheme.

- 8.1.3 Following the publication of the Secretary of State consultation, a further consultation exercise is taking place between the 26th November and 13th December to gather the views of residents, businesses and the voluntary sector on the North East Leadership proposals for a Combined Authority.

9. Procurement

- 9.1 There are no procurement implications directly arising from this report.

10. Disability Issues

- 10.1 There are no disability issue implications directly arising from this report.

11. Legal Implications

- 11.1 The Council's Head of Legal and Democratic Services and the legal representatives of each authority have been consulted on this report. A Combined Authority for the North East of England can only be established following a thorough review of the governance arrangements in relation to the economic growth and transport functions undertaken by the 7 North East local authorities. This is required by virtue of section 108 of the Local Democracy, Economic Development and Construction Act 2009 and section 82 of the Local Transport Act 2008. This review is now complete. It concludes that those functions would be improved by the creation of a Combined Authority. The Governance Review document and the Scheme have been approved by the Leadership Board of the 7 constituent authorities. It is now for the constituent authorities to consider and approve the Governance Review document and Scheme including the discharge of the relevant functions by the Combined Authority and determine whether the Governance Review document and the Scheme can be submitted to the Secretary of State. If the Secretary of State is satisfied that a Combined Authority would be likely to improve the exercise of such functions and improve the economic conditions of the region, the Secretary of State can make an Order under section 103 of the 2009 Act creating a Combined Authority.
- 11.2 The executive of each constituent authority received a report on the proposals for a Combined Authority on 24 June 2013 and a report was taken to the Council of each constituent authority in July 2013. All of the constituent authorities were satisfied that it was appropriate to submit the Governance Review and Scheme to the Secretary of State in July 2013 with a request that a Combined Authority is established.