

27 January 2014

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

Report of Lorraine O'Donnell, Assistant Chief Executive

Purpose of the Report

1. To provide Members of the Economy and Enterprise Overview and Scrutiny Committee with details of the Overview and Scrutiny response in relation to 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). In addition, the Committee received background information in relation to the decision of the six 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 on a regular basis detailing the progress towards the establishment of a Combined Authority. A further 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 6 September and the process for developing a Strategic Economic Plan for the North East.
4. In addition, the Committee was informed at the Economy and Enterprise Overview and Scrutiny Committee meeting on the 21 October 2013 that a consultation by the Secretary of State on the proposal to establish a Combined Authority for Durham, Northumberland and Tyne and Wear was expected shortly and would be shared with the Committee at the December meeting.

Combined Authority

5. 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.
6. 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.
7. The Committee was informed that 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 and that the consultation would run until the 2 January 2014.

Secretary of State Consultation

8. The consultation requested comments on the proposal to establish a Combined Authority (CA) and included 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.
9. In relation to the local consultation element, the Committee was informed that a common set of questions would be used to ensure consistency and enable an overall analysis of results. All of these questions would be used for online surveys and would also frame the focus group exercise. Each Local Authority would also hold at least one focus group with the three focus groups in Durham scheduled for the week commencing the 9 December in Durham City, Murton and Crook.
10. All of the information arising from the local and regional consultation activity would be fed into a single consultation report which would accompany the single consultation response from the seven local authorities.

Overview and Scrutiny Response

11. At the Economy and Enterprise Overview and Scrutiny Committee held on the 9 December 2013 there was broad support by the members of the Committee for the principle of the Combined Authority. The following comments were made by members of the Committee in relation to the consultation process and the governance arrangements for the Combined Authority:

Consultation process

- It was felt by the Committee that the consultation period was too short, a very tight timescale for consultation particularly as it included the Christmas and New Year holiday periods.
- Due to the tight national timescale and the timing of the consultation over the Christmas and New Year holiday periods it was felt that this had resulted in a somewhat restricted engagement activity considering the proposed remit of the Combined Authority.

Governance arrangement

- The Committee commented that in relation to the governance arrangements for the Combined Authority, in order to ensure transparency and openness in the decision making process, there needed to be robust and fit for purpose arrangements for scrutiny to ensure accountability.

12. The above response was signed off by the Chair and Vice-chair of the Economy and Enterprise Overview and Scrutiny Committee and the Chair and Vice-chair of the Overview and Scrutiny Management Board prior to it being sent to the appropriate officers within the Regeneration and Economic Development Service Grouping as the Overview and Scrutiny response.

Recommendation

15. The Economy and Enterprise Overview and Scrutiny Committee is asked to receive the report, note its content and endorse the submission as the formal response from Overview and Scrutiny.

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.

Contact:	Stephen Gwilym, Principal Overview and Scrutiny Officer	
Tel:	03000 268 140	E-mail: stephen.gwilym@durham.gov.uk
Author:	Diane Close, Overview and Scrutiny Officer	
Tel:	03000 268 141	E-mail: diane.close@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 and further updates on the consultation process.