



Tyne and Wear Integrated Transport Authority - Audit Committee

Meeting to be held on Friday 5 July 2013 at 2.00 pm in a Civic Centre, Newcastle upon Tyne, NE99 2BN

Contact Officer: Victoria Miller (0191) 211 5118 victoria.miller@newcastle.gov.uk

This agenda is available at www.twita.gov.uk

SUPPLEMENTAL AGENDA

- | | Page |
|--|---------------|
| 15. Improved Economic Governance for the North East | 1 - 56 |

(NB. In accordance with the provisions of the Local Government (Access to Information) Act 1985, the Chair has approved consideration of this report on the grounds of urgency due to the timetables involved).

This page is intentionally left blank



DATE: 5 July 2013

SUBJECT: IMPROVED ECONOMIC GOVERNANCE FOR THE NORTH EAST

REPORT OF: Clerk to the ITA

PURPOSE OF REPORT

This covering report accompanies the main report which was presented simultaneously to the Cabinets of each of seven North East councils and sets out the outcome of a Governance Review, under the terms of the Local Democracy, Economic Development and Construction Act 2009. It proposed a submission to the Secretary of State, with a request that parliament establish a Combined Authority for the seven councils' area.

RECOMMENDATIONS

Audit Committee are asked to note the report

BACKGROUND DOCUMENTS

Appended

CONTACT OFFICERS

Andrew Lewis

andrew.lewis@newcastle.gov.uk

0191 211 5681

1 Executive Summary

- 1.1 The main report attached to this covering report was considered simultaneously by each of the following seven Councils: Durham; Gateshead; Newcastle; North Tyneside; Northumberland; South Tyneside; and Sunderland. It includes a summary of a Governance Review, and a proposal that the North East Leadership Board is effectively constituted as a statutory Combined Authority, with a proposed start date of April 2014

2 Introduction and Background

- 2.1 A Combined Authority is a statutory arrangement which supports joint working between a group of local authorities, working across a coherent economic geography. It integrates responsibilities for transport (including the role of a Transport Authority), skills and economic growth, and provides a vehicle for devolution of responsibilities from central government. Financial, legal and other implications of this proposal are set out in the attached papers provided jointly to all seven authorities.

Report to the Cabinet/Executives of Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland¹

Date: 24 June 2013

Title: Creation of a Combined Authority

PART 1

1.1 Purpose:

- 1.1.1 The purpose of this report is to inform Cabinet of the outcome of the extensive area-wide review of governance arrangements undertaken in relation to local authority functions concerning economic growth, skills and transport across the seven North East Local Authority areas comprising: Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.
- 1.1.2 Cabinet is asked to consider and approve the submission to Government of a request to establish a Combined Authority covering the area of the seven local authorities.

1.2 Background – Combined Authorities

- 1.2.1 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.
- 1.2.2 In order to establish a Combined Authority, a review assessing existing governance arrangements for the delivery of economic growth and transport must be carried out. If the review concludes that establishing a Combined Authority would be beneficial, authorities may then draw up a scheme for the new body. Once the scheme is completed and published the Secretary of State will consider and consult with authorities concerned and any other appropriate persons. If approved, a draft order will be laid before Parliament and must be approved by a resolution in each House of Parliament.
- 1.2.3 There is one Combined Authority already in existence, namely, the Greater Manchester Combined Authority. Other regions have undertaken a Governance Review and have requested the Secretary of State to approve the making of Orders establishing combined authorities in these regions. These regions are the Sheffield City Region Combined Authority and the West Yorkshire Combined Authority.

¹ This paper is presented to Newcastle City Council, with common analysis and recommendations with equivalent papers presented to the other six authorities. Some elements of the text are tailored to the circumstances of individual authorities; particularly in respect of the specific responsibilities of the two unitary Counties.

1.3 Recommendation(s):

1.3.1 It is recommended that Cabinet:

- (a) Endorse the findings of the Governance Review document at **Appendix A**, and specifically that establishing a Combined Authority will improve the exercise of statutory functions in relation to economic growth, skills and transport in the Combined Authority's area, leading to an enhancement of the economic conditions and performance in the area.
- (b) Agree the submission to Government of the Scheme for the establishment of a Combined Authority on the basis of the Scheme at **Appendix 1 of the Governance Review report**, and note the proposed transfer and sharing of the functions contained within the Scheme as detailed in paragraphs 1.8.3 to 1.8.9 of this report.
- (c) Agree to submit this report and appendices to Council for endorsement of Cabinet's decisions upon the recommendations in this report.
- (d) Authorise the Chief Executive in consultation with the Leader to agree the terms of any documentation required to enable the Authority to become a constituent authority of the Combined Authority including the constitutional arrangements and operating agreement in so far that this does not place additional financial commitments on the Council, and to authorise the Chief Legal Officer and Director of Resources to complete the relevant documentation and take all steps necessary to give effect to the above recommendations.
- (e) Agree to receive further reports, as and when necessary, once the full financial and governance arrangements have been finalised.

1.4 Forward plan:

1.4.1 This matter appears on the Forward Plans of all seven authorities.

1.5 Council plan and policy framework

1.5.1 The recommendations in this paper are consistent with the policy framework established by Newcastle City Council, in particular the priority to create a Working City, within a strong and prosperous North East.

1.6 Information:

1.6.1 The leaders of the seven North East local authorities (Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland) meet as the LA7 Leadership Board (LA7LB) to discuss key issues affecting the area. The LA7LB share an ambition to create the best possible conditions for growth in jobs, investment and living standards and to make the North East an excellent location for business, to prioritise and deliver high quality infrastructure, and to enable all the people of the area to raise their skill levels and to benefit from economic growth long into the future.

1.6.2 With this ambition in mind, the LA7LB tasked the Chief Executives of the 7 local authorities to lead a Governance Review to assess the existing governance arrangements across the LA7 local authorities' areas in relation to functions concerning economic growth, skills and transport. The review was undertaken to ascertain if the governance arrangements could be improved.

Governance Review

- 1.6.3 A Governance Review commenced in February 2013 and concluded in May 2013. The final Governance Review report is attached at Appendix A.
- 1.6.4 The remit of the Governance Review was to:-
- Evaluate the effectiveness and efficiency of existing governance arrangements for economic growth, skills and transport
 - Consider the options available for making changes to the governance structures and arrangements, including leaving the existing governance arrangements in place or strengthening or restructuring such arrangements
 - Consider the establishment of either an Economic Prosperity Board (EPB) that would make strategic decisions in relation to only economic growth and skills functions in the constituent authority areas, or a Combined Authority that would make strategic decisions not only in relation to economic growth functions but also transport in the area; and
 - Recommend which option is likely to be most beneficial to the constituent authority areas.
- 1.6.5 The Governance Review drew on expertise from across the constituent authorities and a Governance Review project team comprising officers of different disciplines were responsible for co-ordinating the Governance Review. The project team reported directly to the LA7LB consisting of the seven Leaders and Elected Mayor of the constituent authorities and the Chief Executives group. Ongoing support and guidance was provided throughout the review process by representatives from the Department for Communities and Local Government.
- 1.6.6 The key findings of the Governance Review 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 within a coordinated strategic approach that is integrated with wider economic development objectives

- 1.6.7 The review therefore concluded that the existing governance arrangements could be improved and after consideration of alternative options, concluded that the formation of a Combined Authority made up of the 7 constituent local authorities (the 'constituent authorities') would be most beneficial. As a result a Scheme detailing the operational arrangements and constitutional makeup of the proposed Combined Authority was drafted for consideration by the Secretary of State.
- 1.6.8 The Secretary of State will only place an Order before parliament if he considers that the Order is likely to improve:-
- The exercise of statutory functions relating to transport and economic growth in the area or areas to which the Order relates, and
 - The economic conditions in the area
- 1.6.9 The LA7LB 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 internationally.
- 1.6.10 The Combined Authority will, subject to the making of the appropriate Order by parliament, come into existence on 1 April 2014. The Combined Authority will put on a statutory footing the long history of collaboration that has existed between the constituent authorities.
- 1.6.11 The Scheme is included as **Appendix 1 of the Governance Review report (Appendix A)**. It sets out the functions that will be undertaken by the Combined Authority. Those functions relate to economic growth, skills and transport. At the conclusion of the Governance Review, the constituent authorities determined that some of the economic growth functions of each constituent authority will be shared with the Combined Authority. As those functions are to be exercised concurrently with the Combined Authority, the Council, along with the other constituent authorities, will not lose any of these powers. The transport functions unlike the economic growth functions are to be discharged solely by the Combined Authority.
- 1.6.12 The Governance Review and draft scheme at **Appendix A** were widely consulted on between 21 May 2013 and 11 June 2013.

1.7 Framework for Combined Authorities and key features

- 1.7.1 The Local Democracy, Economic Development and Construction Act 2009 (LDEDCA) creates the legal framework for the formation of a Combined Authority. A Combined Authority has powers and functions conferred on it by the Secretary of State by way of Order which establishes the Combined Authority. In addition, it can have delegated to it by its constituent local authorities other functions that relate to economic growth and transport if they consider it appropriate. Similarly, the Combined Authority can delegate to the constituent authorities responsibility for delivery of functions relating to economic growth and transport.
- 1.7.2 Functions can be operated concurrently between the Combined Authority and the constituent authorities or operated solely by the Combined Authority. The Governance Review has concluded that the constituent authority functions relating to economic growth and skills should be operated concurrently between the constituent authorities

and the Combined Authority. Specific transport functions will however be discharged solely by the Combined Authority.

- 1.7.3 The Tyne and Wear Integrated Transport Authority (TWITA) will be dissolved when the Order creating the Combined Authority comes into force. The Tyne & Wear transport functions previously undertaken by TWITA will be undertaken by the Combined Authority and the Combined Authority will fulfil the role of a Transport Authority for each of the seven local authorities. Individual authorities will continue to exercise some delivery functions, for example in respect of highways management, but will operate within an agreed framework and plan established through the Combined Authority. The Passenger Transport Executive will continue during a transition phase, working on behalf of the Tyne & Wear authorities, but within the context of the Combined Authority. Following the conclusion of a transition phase, delivery arrangements will be established which operate across the geography of the Combined Authority as a whole, recognising the distinctive needs of urban, suburban and rural communities.
- 1.7.4 On the abolition of TWITA its property, rights, assets and liabilities will be transferred to the Combined Authority. These would be ring-fenced under the terms of the Combined Authority agreement to the Tyne and Wear area and will not be the responsibility of Durham and Northumberland.
- 1.7.5 Local Transport Authority functions of Durham and Northumberland will be conferred on the Combined Authority upon its creation. However, to ensure continuity the existing delivery arrangements for operational transport functions will be delegated to Durham and Northumberland by the Combined Authority.
- 1.7.6 The Combined Authority will have its own legal identity and will be able to employ its own staff and control its own assets. The Combined Authority must have a constitution and there will also be an operational agreement entered into between the Combined Authority and the constituent authorities setting out the operational arrangements between the constituent authorities and the Combined Authority. Leadership of the combined authority will be provided by elected members appointed by each constituent authority to be a member of the Combined Authority. Those elected members will be the Leaders and Elected Mayor of each of the constituent authorities. It is possible for non-local authority representatives to be co-opted to the Combined Authority but such representatives must be in the minority and will have no voting rights.
- 1.7.7 The Combined Authority will have the ability to make strategic decisions in relation to economic growth and strategic transport issues across the area of the Combined Authority.
- 1.7.8 In addition to having specific functions delegated to it, the Combined Authority will also have general powers given to it by section 113A of LDEDCA to do whatever is considered appropriate to undertake its functions relating to economic growth or anything incidental to those functions. This is in addition to the well-being powers that the combined authority will have in relation to transport functions under sections 99 and 102A of the Local Transport Act 2008.

1.8 The Proposed Combined Authority

- 1.8.1 The Combined Authority will have seven local authority members, Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.

1.8.2 The remit of the Combined Authority will be economic growth, skills and transport. The Combined Authority will be responsible for high level strategic issues where it is beneficial for the constituent authorities to work together.

Economic Growth Functions

1.8.3 The Combined Authority's economic responsibilities will include:

- Setting the growth plan and investment strategy for the North East
- Economic intelligence and analysis as a basis for strategic planning and coordination
- Acting as the accountable body for a range of devolved funding e.g. local major transport schemes, Single Local Growth fund, EU Structural & Investment funds, Skills Funding Agency funding
- Strategy and decision-making on the skills agenda across the North East
- Coordinating inward investment activity through an 'Investment Gateway' working with local authority economic development teams

1.8.4 The economic growth functions that will be shared with the Combined Authority will be;

- Duties and powers related to the provision of education and training for persons over school compulsory age
- Power to encourage visitors and provide conference and other facilities
- Duty to prepare an assessment of the economic conditions of an area and to revise that assessment

Transport Functions

1.8.5 The strategic transport functions currently undertaken across Tyne & Wear and Northumberland and Durham will be undertaken by the Combined Authority.

1.8.6 The transport functions undertaken by the Combined Authority in relation to Tyne & Wear will be those previously undertaken by TWITA in accordance with the general functions contained in the Transport Act 1968 and subsequent legislation, such as the formulation of policies relating to public transport services.

1.8.7 The Combined Authority will have responsibility for the following transport functions, previously undertaken by Durham and Northumberland, to enable these matters to be considered across the entire LA7 Area:

- a) Preparation of the Local Transport Plan
- b) Preparation of a Bus Strategy
- c) Powers to make a Quality Partnership Scheme or Quality Contract Scheme
- d) The making of joint and through Ticketing Schemes

1.8.8 The following operational transport functions will be devolved to Northumberland and Durham to enable local delivery arrangements to continue during a period of transition:

- a) Information Provision
- b) Infrastructure Delivery

c) Commissioning/procurement of subsidised bus services

d) Concessionary Travel

1.8.9 The Combined Authority will have well-being powers in relation to its transport functions in addition to the general and ancillary powers given to it by LDEDCA. This means that the Combined Authority will have broad powers to address economic and transport issues.

1.8.10 On the creation of the Combined Authority it will become a levying authority for transport functions. A core principle in relation to transport costs of the Combined Authority is that the total contribution from each authority for the year does not exceed the equivalent cost as it would have been calculated under previous arrangements. The Combined Authority will be responsible for the overall transport strategy and setting the transport budget across the Combined Authority's area.

1.8.11 The Combined Authority will have a Constitution that will deal with amongst other issues the delegation of functions within the Combined Authority, rules of procedure, (including decision making), scrutiny arrangements and financial procedures.

1.9 Alternative Options Considered

1.9.1 The LA7LB of the constituent authorities considered the options available at the conclusion of the Governance Review and formed the view that the creation of a Combined Authority was appropriate because it would improve the economic conditions of the Combined Authority area.

1.9.2 Alternative options were considered as part of the Governance Review. Those options included doing nothing, undertaking an informal restructure, strengthening existing arrangements for example by establishing a joint committee and establishing an Economic Prosperity Board (EPB) rather than a combined authority.

1.9.3 Doing nothing will be a missed opportunity in terms of improving the economic growth and transport functions across the area. If the opportunity is not taken now to improve the governance arrangements the area would not be able to access significant devolved funding which would significantly compromise the ambitions of the area.

1.9.4 An informal restructure was not considered sufficient because the constituent authorities and TWITA are already stretching the boundaries as to what can be done on an informal non-statutory partnership basis. An independent corporate body such as a Combined Authority or EPB would enable a decision to be taken which is binding on the constituent authorities and which saves the need for individual decisions to be taken in each of the constituent authorities.

1.9.5 An EPB would offer a short term solution but misses the opportunity to fully achieve real and transformative economic benefits as transport linkages are essential for the proper functioning of the economic area.

1.9.6 Having considered the options available, it is apparent from the evidence gathered that establishing a Combined Authority would be likely to improve the exercise of statutory functions in relation to economic growth, skills and transport that would in turn improve the economic conditions of the LA7 area. The key finding of the Governance Review is that the best way of achieving sustained economic growth in the region is to establish a Combined Authority.

1.10 Decision Options

The following decision options are available for consideration by Cabinet:-

- a) Determine to take the steps set out at paragraph 1.3
- b) Determine not to take the steps set out in paragraph 1.3

1.11 Reasons for recommended option:

1.11.1 It is recommended that Cabinet take the steps set out in paragraph 1.3 to endorse the findings of the Governance Review and the submission of the scheme to Government for the establishment of a Combined Authority. The detailed Governance Review concluded that a Combined Authority would improve the exercise of statutory functions in relation to economic growth, skills and transport across the North East. The proposal by the LA7LB to establish a combined authority was also endorsed in the findings of the North East Independent Economic Review led by Lord Adonis. If a Combined Authority is not established and joint working between the seven authorities continues on an informal and non-statutory basis, this will potentially have a detrimental impact on the future economic performance of the North East.

1.11.2 A Combined Authority as a corporate body will ensure more efficient strategic decision-making, enabling a decision to be taken at the LA7 Area level that will bind the 7 local authorities without the need for the 7 authorities to have to each make a decision in their own right.

1.12 Appendices:

Appendix A – Governance Review and Scheme (at Appendix 1)
Appendix B – Consultation Report

1.13 Contact officers:

Andrew Lewis, Assistant Chief Executive
Carolyn Winter, LA7 Policy Advisor

1.14 Background information:

- The Local Democracy, Economic Development and Construction Act 2009
- Transport Act 1968
- Local Transport Act 2008
- The Greater Manchester Combined Authority Order 2011
- Economic Prosperity Boards and Combined Authorities – Consultation on Draft Statutory Guidance (Never finalised) – Issued by Department for Communities and Local Government
- Creating the right governance for growth in the North East – LA7 Leadership Board
- North East Independent Economic Review Report

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

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

2.1.2 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

2.1.3 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.

2.1.4 On the abolition of TWITA its property, rights, assets and liabilities will be transferred to the Combined Authority. These would be ring-fenced 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

2.1.5 The costs of the CA 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 CA will agree an annual budget for the purpose of expenditure.

2.1.6 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.

2.2 Legal

2.2.1 The Council's Chief Legal Officer 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.

- 2.2.2 The executive of each constituent authority will receive this report on 24 June 2013. A report will be taken to the Council of each constituent authority on various dates during July 2013. Only when the constituent authorities are all satisfied that it is appropriate to submit the Governance Review and Scheme to the Secretary of State will the documents be submitted with a request that a Combined Authority is established.

TUPE

- 2.2.3 It may be that there are employees of the local authorities and TWITA 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). This can be addressed in detail if the recommendations of this report are agreed.

2.3 Consultation/community engagement

- 2.3.1 A formal 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.
- 2.3.2 The results of the consultation were considered in agreeing the final governance review and scheme and are detailed in the report attached at Appendix B.

Summary of Responses

- 2.3.3 There is overwhelming support from stakeholders in favour of creating a Combined Authority for the North East. Stakeholders are welcoming the agreement by the seven local authorities to strengthen collaborative arrangements and set up a stable and long term governance structure for the wider area which is democratically accountable and has a clear focus on enabling economic growth. Stakeholders have noted that the turmoil of economic governance at the sub-national scale in England has put the North East at a disadvantage and that the Combined Authority in conjunction with the North East LEP and a number of key partners can create the right framework to harness the energy of all involved to take advantage of opportunities in the area. Stakeholders feel that the case for the Combined Authority being established focusing on skills, transport and economic growth is clearly set out and these are the right priorities in the current climate.
- 2.3.4 The LA7LB has discussed the emerging proposals with stakeholders and has asked for partners to consider the correct framework that needs to be put in place for the combined authority in the areas of strategic funding, inward investment, skills and transport whilst also recognising that further work with key stakeholders will be needed over the coming months to transform this framework into the detailed working arrangements that need to be put in place.

2.3.5 Specific points that have been raised in regards to funding, inward investment, skills and transport are summarised in the full report.

Ongoing engagement

2.3.6 Stakeholder engagement will be an ongoing process as the LA7LB works through the detail behind the proposals in the governance review and scheme. The issues raised by stakeholders can be addressed as part of this process through regular and effective communication and continued dialogue.

2.3.7 In addition to the ongoing local dialogue with stakeholders, the Secretary of State must formally consult the authorities concerned and any other appropriate persons before deciding whether or not it is appropriate to recommend the making of an Order creating a Combined Authority. It is anticipated as part of the proposed timetable that this statutory consultation will take place from mid-September to mid-November.

2.4 Human rights

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

2.5 Equalities and diversity

2.5.1 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.

2.6 Risk management

2.6.1 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 review process is driven forward.

2.7 Crime and disorder

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

2.8 Environment and sustainability

2.8.1 There are environmental and sustainability implications arising from this report. The issue of transport is closely linked to the environment and if there is to be a North East wide approach to transport then environmental issues could be dealt with at this level. In terms of sustainability the main reason for considering the establishment of a combined authority is to improve the economic climate of the area and to promote sustainable economic growth.

Governance Review

Undertaken in accordance with Section 108 of the Local Democracy, Economic Development and Construction Act 2009.

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013 All Rights Reserved

Foreword

The LA7 Leadership Board shares an ambition to create the best possible conditions for growth in jobs, investment and living standards. We want to make the North East an excellent location for business, to prioritise and deliver high quality infrastructure, and to enable all the people we serve to raise their skill levels and benefit from economic growth into the future. The North East is a distinctive and beautiful place with a host of opportunities for the people who live and work here. Economic conditions, structural changes and funding cuts have each prompted us all to review both what we do and the way we do it.

We have undertaken a review of the current position to see if the enhanced structures, owned by our local authorities but working on behalf of all of them could bring mutual benefits. The LA7 Leadership Board think the report is clear. There is a case for change that will bring benefits to all the people we serve and will help us to achieve greater economic prosperity for the North East.

We would like to thank colleagues for their work in undertaking this review and in the preparation of this report.

Councillor Mick Henry
Leader, Gateshead Council
Chair LA7 Leadership Board

Councillor Simon Henig
Leader, Durham County Council

Mayor Norma Redfearn
North Tyneside Council

Councillor Iain Malcolm
Leader, South Tyneside Council

Councillor Nick Forbes
Leader, Newcastle City Council

Councillor Grant Davey
Leader, Northumberland County Council

Councillor Paul Watson
Leader, Sunderland City Council

Document Control:

The Document Owner is:

Caroline Winter

Policy Manager for the 7 North Eastern Local Authorities

7 North Eastern Local Authorities

c/o Newcastle City Council

Policy, Strategy and Communications

Civic Centre

Newcastle upon Tyne

NE99 2BN

e-mail: caroline.winter@newcastle.gov.uk

eLocation: []

Document Owner: Caroline Winter, Project Manager

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

Page 3 of 39

Contents

Foreword	2
Document Control:.....	3
Contents	4
Executive Summary	5
1. Introduction	7
About this Report.....	7
Purpose of this Governance Review.....	7
Context.....	8
<i>Legal Context</i>	8
<i>Local Context - Our Ambition</i>	10
Methodology for the Governance Review.....	11
2. The Area: Review of Economic Evidence	12
Overview.....	12
The Labour Market.....	13
Housing Market.....	13
Sectors and Supply Chains.....	14
3. Current Governance Arrangements and the Case for Change	16
Introduction to this section.....	16
Current Arrangements.....	16
Creating the right Governance for Growth.....	18
Economic Growth.....	18
<i>Strategic Funding</i>	18
<i>Skills</i>	20
<i>Inward Investment and Trade</i>	22
Transport.....	23
Other Issues and Improvements.....	25
Summary - The Case for Change	26
4. Options Analysis and the Anticipated Improvements	28
Introduction to this section.....	28
Options Analysis:.....	28
Conclusions and Closing remarks	30
A Combined Authority for the North East Area.....	30
An Integrated Governance Model for the North East Area	31
Appendix 1 – Draft Scheme	32
Appendix 2 - Glossary	38

Executive Summary

- There is compelling evidence that the LA7 Area (the area covered by the contiguous local authority areas of Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland) forms a functional economic market area. A review of the evidence detailing the economic structure of the region shows high levels of economic integration, in terms of the labour market (and travel to work areas), housing markets and a number of the Area's key sectors. Further it shows a direction of travel towards further integration in the future.
- Economic analysis from the OECD demonstrates that strategy integration across key policy domains can deliver economic benefits at the sub-national scale in terms of sustainable economic growth and employment. It emphasises the importance of institutional capacity at the functional spatial level, a level which would be consistent with the proposed LA7 Area. This is supported by the recommendations of the recent North East Independent Economic Review. In short, a combined authority with appropriate resources offers the most beneficial option to enhance the region's ability to address its underlying economic challenges.
- The Combined Authority (CA) should be a streamlined and strategically focussed body, appropriately resourced to ensure more effective and efficient delivery of economic growth, skills and transport functions across the LA7 Area. It will be underpinned by strong research, intelligence and advocacy functions. It will deliver Area-wide functions around the co-ordination of funding streams, seeking investment and collective resourcing and other responsibilities devolved from central government and other agencies. As a result of utilising resources already held in the LA7 and the LEP, set up costs will be lower and will not undermine efficiency arguments.
- Coordination of economic development and transport is a central rationale for the statutory basis for a CA, and therefore fundamental to its creation in the area. The CA will be ideally placed to provide leadership and area-wide voice on key strategic transport issues. A Local Transport Plan (LTP), integrated within our economic strategy, will allow strong representation from the area on topics such as High Speed Rail, the East Coast Main Line, franchising of local rail services, aviation connectivity and the role of our ports and strategic road network.
- Transport is recognised as key to affecting real improvements and change at a strategic level and will be a core function of a combined authority for the LA7 Area. The 7 local authorities are in a unique position in bringing together the existing Tyne and Wear ITA with Northumberland and Durham in a single new transport authority and transitional arrangements will therefore be required in the short to medium term. As an aid to long term integration, key transport powers transferred to the Combined Authority can be exercised – through a carefully designed integrated governance model by constituent authorities on certain key issues.
- A Combined Authority would give legal form to the close working relationships that already exist between the LA7 Authorities (at a range of different organisational levels). The Combined Authority will be contiguous with the area covered by the North East Local Enterprise Partnership (NE LEP) - Durham, Gateshead, Newcastle, North Tyneside, Northumberland South Tyneside and Sunderland.

- An integrated governance model would ensure long-term effective engagement with the business and other sectors. Engagement and integration with the NE LEP board is likely to lead to more effective interventions and an improvement in the realisation of economic objectives.
- A new combined authority will:
 - facilitate closer partnership working and is consistent with the recommendations of the recent North East Independent Economic Review.
 - through a co-ordinated approach to tackling the Area's priorities, increase the effectiveness and efficiency of the relevant functions and improve outcomes for local people
 - through stronger centralised evidence collection and analysis functions, improve the exercise of statutory functions.
 - lead to an improvement in the economic conditions of the Area.

1. Introduction

About this Report

This report has been prepared by the LA7 Chief Executives Group on behalf of the LA7 Leadership Board, which brings together the Leaders and Elected Mayor of the seven Local Authorities in North East England: Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland (the **LA7**).

The report sets out the results of a review undertaken in accordance with Section 108 of the Local Democracy, Economic Development and Construction Act 2009 (the **2009 Act**).

This report has been published as part of a consultation exercise with the area's key stakeholders and should be read together with the draft scheme included as an appendix to the report.

For further information please contact:

Caroline Winter

Policy Manager for the 7 North Eastern Local Authorities

7 North Eastern Local Authorities
c/o Newcastle City Council
Policy, Strategy and Communications
Civic Centre
Newcastle upon Tyne
NE99 2BN

e-mail: caroline.winter@newcastle.gov.uk

Purpose of this Governance Review

In accordance with Section 108 of the Local Democracy, Economic Development and Construction Act 2009 a governance review in relation to a potential combined authority must address the effectiveness and efficiency of: (a) transport within the area covered by the review and (b) arrangements to promote economic development and regeneration within the review area.

The purpose of this review is to determine the following:

- Whether the area covered by the local authorities of Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland (the **Area**), can properly be seen as constituting a functional economic area for the purposes under consideration in the review.
(Please refer to section 2 of this report)
- Whether the existing governance arrangements for economic development, regeneration and transport in the area are effective or would benefit from changes.
(Please refer to section 3 of this report)

eLocation: []

Document Owner: Caroline Winter, Project Manager

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

Page 7 of 39

- To examine the options available and in relation to each option, to evaluate the likely improvement in:
 - the exercise of statutory functions relating to economic development, regeneration and transport in the area;
 - the effectiveness and efficiency of transport in the area; and
 - the economic conditions in the area.**(Please refer to section 4 of this report)**

Having examined these questions the report draws conclusions and makes some closing remarks about the nature of the Scheme the authorities might wish to consider.
(Please refer to section 5 of this report).

Context

Legal Context

Part 6 of the Local Democracy, Economic Development and Construction Act, 2009 (the **2009 Act**) enables the creation of economic prosperity boards (EPBs) or combined authorities (CAs). These are new sub-national structures that have separate legal personality to the Local Authorities who come together to create them. The new bodies are available to support the effective delivery of sustainable economic development and regeneration and, in the case of CAs, transport.

The 2009 Act sets out the process for the creation of EPBs and CAs and establishes certain principles relating to their constitution and organisation. The legislation is not prescriptive however and the detail of how these bodies will operate and what their functions will be is left to be determined locally, subject to final approval by the Secretary of State.

Delegation of Additional Powers

The Localism Act 2011 (the **2011 Act**) contains powers for the Secretary of State to transfer powers between authorities¹ (including Combined Authorities²) and also to transfer ministerial functions to such authorities.³ Property, assets and liabilities relating to those functions can also be transferred.⁴ Notably, transfers and delegations of additional functions under this legislation can be made at any time and independent from the procedure to create EPBs or CAs.

Transport

A CA is differentiated from an EPB due to the inclusion of transport functions. There are intended similarities between Part 6 of the 2009 Act and part 5 of the Local Transport Act 2008 (the **LT Act**) which provides for Integrated Transport Authorities (ITAs). When a CA is established in an area where an ITA already exists, the ITA is dissolved and the CA assumes all the functions of the ITA for the Area.

Whilst there are differences, the process for review is broadly similar under both Acts. In preparing a scheme under the 2009 Act, regard must be had to the provisions of the LT Act as well as any guidance published by the Government relating to both pieces of legislation.

¹ Localism Act 2011 Chapter 4, Section 15

² *ibid*, Section 20

³ *ibid*, Section 16

⁴ *ibid*, Section 18

eLocation: []

Document Owner: Caroline Winter, Project Manager

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

The Three Steps to Creation of a Combined Authority or Economic Prosperity Board

The process for creating an EPB or CA involves 3 main steps:

- First, a review of existing governance arrangements for the delivery of economic development, regeneration and transport. This must lead to a conclusion that there is a case for changing these arrangements based on real improvements;
- Secondly, drawing up a scheme for the new body upon which the authorities are required to engage widely to seek common support amongst stakeholders. All constituent councils are required to approve the scheme for submission to the Secretary of State for Communities and Local Government;
- Finally, the Secretary of State will consider the scheme and undertake a formal consultation. If he is satisfied with the proposals a draft order will be laid before both Houses of Parliament for adoption by affirmative resolution.

To approve a scheme the Secretary of State must be satisfied that (in accordance with section 91(5) (for EPBs) or 110(1) (for CAs) of the 2009 Act) that improvements are 'likely' if the scheme proposed is adopted.

Flexibility and Control

Once established both CAs and EPBs have wide general powers.⁵ However, the mechanisms by which those powers can be exercised, the functions to be discharged and the resources available will all be determined by the parent local authorities (with the consent of the Secretary of State) through the drafting of the Scheme, which sets out the legal framework specific to each CA or EPB.

A CA or an EPB is not a merger or a takeover of existing local authority functions. Instead they seek to complement local authority functions and enhance the effectiveness of the way they are discharged. In particular, it is the enhancement of decisions and information at a strategic level that are most frequently cited as the advantages of these statutory bodies.

⁵ See 2008 Act, section 113A (amended by the 2011 Act, section 13).

eLocation: []

Document Owner: Caroline Winter, Project Manager

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

Local Context - Our Ambition

The LA7 Leadership Board shares an ambition *'to create the best possible conditions for growth in jobs, investment and living standards, to make the north east an excellent location for business, to prioritise and deliver high quality infrastructure, and to enable all the people we serve to raise their skill levels and to benefit from economic growth long into the future'*.⁶

...a long tradition of working together...

The 7 North East Local Authorities have a pivotal role in stimulating economic growth and are committed to achieving this together. Building on a history of successful joint working we share strength of ambition and a desire to bring about a step change in the area's prosperity. The Heseltine review recognised that local leaders are uniquely placed to understand the opportunities and challenges in local areas and offers an opportunity to explore stronger local governance and infrastructure where this will deliver growth.

In recent months the local authorities have agreed strengthened governance arrangements for Newcastle International Airport, developed new arrangements for the prioritisation of local transport funding through a North East Local Transport Body, and work is now progressing on a Growth Plan to provide a framework for investment across the North East. The Leadership Board has developed a close working relationship with the North East Local Enterprise Partnership (**NE LEP**) and the area covered by the seven authorities is contiguous with the area covered by the NE LEP. As discussed more fully in Section 2 of this Report, the areas are seen as having linked economic geography. The urban and more rural parts provide complementary strengths for the benefit of both residents and visitors.

...a real appetite for change...

The North East LEP commissioned an independent review of the Area's economy. The North East Independent Economic Review (**NEIER**) was published in April this year. Lord Andrew Adonis, who led the independent review team, called the decision by the LA7 to pursue the idea of a Combined Authority as *'a breakthrough in vision. Capacity and dynamism to tackle future challenges in partnership'*.⁷ The LA7 Leadership Board recognise the significance of the NEIER in supporting the realisation of economic potential.

...improving governance...

The Government's response to the Heseltine Review cites the LA7's proposals to create a statutory body within the legislative framework of the 2009 Act and states *"the Government welcomes this development and looks forward to working with the new statutory body to devolve resources over time"*⁸

⁶ Creating the right governance for growth in the North East, LA7 Leadership Board, April 2013 p.2

⁷ North East Economic Review Report, North East Local Enterprise Partnership, April 2013 p.3

⁸ Government's response the Heseltine March 2013 p 48

eLocation: []

Document Owner: Caroline Winter, Project Manager

Methodology for the Governance Review

A review team has been formed drawing together some relevant experts from each of the constituent local authorities. The team works directly to the LA7 Leadership Board and the Board has appointed a project manager to lead the project.

The **discovery phase** of the project was undertaken through the following concurrent activities:

- Review of economic evidence was undertaken to test the rationale for working across the LA7 geography as a functional economic market area and to assess the economic conditions across the area
- Desk Research was undertaken of the current structures. Where necessary these were supported by technical interviews with users of the governance structures to test how these were used in practice.
- Workshops were undertaken to collect views and evidence from key stakeholders in each authority, considering the functions or activities that would benefit from strengthened collaborative governance arrangements
- One to One Interviews with key external stakeholders were undertaken by the LA7 Chief Executives or their senior leadership team. These interviews were to collect views on draft proposals. As a second part of these discussions, interviewees were also invited to consider options for change.

In the **Analysis Phase**, the team analysed the data collected during the discovery phase which led to the production of this Governance Review Report.

Based on this work the team then began work on the draft scheme and the other documents necessary to implement the recommendations of the review – as a **Design phase**.

Finally once a draft proposal is available an iterative process of consultation will commence with key internal and external stakeholders. The proposed scheme and the supporting paperwork will also be published as part of a more wide-ranging consultation. This will form the **Test phase** intended to ensure that key stakeholders are fully and properly engaged in the process with the opportunity to feed in their comments and ideas before any submission to Government.

2. The Area: Review of Economic Evidence⁹

Overview

An early step for the governance review was to underpin the case for change with the preparation of a detailed review of economic evidence. A report was produced and is summarised in this section to address the following key questions:

- How does local policy intervention contribute to securing sustainable economic growth at local level?
- What are the economic conditions in the Area and what is the rationale for policy intervention?
- Can the geography be understood as a 'functional economic market area'?
- Is there policy commitment in the area to address economic issues through collaboration at this scale?
- What do examples from elsewhere suggest as key issues for potential models for collaboration, both in terms of governance and operational structure, and in priority areas for joint intervention?

The report, which is available separately to this Review highlights that there is significant national and international evidence available evidencing the potential of the sub-national scale to promote and support the search for economic growth and resilience. Whilst local growth derives from both national and local factors, successful regional economic development, focused on local sources of innovation and entrepreneurship, levels of employment, quality of local skills and on local environmental factors which can support and encourage investment such as transport, housing and the wider economic environment, can have a significant impact. The OECD estimate that whilst national factors have a crucial impact on regional growth, regional factors largely determine the regions international performance and that in those regions which had seen an increase or decrease in their relative GDP performance, regional factors had been responsible for about 25% of the overall change.

The importance of institutional capacity at the right level to co-ordinate across these key factors, capable of recognising and responding to the distinctive economic circumstances of an area, is clear and there is a growing consensus that the right scale should be at a level at which the economy 'functions'.

One of the key functional scales is the labour market - which is the scale at which most day to day economic interactions take place and which lends itself to policy interventions in areas such as transport, housing and the provision of labour market support. But there is also recognition in the literature that there are other important forms and scales of functional economic linkage including the enabling of supply chains, the supply of natural resources, management of environmental risks such as flooding to parts of the economy, which also require co-ordination.

⁹The full review of economic evidence is available separately to this report. In using the terms 'North East' and 'Region' this paper is referring to the operational boundary of the North East Local Enterprise Partnership (NELEP) (and has the same meaning as Area, as used elsewhere in this report), unless otherwise stated

eLocation: []

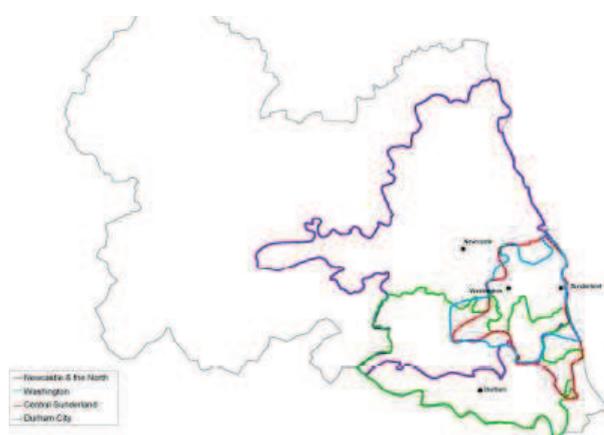
Document Owner: Caroline Winter, Project Manager

Page 12 of 39

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

The report goes on to assess the extent to which the LA7 can be regarded as a functional economic market area across a number of sectors of the economy. It concludes that whilst there is not a uniform pattern across all parts of the economy, including the labour market, the structure of industries and the supply of key enabling assets, these geographies have continued to evolve and there is compelling evidence that the geography functions as a 'functional economic area' with strong integration and connectedness in a number of these key parts of the economy. Further, it cites evidence suggesting that the direction of travel is towards more, rather than less, integration.

The Labour Market: Commentators have highlighted an element of polycentricity within the North East region as a whole. In their report for the Tyne & Wear City Region, EKOSGEN¹⁰ describe a region with 4 overlapping functional labour markets (see below), with the Newcastle labour market as the largest, and more localised systems around Durham City, Washington and Sunderland performing different industrial roles. The reports which have reviewed as part of this work anticipate increasing integration as the structure of the economy changes, with concentration of more service sector jobs and growing interaction across higher level and industrial jobs.



EKOSGEN Illustration of 4 overlapping functional labour markets

Housing Markets: Work for the Tyne & Wear economic review, demonstrates how these labour market flows interact with housing supply and employment demand. The region in total provides a varied offer as would be expected in an area with a diverse settlement pattern, and supports a complex and changing set of spatial, social and economic relationships with strong linkages across the region. Once again, the future is expected to be characterised by more complex and integrated patterns as urban environments and the structure of the region's economy changes, with economic mobility prompting housing markets to expand spatially.

Further, an assessment of the impact of these trends, in terms of economic benefits for people in constituent areas, is provided in the report. An analysis of the most recent employment data shows:

- employment opportunities in all parts of the area supporting different levels of employee and resident income
- that the urban centres of Newcastle and Gateshead supply employment opportunities for people living in the surrounding districts and counties
- that employment within these urban centres provides higher levels of earnings

¹⁰ Ekosgen (2010), Tyne and Wear City Region Economic Review: Economic Geography, Linkages and the Low Carbon Economy Executive Report

eLocation: []

Document Owner: Caroline Winter, Project Manager

District	Labour demand	Employed Labour force	Earnings (by employment)	Earnings (by residency)
Durham	177,000	221,300	437.40	458.00
Gateshead	96,000	84,600	482.70	465.20
Newcastle	187,000	133,700	484.50	469.70
North Tyneside	78,000	90,000	454.40	454.40
Northumberland	124,000	142,500	439.10	462.50
South Tyneside	48,000	66,900	425.30	450.10
Sunderland	119,00	124,500	442.90	424.00

The report also highlights that the majority of the new employment opportunities which will emerge through either jobs growth or replacement demand in the region over the current decade are likely to take place in those sectors which are susceptible to these concentration trends, meaning that over time these integration trends are likely to strengthen.

Sectors and supply chains: Looking beyond the labour market, the report provides evidence of both complementary and differentiated patterns in key economic sectors.

Automotive: Automotive is the largest manufacturing sub-sector in the North East as a whole. The report demonstrates that there is a network of tier 1 automotive suppliers spread across the North East Economic Area, illustrating the benefits of the clustering effects and providing significant export capacity nationally and internationally. The cluster also provides an opportunity for linked sub-sectoral growth with the positive experience of Nissan in Sunderland reportedly contributing to the decision of Hitachi to locate in County Durham, creating similar opportunities for tier 1 and tier 2 supply chain development and the building of a wider cluster effect, complementing a number of specialist rail engineering companies in the area. The strength of advanced manufacturing and engineering particularly around the A19 corridor and a new National Advanced Manufacturing Park has been recognised in the developing City Deal being put forward by Sunderland and South Tyneside, with considerable potential for regionally significant growth over the coming years.

Pharmaceuticals: The region is home to a small cluster of globally significant manufacturing companies who are amongst the most productive in the world. Whilst the sector presence is predominantly manufacturing, pre-clinical research and development, full scale drug-testing trials, pilot stage manufacturing and packaging and distribution are all present. Estimates suggest that this is a significant region-wide strength with the North East responsible for 33% of the country's GDP in pharmaceutical manufacturing.

Low Carbon Energy Generation: There are significant opportunities for offshore wind energy generation off the North East Coast, with the industry seen as a good long term investment. With the combination of the recent Energy Bill in December 2012, and the anticipation of a positive "strike price" announcement this summer, likely to create a positive investment environment will be created. The North East as a whole is well positioned to take advantage of this with a number of opportunities in the supply chain and the wider development of the industry through assets located across the region, and a number of ongoing support needs.

eLocation: []

Document Owner: Caroline Winter, Project Manager

Page 14 of 39

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

Tourism and culture. The tourism and culture economy is a strong contributor, with an increasingly global reputation. It includes 10,000 businesses and employs over 60,000 people with significant assets including the World Heritage Sites of Hadrian's Wall and Durham Cathedral and Castle, the BALTIC Centre for Contemporary Art, the Great North Museum, Bede's World, a magnificent coastline and a host of other historic, natural, sporting and cultural attractions. Most of these assets are considered by Visit England as 'Day trip' sites so economic benefits from these attractions will derive from a clustering approach, combining the presence of sufficient critical mass of attractions and strong projection to incoming and indigenous visitors combined with a wider programme of cultural and sporting events based in the region as a whole. Events such as the Sunderland Air Show, Lumiere lighting events, the 2013 exhibition of the Lindisfarne Gospels, and sporting highlights such as the Great North Run and Test Cricket at Durham bring substantial visitor spend into the area.

Retail and Leisure. There is a strong concentration of retailing and leisure services in Tyne & Wear which service much of the North East and also draws in consumers from beyond. The main centres are the City Centre of Newcastle and the Gateshead MetroCentre, the only free-standing regional shopping centre in the North East Region. Retail patterns show significant flows to these two centres across the region, over and above the services provided by local high streets. In the area, Sunderland, Durham and to a lesser extent Hexham provide an alternative offer to the two main centres and more residents from the immediate area shop in these centres than travel.

Parallel patterns would be likely in industries not reviewed in this work. In health care and education, for example, the pattern is likely to be similar to those of other service sectors, but with key public sector assets spread across the region.

In summary, this review of evidence demonstrates that there are strong functional economic linkages in the regional labour market and across a range of key industries in the area. Whilst it is not a uniform pattern there are strong interdependencies across local authority boundaries.

Indeed, one of the key messages from evidence submitted to the NEIER is the increasingly complex structures and networks crossing traditional sectoral and spatial boundaries with crucial innovation opportunities likely to result through interactions across sectoral and spatial boundaries, as well as within them and a key role for public policy makers to seek to stimulate this type of development by creating opportunities for networking and on-going interaction.

The prospect of further autonomy for Scotland is stimulating a new interest in developing collaborations between the North East as a whole, Cumbria and Scotland. There certainly appears to be scope for joint approaches to economic growth based on both sector and place, and there are opportunities for policy co-ordination. There seem to be possibilities for the North East and Cumbria to come together to engage with the Scottish Government and other Scottish interests. There would be opportunities, too, for the North East, Cumbria and Scotland to develop a common 'voice' and influence the UK Government.¹¹

¹¹IPPR North on behalf of ANEC (2013), Borderlands: can the North East and Cumbria benefit from greater Scottish Autonomy?

eLocation: []

Document Owner: Caroline Winter, Project Manager

3. Current Governance Arrangements and the Case for Change

Introduction to this section

This chapter sets out the current arrangements in relation to the functions that are the subject of this review and seeks to establish if the formation of an EPB or CA to carry out these functions is **likely to improve**:

- (a) the exercise of the relevant statutory functions;
- (b) the effectiveness and efficiency of the relevant functions; and
- (c) regeneration and economic conditions in the Area.

In this context this chapter explores whether the opportunity of an EPB or CA is one that could lead to further improvement for the residents of the Area.

Current Arrangements

This is a natural economic area based on a distinct and complex geography with a population approaching 2 million served by **7 contiguous Local Authorities – the LA7**. The area is one of the largest ‘economic centres’ in the north of England and contains natural, cultural, historic and industrial assets of national and international repute.

The Area demonstrates a diverse pattern of settlements, capturing city locations and their hinterlands, and a network of towns and smaller settlements including post-industrial, coastal and remote rural communities. Our city and urban areas, clustered in and around the River Tyne and the River Wear, are key business and employment locations, and are complemented by a strong network of towns providing strategic economic, social and transport functions along strategic transport corridors and rural and coastal locations.

From cross-sector partnerships within local areas to thematic or spatial joint initiatives between authorities, good practice in joint working exists at all levels and there is a strong sense of a shared ambition to provide collective leadership and a unified voice across the area. The 7 Local Authorities work together on a number of strategic initiatives that contribute to the economic growth of the North East and collaboration at a strategic level is primarily governed through the following arrangements.

The **LA 7 Leadership Board** was established in December 2012 and operates under an established terms of reference, formalising the existing close relationship between the 7 local authorities. The Board is responsible for a wide range of joint initiatives including shaping the strategic direction of Newcastle International Airport and for agreeing local major transport schemes and has a particular focus on economic growth. This new arrangement enhances collaboration between the authorities ensuring the strongest possible contribution to the leadership and economic development of the region.

eLocation: []

Document Owner: Caroline Winter, Project Manager

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

Page 16 of 39

The **NE LEP** was formed on 27th July 2011, in response to the local growth white paper¹² LEPs are voluntary partnerships between Local Authorities and the local business community. The North East LEP is contiguous with the LA7 Area. The Board consists of 18 members (9 business sector/ 2 HE/FE sector/ 7LA Leaders/Elected Mayor) with a business leader as chair. Sunderland City Council acts as accountable body to the NE LEP and all NE LEP employees are employed through Sunderland (although the LEP is supported by some employees seconded from other LA7 Authorities). The NELEP has a vision to rebalance the economy and create “Europe’s premier location for low carbon, sustainable, knowledge-based private sector-led growth and jobs” The key roles of the NELEP are:

- to lobby Government on issues of economic importance to the North East of England;
- to act as an advocate and champion for business and community interests;
- to provide strategic economic leadership and local accountability;
- to demonstrate added value and efficiency; and
- to commit to working across local administrative boundaries

The **Association of North East Councils (ANEC)** continues to bring together the 12 local authorities across the whole of the North East – an area covered by the NE LEP and the Tees Valley LEP - on issues that concern them all and the communities they serve. The Association acts as a strong and coherent voice for its members and protects, promotes and supports their interests to make a real difference to the well-being of people living in the North East.

The 12 councils share a commitment to creating the conditions for economic growth and the LEP geographies work to drive things forward so that the North East as a whole can build on its strengths and assets. Working together where it makes sense to do so, both LEPs have a vital role to play in driving growth in our economies. Areas of joint working have been identified including access to finance, key sectors and transport.

The objectives of ANEC are to:

- act as a strong and coherent voice for local government in the area;
- provide a forum for discussion by Representatives of the Constituent Authorities of any matters affecting the area or local government in the area;
- protect, promote and support the common interests of local government in the area;
- promote a high standard of public administration throughout the area;
- pursue issues of benefit to local government in the area;
- act collectively to represent the views of local government in the area at the regional, national and international levels including the Local Government Association, Government departments etc;
- facilitate the appointment of local authority Representatives to regional, national and international bodies; and
- secure, in pursuit of the above objectives, the maximum co-operation and co-ordination between Constituent Authorities.

¹² Local Growth: Realising Every Place’s Potential, Cm 7961 Dated 28 October 2010 and a joint invitation from the secretaries of state for Business Innovation and Skill and Communities and Local Government dated 29 June 2010.

Creating the right governance for Growth

The LA7 Leadership Board recognises its role in rebalancing the economy by creating the right conditions for sustainable economic growth and resilience, encouraging investment and promoting employment. The area is one of the largest 'economic centres' in the north of England, but with a distinct and complex geography. A wide range of issues must therefore be addressed across the area, recognising that activities and interventions need to respond to the specific characteristics and functional linkages within the economy.

As well as enhancing relationships between the seven local authorities, the strengthening of current arrangements for collaboration would provide an opportunity to clarify partner roles and functions within the existing architecture of organisations focused on growth in the North East as a whole. In particular, the LA7 Leadership Board is seeking to formalise an active and transparent role for private sector involvement through the North East LEP, alongside greater democratic legitimacy secured through local government leadership within a clear and coherent governance framework.

The review of existing arrangements has enabled the LA7 Leadership Board to consider the optimal arrangements to deliver its strategic objectives and to drive growth. This means bespoke arrangements that address the issues, challenges and opportunities that are particular to the North East.

Economic Growth

The 7 North East local authorities share an overarching ambition to deliver growth across the area. Although the long tradition of co-operation between authorities has brought positive results, the informal structures that support it have developed into a complex web of layered committees and groups. This reduces the capacity for effective decision-making, with a lack of clarity about roles and responsibilities. The OECD¹³ stresses the importance of strategy integration across key policy domains, emphasising the importance of institutional capacity at the right level to co-ordinate across key factors, capable of recognising and responding to the distinctive economic circumstances of an area.

A CA structure allows for a simplification of current structures, clarifying roles and aligning them with the CA's remit, powers and authority. This clarity and transparency will ensure a joined-up approach that will improve efficiency and effectiveness in delivering economic growth and transport functions across the LA7 Area.

Strategic Funding

Significant changes to the economic development landscape and funding regimes in recent years have reduced institutional capacity to coordinate and align funds around wider economic priorities. Despite impressive growth before the downturn the North East as a whole is currently suffering the considerable effects of the recession which must be addressed. The creation of the North East LEP has brought a greater focus to economic development and there have been significant projects funded by both Regional Growth Fund and Growing Places Fund, as well as through the Newcastle City Deal. However with new funding opportunities and policies on the horizon, including the Single Local Growth Fund and the EU Structural and Investment Funds 2014-2020, there is an added impetus to ensure the Area is maximising the use of these new funds alongside

¹³ OECD (2009), How Regions Grow

eLocation: []

Document Owner: Caroline Winter, Project Manager

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

existing local resources, together with our understanding of the strengths and challenges of our economy.

In its response to the Heseltine Report, the Government commits to a Single Local Growth Fund from April 2015.¹⁴ In the same document the Government agreed that the management of structural funds should be streamlined¹⁵ and that the resultant programme will be notionally allocated to the Area.¹⁶ The Government also commits to devolving resources and responsibilities where "...there is credible and compelling economic leadership".¹⁷

The creation of a CA with additional institutional capacity will allow the Area to demonstrate its capacity to take on more functions and responsibilities and provide the governance framework for a single approach to investment supporting economic growth across the 7LA geography.

The CA, working closely with the LEP, will take a strategic approach to funding in support of the economic growth ambitions of the NELEP area. A coordinated and efficient use of shared resources will deliver an economic intelligence and analysis function as a basis for strategic planning and coordination. In practice this will mean a seamless approach across all seven local authorities and the LEP for economic development spend and functions underpinned by a clear set of integrated priorities, an understanding of strengths and the area's competitive advantage and shared economic ambitions. A shared strategic multi-year plan for local growth will be developed with the NE LEP to take forward agreed economic priorities and the recommendations from the Adonis Review. A strong pipeline of projects will support the overarching vision and strategy. Investment decisions taken by the Combined Authority will fully reflect business views. These views, both in terms of shaping prioritisation and scheme design will ensure that public investment is targeted to maximise business benefit, which is key to economic growth.

Housing investment across the LA7 area will make a significant contribution to future prosperity and quality of life. The CA will collaborate on identification of strategic housing investment needs as a guide for HCA investment. The CA will work to ensure that future housing provision across the LA7 area fully supports the economic agenda.

The CA will utilise innovative financial mechanisms that can take forward a range of funding opportunities including Special Purpose Vehicles where appropriate to support additional borrowing, all helping to achieve the broad outcomes in the Adonis Review.

Outcomes

The proposed strategic approach will deliver a flexible, responsive and joined-up approach to funding opportunities across the Area in order to drive growth. This will be demonstrated by:

- improved efficiency and an approach that reduces internal competition through robust and objective mechanisms for allocating funding to priority projects based around added value to economic growth
- greater clarity and alignment of priorities, deliverables and funding contributions of partners, e.g. Skills Funding Agency, JCP, HCA, etc which are in support of the area's economic ambitions
- greater alignment and matching of disparate funding sources when managed as a single fund in support of agreed economic priorities, including EU funding and Single Local Growth Fund.

¹⁴ Government's Response to Heseltine, page 37 at 2.4

¹⁵ Ibid, page 50 (at 2.59 – 2.68).

¹⁶ Ibid, page 50, at 2.61

¹⁷ Ibid, at 2.5

eLocation: []

Document Owner: Caroline Winter, Project Manager

Page 19 of 39

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

- greater prioritisation to support regionally significant projects and therefore effective use of reduced resources to support economic ambitions
- greater local determination and support of economic priorities
- Clarity on the role of strategic housing investment in supporting the economic development agenda across the LA7 area
- better forward thinking and confidence to pursue long-term projects as the approach provides funding stability to achieve those ambitions which are beyond the limitations of some current funding streams

Skills

In the recent Green Paper - Rigour and Responsiveness in Skills¹⁸ the government has highlighted its commitment to making the present skills system both simpler and more responsive both for the learner and the employer. The paper highlights:

“the changes we have introduced so far have laid the groundwork for rigorous and responsive training. However, there is still some way to go to create a system that through its very structure creates rigour, and ensures that provision responds to the individual and the employer.”

A comprehensive evidence review has recently been completed by Glasgow University to underpin the development of the North East Skills Action Plan

Whilst it recognises that over recent years there have been significant changes in the skills and funding landscape, with a shift in emphasis towards a more localised response, it describes the skills system in the North East as *“a complex interconnected web of institutions involved in designing, supporting, resourcing and delivering the improvement of skills”*.

It also suggests that the skills system *“remains overly complicated particularly for employers and learners”* and identifies that there are *“opportunities for better coordination of activities and initiatives to improve the information on which skills decisions are made, to get a better match between demand and supply”*.

The current system includes a wide range of organisations responsible for the development and implementation of policy and allocation of funding including the Skills Funding Agency, the Department for Business, Innovation and Skills, the Learning and Skills Improvement Service, the Higher Education Funding Council for England, Sector Skills Councils, the National Apprenticeship Service, the National Careers Service and the UK Commission for Employment and Skills. DWP funding for the delivery of employment interventions also contributes to this complex picture.

The skills system is predominantly driven by national policy and funding criteria. This centralised approach often inhibits the flexibility to respond to local priorities. There is little scope for strategic LA influence in the commissioning process and allocation of skills funding at a local level and no mechanism in place for local authorities to performance manage and monitor the effectiveness and impact of skills provision against agreed economic priorities;

There is no clear structure in place that allows employers to exert strategic influence on the skills system. This is a critical issue that needs to be addressed in order to develop a more effective demand led system.

¹⁸ Rigour and Responsiveness in Skills, DfE/BIS Green Paper April 2013

eLocation: []

Document Owner: Caroline Winter, Project Manager

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

The CA will provide a coordinated approach for skills collaboration that is underpinned by robust economic and labour market intelligence and places employers at the centre of design and delivery of the system. It will:

- Amalgamate all existing plans to develop one coherent skills plan. This will ensure that public funding for skills will be fully aligned with economic need;
- Be the accountable body for any agreed devolved skills funding, to ensure priorities are set based on economic needs, and focused on maximising impact and return on investment;
- Work with key stakeholders to co-design a skills commissioning framework to enable a stronger influence over how funding is allocated or awarded to providers delivering across the Area, including developing a local robust performance and quality management process¹⁹;
- Provide a simplified approach to long-term decision-making on the skills agenda - allowing clear investment decisions to promote sustainable economic growth across the North East.
- Develop a mechanism to support employers to articulate their current and future skills needs and ensure their engagement and influence in the design and delivery of the skills system;
- Ensure closer ties with the business community, utilising the private sector expertise within the NELEP Board to help champion the proposed new approach to skills and ensure an effective employer voice in the direction, design and delivery of future skills provision.

Outcomes

The CA proposition will deliver a coherent and effective skills system in the long term that will meet the needs of the North East economy, enabling investment in the skills that will deliver our growth aspirations. It will:

- Reduce ambiguity and overlap of roles and responsibilities through the development of one co-ordinated skills plan which will improve cost effectiveness and avoid duplication;
- Improve efficiency in the skills system by developing a co-ordinated and cohesive approach to delivery across the functional labour market;
- Create a more flexible incentivised system which encourages learning providers to develop new and responsive learning opportunities which will supply a skilled workforce to maximise economic growth;
- Develop a strengthened framework for improved choices by individual learners, ensuring that individuals have better access to information advice and guidance to make sound career decisions and have appropriate access to skills provision which reflects existing and future labour market opportunities;
- Significantly improve the involvement of employers in the design and delivery of skills programmes which will improve the articulation of demand, to ensure that current and future workforce needs help to drive up productivity and competitiveness;
- Stimulate employers investment in skills alongside publicly funded provision;
- Improve the rate of return of investment in skills for the individual, the employer and the economy.

¹⁹ This framework could then be utilized for any other devolved funding opportunities that the CA wants to influence and that may become available post April 2014 e.g. DWP funding.

Inward Investment and trade

Inward investment is of key importance to the North East Economy as a whole and the area has been successful in attracting both foreign and UK based inward investment over recent years. Working closely with partners in the Area, Local Authorities play a significant role on Inward Investment through a range of bodies (NGI (Newcastle and Gateshead), Make it Sunderland, Business Durham, Arch (Northumberland) Invest North Tyneside and Invest South Tyneside). NE LEP has established protocols in relation to UKTI enquiries from foreign investors however this is at an early stage.

The area has performed well in inward investment and undoubtedly has further untapped potential for growth. Sector strengths and opportunities for attracting further investments can be realised but those sector strengths very often cover a wider geographic area. In offshore and energy, for example, the 3 rivers can offer a complementary proposition in terms of supply chain linkages, skills and site suitability. Moving forward it will be important to co-ordinate and streamline the approach to investment enquiries across the area to ensure an effective response that converts investment leads into economic growth.

The area has renewed and strong challenges from neighbouring areas for mobile investment ie the Scottish offer has high profile, is well articulated and is very attractive. To the south the Tees Valley area is served by a single point of contact covering 5 Local Authority areas with some similar sectoral priorities.

There is a current gap in the information held across a wider view of an area - the inward investment business proposition and sectoral approach does need to be kept current and fresh. There is a lack of coordination and a variable quality of provision and level of service across the area leading to potential confusion for the client and missing of opportunities.

The proposal to coordinate inward investment activity through a CA will make the North East more competitive with other regions nationally and internationally.

The CA will provide an 'Investment Gateway' resourced within the CA and including a high quality website to handle and broker incoming enquiries and promote a key proposition for investors that has a clear focus on key sectors. It will support strengthened relationship/information flows with UKTI, including with national, international and specialist functions and operate a CRM system to link partner activity.

The 'Gateway' function will ensure co-ordination with and support for local authority Investor development and support teams, agents and business. It will facilitate information exchange about incoming proposals and harness Private Sector Market Intelligence.

As the model develops it will extend to pro-active lead generation, co-ordination with other key stakeholders and explore the case for public sector relocation. A co-ordinating role through the CA on trade and exporting is also being explored around an intelligence function and support for strengthened relationship and information flows between key partners.

Outcomes

The new approach will draw on the significant skills of the LEP through the ambassadorial and sector-led expertise of the business members of the Board. It would also enable all the key partners such as Universities, property agents, developers and other key intermediaries such as CBI, NECC, FSB etc to play a more significant role and engage with one point of contact and enable a more comprehensive offering with ease of access for clients.

eLocation: []

Document Owner: Caroline Winter, Project Manager

Page 22 of 39

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

The new 'Investment Gateway' will add strategic capacity for enquiry handling and relationship building while playing to the strengths of the Local Authorities. The CA will collate wider demand and help local authorities to bring forward the right environment and infrastructure including skills – to support investment attraction.

Engagement with UKTI and other Government stakeholders will be more streamlined and efficient with clear accountability for responding to enquiries and articulating the area's inward investment proposition.

It will importantly allow a combined and more cohesive offer and promotion of the area, using our significant assets and strengths and avoiding duplication of effort.

Transport

“Good transport equals good economics. That’s how you generate growth and put people back to work. That’s how you make Britain’s competitive edge razor sharp.”

- The Rt Hon Justine Greening MP, Secretary of State for Transport, 18th January 2012

The LA7 Leadership Board recognises the importance of the link between transport provision and wider economic growth and views transport as a core function of a Combined Authority for the Area. Responsibility for transport functions across the area is currently divided between a number of different bodies outlined below. There is no single body with a strategic overview and responsibility for transport and the majority of transport functions are vested in a different body to those with responsibility for functions that drive economic growth.

The Tyne and Wear Integrated Transport Authority (the **ITA**) is a strategic and policy-making body acting for and on behalf of the five local authorities in the area it covers. The ITA is responsible for significant transport assets including the Tyne and Wear Metro System and the Tyne Tunnels and has been responsible for overseeing major development projects²⁰. The majority of the ITA's funding²¹ is generated from a transport levy on the five Tyne and Wear councils (based on population size). Newcastle City Council currently acts as lead authority for the ITA.

Nexus is the Tyne and Wear Passenger Transport Executive and administers funds and delivers services on behalf of the ITA. A proportion of the levy and income from advertising and ticket sales are invested in service delivery.

Durham and Northumberland (both Unitary Authorities) each have their own transport strategies and plans²² and are individually responsible for the delivery of services. All 7 local authorities have individual responsibility as highways authorities.

The 7 local authorities are the majority shareholder in Newcastle International Airport and the LA7 Leadership Board has a key role in shaping the strategic direction of the Airport agreeing a £300m

²⁰ Between them, the metro all change project and second Tyne Tunnel represent the biggest inward investment in transport infrastructure ever achieved in Tyne and Wear.

²¹ 2011/12 – 73.792M

²² Durham LTP3: http://content.durham.gov.uk/PDFRepository/LTP3_TransportStrategy.pdf and Northumberland: <http://www.northumberland.gov.uk/default.aspx?page=7846>.

eLocation: []

Document Owner: Caroline Winter, Project Manager

Page 23 of 39

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

refinancing package in 2012. Earlier this year the Board also developed new arrangements for the prioritisation of local transport funding through a North East Local Transport Body.

The challenges in passenger transport service delivery are quite different in areas that have a diverse spatial geography (due the differing needs, distances, population densities and demographics) than those compared with the urban core, however Durham and Northumberland face similar challenges in relation to some of their transport issues. Stakeholders recognise that delivery at Local Authority level may be most efficient for many transport services, however, it is recognised that transport is a key driver of growth and the strategic alignment of transport within economic growth strategies emphasises a clear link between transport and skills, housing and economic prosperity.

A CA will ensure political leadership at the highest level on strategic transport planning, set within the context of the wider economic strategy for the area. It will provide the certainty to enable difficult decisions to be taken within a long-term investment programme and ensure the most efficient use of the combined transport resource across the LA7 Area.

The transport function within the CA will be underpinned by a joint Local Transport Plan for the 7 local authorities in order to co-ordinate and prioritise strategic transport investment, and best align with the area's wider economic development objectives. This joint plan will be discharged via the use of separate implementation plans delivered at local level.

The CA will be an Integrated Transport Authority (ITA), and assume all the statutory powers and functions associated with this role. The CA will therefore assume strategic transport responsibilities currently governed separately in Tyne & Wear, Northumberland and Durham. The Tyne & Wear ITA will be discontinued and replaced by a new ITA with a wider geographical footprint. Managing this transition is the key challenge in establishing the new body. New governance arrangements for transport need to be in place for the commencement of the Combined Authority in April 2014. Transition arrangements for finance and delivery will be necessary beyond this point, and will need to continue with some Tyne & Wear legacy functions embedded within wider Combined Authority governance for all seven local authorities; particularly those related to the Tyne & Wear metro. In addition the final scheme for a combined authority will devolve appropriate transport functions to Northumberland and Durham to enable local delivery arrangements to continue during the period of transition.

Whilst recognising the challenges in bringing together transport arrangements that include established delivery structures, differing levels of local infrastructure and the associated costs and levy, the overall strategic co-ordination under the direction and oversight of the CA board from its inception will ensure that local needs and interests will not be overlooked during the consideration of opportunities for enhancing economic prosperity of the Area as a whole.

Outcomes

Coordination of economic development and transport is a central rationale for the statutory basis for a Combined Authority, and therefore fundamental to its creation in the LA7 Area. The Combined Authority will be ideally placed to provide leadership and a region-wide voice on key strategic transport issues. A Local Transport Plan (LTP), integrated within our economic strategy, will allow strong representation from the area on topics such as High Speed Rail, the East Coast Main Line, franchising of local rail services, aviation connectivity and the role of our ports and strategic road network. This will form the basis for engagement with others including Tees Valley.

eLocation: []

Document Owner: Caroline Winter, Project Manager

Page 24 of 39

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

Internally, greater co-operation will allow improvements to the region's public transport network, including possible changes to the regulatory regime for bus services, increased opportunity to address congestion on the local road network, and a step change in information and ticketing provision for the travelling public. The inclusion of Northumberland and Durham within an Integrated Transport Authority will provide particular benefits for cross-boundary transport, including commuter routes into our primary urban centres.

A CA provides the best framework to maximise, and manage, devolution of transport funding from central government. Aligning the geographical footprint of transport governance across a functional economic area will improve the efficiency of the transport system, and create a framework for more effective decision-making on transport in the context of wider economic objectives.

Other issues and improvements

Being Seen and Heard

Institutional capacity across the Area will inevitably increase the visibility of the area to governments in the UK and EU as well as potential inward investors. It will allow the Area to engage directly with key decision makers for the benefit of the Area. A smaller number of priorities designed to have the greatest transformative economic impact can be presented with greater effect. The Area can engage directly with the EU, the devolved administrations and other national bodies.

This is also true of national bodies. The CA would have a much stronger voice in discussions with bodies such as the Highways Agency, the Homes and Communities Agency, the Skills Funding Agency, Department for Transport and other Whitehall departments.

Sourcing and Shared Services

There is already a clear call for enhanced institutional capacity with centralised research, intelligence and advocacy functions.²³ There are also a number of informal arrangements in place across the Area in connection with the sourcing of specialist goods and services. The new body would retain flexibility to explore formalising these arrangements in future.

The Relationship with the NE LEP

The LA7 are committed to working with the NE LEP for the benefit of the Area. Through the integrated governance mechanism discussed in the concluding chapter, the LA7s relationship with business can be cemented into a long-term partnership to focus on the area's needs and economic growth. This governance arrangement can ensure those connected with experience of the challenges facing business are able to use that experience to ensure that initiatives will work in practice and are delivered effectively.

Duplication and set up costs

Combined authorities are designed to enable local authorities to deliver improvements in economic growth and transport across the area. Better coordination of interventions under a shared strategic approach to growth will reduce duplication across the constituent local authorities and ensure greater efficiency and effectiveness in delivery. A core principle in establishing a combined authority for the LA7 Area is that any costs incurred in establishing new arrangements would be offset by efficiency gains achieved through the new body can be met through existing resources

²³ NEIER p.14

and utilising the skills and capacity that already exist within the constituent local authorities. The following measures can be considered to ensure efficiency is maintained:

- all functions will be discharged by the CA utilising existing capacity within the constituent local authorities
- a service ethos will be maintained at all times. The CA is not intended as a superior body instead it is a streamlined centralised function – focussed on communicating the benefits it brings to the constituent functions
- the CA could take over responsibility for other area-focused activities (that are currently delivered on a portfolio basis) where efficiencies can be demonstrated by doing so

Summary - The Case for Change

In each of the functional areas considered above there is a strong case that co-ordinated action against agreed priorities across the Area will bring improvements. This is particularly the case when the public and private sectors work together in design and implementation. With a detailed understanding of our local areas, their opportunities and challenges, the 7 local authorities are uniquely placed to shape the strategic direction as well as support delivery of the key interventions that will deliver growth and prosperity. The proposal to create a Combined Authority across the Area would provide a stable and accountable platform for devolution of resources and powers from central government.

Economic data, the recent North East Independent Economic Review and the Government's response to the Heseltine Report provide a strong evidence base in support of the case for single, co-ordinated strategic approach through a combined authority.

The current arrangements for collaboration across the LA7 area are based on a strong but informal partnership between the seven local authorities. Establishing the LA7 Leadership Board was an important step in formalising these arrangements, however recent experience of establishing the Local Transport Body has illustrated their limitation. Only by the establishing statutory arrangements for collaboration will the LA7 Leadership Board be able to fully achieve its shared ambition for growth.

The overarching benefits that would be delivered by a Combined Authority over alternative governance arrangements are considered below:

- Strong and visible collective leadership of the Area recognised by government with greater democratic accountability and transparency
- A unified and influential voice to have a single conversation with government, national agencies and business leaders in the development of local growth policy, strategic interventions, securing a greater share of national resources and influencing national decision making
- Alignment of decision-making on transport, skills and economic growth at a strategic level under a coherent strategy and investment programme, maximising the opportunity of all available levers to assist growth
- A stable and accountable platform underpinned by statutory powers to access significant devolved powers and funding delegated from central government to enable locally devised interventions that are delivered in a coherent and planned way. A single politically accountable body will take a holistic view of the area and the likely economic impact of decisions for greatest impact across the Area.

- A more robust governance framework to make decisions, manage risk, set strategy, manage delivery, assess performance and report on progress giving confidence of a strong advocate for the area and effective local leadership in driving economic growth
- An integrated governance model that formalises an active and transparent role for private sector involvement through the North East LEP
- An opportunity to draw together a range of funding sources including EU funds and a devolved single local growth fund, enabling a holistic approach to tackling shared priorities and driving growth
- Closer working across the wider public sector on integrating functions and services and providing innovative solutions to the challenges of reduced budgets
- Strengthened capacity through a combined and co-located resource supported with better information and analysis will improve effectiveness. Addressing issues once rather than multiple times will be more efficient.
- Reduced potential ambiguity, duplication and overlap of decision-making in relation to strategic functions. The strength of shared intelligence and analysis will provide a basis for more efficient and robust decision-making.

<p>3. Establish an Economic Prosperity Board for the LA7 Area</p>	<p>Establishing an EPB does address many of the structural benefits of having a single, legally constituted body and would enable co-ordination at a strategic level on transport. The implementation of a new transport authority to include Durham and Northumberland could be addressed in the longer term. This option would improve on existing arrangements but misses the opportunity to fully achieve real and transformative economic benefits - as transport linkages are significant for the proper functioning of the economic area. Strategic co-ordination of economic growth and transport functions would enable significant enhancements for residents and visitors alike. The Area has strategic priorities which are less likely to be 'heard' or addressed unless they are included in a CA.</p>
<p>4. Establish a Combined Authority for the LA7 Area</p>	<p style="color: green; font-weight: bold;">Immediate</p> <p>A Combined Authority creates the institutional enhancement most likely to address the underlying economic needs of the Area. It does this by providing a stable, legally independent and accountable body for devolved powers and funding. It will enable strategic decision-making that aligns economic growth and transport to happen in once place, and is better informed through shared information and analysis. It allows the creation of single expert functions, which all authorities can draw upon, increasing effectiveness and capacity and ensuring better strategies for the co-ordination of initiatives. Through some shared services and operational co-ordination, efficiencies may also be achieved.</p> <p>The ability to directly link transport decisions to economic development, skills and regeneration initiatives gives the opportunity for real, transformational change, improving access to economic, skills and employment opportunities and creating improved links for leisure and tourism.</p>
<p>5. Seek additional functions for either an EPB or a CA over time</p>	<p style="color: green; font-weight: bold;">from 1/4/15</p> <p>Consistent with the government's commitment the CA should seek devolution of responsibility for the allocation of a Single Local Growth Fund and act as the accountable/receiving body or potentially seek ITI status in relation to the EU SI Funds Growth Programme for the Area from 1/4/2015, taking a transfer of asset, resources (and liabilities). This will ensure funds deployed from all sources, strategy and the local authority resources and delivery are aligned to create the greatest economic impact for our Area.</p>

5. Conclusions and Closing remarks

The creation and operations of a statutory body for the Area offers significant opportunities to accelerate the economic development and effectiveness of the North East. Bringing together key functions and legal powers and allowing full, meaningful involvement with all leaders - regardless of sector and specialisms - can bring expertise and resources and create real change to advance the interests of the Area and its people. Put most simply, everything we do together will be coordinated to aid economic growth and prosperity. The new body would allow a co-ordinated, sustained, long-term attack on economic challenges in the determined pursuit of growth.

A Combined Authority

The value of the public and private sectors working together is clear. There are also clear benefits in bringing transport functions, together with the other proposed functions into the body, to create a Combined Authority. The inter-relationships of skills, transport, economic growth funding and inward investment are clear. The fact that the Area operates as a functional economic market area is also clearly established through the evidence base.

The 7 local authorities are in a unique position in bringing together the existing Tyne and Wear ITA with Northumberland and Durham in a single new transport authority, and this challenge cannot be underestimated. The transport needs in areas with a diverse spatial geography are quite different to those of the densely populated urban centres. The ownership and operations of the Tyne and Wear Metro and the second Tyne Tunnel are particular issues to be addressed in practical implementation alongside the differing methods of delivery across the Area. However, the opportunities created by including transport with the other functions and powers that can aid economic growth and prosperity are significant.

It is likely that, as the bodies become more familiar with working together, they will naturally wish to integrate further. As such the governance arrangements that the CA puts in place should allow the relationship to evolve over time.

Having reviewed existing governance arrangements in the context of the shared vision and ambition of the LA7 Leadership Board there is a clear case for strengthened governance. A range of potential options have been considered, however establishing a Combined Authority will be the most beneficial to address the areas needs and strategic ambitions. A new combined authority is likely:

- to facilitate closer partnership working and is consistent with the recommendations of the recent North East Independent Economic Review
- through a co-ordinated approach to tackling the Area's priorities, to increase the effectiveness and efficiency of the relevant functions
- through improved strategic planning and decision-making based on stronger centralised evidence collection and analysis functions, to improve the delivery of the relevant statutory functions
- to lead to an improvement in the economic conditions of the Area.

An Integrated Governance Model

The Area's governance is simplified and clarified if the functions come together in single legal body – the combined authority. To achieve this the LEP board joins forces with the Combined Authority through an integrated governance model.

The Governance arrangements should also be designed to ensure that the business (and other sectors) can be engaged with effectively over the long term. The CA gives us the opportunity to design a governance structure that creates a stable relationship, where all sectors can constructively engage. It works on this, simple premise:

- The public sector is the right place for public assets to be held and managed. Elected members must play a key role in scrutiny and decision making to reflect the ultimate beneficiary, the public. Similarly, the government must have trust and confidence that the assets are being managed in a manner that is consistent with national obligations and plans.
- The business sector needs to have the influence and opportunity to input knowledge and expertise into designing the solutions and how they are implemented on the ground.

The governance, designed correctly, will enable strong and positive engagement recognising the skills, needs and interests of both sectors underpinned by appropriate powers and responsibilities to achieve and maintain an effective and sustainable balance. These same governance constructs can help the CA to overcome some of the difficulties in the integration of the Transport functions.

Section 90 of the 2009 Act specifies that a CA must be controlled by its members, a majority of whom must be elected members. The key to creating an effective governance model for an LA7 Combined Authority is to recognise that there can be a distinction between where the powers are held and who has the rights to exercise those powers.

Detailed governance arrangements will be contained in a comprehensive set of standing orders which can only be changed with the consent of all members. In accordance with the standing orders the powers held by the CA may be exercised only on the recommendation or with the consent of various bodies.

The detail of the integrated governance model can be agreed between the authorities after the submission of the scheme to government in line with a high level set of principles agreed before submission.

Appendix 1: Scheme for the establishment of a combined authority

Section 1 – Intention to Establish Combined Authority

Establishment of Authority

1. A combined authority (CA) will be established pursuant to section 103 of the Local Democracy, Economic Development and Construction Act 2009 (“LDEDCA”). It shall come into existence on 1 April 2014.

Area of Authority

2. The CA’s area shall be the whole of the following seven local government areas:-

Durham
Gateshead
Newcastle
North Tyneside
Northumberland
South Tyneside
Sunderland

Each of the above authorities will be the CA’s “constituent authorities”.

Dissolution of Tyne and Wear Integrated Transport Authority

3. The Tyne and Wear Integrated Transport Area and the Tyne & Wear Integrated Transport Authority (TWITA) will be dissolved pursuant to section 91 of the Local Transport Act 2008 (LTA)

Name of Authority

4. The name of the CA will be the **North East Leadership Board**¹

Membership of the Authority

5. Each constituent authority will be represented by one member of the executive who will be the Leader or Elected Mayor.
6. The executive of each constituent authority will appoint another of its members (“substitute member”) to act as a member of the CA in the absence of the member appointed under paragraph 5. The substitute member must be drawn from the executive of the constituent authorities.

¹ Within this scheme ‘North East’ refers to the area covered by the 7 local authorities of Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.

eLocation: []

Document Owner: Caroline Winter, Project Manager

Page 32 of 39

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

7. Each member will act in the best interests of the North East as a whole, taking into account all relevant matters. Any substitute member will have the same decision-making authority and voting rights as the person whose place he/she is taking.
8. The executive of each constituent authority may at any time terminate the appointment of a member or a substitute member appointed by it to the CA, save for the elected Mayor.
9. Where a member, or substitute member, of the CA ceases (for whatever reason) to be a member of the constituent authority which appointed them, the member will cease to be a member of the CA, and the executive of the constituent authority will appoint a replacement member as soon as possible.
10. The CA will appoint a Chair and Vice Chair from amongst its members.
11. The CA may co-opt additional, non voting representatives onto the CA. Any decision to change the membership or co-opt representatives must be a unanimous decision of the CA itself.
12. An independent panel will be established to examine existing and future Special Responsibility Allowances, travel and subsistence, in order to determine what is appropriate.

Voting

13. All constituent members of the CA will have one vote. The Chair and Vice Chair will not have a second or casting vote and members will not be able to abstain from a vote.
14. Subject to the provisions of any enactment the CA will aim to reach decisions by consensus. If, exceptionally, it is not possible to reach consensus on any matter on which it is necessary to reach a decision, the matter will be put to a vote which will be decided by a simple majority of the members of the CA present and voting.
15. The following matters will require the unanimous support of all 7 members of the CA for approval:
 - Adoption of growth plan and investment strategy
 - Adoption of local transport plan
 - Approval of the CA's annual budget
 - Setting of the transport levy
 - Allocation of local transport plan funding to the individual constituent authorities
 - Approval of key growth schemes including the local major schemes devolved funding
 - Approval of borrowing limits, treasury management strategy including reserves, investment strategy and capital budget of the CA
 - Agreement of functions transferred to the CA
 - Such other plans and strategies as determined by the CA
 - Approval of specific proposals for individual co-optees to the CA
 - Use of the general power of competence beyond the powers provided within the Local Democracy Economic Development and Construction Act 2009

Executive Arrangements

eLocation: []

Document Owner: Caroline Winter, Project Manager

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

Page 33 of 39

16. Executive arrangements (within the meaning of the Local Government Act 2000) shall not apply to the CA. However, the discharge of the functions of the CA will be subject to scrutiny arrangements set out in paragraph 19.

Transport

17. A new model for transport will be established that takes in both ITA (policy) functions and executive (PTE) functions, fully integrating transport strategy and operations across the 7 LAs. The model would, however, devolve the creation and implementation of public transport solutions to the local areas, working within an overall strategic framework for the LA7 area.
18. The Combined Authority will fulfil the role of a Transport Authority for each of the seven local authorities, replacing the existing Tyne & Wear Integrated Transport Authority. Individual authorities will continue to exercise some delivery functions, for example in respect of highways management, but will operate within an agreed framework and plan established through the Combined Authority. The Passenger Transport Executive will continue during a transition phase, working on behalf of the Tyne & Wear authorities, but within the context of the Combined Authority. Following the conclusion of a transition phase, delivery arrangements will be established which operate across the geography of the Combined Authority as a whole, recognising the distinctive needs of urban, suburban and rural communities.

Scrutiny Arrangements

19. The constituent authorities of the CA will establish joint overview and scrutiny arrangements to exercise scrutiny functions over the CA and any sub-boards and structures. The CA may co-opt additional representatives to the joint overview and scrutiny arrangements as necessary.

Section 2 - Functions, Powers and Duties of the CA

Functions – Economic Growth

20. The primary focus of the CA is to manage a significant programme of investment in transport and economic infrastructure, and to influence and align with government investment, in order to boost economic growth. The related interventions will have differential spatial impacts across the CA area but should aid delivery of key growth projects in the emerging and future local plans of constituent councils. Having regard to the duty to co-operate, effective alignment between decision making on transport and decisions on other areas of policy such as land use, economic development and wider regeneration will be a key aim.
21. By virtue of sections 99 and 102A of the Local Transport Act 2008 (LTA) the CA will have broad well-being powers to promote economic growth which can be exercised in conjunction with the general powers granted to it by section 113A of the LDEDCA (as amended by the Localism Act 2011).
22. Unless otherwise stated, these powers will be exercised by the CA on a concurrent basis i.e. no powers have been ceded to the CA from the constituent authorities. It is proposed that the CA will be focused on economic growth issues that could include, but are not restricted to, functions such as:

- Setting the growth plan and investment strategy for the North East
- Economic intelligence and analysis as a basis for strategic planning and coordination
- Acting as the accountable body for a range of devolved funding e.g. local major transport schemes, Single Local Growth fund, EU Structural & Investment funds, Skills Funding Agency funding
- Strategy and decision-making on the skills agenda across the North East
- Coordinating inward investment activity through an 'Investment Gateway' working with local authority economic development teams

23. There may be further advantages in also securing the use of the General Power of Competence under Section 1 of the Localism Act 2011 which will enable maximum flexibility in dealing with economic development and regeneration issues. Accordingly the CA requests that the Secretary of State exercises his power and to provide that the CA has been delegated General Power of Competence under section 1 of the Localism Act 2011.

24. In addition to the above, the CA will have the following specific powers exercisable concurrently with constituent authorities. These are viewed as complementary to the broader powers to address economic development and regeneration identified above:

- The duties under section 15ZA, 15ZB, 15ZC, 17A, 18A (1)(b), of the Education Act 1996 and the power under sections 514A and 560A of that Act (duties and powers related to the provision of education and training for persons over compulsory school age).
- It is considered appropriate that the CA is designated a local authority for purposes of section 84(2) of The Apprenticeships, Skills, Children and Learning Act 2009 (duty of the Chief Executive of Skills Funding to co-operate with local authorities in relation to apprenticeship training).
- The Power under section 144 of the Local Government Act 1972 (the power to encourage visitors and provide conference and other facilities).
- The duty under section 69 of the Local Democracy, Economic Development and Construction Act 2009 (duty to prepare an assessment of the economic conditions of the local authority's area).

Functions - Transport

25. All the functions of TWITA and the Local Transport Authority functions of Northumberland and Durham will be transferred to the CA. All functions conferred or imposed on TWITA by any enactment relating to functions of Tyne & Wear Passenger Transport Executive will be exercisable by the CA in relation to its executive body.

26. The following operational transport functions will be devolved to Northumberland and Durham to enable local delivery arrangements to continue during a period of transition.

- Information Provision
- Infrastructure Delivery
- Commissioning/procurement of subsidised bus services
- Concessionary Travel

eLocation: []

Document Owner: Caroline Winter, Project Manager

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

Page 35 of 39

27. The CA will exercise any function of the Secretary of State delegated to the CA by the order of the Secretary of State pursuant to section 86 of the Local Transport Act 2008 (LTA) and section 104(1)(b) LDEDCA. Such functions will be exercised subject to any condition imposed by the order.

Section 3 - Funding, Transfer of Property, rights and liabilities.

28. The CA as a levying body under section 74 of the Local Government Finance Act 1988 shall have the power to issue a levy to its constituent authorities in respect of the expenses and liabilities of the CA which are reasonably attributable to the exercise of its functions relating to transport.

29. 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 Combined Authority will 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.

30. The core principle is that the total contribution from each authority of funding transport services for the year does not exceed the equivalent cost for the year as it would have been calculated under previous arrangements.

31. The costs of the CA 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 CA will agree an annual budget for the purpose of expenditure.

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

Section 4 – Substructures and Internal Scheme of Delegation

33. The CA will be the local transport authority for the area and act as the strategic decision making body. The CA and the constituent councils will establish a joint committee under section 101(5) of the Local Government Act 1972 to be called the Transport North East Board. The Transport North East Board will be a sub-committee of the CA providing advice on transport policy matters and will be responsible for the discharge of specified transport functions delegated by the CA.

34. The CA may establish further joint committees or sub-committees and delegate powers and functions as considered by it to be appropriate.

Engagement with NELEP and Wider Business Community

eLocation: []

Document Owner: Caroline Winter, Project Manager

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

Page 36 of 39

35. The establishment of a Combined Authority represents a major opportunity to have a strong, shared voice for the region and to make a step change in our collective efforts to drive the economic prosperity of the area. Effective engagement with the NELEP and the wider business community is critical to the delivery of this ambition.
36. The relationship between the LEP and the Combined Authority will be seamless and will engage the wider business community, ensuring that all partners play to their strengths in contributing to a wider ambition for more and better jobs.
37. The Leaders/Elected Mayor of the seven constituent authorities are members of the LEP and the Chair of the LEP will have observer status on the Combined Authority.
38. A shared economic strategy will be developed and agreed building on the findings of the North East Independent Economic Review.
39. Investment decisions taken by the Combined Authority, for example major transport schemes, will fully reflect business views. These views, both in terms of shaping prioritization and scheme design will ensure that public investment is targeted to maximise business benefit, which is key to economic growth.
40. The CA and the LEP will ensure that executive and staff resources are used in the most effective way to deliver the shared economic strategy.
41. The Combined Authority will act as the Accountable Body for the LEP.

Appendix 2 - Glossary

A	
2009 Act	The Local Democracy, Economic Development and Construction Act 2009
2011 Act	The Localism Act 2011
ANEC	The Association of North East Councils, representing the 12 Local Authorities In the North East and Tees Valley LEP areas: Darlington, Durham, Gateshead, Hartlepool, Middlesbrough, Newcastle, North Tyneside, Northumberland, Redcar and Cleveland, South Tyneside, Stockton, and Sunderland
Area	The area covered by the contiguous local authority areas of Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland
B	
BIS	The Department of Business Innovation and Skills
C/D	
CA	a combined authority as defined the 2009 Act
E	
EPB	Economic Prosperity Boards as defined by section 88 of the 2009 Act
F	
FoIA	The Freedom of information Act 2000
G	
Government Response to Heseltine	The Government's Response to the Heseltine Review, March 2013 Cm 8587
H	
HEFCE	Higher and Further Education Funding Council for England
Heseltine Review	Report entitled "No Stone Unturned- in Pursuit of Growth', The Rt Hon the Lord Heseltine of Thenford CH, October 2013
I, J, K	
ITA	The Tyne and Wear Passenger Integrated Transport Authority (http://www.twita.gov.uk)
ITI	Integrated Territorial Investment (ITI) is a new flexible tool/mechanism to deliver territorial strategies with structural funds, introduced by the Commission under the regulations for the Common strategic Framework (CSF) funds 2014-2020.
L	
LA 7	The Local Authorities for Durham, Gateshead, Newcastle, North

eLocation: []

Document Owner: Caroline Winter, Project Manager

Page 38 of 39

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

LA7 LEADERSHIP BOARD

	Tyneside, Northumberland, South Tyneside, and Sunderland
LA7 Area	The area covered by the contiguous local authority areas of Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland
LT Act	The Local Transport Act 2008
M, N	
NEIER	North East Independent Economic Review Report (April 2013) commissioned by NE LEP
NE LEP	North East Local Enterprise Partnership
North East Economic Area	The functional economic market area covered by the LA7 local authority areas of Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland
O, P, Q, R	
OECD	The Organisation for Economic Co-operation and Development http://www.oecd.org
S, T, U, V, W, X, Y,Z	
SAP	Skills Action Plan
SFA	The Skills Funding Agency

eLocation: []

Document Owner: Caroline Winter, Project Manager

Page 39 of 39

Copyright © City of Newcastle upon Tyne on behalf of the LA7. 2013. All Rights Reserved

APPENDIX B

Improving economic Governance in the North East Local Enterprise Area

Summary of Consultation Responses – June 2013

1. Consultation Process

The LA7 Leadership Board has been clear about its commitment to embed collaborative working arrangements in a statutory form and has engaged with key stakeholders throughout the process.

The partners engaged with as part of the consultation exercise included the North East LEP and Tees Valley LEP; business and sector representative organisations such as the CBI, the North East Chamber of Commerce, the FSB, Developing Consensus and G9; the Tyne & Wear ITA and Passenger Transport Executive – Nexus; Newcastle International Airport; the regional ports; Universities; FE Colleges; the SFA; SEMTA; the trade unions; relevant government departments and agencies; and of course MPs, MEPs and Lords.

These stakeholders have been sent information at key stages throughout the process and the LA7 Leadership Board have invited the views of partners and stakeholders on the draft proposals and the on-going engagement on the partnership approach to be established in the long run.

Following the publication of the draft proposals and the invitation for written responses, the LA7 Leadership Board also hosted two stakeholder engagement events, where partners together with a wider range of stakeholders, were encouraged to share their views on the draft proposals. All of the key stakeholders have also been assigned a key point of contact to discuss the proposals in more detail, with a clear view that engagement will be maintained moving towards establishment of the Combined Authority to finalise all the practical details. All of this activity has been supported by a comprehensive communications plan including press releases and detailed information available on all local authority websites. Complementary stakeholder engagement has also taken place with each local authority taking a lead on updating and consulting with staff, local union representatives, members and key local partners.

All of the consultation responses including written responses, key points raised at the stakeholder events and any points raised from one to one discussions with key stakeholders so far have been considered and addressed as appropriate in the final iteration of the Governance Review Report and the Scheme.

2. Responses

There is overwhelming support from stakeholders in favour of creating a Combined Authority for the North East. Stakeholders are welcoming the agreement by the seven local authorities to strengthen collaborative arrangements and set up a stable and long term governance structure for the wider area which is democratically accountable and has a clear focus on enabling economic growth. Stakeholders have noted that the turmoil of economic governance at the subnational scale in England has put the North East at a disadvantage and that the Combined Authority in conjunction with the North East LEP and a number of key partners can create the right framework to harness the energy of all involved to take advantage of

opportunities in the area. Stakeholders feel that the case for the CA being established focusing on skills, transport and economic growth is clearly set out and these are the right priorities in the current climate.

The LA7 leadership board has discussed the emerging proposals with stakeholders and has asked for partners to consider the correct framework that needs to be put in place for the combined authority in the areas of strategic funding, inward investment, skills and transport whilst also recognising that further work with key stakeholders will be needed over the coming months to transform this framework into the detailed working arrangements that need to be put in place.

Specific points that have been raised in regards to funding, inward investment, skills, transport and the wider partnership arrangements are summarised below.

2.1 External Funding

- The proposal to deliver a flexible responsive and joined up approach to funding opportunities by providing greater clarity and alignment of priorities is widely welcomed.
- A small streamlined management tier focusing on key issues like transport and having close control over the allocation of funding makes a great deal of sense in the current climate.
- The ability to obtain private sector funding is critical to the successful economic development of regions, independent access to funds and the availability of these funds for a prolonged period is necessary.

2.2 Inward Investment

- The unified voice of the CA will be extremely important for strategically positioning the North East, both nationally and globally.
- There are existing and upcoming opportunities that will be better targeted by a single inward investment body.
- The role of destination marketing and regional branding for the North East fits naturally with economic growth priority and this should include tourism
- A strong push is needed to market the region globally to drive demand needed for economic growth and jobs and the CA provides a good opportunity to make this happen.

2.3 Skills

- Colleges operate in a complex environment and feel they are 'fit for purpose.' There is commitment by providers to engage in a strategic conversation and joint action plan with local authorities and other partners to bring about the outcomes outlined in the draft proposals.
- The Colleges would in particular welcome the CA taking responsibility for providing robust market needs analysis and would find this useful in underpinning dialogue with students and key stakeholders as well as supporting college business plans. Additionally the CA should focus on addressing investment and information asymmetries.
- Welcome the opportunity to build upon existing employer relationships to increase the number of apprenticeships, tackle youth unemployment, create work experience opportunities and widen access to higher level skills by

collectively driving demand through existing channels using flexible and innovative models of delivery. This process is already taking place through the collaboration between the AoC Ne Skills Group and the North East LEP.

- New freedoms and flexibilities afforded to Colleges should not be reduced as a result of adding another layer of regulation through the proposed LA7 commissioning process.
- Colleges have been critical on proposals regarding commissioning and funding, highlighting that detailed engagement with providers will be needed to work out the details.

2.4 Transport

- An integrated transport system is welcomed with particular support for coordinating and prioritising strategic transport investment through a Joint Local Transport Plan.
- Any further development which will encourage the accessibility of the region both nationally and internationally is widely welcomed.
- It is essential that the LA7 operate as a Combined Authority with economic development and transport forming the central rationale with a focus on aviation, roads, ports and rail within an overall economic strategy.
- The infrastructure needs of the area need to be planned and developed over a sensible time scale with effective funding in place, the development of road and rail infrastructure together with investment in the ports and airports of the region are important and need to be addressed.
- The Combined Authority could lead to the 5 regional ports working better together on certain projects for the benefit of all.
- A CA with oversight of transport over the 7 LA areas has the potential to get a better appreciation and focus on the role of transport in the region's economy, and investment and service priorities than the current arrangements.
- The current consultation document and scheme provides the high level basis for an informed debate as to how the CA should practically take forward transport, but there are a wide number of important issues of detail which need to be considered and these should be addressed through a process over time.

2.5 Partnership working and practical arrangements

- The proposals which give the North East a strong collective voice and forum for addressing clear priorities are welcomed.
- The good work that is happening in the region at the moment should not cease whilst the CA is established.
- Delivering a coordinated stance towards the delivery of services, local leadership and sharing resources is exactly what the area needs.
- It is essential that there is a consistency of approach and a credible leadership. A three year appointment on an elected basis should be considered.
- The CA must form part of a wider structure which also secures key leadership functions for the business community and properly resourced LEP.

- The business community widely endorse the NEIER findings, in particular the proposed institutional arrangements setting out the key responsibilities for the CA and the LEP
- Keen to see the business voice in the North East inputting into the CA strands of activity. Having the NELEP chair as an observer on the CA board is welcome but it is vital there are clear mechanisms in place for a strong business voice on all thematic sub-groups and committees.
- The relationship between the CA and the LEP will be crucial moving forward.