



Leadership Board

Tuesday 17th November 2015 at 2.00 pm

Meeting to be held at Gateshead Civic Centre, Regent Road, Gateshead, NE8 1HH

www.northeastca.gov.uk

SUPPLEMENTAL AGENDA 3

	Page No
5. Devolution Update	1 - 22
10. Project Approvals	23 - 26
Project Approvals - Supplementary Information	

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To All Members

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North East Combined Authority

Leadership Board

REPORT FOR INFORMATION

DATE: 17 November 2015
SUBJECT: Devolution Update
REPORT OF: Head of Paid Service

EXECUTIVE SUMMARY

In September the North East Combined Authority (NECA) submitted a Statement of Intent to Government expressing an interest in the devolution of powers, responsibilities and resources from central Government to the North East. This signalled the start of negotiations with Government and a proposed devolution agreement was signed by the NECA Leadership Board and the Chancellor and Commercial Secretary on 23 October.

This report updates on progress to date and outlines the next steps in the process for NECA and the constituent authorities including the approach to public and stakeholder consultation and implementation planning.

RECOMMENDATIONS

It is recommended that the Leadership Board note the contents of the report.

1 Background information

- 1.1 In September the North East Combined Authority (NECA) submitted a Statement of Intent to Government expressing an interest in the devolution of powers, responsibilities and resources from central Government to the North East. This signalled the start of negotiations with Government and a proposed devolution agreement was signed by the NECA Leadership Board and the Chancellor and Commercial Secretary on 23 October.

2 Proposed Agreement

- 2.1 The proposed agreement for devolution to the North East is attached at Appendix 1 and provides for the transfer of significant powers for employment and skills, transport, housing, planning, business support and investment from central government to the North East. It also paves the way for further devolution over time, and for the reform of public services, including health and social care, to be led by the North East.
- 2.2 Final agreement is conditional on a range of factors set out in the document: the legislative process, the Spending Review, further public consultation, agreement by the constituent councils, and formal endorsement by the Leadership Board and Ministers early in the New Year.

3 Consultation and engagement

- 3.1 Following publication of the proposed devolution agreement, further public consultation commenced with an initial series of meetings organised across the NECA area to continue the conversation about devolution and capture the views of partners, stakeholders and residents on key issues within the proposals.
- 3.2 Feedback from these events will inform the development of further engagement sessions focused on some of the key themes within the proposals. In addition to the activity coordinated centrally by NECA, each constituent authority is developing arrangements locally to consult with residents and stakeholders in their area.
- 3.3 The regional business sector has a key role to play in devolution and arrangements are being made for focused discussions with the business community on a range of key issues in the proposals. The NECA Leadership Board will work with business leaders to determine arrangements within the region, which would reflect any new responsibilities for the combined authority and ensure the private sector is able to influence and advise decision-making in the region, through a close relationship with business representative bodies, including the North East Chamber of

North East Combined Authority

Leadership Board

REPORT FOR INFORMATION

Commerce, Confederation of British Industry, Institute of Directors, Federation of Small Businesses and a reformed Local Enterprise Partnership.

- 3.4 Feedback from the latest public consultation exercise will be reported to a future meeting of the NECA Leadership Board prior to formal consideration on progressing with Government to the next stage in the process.

4 Next Steps

- 4.1 Progressing to the next phase of devolution is dependent on a range of factors, including the Spending Review announcement on 25 November and the passage of the Cities and Local Government Devolution Bill through Parliament, with Royal Assent expected before Christmas.

- 4.2 NECA and the constituent councils will continue to consult on the proposals into the New Year. Each of the seven local authorities will also consider the devolution agreement before the NECA Leadership Board considers whether to formally endorse the proposed agreement.

- 4.3 An implementation plan will be developed over the coming weeks to ensure that arrangements are in place to enable NECA to deliver on the proposals if they are formally agreed in the New Year. This will include establishing the appropriate capacity to progress the various workstreams related to the devolution agenda and the allocation of lead roles across the themes of the proposed agreement. Discussions with Government officials are also continuing in order to support this work and ensure a close dialogue on the detail of the proposals with individual government departments.

5 Potential impact on objectives

- 5.1 The proposed agreement provides for the transfer of significant powers for employment and skills, transport, housing, planning, business support and investment from central government to the North East in order to deliver the funding and responsibilities that are required to accelerate the area's economic growth.

6 Finance and other resources

- 6.1 In the current year additional funding is needed in order to provide the internal and external capacity to progress the various work streams related to the devolution agenda, including work relating to the Health and Social Care Commission and public service integration. The report at Item 8 on this agenda 'Draft Budget 2016/17 and Transport Levies' seeks Leadership Board agreement to a budget of up to £0.5m be established for this purpose, with any

North East Combined Authority

Leadership Board

REPORT FOR INFORMATION

release of the funding for specific proposals to be agreed under the delegated decision making process, with further details to be reported in the January Budget Report. The Chief Finance Officer is identifying funding sources for this expenditure including short term use of reserves; additional interest on cash flow; use of additional devolution funding next year; and virement / use of any other budget savings.

- 6.2 The Devolution agreement will bring considerable additional resources from 2016/17 onwards and the use of these resources will be determined by the Leadership Board following consultation.

7 Legal

- 7.1 The Cities and Local Government Devolution Bill is progressing through the Parliamentary processes and is currently expected to receive Royal Assent in mid December. The emerging legislation requires that the Constituent Authorities and the Leadership Board support the devolution of functions and responsibilities to the Combined Authority.

8 Other considerations

8.1 Consultation/community engagement

A series of meetings with local and regional stakeholders is underway to raise awareness of the proposed agreement, discuss the detailed proposals and to find out more about what devolution could mean for the area. Further detail is set out in the body of the report at section 3.

8.2 Human rights

There are no specific issues arising directly from this report.

8.3 Equalities and diversity

There are no specific issues arising directly from this report.

8.4 Risk management

The risks associated with devolved powers and funding streams will be assessed and reported to the Leadership Board as part of the report seeking formal endorsement to proceed to the next stage of the process with Government.

North East Combined Authority

Leadership Board

REPORT FOR INFORMATION

8.5 Crime and disorder

There are no specific issues arising directly from this report.

8.6 Environment and sustainability

There are no specific issues arising directly from this report.

9 Background documents

9.1 Report to NECA Leadership Board – ‘Developing a Devolution Prospectus for the North East Combined Authority’ – 20 January 2015

Report to NECA Leadership Board – ‘Developing a Devolution Prospectus for the North East Combined Authority – update on stakeholder engagement – 16 June 2015

Report to NECA Leadership Board – ‘Devolution Update’ – 15 September 2015

10 Links to plans and policy framework

10.1 This report will support delivery of each of the Combined Authority themes and “More and Better Jobs”, A Strategic Economic Plan for the North East.

11 Appendices

11.1 Appendix 1 – North East Devolution Agreement

13 Contact Officers

13.1 Adam Wilkinson, Interim Head of Paid Service, North East Combined Authority adamwilkinson@northeastca.gov.uk (0191) 643 6402

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14 Sign off

Head of Paid Service ✓

Monitoring Officer ✓

Chief Finance Officer ✓

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HM Treasury



NORTH EAST DEVOLUTION AGREEMENT

DEVOLUTION AGREEMENT BETWEEN GOVERNMENT AND THE NORTH EAST

This document sets out the terms of a proposed agreement between the North East Combined Authority Leadership Board and the Government to move forward with a radical devolution of funding, powers and responsibilities. Final agreement is conditional on the legislative process, the Spending Review, further public consultation, agreement by the constituent councils, and formal endorsement by the Leadership Board and Ministers early in the New Year.

The document we have negotiated together, set out alongside this statement, provides for the transfer of significant powers for employment and skills, transport, housing, planning, business support and investment from central government to the North East. It paves the way for further devolution over time, and for the reform of public services, including health and social care, to be led by the North East.

Devolution must deliver new opportunities for the people of the North East, helping to meet our Strategic Economic Plan to create 100,000 jobs. By prioritising Human Capital development, we will create a radical new approach to enhancing employment and skills, with devolved responsibility for adult skills, co-design of employment support for harder-to-help claimants, and partnership arrangements to create opportunities for young people.

The deal would enable the Combined Authority to create an Investment Fund focused on supporting the North East to compete in international markets, worth up to £1.5 billion, with an initial allocation of revenue funding for capital financing of at least £30 million a year for 30 years. The incoming Mayor would also have the option, with business support, to raise up to a further £30 million a year through a business rate supplement. The North East would in addition benefit from access to Local Growth Funding, from new Enterprise Zones, through the current bidding round, and from local leadership over European funding. Further details would be set out at and following the spending review through a place-based settlement and a single capital programme, demonstrating fair funding.

A Mayor for the North East would be established, working as part of the Combined Authority and subject to local democratic scrutiny, and with a strong partnership with business. Elections would take place in 2017. We will together review the appropriate relationship between the mayor and the role of police and crime commissioners.

We believe we can deliver a deal which is good for the North East, good for our individual communities, and good for the UK. It demonstrates the central role that the North East plays in delivering the ambitions of the Northern Powerhouse. We will now move forward to champion the progressive devolution which the North East demands and expects, with radical reforms of the relationship between the region and central government. Above all, we will help create new opportunities for the people of the North East, more and better jobs, and a greater say over their communities and their future.



HM Treasury



.....
The Rt Hon George Osborne
Chancellor of the Exchequer

.....
Cllr Simon Henig
Chair of the Combined
Authority and Leader of
Durham County Council

.....
Cllr Mick Henry
Vice Chair of the Combined
Authority and Leader of
Gateshead Council

.....
Mayor Norma Redfearn
Vice Chair of the Combined
Authority and Elected Mayor
of North Tyneside

.....
Cllr Nick Forbes
Leader of Newcastle City
Council

.....
Cllr Grant Davey
Leader of Northumberland
County Council

.....
Cllr Iain Malcolm
Leader of South Tyneside
Council

.....
Cllr Paul Watson
Leader of Sunderland City
Council

.....
Paul Woolston
Chair of the North East
Local Enterprise Partnership

.....
Lord O'Neill
Commercial Secretary to
The Treasury

Governance

1. The proposal for a Mayoral Combined Authority is subject to the final formal consent of the Combined Authority (Leadership Board), the constituent councils, agreement of ministers, and to the Parliamentary process for the necessary primary legislation (The Cities and Local Government Devolution Bill and the proposed Buses Bill) and subsequent orders. This agreement is also conditional on the outcome of the Spending Review.
2. The Mayor will be the Chair and a Member of the North East Combined Authority and subject to the Authority's Constitution and associated procedures (to be amended in the light of the introduction of a Mayor). The powers contained in this deal document will be devolved from Government to the Mayoral Combined Authority. The Mayor will exercise certain powers with personal accountability to the electorate, devolved from central Government and set out in legislation:
 - Responsibility for a devolved and consolidated transport budget, with a multi-year settlement to be agreed at the Spending Review
 - Responsibility for franchised bus services and, through Rail North, franchised rail services, contributing to the delivery of smart and integrated ticketing across the North East.
 - Powers over strategic planning, including the responsibility to create a North East Planning Development Framework and to chair a new North East Land Commission to release land for development.
 - Powers to place a supplement on business rates to fund infrastructure, with the agreement of the local business community through the local enterprise partnership, up to a cap.
3. The North East Combined Authority (NECA), working with the Mayor, will receive the following powers:
 - To create a North East Combined Authority Investment Fund, bringing together funding for devolved powers and used to deliver a 15 year programme of transformational investment in the region.
 - Control of a new £30 million a year funding allocation over 30 years, to be included in the NECA Investment Fund and invested to boost growth.
 - Joint responsibility for an Employment and Skills Board, that will undertake a comprehensive review and redesign of the post-16 education, skills and employment support system in the North East, delivered through the area-based review of post-16 provision, devolution of adult skills funding by 2018/19 and co-design by Government and NECA of employment support for harder-to-help claimants
 - Responsibility for a devolved approach to business support from 2017, including further responsibility for UKTI export advice services, to be developed in partnership with Government.
 - Joint responsibility for the rollout of broadband across the North East.
 - Increased devolved responsibility for rural growth.

4. Other members of the North East Combined Authority Leadership Board (to be renamed as a Cabinet) will become portfolio leads for the Combined Authority's responsibilities, on the basis to be set out in its Constitution, and take on delegated powers as agreed with the Mayor. Cabinet portfolios will be established for all leaders, building on the existing arrangements established within the Combined Authority.
5. The Mayor for the North East will be elected by the local government electors for the areas of the constituent councils of the North East Combined Authority. Subject to parliamentary time allowing for the passage of legislation through parliament, the first election will be held in May 2017.
6. Proposals for decision by the Combined Authority may be put forward by the Mayor or any Cabinet Member. All members including the Mayor will have one vote. Any questions that are to be decided by the Combined Authority are to be decided by a majority of the members present and voting, unless otherwise set out in legislation. Decisions by the Combined Authority should have the support of the Mayor, unless set out otherwise in the Authority's Constitution, or specifically delegated to Cabinet members. The Cabinet will examine the Mayor's draft annual budget, plans and strategies and will be able to amend them if two-thirds of the members who have been appointed by the constituent authorities agree to do so.
7. The Overview and Scrutiny arrangements currently established for the Combined Authority will be retained, subject to any amendments required to reflect the introduction of the Mayor and any new statutory provisions.
8. Any transfer to the Combined Authority or Mayor of existing powers or resources currently held by the constituent authorities must be by agreement, unless set out in legislation.
9. The Combined Authority will work with partners across the North of England to promote opportunities for pan-Northern collaboration, including Transport for the North, to drive northern productivity and build the Northern Powerhouse.
10. Arrangements will be made to ensure a strengthened role for business working with the Mayor and Combined Authority.

Finance and Funding

11. Future funding outcomes under this agreement should take account of:
 - a. The scale of opportunities presented in the overall devolution portfolio.
 - b. Ensuring the North East is not disadvantaged in relation to the fiscal freedoms granted to the Scottish Government.
 - c. Ensuring the North East does not suffer disproportionately from future reductions in funding through a fair funding settlement.
 - d. The ability for the Combined Authority to bid into any additional resources that become available over the 15 year period, on a fair and equitable basis.
12. The North East Combined Authority will create a fully devolved funding programme covering all budgets for devolved functions ("The North East Investment Fund"), accountable to the Combined Authority. The Fund will operate as a single programme,

bringing together resources for economic growth, skills and employability, regeneration, transport and housing; including allocations from the Local Growth Fund.

13. The Combined Authority will use the North East Investment Fund to deliver a 15 year programme (2016-2031) of transformational long-term investment. A minimum commitment of capital and revenue spending from Government will be set by agreement through the Spending Review.
14. As an initial allocation to the Investment Fund, an allocation of £30 million a year for 30 years (2016-46) in revenue funding for capital financing and other costs will be made, allowing the North East Combined Authority to create an investment fund up to £1.5 billion, subject to 5-yearly gateway assessments to confirm the investment has contributed to national growth. In addition, the Mayor will be given the power to place a supplement on business rates to fund infrastructure, with the agreement of the local business community through the local enterprise partnership, up to a cap. In the North East this could provide up to an additional £30 million a year in revenue funding to double the size of the Fund.
15. In addition, the North East will bring forward a proposal for consideration by Government for a single allocation of the Local Growth Fund to support a programme of investment, including an element of flexible revenue funding, committed over a 5 year period, and devolved to the Combined Authority.
16. The costs of the Mayoral Combined Authority will be met from within the overall resources devolved to the Combined Authority.
17. Where functions are agreed to be devolved or to be jointly accountable, the Spending Review will identify a fair level of revenue funding for those functions over the Spending Review period, in the form of a place-based funding settlement for the North East Combined Authority.
18. Within its powers and resources, the Combined Authority will have full flexibility, without reference to government departments, to:
 - a. Make multi-year commitments to projects and programmes
 - b. Secure substantial private and public sector leverage
 - c. Vire resources between projects and programmes, and across financial years
 - d. Use capital receipts from asset sales as revenue funding for public service transformational initiatives.
19. The Cities and Local Government Devolution Bill currently in Parliament makes provision which will govern further prudential borrowing for Combined Authorities. Following Royal Assent, Central Government will work with the Combined Authority to determine how these powers could apply within a framework of fiscal responsibility and accountability to the Combined Authority and local authorities.
20. The North East will receive additional Enterprise Zones and/or extension of existing zones, subject to the current bidding round for further Enterprise Zones.
21. The Combined Authority and Government will pilot a scheme which will enable the Combined Authority to retain all business rate growth that would otherwise have been paid as central share to government, above an agreed baseline, for an initial period

of five years. Government and the Combined Authority will also discuss wider localisation of business rates.

22. The Government agrees to delegate to the North East Combined Authority project selection powers for the European Regional Development Fund and the European Social Fund. The Combined Authority will be granted Intermediate Body status to deliver these delegated powers. This will allow the North East to integrate and align investments with other aspects of the devolution deal, to select projects for investment, to improve performance and maximise economic impact. The Government will work with the Combined Authority to agree the detail of this delegation and, subject to agreement, it is expected to begin from April 2016.
23. Government will ensure fair funding for the constituent authorities, and the Combined Authority will publish an annual report setting out the overall extent of, and prospects for, public funding within its area.

Human Capital Development

24. The North East Combined Authority will create an integrated employment and skills system tailored to the specific needs of the area, and thereby raise labour market participation and skills at all levels, to increase productivity, improve the life chances of young people, help people into work and meet the skills shortages experienced by North East employers.
25. This process will be overseen by an Employment and Skills Board with dual accountability to both the North East Combined Authority and to Government. The Board will bring together relevant senior representation from the Combined Authority; the Department for Business, Innovation and Skills; Department for Education; Department for Work and Pensions; the Regional Schools Commissioner (with their agreement); appropriate representation from business; and, HM Treasury. The Board will be chaired by the Commercial Secretary to the Treasury, Lord O'Neill.
26. The Board will:
 - a. Undertake a comprehensive review and redesign of the post-16 education and skills system and employment support for harder-to-help claimants in the North East. This will encompass the current area-based review of post 16 education and training institutions. The Board will subsequently evaluate the strategic fit and effectiveness of this system in meeting the future needs and demands of the local labour market.
 - b. Facilitate the full devolution to the Combined Authority of the 19+ adult skills budget, at the latest by 2018, subject to agreement on readiness to take on these responsibilities.
 - c. Develop key local strategies and plans for post-16 learning provision.
 - d. Collaborate to maximise the opportunities within the North East presented by the introduction of the apprenticeship levy and any annual underspends within the national Employer Ownership of Skills pilot programme (subject to the Spending Review).
 - e. Actively stimulate, promote and champion initiatives that seek to strengthen

and deepen partnerships between education and business to provide a focus upon economically-driven activity, such as vocational training (including 19+ apprenticeships and traineeships); experience of work; and, enterprise learning.

- f. Facilitate joint responsibility between Government and the Combined Authority to co-design the future employment support from April 2017 for harder-to-help claimants, many of whom are currently referred to the Work Programme and Work Choice.
- g. Examine the case for further devolution of employment and skills powers and budgets and bring forward proposals to government for potential transfer of accountability to the North East Combined Authority, in time to implement any resulting reforms by April 2019.

27. The Combined Authority will create a Service Transformation Fund, to support early intervention to support individuals and families with complex needs, to reduce high dependency on public services and support economic participation, supported by a data sharing agreement and other measures to promote the integration of local public services.

Supporting and Attracting Business and Innovation

28. The North East Combined Authority will simplify and strengthen the support available for business growth, innovation and global trade in the North East in order to create more and better jobs. To deliver this commitment:

- a. Working within the scope of existing contracts (2015/16 and 2016/17), the Government will work with the North East to align the Business Growth Service and other national services with local business support through its Growth Hub, to give businesses a joined-up, simplified service that meets their needs. The North East will take full responsibility for a devolved approach to business support from 2017 onwards.
- b. The Government and North East Combined Authority will work to devolve further responsibility for UK Trade and Investment (UKTI) Export Advice services. This will include ring-fencing and a dual key approach to activities, and enhanced reporting on outputs and outcomes by UKTI.
- c. Government and the Combined Authority will take joint responsibility for the delivery of inward investment into the region. There will be a strengthened partnership between locally delivered services and UKTI, with a quarterly board to follow-up on progress. The Government will consider the case for creating a Northern Powerhouse hub for foreign investment, in discussion with key partners including the North East. This approach will be focused on maximising high level jobs and long-term economic impact.
- d. Government will offer the Combined Authority expert advice and support to put forward a strong proposal for a science and innovation audit. The audit would allow the Combined Authority to work with its universities and businesses to map the strengths of the North East. This would provide a new and powerful way to understand the region's strengths and how to maximise

the economic impact from the UK's research and innovation investment nationally. The audit would, for example, provide Government with part of the evidence base on which to make decisions on any further catapults and could be used to explore the North East's potential in smart data.

29. Government and the Combined Authority will agree a joint programme to create the right environment to drive the commercial rollout of ultrafast broadband following successful testing and to ensure 4G services are available to at least 95% of the North East's population. Government will also support the Combined Authority to reinvest funds into creative solutions to supply superfast broadband to remaining premises. The Combined Authority will work with businesses and universities in the North East to develop applications for 5G technology.
30. The Combined Authority will commission a feasibility study into the establishment of a National Smart Data Institute in the North East.

Health and Social Care Integration

31. The North East Combined Authority and the NHS will jointly establish a Commission for Health and Social Care Integration, chaired by a senior national figure, to establish the scope and basis for integration, deeper collaboration and devolution across the Combined Authority's area, in order to improve outcomes and reduce health inequalities. It will report by Summer 2016. Terms of reference, agreed between the Combined Authority and NHS England, are attached.
32. The Commission will look across the whole system, including acute care, primary care, community services, mental health services, social care and public health. It will strengthen the NHS in the North East Combined Authority area, and continue to uphold its values, standards and constitution. The commission will build on best practice, including pioneer status, and the experience of integration in Northumberland.

More and Better Homes

33. The Combined Authority and its constituent authorities will support an ambitious target for the increase in new homes, and will report annually on progress against this target. To ensure delivery of this commitment, the Combined Authority and Government agree to:
 - a. Establish a North East Land Board to review all land and property held by the public sector, and all suitable brownfield land, to identify surplus land in suitable locations for housing or economic development use.
 - b. Devolve statutory planning powers, including Compulsory Purchase Order powers and those powers available to the Homes and Communities Agency. These powers would be exercised, where needed, by the Mayor, with the consent of the Combined Authority and member(s) appointed to the Combined Authority by the relevant local authority in which the powers are exercised, to drive housing delivery and improvements in the stock of housing in the North East.

- c. The creation of a North East Planning Development Framework (not a regional spatial strategy) led by the Mayor, to enable the constituent authorities to deliver on housing growth. This will create an overarching framework for development in the North East, delivering the National Planning Policy Framework according to the specific needs of communities in the North East, supporting local development frameworks, and incorporating the duty to cooperate between the constituent local authorities.
- d. Support effective close working between the Housing and Communities Agency and the Combined Authority to ensure a focus on delivering housing on growth sites within the region.

Transport

34. The Mayor and the Combined Authority, will create the UK's first fully integrated transport system, with the ambition to bring together responsibilities for rail, local highways, metro, buses and ferries, for both urban, sub-urban and rural communities.

To achieve this ambition:

- a. The Government is bringing forward legislation, as part of the Cities and Local Government Devolution Bill, to allow for the devolution of transport powers and funding to the Combined Authority to be exercised by the Mayor.
- b. Specific delivery arrangements will reflect the particular transport needs and challenges of areas within the region, including the option for the Mayor to delegate specific responsibilities to the Combined Authority or individual Cabinet members, for example over rural transport.
- c. Government will devolve a consolidated local transport budget with a multi-year settlement to be agreed at the Spending Review, including all relevant local highways and sustainable travel funding.
- d. Government will consider establishing and devolving a long-term funding programme to support investment in the Metro. This will include, :
 - a. Considering, through the spending review, setting a multi-year funding allocation for Metro reinvestment phase 2, committed up to 2020-21,
 - b. The Combined Authority producing a business case, for consideration by Government, for investment in the Metro network to 2030, including the upgrade of the Metro fleet , potential expansion, and future integration of the Metro with the rail network.
- e. Rail North will, in partnership with DfT, assume full responsibility for oversight of the Northern and TransPennine Express franchises from April 2016, with the aim of delivering further improvements in rolling stock quality, frequency and quality of services, and new connections. As part of this arrangement, the Mayor and Combined Authority, with Tees Valley, Cumbria and North Yorkshire, will oversee rail matters included within the North East Business Unit area. As part of this, the Combined Authority and Government will consider a business case for the re-establishment of passenger services on the Ashington, Blyth and Tyne line.

- f. Longer-term, the Mayor and the Combined Authority, will bring forward a business case, for consideration by Government, for the unification and full devolution (beyond the forthcoming Northern franchise) of the management of rail and metro services within the North East, with the aim of creating the UK's first integrated regional rail network combining light and conventional rail.
- g. The Mayor and the Combined Authority will deliver a fully multi-modal smart ticketing and transport information network across the North East, aligned with the plans of Transport for the North on the implementation of integrated smart ticketing across the North.
- h. The Combined Authority will take forward, in accordance with the quality contract process, its existing proposals for the franchising of bus services from 2017, with the ambition for further extension to communities in Durham and Northumberland. Government will work with the Combined Authority to support the delivery of effective bus services in the North East, with the option for the Mayor to use additional powers through the Buses Bill, subject to necessary legislation and local consultation.
- i. On strategic, inter-regional transport issues and investment, DfT, Network Rail, Highways England and HS2 will continue to work with the North East Combined Authority and Mayor through Transport for the North, which will be put on a statutory footing by 2017.
- j. To support better integration between local and national networks, the Government and the North East Combined Authority will enter into joint working with Highways England and Network Rail on operations, maintenance and local investment through a new joint agreement on the delivery of investment and operations, which will be established by 2016.

Rural Growth and Stewardship

- 35. Government will support the existing North East Rural Growth Network and approved LEADER programmes, and will work towards the devolution of rural growth programmes to the North East, including closer coordination of future stewardship and environmental programmes, to a timetable to be agreed by 2016.
- 36. The Government will explore with the Combined Authority and Northumberland National Park Authority the options to give the Park Authority greater commercial freedom.

Regulatory Powers

- 37. Government and the Combined Authority will review which regulatory and planning powers that are currently held by ministers and public authorities should be transferred to the Combined Authority, to be exercised with the agreement of, or following a proposal from, the constituent authority or authorities in which those powers are applied. The powers to be reviewed include those that:

- a. support the Combined Authority's transport, regeneration and housing functions;
- b. promote safe and high quality neighbourhoods and town centres;
- c. support housing growth;
- d. support improvements in the quality of housing and challenge poor quality landlords; and
- e. promote public health by addressing obesity, smoking and substance misuse.

Events

38. The Combined Authority will work with the Government to identify ways for the North East to play a major role in the UK's programme of business, cultural and sporting events.

Other areas

39. This deal represents a first step in a progressive process of devolution of funding, powers and responsibilities to the North East. As well as the areas set out in this deal, the Combined Authority and Government will consider further opportunities for devolution, including but not limited to:

- a. Business cases for the relocation of significant government functions from London to the North East;
- b. Devolution of funding and assets held by central government which could be devolved to support faster housing and regeneration;
- c. Devolution of climate change initiatives, support for investment in energy efficiency and technological development;
- d. Measures to implement the Prime Minister's commitment to protect Newcastle Airport from the impact of devolution of Air Passenger Duty to Scotland;
- e. Opportunities for joint initiatives between the North East and Scotland, in areas such as tourism, culture, transport and industrial collaboration.
- f. Proposals for an appropriate relationship between the functions of a Mayor and future role of the Police and Crime Commissioners, including in relation to fire services, to be developed, subject to local consent and a business case developed jointly by PCCs and council leaders, and in consultation with the Fire and Rescue Authorities.

Delivery, Monitoring and Evaluation

40. The North East Combined Authority will work with the Government to develop an agreed implementation, monitoring and evaluation plan in advance of implementation, which sets out the proposed approach for evaluating the impact of devolution.

41. The North East Combined Authority and Government will agree a process to manage local financial risk across local public bodies and will develop written agreements to agree accountability between local and national bodies on the basis of the principles set out in this document.
42. The provisions of this deal will be monitored by a Steering Group of senior officials from the Combined Authority and Government, meeting at least quarterly, with any issues of concern escalated to Ministers and Leaders to resolve, in keeping with the letter and spirit of this deal.

NE COMBINED AUTHORITY AND THE NHS

COMMISSION ON HEALTH AND SOCIAL CARE

TERMS OF REFERENCE

The North East Combined Authority and the NHS will jointly establish a Commission for Health and Social Care Integration, chaired by a senior national figure, to establish the scope and basis for integration, deeper collaboration and devolution across the Combined Authority's area¹, in order to improve outcomes and reduce health inequalities.

The Commission will look across the whole system, including acute care, primary care, community services, mental health services, social care and public health. It will strengthen the NHS in the North East Combined Authority area, and continue to uphold its values, standards and constitution.

Membership will be determined by agreement, and include representation from the Department of Health, NHS England, the Combined Authority, Clinical Commissioning Groups, the Voluntary and Community Sector, and Providers.

The Commission will produce a report, by Summer 2016, setting out the case for further devolution and integration, and the steps that would be required to deliver them, with a view to:

- Ensuring that the system is financially sustainable, with a clear and credible plan, by identifying areas for investment of the North East's fair share of the additional resources available for the NHS, demonstrating how efficiencies can be secured through integrated delivery of services and service transformation, and reinvesting savings to improve health outcomes.
- Establishing a mechanism for the North East to input into decisions about the use of NHS capital investment in the area.
- Advising on which additional services commissioned by NHS England might be suitable for either co-commissioning with CCGs or for devolution, driven by a principle of subsidiarity.
- Setting out a plan for improvement of public health outcomes across the North East, narrowing health inequalities within and beyond the region.

¹ "North East" in this context means the area covered by the North East Combined Authority (Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland).

- Establishing a close link with the Combined Authority's proposals for devolution of human capital development, in particular measures to address worklessness and inequality; assessing the feasibility of options for the devolution of powers to address public health challenges, including obesity, smoking and substance misuse; and linking to plans for innovation and economic growth.
- Proposing the most appropriate governance mechanism for devolution or joint accountability arrangements for any aspect of NHS spending, commissioning and performance management which the Commission recommends are devolved.
- Establishing the basis for democratic, legal and financial accountability to local leaders and communities and to NHS England, ministers and parliament.
- Developing an appropriate joint management regime between councils and NHS partners, effective operational and risk management arrangements, and a clear plan and timeline for transition.
- Ensuring that service delivery operates on the basis of subsidiarity, with local partnerships meeting the diverse needs of local communities on the basis of clear locality plans executed within an agreed framework.
- Recognising interdependencies and involving health and social partners in surrounding areas which would potentially be affected, or where there is potential benefit from delivering services in partnership.
- Identifying opportunities to accelerate progress in implementing the Five Year Forward View, building on existing initiatives.

In recognition of the progress already made towards integration and new models of care by particular areas in the North East, the Commission may make recommendations that allow for a faster pace of change in areas that have already made significant progress.

Any resulting devolution proposals will need to be formally agreed by the Combined Authority and either the NHS England Board (thereby ensuring consistency with NHS England's principles and criteria for devolution) or, depending on the nature of the proposal, the Department of Health.

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North East Combined Authority

Leadership Board

Date: 17 November 2015

Subject: Project Approvals - Supplementary Information

Report Of: Executive Officer for Transport, Head of Paid Service and Chief Finance Officer

Executive Summary

This report provides the supplementary information to the report previously circulated on the Agenda.

Recommendations

The Leadership Board is recommended to consider the new information contained within the supplementary report and agree the revised recommendations as set out below.

- (a) receive this report and the main report and approve the latest profile of spending for the Local Growth Fund programme, as set out in section 2 and Appendix A of the main report;
- (b) (i) agree the release of LGF grant for the Weetslade and River Tyne projects subject to the conditions set out in sections 3, 4 of the main report and further external legal advice on the application of State Aid to the River Tyne Project;
- (ii) delegate authority to the Head of Paid Service in consultation with the Portfolio Holder, Chief Finance Officer and Monitoring Officer to agree the release of LGF grant for the Lindisfarne roundabout project, subject to the conditions set out in section 5 of the main report and receipt of the satisfactory final business case for the project; and
- (c) Authorise the NECA Monitoring Officer to enter into relevant Funding Agreements for the Local Growth Fund allocations for the three projects as set out in this report.

North East Combined Authority

Leadership Board

1. Background

- 1.1 The main report identified that supplemental information would be provided on the three projects in the report. This information is set out below.

2 Weetslade Roundabout and Corridor Improvements

- 2.1 At the time of submission of the main report, the scheme business case was still undergoing an independent review and modification. A final compliant scheme business case has now been produced and successfully reviewed (subject to minor points of clarity), which demonstrates that the scheme has a benefit-cost ratio of 5.86 (very high value for money) and is deliverable within the designated timeframe. It is therefore proposed that the Leadership Board agree that the Local Growth Fund allocation to the scheme is released through a Grant Funding Agreement between the NECA and North Tyneside Council, and that the scheme proceeds to construction.
- 2.2 The Leadership Board is therefore able to agree the recommendation (b) in the report which will release the conditioned Local Growth Fund allocation of £4.33m grant for this project.

3. River Tyne Economic Development Project

- 3.1 The main report identified that legal advice was being sought on the issue of state aid and that this would be the subject of this supplemental report. The legal advice is set out below.

Legal

- 3.2 External legal advice has now been received in relation to the applications of the restrictions in State Aid in relation to the River Tyne Project. The Project comprises of two separate elements, each of which are considered to be State Aid compliant. One element, being preventative works in relation to the tar works site, does not involve State Aid as it is an intra-governmental transfer of finances, which the Newcastle City Council would then use to further one of its public tasks (namely, the renovation of a piece of public infrastructure – a public park). The second element, including dredging falls within the GBER State Aid exemption that permits investment aid for remediation of sites. The overall project is therefore State Aid compliant.

4. Lindisfarne Roundabout

- 4.1 A main report on the scheme was submitted to the September Leadership Board, where the Leaders approved amendments to the scope and Local Growth Fund allocation (subject to conditions). A further report on the scheme was included

North East Combined Authority

Leadership Board

in the 'Project Approvals' report (at Section 4) submitted to the Board at this meeting, where it was expected that details of the final business case could be included in this supplemental report.

- 4.2. A draft of the full scheme business case has been received, which demonstrates that the scheme has a benefit-cost ratio of 11.17 (very high value for money) and is deliverable within its designated programme timeframe. However, due to an ongoing tender process to identify a preferred contractor for the scheme, further work is needed to finalise the economic, commercial and financial aspects of the business case. Following the approval from NECA Leadership Board in September for enhancements to its scope, the contract procurement exercise is progressing. This means that the return and review of tenders and the finalisation of the business case will take longer than originally planned.
- 4.3 South Tyneside Council, as scheme promoter, is doing what it can to deliver the planned scheme elements (and in particular the spend profile of £720k Local Growth Fund in 2015/16) for this financial year. An early approval by Leadership Board at its November meeting, with a delegated authority to the NECA Head of Paid Service to sign-off the finalised business case when a contract price is known, will help to avoid future delays to scheme progress and spend this year. Given that the fundamental elements of the scheme are sound, including returning a very high value for money, and as ratified in an independent review of the draft business case, it is proposed that the Board agrees that the final scheme business case approval and issue of Grant Funding Agreement can be dealt with through the delegated decision process once the final business case is completed.

5 Next Steps and other Considerations

- 5.1 There are no changes to the other sections of the main report that deals with these issues.

6 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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