



Leadership Board

Thursday 24th March 2016 at 2.30 pm

Meeting to be held in a Committee Room, Durham County Hall, Durham, DH1 5UQ

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SUPPLEMENTAL AGENDA

	Page No
8. The Devolution Agreement	1 - 76

Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: victoria.miller@northeastca.gov.uk

To All Members

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North East Combined Authority

Leadership Board

DATE: 24 March 2016

SUBJECT: North East Combined Authority – The Devolution Agreement

REPORT OF: Head of Paid Service

EXECUTIVE SUMMARY

On 23 October 2015 the North East Combined Authority (NECA) signed a proposed Devolution Agreement (the Proposed Agreement) with Government setting out the proposed transfer of powers for employment and skills, transport, housing, planning, business support and investment from Government to the NECA.

Since the Proposed Agreement was signed in October 2015 there have been continuing discussions with Government on detailed implementation of the Proposed Agreement. The outcome of these discussions, negotiations and a summary of outstanding issues, are detailed in this report.

There has also been extensive consultation with the public and business across the NECA area in relation to the proposed Agreement, including the provision of an Elected Mayor. The extent of the consultation with the public, business and others is set out in this report and Appendix 2.

RECOMMENDATIONS

The Leadership Board is recommended to

(1) Note the content of the report, and

(2) Receive a supplementary report relating the outcome of the each of the Constituent Authority Cabinet meetings and to consider next steps

North East Combined Authority

Leadership Board

Section 1: Background Information

1. In April 2014 the seven local authorities in the North East formed the NECA to promote the economic regeneration and prosperity of the area. The Members are County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, Sunderland . Working with the North East Local Enterprise Partnership (NELEP), the NECA establishes a statutory democratic framework for decision making across the region. It is not a new tier of government, but a basis for collaboration between authorities with a common purpose. The existence of the NECA enables the devolution of decision making powers to the North East region.
2. In January 2015, the NECA Leadership Board agreed and consulted on a set of outline proposals to access support for devolution of powers and resources from Government. The initial process of engagement with the public, local and regional stakeholders, generated significant interest and the principle of devolution to the North East attracted support.
3. Following consultation, the NECA Leadership Board published a Statement of Intent and commenced a process of detailed negotiation with Treasury. A proposed agreement was signed by the Leadership Board, the Chancellor of the Exchequer and the Commercial Secretary to the Treasury on 23 October 2015. Similar Agreements have also been signed by Greater Manchester, Sheffield City Region, Liverpool City Region, the Tees Valley, West Midlands, Greater Lincolnshire, East Anglia and the West of England.
4. Overall, the North East Proposed Agreement sits within the national context of other emerging deals and is well positioned in comparison with similar content across a number of themes. Only Manchester and West Midlands have more coverage, but these are specialist themes such as Fire Services and Energy and Environment.

Section 2: The Proposed Agreement

5. The Proposed Agreement is attached to this Report at Appendix 1. There has been progress made against the Proposed Agreement, with some reassurances from Government on some themes, but with some uncertainty remaining for others.
6. In summary the Proposed Agreement includes the following:
 - Additional resources of £30 million a year revenue funding, committed for 30 years, to support the financing costs of a North East Investment Fund (Investment Fund) worth up to £1.5 billion.
 - An allocation from the Local Growth Fund (LGF), committed until 2020, replacing the current project-by-project bidding system.
 - The option to raise a further £25-30 million a year through a supplement on business rates to fund infrastructure, subject to support from business through the Local Enterprise Partnership.

North East Combined Authority

Leadership Board

- An Employment and Skills Board to oversee creation of a devolved and integrated system to raise skills, help people into work, improve the life chances of young people, increase employment and overcome skills shortages experienced by North East employers.
 - The fully integrated transport system, bringing together responsibilities for rail, local highways, metro, buses and ferries. This would include a consolidated local transport budget, integration of the metro with rail services, long-term investment in the metro system, and the opportunity to deliver a new approach to bus services through powers in the forthcoming Buses Bill.
 - Greater local influence over the management of around €500 million (approximately £400 million) in European funding.
 - Devolution of business support, and greater responsibility for securing inward investment in the region.
 - Establishment of a North East Land Board to identify land for new homes and to improve the quality of existing housing in the North East.
 - A Commission for Health and Social Care Integration to consider opportunities for devolution and integration to reduce inequalities and improve the health and wellbeing of residents across the region; reporting by Summer 2016.
 - A review of regulatory and planning powers that could be deployed by Constituent Authorities to create safer, more attractive environments for all of the region's communities. For example, this could allow local bylaws to improve public health, which currently can only be delivered with the approval of Ministers.
 - Identifying ways for the North East to play a major role in the UK's business, cultural and sporting events.
 - A commitment from both Government and the Combined Authority to consider further opportunities for devolution over time.
7. Progress against the Proposed Agreement, the current position as we understand it to be and details of the outstanding issues are provided for throughout the rest of this report, specifically within Section 4 and Appendix 4.

Section 3: Conditions on which the Proposed Agreement was signed

8. The Proposed Agreement is conditional on the completion of the legislative processes, the Spending Review, further public consultation, agreement of the Constituent Authorities of the NECA and formal endorsement of the NECA Leadership Board.
9. Although the Spending Review did not directly impact on the Proposed Agreement, it is clear that austerity will continue for Local Government until at least 2020. The March 2016 Budget makes provision for further public spending cuts to be implemented from 2019/20. This continued austerity will further impact North East local authorities and their spending power in the region.

North East Combined Authority

Leadership Board

10. The primary legislation in the form of the Cities and Local Government Devolution Act 2016 is now in place and secondary legislation will be required to enable the creation of a Mayoral Combined Authority and the devolution of powers and responsibilities. If the devolution proposals for the North East are supported the secondary legislation would be brought forward later this year.
11. Conferring the specific NECA and Mayoral powers will be subject to Orders, all of which will require the consent of all of the constituent authorities and of the NECA Leadership Board. Advice from DCLG has indicated the following timetable
 - Order 1 to deal with the creation of a Mayoral Authority and the initial term of the Elected Mayor. The Order will need to be laid in mid May 2016 and implemented by 4 November 2016.
 - Order 2 to address issues relating to the devolution of powers and responsibilities to NECA. Order 2 requires a Governance Review and the development of Scheme which will be consulted on for a minimum of six weeks. Consultation on the Scheme would have to commence in early July following completion of the Governance review. Order 2 will need to be laid in October and the Order will need to be in place by the end of December 2016.
 - In addition, there will be a number of generic Orders developed which cover all Combined Authorities and Government will be consulting on this during 2016
12. Since the signing of the Proposed Agreement, further public consultation has taken place including:-
 - Six public events across the NECA area in November 2015 where participants received a presentation on the proposals, then participated in round table discussions followed by a question and answer session. The consultation exercise and local events were publicised through press releases, on the NECA and Constituent Local Authority websites and on social media gaining interest from local and national media and helping to raise awareness of both the NECA and of the devolution proposals for the North East. Over 370 people attended the local events and others submitted written responses through the NECA website or completed an online feedback form.
 - Views of the NECA's Overview and Scrutiny Committee were sought at their meeting in December 2015 and
 - Dedicated sessions have taken place with representatives of the voluntary, community and social enterprise sector, the regional business sector and also with trade union representatives.
13. The consultation undertaken by the NECA is set out in Appendix 2, which is a report on the engagement process undertaken.
14. In addition to the consultation undertaken by the NECA, Constituent Authorities have undertaken their own consultation within their respective local authority areas, including where considered appropriate, with their full Council.

North East Combined Authority

Leadership Board

Information on Constituent Authorities' consultation is also set out in Appendix 2.

15. Overall the feedback collected during the consultation period demonstrated strong support among a wide range of stakeholders from communities, businesses and partners for the principle of devolution to the North East. Respondents felt that the North East loses out under current arrangements and there was broad positive support for the proposals contained in the Proposed Agreement. Stakeholders were keen that devolution sought from Government should be ambitious and set out the potential for North East growth within the context of supporting national growth.

Section 4: Progress to date and outstanding issues

16. Since the Proposed Agreement was signed in October 2015 there have been continuing discussions with Government on detailed implementation of a devolution deal. The outcome of these discussions, negotiations and a summary of outstanding issues, are detailed below.

Governance

17. Throughout the negotiation process, Ministers have made it clear that devolution is conditional on the creation of an Elected Mayor for the NECA area. They have argued that a transfer of responsibilities would only be appropriate if the public could hold an individual elected person accountable for the exercise of those responsibilities. The Leaders have expressed opposition to this precondition, arguing that devolution should not depend on a particular model of governance imposed from the Government. Nevertheless, in the interests of securing the region's proposals for devolution, and as a basis for future devolution opportunities, the NECA Leadership Board has kept an open position on this issue during the negotiations with Government and has sought to establish a model for an Elected Mayor that includes appropriate checks and balances.
18. The Proposed Agreement provides for a Mayor to work within the Combined Authority, which the Mayor would Chair, through a Cabinet made up of the Leaders/Elected Mayor of the Constituent Local Authorities (Cabinet). Once formally agreed by Government and if provided for in Order 2, the NECA Cabinet (and Overview and Scrutiny) will be able to examine the Mayor's annual draft budget, plans and strategies and will be able to amend them if two-thirds of the Cabinet members agree to do so. In particular, any decision making powers which are not specifically allocated by legislation to the Mayor are vested in the NECA.
19. Notwithstanding these important checks and balances, it is clear that the Mayor would be an influential and visible figure within and beyond the region.

North East Combined Authority

Leadership Board

20. Further information on the governance of a Mayoral NECA is set out in Appendix 3, which reflects the current understanding of decision-making principles and arrangements as discussed with Government officials. The final form of governance arrangements will be based on the outcome of the Governance Review and Scheme, which following consultation and agreement by all Constituent Authorities and the Leadership Board, the NECA must submit to the Secretary of State for approval.
21. For each of the Combined Authority areas entering into devolution deals with Government, the decision making responsibilities and powers of their Elected Mayor need to be formally agreed. In relation to a Mayoral NECA, as outlined in the Proposed Agreement, it is proposed that a Mayor would have decision making responsibilities and personal accountability in relation to:
- Integrated transport including rail, Metro, bus and ferry services;
 - Strategic planning through the creation of an overarching framework for development in the North East reflecting the specific needs of local communities, supporting local development frameworks, and incorporating the duty to cooperate between the Constituent Authorities; This is not a statutory planning document and would not convey any powers to grant or refuse planning consent. The decision making powers in relation to planning applications will remain with each of the Constituent Authorities;
 - The power to apply a supplement on business rates up to a cap to fund infrastructure projects with the agreement of the local business community. Shorter term business improvement districts are currently subject to a ballot of the business community in the area; and
 - The Mayor will Chair the North East Land Board which will identify land in public ownership (such as health bodies or Government departments), suitable for housing or other use to support economic development
22. It is currently envisaged that should the Constituent Local Authorities and the NECA Leadership Board consent to the creation of the Mayoral Combined Authority an election for a Mayor would take place in May 2017.

North East Investment Fund

23. One of the key proposals in the Proposed Agreement was the establishment of a North East Investment Fund (Investment Fund). Current understanding is for the allocation of £30 million a year revenue funding for 30 years. The Investment Fund is subject to review by way of a 5 year gateway assessment, conducted by an independent panel. This funding would support the financing costs of the Investment Fund, and could be supplemented by capital grant finance from other devolved programmes. The Investment Fund would allow the NECA to make long-term investments across a wide range of priorities and would give freedom to flex resources between programmes and across years. The current agreement on the Investment Fund is:

- (a) The operating principles of the Investment Fund would allow the NECA to:

North East Combined Authority

Leadership Board

- Select projects based on North East conditions and priorities to maximise economic impact in line with the Strategic Economic Plan.
- Integrate and align various funding sources and make multi-year commitments.
- Vire resources between projects and programmes and across financial years.

(b) By establishing the Investment Fund, the NECA would be able to plan for substantial long term change, increase the prospects of leveraging in private sector financial support and have the opportunity to recycle some of the funding to create an enduring investment pot, as well as helping to deliver additional growth in the short to medium term.

24. The following paragraphs set out the current position on each potential element of the Investment Fund

Investment funding of £30 million a Year for 30 Years

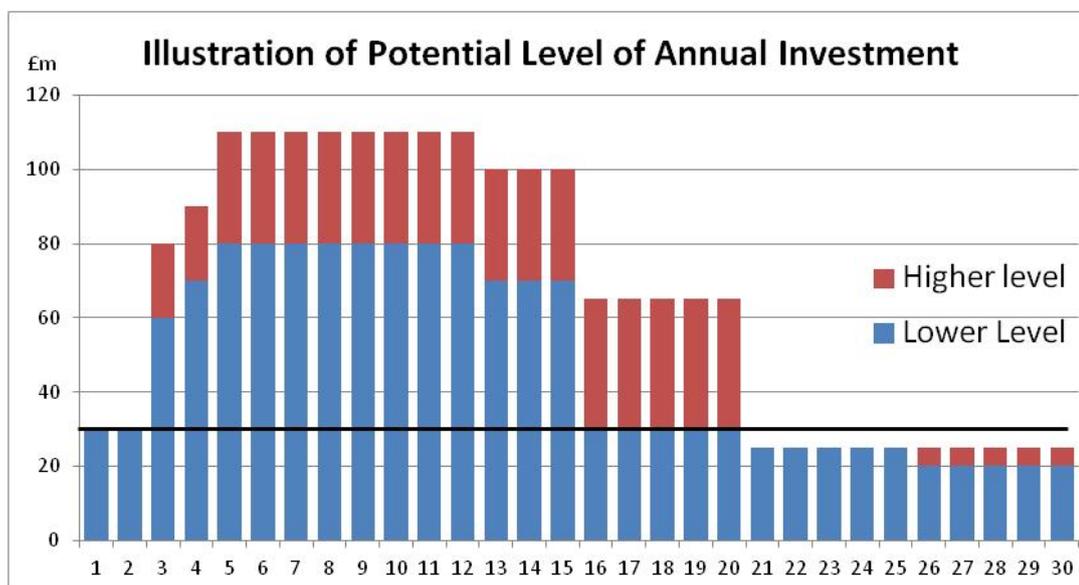
25. The largest additional element of extra funding is the provision of a revenue grant of £30 million a year planned (but not agreed) for 30 years from 2016. This extra grant of £900 million would be equivalent to an extra £997 per dwelling across the NECA area over 30 years. The 'revenue' nature of this grant provided the opportunity to significantly increase the level of investment that can be delivered over the initial 15 year period, with any grant received in the second 15 year period helping to finance the upfront capital loans for investment, as well as funding some new investment over the last 15 years.
26. The current proposals include the potential flexible use of the grant to finance an accelerated capital investment programme and to provide investment to support business growth, while generating income that could be reinvested over the period. This approach has the potential to increase the level of investment than can be actually delivered with this grant. It is estimated that this could be between £1.0 billion to £1.4 billion in the first 15 years; rising to between £1.6 billion to more than £1.8 billion over the whole 30 year period. These figures are based on assumptions about making investments which would have a risk profile attached and are purely illustrative at this time.
27. Work continues to secure the wording needed to give reasonable and sufficient confidence that the grant would be provided over the whole 30 year period, accepting that the grant was invested for the purposes that it was provided for and that reasonable and realistic economic growth outcomes were achieved in the medium / longer term.
28. The range of potential investment reflects a level of uncertainty over the details of the 5 yearly gateway arrangements in future years and the level of recyclable investment that can actually be achieved. The NECA is working with the Government to ensure that the gateway test is reasonable to enable the maximum grant to be released over the period and to give the funding

North East Combined Authority

Leadership Board

certainty needed to support prudential borrowing for capital investment purposes.

29. The ability to borrow would enable the frontloading of expenditure on infrastructure and investment to help grow the economy across the NECA area. The profile of spending in our current model gives an indicative illustration of how investment could be frontloaded into the early part of the 30 years period, in excess of the £30 million annual revenue grant. This shows the impact of different assumptions, about type of investment and risk, but both require sufficient confidence about future funding to meet the prudential borrowing code requirements, that financial risk can be managed and assume that we can operate our Investment Fund flexibly and effectively. The actual profile would be determined by the NECA based on an understanding of the spending profile of key projects and the level of available resources. This does not include the additional private sector leverage of other public sector funding that could also be attracted. This accelerated pattern of spending would bring benefits in terms of the earlier achievement of additional jobs and economic growth.



Local Growth Fund (LGF)

30. Of the national commitment of £12 billion to the LGF, a first tranche of £7.7 billion has already been announced and provisionally allocated in July 2014 and January 2015. LGF allocations to the NECA from this tranche amount to £330 million. The £167 million already allocated for 2016/17 to 2020/21 will be included in the Investment Fund, enabling the region to use its new flexibility to vire funding between years or projects if it so wishes, although this funding has of course already been provisionally allocated.
31. Under the current proposals, the NECA will be able to bring forward a five-year programme proposal for a future LGF allocation. If agreed with

North East Combined Authority

Leadership Board

Government, this funding could also form part of the Investment Fund. The level of national flexible funding available has only recently been announced in the March Budget as £1.8 billion, which will include funding for local sustainable transport schemes. A further £475 million will be available for major transport schemes. This is significantly less than the £4.3 billion of flexible grant previously envisaged due to £2.0 billion being earmarked for Housing 'loan' finance, as opposed to flexible grant funding, with bids for loans to be made by developers to the Homes and Communities Agency. It might be possible for the NECA to work with developers to put forward a bid for such a loan funding, although no figure has been incorporated in the assessment so far because of the early stage of the announcement.

32. The North East LGF bid will be subject to a competitive process with the result unknown until the autumn 2016. It had been anticipated that a fair allocation of funding could have been agreed to be included in the Investment Fund at this point. This will not now be possible and we are continuing to negotiate a fair share of all three elements of the new LGF allocation, including the local sustainable transport funding, which the Proposed Agreement stated would form part of the region's devolved transport budget.
33. The multi-year flexibility and confidence about the agreed funding over the period is an important part of the financial equation. With it, it is possible that the NECA could bring forward projects in advance of the normal LGF profile, which will be backloaded. Clarity over the gateway process and also the competitive bidding rules for new LGF is required for us to be definitive about the level of flexibility that the NECA will have.

Single Transport Budget

34. The Proposed Agreement commits Government to providing a devolved and consolidated local transport budget with a multiyear settlement, including all relevant local highways and sustainable travel funding. This funding will be incorporated within the Investment Fund, giving the region flexibility over how it is used.
35. An initial single transport budget amounting to £54.7 million a year and £273 million in total has been proposed over the next five years. This includes –
 - the Integrated Transport Block £13.9 million a year – its current level
 - the Highways Maintenance Block of £40.7 million a year, including the highest level of the incentive funding that would have been based on performance.
36. Over the five years the highest performance band is £19.9 million greater than the lowest performance band, representing a clear benefit from the current devolved arrangements.

North East Combined Authority

Leadership Board

37. The figures for Metro capital and Metro revenue rail grant, which were reduced by £33 million per annum as part of the Autumn Budget statement, are separate and additional to the Investment Fund at this point. The capital element of the Metro Asset Renewal Programme grant is confirmed over the period at £120 million, with Metro Rail Grant over the next 3 years confirmed at £25 million a year. There is no confirmation about the level of the revenue grant from 2019/20 onwards when the results of any new Metro franchise arrangement are expected to commence. There are advantages in terms of flexibility and cash flow of including the Metro funding within the investment fund and discussions to have this included in the investment fund for future years are continuing.
38. Positive discussions have taken place about securing additional capital investment for the replacement of Metro cars and extension of the Metro System. Discussion will continue to secure the necessary additional investment and clarity about the level of the local contribution to the cost of the schemes by 2017, so that this can be reflected in any new franchising agreement and in the planning of the use of the Investment Fund.

Additional financial implications

39. In addition to the funding streams included in the Investment Fund, there are a range of further financial implications of Proposal Agreement. These are discussed in turn below.

Transport Levies and Precept

40. The transport responsibility that would be the functions of the Mayor will be set out in a Scheme. The national legislation requires for the costs of mayoral functions to be funded by way of a council tax precept. The current transport responsibilities of the NECA, including those for concessionary travel, secured bus services and historic transport financing costs are currently funded by way of three transport levies. This has been designed to provide a fair funding solution in the Durham, Northumberland and Tyne and Wear areas because the transport costs are very different in these areas. We have received written assurances that solutions will be found to avoid any material redistribution of costs between these three areas by any new precepting arrangements. There is the ability to retain the three levy arrangements for the current costs.
41. The Proposed Agreement did not include any specific proposal on a mayoral precept for the other Mayoral related costs, such as the costs of holding a Mayoral election. Under current proposals, these costs will be met from the £30 million revenue grant funding. Other costs such as the development and implementation of detailed devolved powers, responsibilities and funding on employment and skills would also be met from the £30 million revenue grant for the next two years at least. The Scheme will include details of decision-making arrangements in relation to the exercise by a Mayor of any precepting powers, including provision for Constituent Authorities to change a Mayoral

North East Combined Authority

Leadership Board

budget and any associated proposed precept. The Scheme will be subject to public consultation.

Borrowing Powers

42. The provision of borrowing powers to the NECA to cover its full range of functions is considered to be important to the efficient and effective delivery of these functions and could deliver important financial cost savings as part of the operation of our Investment Fund. Although the legislative framework is available at this time the Government are not proposing to allow the expansion of the borrowing powers of the NECA beyond its current Transport powers, on the basis that other borrowing could be arranged through the individual Constituent Authorities of the NECA.
43. Discussions are continuing with the support of other Combined Authorities and CIPFA to secure an expansion of these powers. This is considered important by all other Combined Authorities to give them similar flexibilities already provided to other Local Authorities across the country. A suitable proposal has been included in the Greater Manchester Combined Mayoral Authority Scheme which has just been published for consultation. Controls over the overall level of borrowing would rest with the NECA and the application of the Prudential Code would ensure that individual borrowing decisions were affordable and sustainable.

Mayoral Supplementary Business Rate

44. The Mayor would also have the opportunity to raise a supplementary business rate from 2018/19 or in future years, with the agreement of business, through the local enterprise partnership, to fund major infrastructure projects, within a cap set by the Government. There would be flexibility about the geographic area that this could cover and the types of businesses that would be asked to pay the supplement. The nature of any proposal would be a matter for the Mayor to decide, in consultation with the NECA Cabinet and the business community. The level of infrastructure investment that this could generate is potentially substantial, with the maximum business rate possible to raise between £25 million to £30 million a year across the whole region. If used to fund capital infrastructure over 25 years, this could support initial capital investment of £500 million or more. The exact amount that could be raised will depend on the nature of any proposal and the result of the latest reductions in business rates proposed in the Chancellor's March Budget and future business rate revaluations.

Early Retention of 100% Business Rate Growth

45. Under the current proposals, the NECA will also receive 100% of business growth over the next four years, in advance of a national scheme being introduced. This scheme would ensure that no individual Constituent Authority was worse off. At this stage there is significant uncertainty around what the

North East Combined Authority

Leadership Board

value of this could be and it is not prudent to prejudge the level of growth that could be secured. Decisions on the use of any growth will be taken in future years by the NECA once the income has been secured.

Bus Services Operator Grant

46. The Devolution of Bus Services Operator Grant could occur if bus services were to be franchised. An indicative estimate of this is included in the summary table below, although the amount and the timing of this is uncertain.

Enterprise Zones

47. Last year the NELEP and the NECA proposed 10 new enterprise zones across the NECA area, which were approved in full and were announced as part of the Autumn Statement for implementation from 2017/18. These will provide incentives for businesses, with an estimated £11 million of discounted business rates and £59 million of expenditure qualifying for capital allowances. The estimate of total retained business rates was over £120 million over the 25 years, which would enable £88 million of intervention works needed to develop these sites being undertaken in the next five years. An indicative profile of the intervention works is provided in the summary table below.

Adult Skills

48. Under current proposals, the adult skills budget is proposed to be devolved to the NECA in 2018/19. Discussions on the detail of this will continue over 2016 and 2017. While the level of funding to be devolved will not be confirmed until 2017/18, our indicative estimate for the devolved amount is around £80 million.

Summary of Proposed Investment Fund and Other Funding from 2016/17 to 2020/21

49. A summary of the latest information about the Investment Fund and potential devolution funding is shown below. While some figures have been confirmed others are uncertain or will be announced at a later point in time. An estimate of our LGF proposal for new funding has been provided to give an indication of the potential scale of this opportunity and the results are expected to be announced in the Autumn.

North East Combined Authority

Leadership Board

Table 1: Summary of Potential Funding over the next Five Years

	2016-17	2017-18	2018-19	2019-20	2020-21	Total 2016-21
	£m	£m	£m	£m	£m	£m
Proposed Investment Fund						
Local Growth Fund (current)	79	32	24	17	15	167
Integrated Transport (current)	14	14	14	14	14	70
Highway Maintenance (current)	41	40	41	40	41	203
New Investment Fund grant	30	30	30	30	30	150
Sub Total	164	116	109	101	100	590
Other Funding announced						
Metro Capital (current)	31	30	23	18	18	120
Metro Revenue Rail Grant (current)	25	25	25	25*	25*	125
Enterprise Zone (new capital investment funded by business rates)	2	15	25	25	21	88
Sub Total	58	70	73	68	64	333
Other Potential Funding *						
100% Business rates Growth Retention – new revenue	-	1	1	2	-	4
Bus Services Operator Grant	-	-	28	28	28	84
LGF next round – estimated share of £1.8bn	-	10	20	40	40	110
LGF, Major Highways - estimated share of £0.45bn	-	2	3	10	10	25
Estimate of Devolved Skills Funding	-	-	80	80	80	240
Metro Capital funding for replacement cars and development of extensions	-	-	*	*	*	*
Mayors Supplementary Business Rates (new revenue to fund investment)	-	-	25	25	25	75
TOTAL of figures shown	222	199	339	354	347	1,461

* While funding lines have been agreed in principle, figures in the Other Potential Funding section or marked with an * are uncertain at this point.

North East Combined Authority

Leadership Board

50. The total of £1,461 million shown above includes £875 million of existing funding in the NECA area where the NECA could have greater devolved local control and flexibility over these funds and £452 million of new funding over the next five years. It is estimated that £229 million of this new money is directly related to the Proposed Agreement and would unlikely be received without the deal. Only the core annual revenue grant of £30 million a year for the Investment Fund and an annual estimate for supplementary business rates of £25 million is included above. The actual level of new capital investment over this first five period could be increased significantly by the use of borrowing powers, potentially by over £200 million in this first period.

Fair Funding

51. The Proposed Agreement signed in October 2015 included a Government commitment that where functions are agreed to be devolved or to be jointly accountable, the 25 November 2015 Spending Review would 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 NECA.
52. In addition, the Proposed Agreement also includes a clause ensuring the North East does not suffer disproportionately in relation to the fiscal freedoms granted to the Scottish Government and from future reductions in funding through a “fair funding settlement”. These remain important issues for the North East and we are engaging with Government to ensure that there is true consideration of fair funding moving forward.
53. The table above at paragraph 49 shows positive signs of ‘fair funding’ where potential significant income streams of over £1.4 billion over the period 2016/17 to 2020/21 will flow into the NECA for the benefit of the whole of the NECA region.
54. Through the 25 November Spending Review, the Government made it clear that austerity was to continue until at least 2020. However, the subsequent provisional financial settlement for the seven constituent authorities in December 2015 showed positive signs of the Government meeting their ‘fair funding’ commitment, when the provisional funding settlement was relatively ‘less bad’ compared to other regions than it had been in previous years. The average percentage cut in total Grant and Business Rate income funding for the seven constituent authorities in the NECA area was actually below the national average.
55. However, the final financial settlement on 8 February 2016 included an additional £150 million of transitional grant and extra rural grant funding took no account of the amount of money individual councils could raise from council tax payers. This meant that this additional funding went to the more affluent areas of the country with only £0.3 million of the £150 million coming to the NECA region. Disappointingly, this change did not therefore fit with the principle of ‘fair funding’.

North East Combined Authority

Leadership Board

56. Looking across the next four years, our indicative grant settlement forecasts show that the reduction in grant and estimated business rate income for the NECA region will be a reduction of 19.8%. On a positive note, this is less bad than the national average grant and business rate income reduction of 24.5%.
57. The commitment to review the local government finance system including the concept of 100% retention of business rates income by 2020 gives the Government further opportunities to deliver on their commitment to provide the NECA constituent authorities with 'fair funding' financial settlements going forward. Based on the 2016/17 financial settlement there clearly needs to be more evidence that this will be the case and we should continue to do our best to influence the Government in our ongoing discussions.

Update on other devolution themes

58. The Governance and funding components of the Proposed Agreement set the framework for devolved powers and responsibilities across a number of themes such as transport, skills, business support, housing and more. These components have therefore been the focus of negotiations since October 2015.
59. We continue to work with Government with regards to outstanding matters as detailed in this report and progress is ongoing across all themes. The matrix in Appendix 4 provides an overview of progress against each proposal. In addition to the Governance and funding components, we are actively discussing the following areas with Government to ensure that the commitments made in the proposed agreement are delivered.
60. First of all, within the context of Human Capital development, the North East differs from other areas as the initial devolution process will be overseen by an Employment and Skills Board with dual accountability to both the NECA and the Government - joint working with the NELEP will also be essential. It will be chaired by the Commercial Secretary to the Treasury, Lord O'Neill and will undertake a comprehensive review and redesign of the post 16 education and skills system, which will also include the Area Based Review (ABR).
61. These principles were agreed at an early stage in our negotiations. However, this is currently not being recognised in the approach Government are taking in the notification to colleges that the ABR will push ahead in mid-April, led by the FE Commissioner. Therefore, as part of our further negotiations with Government, confirmation is needed that the approach to Human Capital will be as agreed with Lord O'Neill and specifically that the ABR process should not commence until the commission led by the Lord O'Neill Board is established.
62. The North East has successfully piloted new approaches to rural growth through its bespoke Rural Growth Network initiative and in recognition of this, the Government, through the Proposed Agreement, accepts that the Combined Authority could further maximise this potential through the

North East Combined Authority

Leadership Board

devolution of further rural growth and countryside stewardship programmes from the Department of Environment, Farming and Rural Affairs and its agencies. In addition, we are seeking the Government's commitment to build a "rural proofing" element into the prioritisation and allocation of the North East Investment Fund to ensure that rural areas are not left behind and receive an equitable share of funding to promote sustainable economic growth.

63. Finally, the Prime Minister committed during the 2015 general election campaign to protecting Newcastle Airport from the impacts of devolution of Air Passenger Duty to Scotland. The Proposed Agreement also commits Government to address this issue. This has become increasingly urgent since the Scottish Government's recent publication of a document setting out its detailed plans for implementation of a 50% cut to APD at Scottish Airports with effect from 2018. The lack of an announcement in the March 2016 Budget is a concern and the region calls upon Government to clarify how it intends to fulfil this commitment as a matter of some urgency.

Delivery, Evaluation and Monitoring

64. Programme governance is in place across all the themes of the Proposed Agreement and supported by a programme management team. Specific working groups for each theme have been established and the programme reports fortnightly into the Economic Directors Steering Group and the Chief Executives Group (Programme Board). Conversations are ongoing with DCLG representatives to review the status of the North East devolution programme.

Further Devolution

65. The Proposed Agreement set out a commitment for the NECA and the NHS to jointly establish a Commission for Health and Social Care Integration, to establish the scope and basis for integration, deeper collaboration and devolution across the NECA area, in order to improve outcomes and reduce health inequalities. The Commission is established, a public call for evidence will be published imminently and the Commission is due to report back in September 2016.
66. County Durham is in a unique position within the NECA regarding the police, fire and health and social care as the geographical footprint of these services extends beyond the NECA. Any proposed devolution in these areas will be subject to consent of Durham County Council (and all other Constituent Authorities) and the NECA Leadership Board. Such devolution proposals would be supported by the inclusion of appropriate safeguards in decision-making to protect the interests of Durham County Council or other Constituent Authorities in a minority voting position in decision making.

North East Combined Authority

Leadership Board

67. Devolution in areas not currently covered by the proposed Agreement is an option for the future and any such proposal would be subject to consultation and consent of all Constituent Authorities and the NECA. The Proposed Agreement sets the framework for ongoing dialogue with Government to transfer more power and resources from Whitehall to the North East. Government has committed to explore with a devolved NECA the possibility of 'double devolution' of powers. This would be aimed at giving individual local authorities additional control over regulatory powers where they are best placed to deal with local issues to create safer, more attractive environments. For example, this could allow for greater influence over local planning, local licencing, other regulatory powers and local bylaws to be made to improve public health, which currently can only be delivered with the approval of Ministers.

The key outstanding issues

68. Work continues with senior officials with regards to outstanding matters arising from the Proposed Agreement. These are summarised below.
- The Proposed Agreement establishes the principle of a single five-year programme allocation of LGF, to form part of the flexible North East Investment Fund. The region has proposed a five-year programme allocation of LGF to Government, and awaits clarification on how Government intends to fulfil this commitment.
 - A lack of certainty on £30 million a year funding over all 30 years and the 5-year gateway tests which is needed if the NECA is to create a substantial investment fund. Although Government have provided some reassurance on the gateway process, uncertainties remain which need to be clarified. Specifically, confirmation is sought that where longer term borrowing is undertaken to support infrastructure and economic development initiatives, which have met both Government and the NECA's rigorous assurance and appraisal processes, that the 5-year gateway review process should not be able to reduce the level of funding received.
 - The Proposed Agreement commits to providing a single devolved transport fund covering 'all highways and sustainable travel budgets'. The confirmation of £273 million in devolved, flexible local highways funding for the region announced alongside the budget is positive, but confirmation on how Government plans to devolve sustainable travel funding to the region is still outstanding.
 - We are seeking the Government's commitment to build a "rural proofing" element into the prioritisation and allocation of the Investment Fund to ensure that rural areas are not left behind and receive an equitable share of funding to promote sustainable economic growth

North East Combined Authority

Leadership Board

- In line with Proposed Agreement, confirmation is needed that the approach to Human Capital will be as agreed with Lord O'Neill and specifically that the ABR process should not commence until the commission led by the Lord O'Neill Board is established.
- The Proposed Agreement sets out commitments that future funding outcomes would ensure the North East is not disadvantaged in relation to the fiscal freedoms granted to the Scottish Government and that the North East does not suffer disproportionately from future reductions in funding through a fair funding settlement. This is an outstanding issue.
- The Prime Minister committed during the 2015 general election campaign to protecting Newcastle Airport from the impacts of devolution of Air Passenger Duty to Scotland. The proposed Agreement commits Government to addressing this issue. This has become increasingly urgent since the Scottish Government's recent publication of a document setting out its detailed plans for implementation of a 50% cut to APD at Scottish Airports with effect from 2018. The lack of an announcement in the March 2016 Budget is a concern and confirmation on how this issue is to be addressed by Government remains outstanding.

Section 5: Further Considerations

69. The Proposed Agreement provides for important devolution of powers to the North East, enabling the region to join up policies in ways previously not possible, ensuring that transport, infrastructure, skills, employment support, housing and health policies all work together to improve opportunities for the people of the region. It also opens the door to further devolution in future.
70. If our continued negotiations to strengthen and clarify the Proposed Agreement are successful, key benefits of a devolution deal could include:
- the long-term certainty provided by five year grant allocations and a thirty year allocation to the investment fund, enabling the region to invest across priorities according to local needs rather than being constrained by ring-fences determined in Whitehall and 'stop-start' annual funding processes;
 - Fiscal devolution which includes an opportunity for business rates supplement to fund critical infrastructure
 - Local influence over adult skills, DWP employment support programmes, distribution of ESIF funding, UKTI activity in the region and regional transport investment
 - Access to regulatory powers to support housing, neighbourhood and health outcomes
 - Opportunity to shape North East Health and Social care integration ahead of National programme
 - Opportunity to progress transformational infrastructure projects
 - Increasing the region's ability to join up economic initiatives, through new responsibilities for skills training for young people, supporting those

North East Combined Authority

Leadership Board

needing employment, improving transport services and infrastructure and helping the region build more homes.

71. The current proposals also respect the North East's specific circumstances. The "embedded mayor" model set out in the deal ensures significant control for local leaders, an acknowledgement that the "metro mayor" approach adopted in largely urban combined authority areas is not appropriate for the NECA geography. If the region chooses not to adopt the mayoral combined authority we could expect the loss of £30 million a year investment funding, putting in jeopardy £1.5 billion in additional investment. The region could also lose multiyear certainty on local growth and transport funding, reducing the region's ability to plan for the long-term and putting the region at a competitive disadvantage compared to the areas to have adopted mayoral combined authorities. The region would also lose the ability to vire funding between devolved programmes, and return to the status quo of decisions on LGF, the future of local transport and employment and skills dominated by Whitehall.
72. At the same time, it is recognised that approval of a Mayoral Combined Authority also creates risks. There are concerns that, without well-designed checks and balances, the mayoral model could invest too much responsibility in one individual. However, the necessary checks and balances are recognised and are being positively progressed with Government. Finally, there are risks that the region makes insufficient progress in developing the capacity to deliver new responsibilities, or that government devolves insufficient funding to meet the new responsibilities.
73. Since signing the Proposed Agreement, discussions with Government have clarified a number of detailed points about how funding will be distributed, and have confirmed that Government is largely content with our proposed governance arrangements. Outstanding issues including, ensuring flexibilities are sufficient to enable the Investment Fund to function as envisaged, and confirmation that a satisfactory five year allocation of LGF will be provided still require clarification.

Section 6: Potential Impact on Objectives

74. The ratification of the Proposed Agreement will mean that the decisions relating to the powers devolved to the NECA will be made in the North East by the NECA rather than in London and will therefore have a significant impact on the way in which the NECA will meet its objectives.

Section 7: Finance and Other Resources

75. If approved, the Proposed Agreement will bring additional resources from 2016/17 onwards to the NECA area, which could increase significantly in 2018/19 and future years with the devolution of skills and other funding. These additional resources will be administered by the NECA and the use of these

North East Combined Authority

Leadership Board

resources will be determined by the NECA Cabinet, which would include the Elected Mayor.

76. The devolution of additional flexibility and the ability to take decisions locally about the allocation of existing and new resources is also a notable benefit of devolution. The intention is to maximise the benefits of flexibility through the operation of a Single Pot. Flexibilities such as wider borrowing powers if secured would give real benefits in terms of accelerating capital investment and creating opportunities to achieve savings in revenue financing costs, which could be used to increase the level of investment in the NECA area.
77. Information about the funding is set out in the body of this report. In some cases discussions are continuing to confirm the details of the proposals and to seek confirmation of additional flexibilities such as borrowing powers. Discussion about additional funding, such as new investment for Metro Cars and extensions will take longer to be concluded.
78. It is important for the region to have a strong voice to help secure the principle of fair funding. While there has been some improvement in the fairness of some of the funding decisions this year, other decisions do not support this principle. It is therefore important to continue take advantage of the opportunity to discuss 'fair funding' with the Secretary of State and the Chancellor of the Exchequer, potentially working in concert with other areas of the country, including other combined authorities in the Northern Powerhouse.
79. In terms of the revenue budget for 2016/17, the budget could increase by the £30 million Investment fund revenue grant. Details about how this could be used will be reported for approval to the NECA Leadership Board.

Section 8: Legal

80. Decisions relating to the implementation of the Proposed Agreement are executive decisions and therefore the responsibility of Cabinet of each Constituent Authority and of the NECA Leadership Board.
81. The Cities and Local Government Devolution Act 2016, enables the creation of Mayoral Combined Authorities. A key principle of the legislation is that changes to the powers and responsibilities of the NECA and the introduction of an elected Mayor can only proceed with the agreement of the Constituent Authorities and with the NECA. Ministerial consent is also required.
82. The creation of a Mayoral NECA and devolution of new powers and responsibilities requires new secondary legislation in the form of Orders. Two Orders are currently envisaged, one to provide for an elected Mayor for the NECA and their initial term of office, the initial Order, and a further Order devolving new responsibilities to the NECA, and allocating specific decision making responsibilities to the Mayor. Any responsibility which is not

North East Combined Authority

Leadership Board

specifically allocated to the Mayor remains the responsibility of the Leadership Board which would be renamed the “Cabinet”.

83. The DCLG have advised that the legislation is proposed to be created in two phases, the initial Order must be in place by 4 November 2016 at the latest and that the Parliamentary processes would be commenced with a view to the first Order being laid before Parliament in mid-May. Subsequent Order(s), that require additional public consultation before being made must be laid in October and in place by the end of this year.
84. The Proposed Agreement provides that the Mayor will be the Chair of the Cabinet but the Mayor will not have a casting vote. Decisions taken by the NECA Cabinet and decisions that are the responsibility of the Mayor are to be subject to “Call in” by the Overview and Scrutiny Committee, which would be a new power for that Committee. Where a Mayor is not supportive of decision taken by the NECA Cabinet they will also have the power to ask for such a decision to be reconsidered but, if reconfirmed, the matter will proceed without Mayoral support.
85. Decisions in relation to the responsibilities of the NECA (Cabinet) may, like now, be taken by Committees, sub Committees and Officers if delegated. A Mayor would also have the option to delegate their decision making responsibilities.
86. The responsibilities of the Mayor not otherwise funded through government grants or contributions by Constituent Authorities, will be funded through a precept, subject to the agreement by the constituent authorities and the NECA to the necessary secondary legislation. The budget proposed by the Mayor for their responsibilities may be changed with the agreement of 2/3 of the Constituent Authorities’ Leaders/Elected Mayor on the Cabinet. The budget for the remaining responsibilities of the NECA will be funded in accordance with the current arrangements through by government grants, Constituent Authority contributions and appropriate levies.
87. Not only will the Cabinet have the power to change the Mayor’s budget proposals where 2/3 of the Constituent Authorities’ Cabinet representatives agree to do so but the Mayor’s plans and strategies will also be subject to change if the requisite 2/3 majority is achieved.

Section 9: Other Considerations

Consultation/Community Engagement

88. See paragraphs 12-15 of the report in terms of the consultation undertaken within each of the Constituent Authority areas and Appendix 2 which sets out consultation and engagement process undertaken by the NECA.

North East Combined Authority

Leadership Board

Human Rights

There are no specific human rights implications arising from this report.

Equalities and Diversity

There are no specific equality and diversity implications arising from this report.

Risk Management

89. The risks, issues and dependencies associated with the Devolution programme are actively identified, analysed and managed by the NECA programme management team. The NECA is the owner of the strategic risk register for Devolution and will ensure that all key risks are aligned with the Constituent Authority strategic risk registers.
90. The identification and analysis of risks is an ongoing process that is undertaken with the various stakeholder groups and the LA7 working groups that have been established to deliver the specific themes of the Devolution Deal. The NECA programme will report on key risks and mitigating actions as part of the fortnightly status reporting to the CEX Group which operates as the Programme Board.

Crime and Disorder

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

Environment and Sustainability

There are no specific environment and sustainability implications arising from this report.

Section 10 Background Documents

The Cities and Local Government Devolution Act 2016
The Constituent Authorities Cabinet Reports

Section 11 Links to the Local Transport Plans

This report has no direct links to the Local Transport Plans.

Section 12 Appendices

Appendix 1 – North East Combined Authority Devolution Agreement

Appendix 2 Consultation/Engagement Report

Appendix 3 – Proposed Governance Arrangements

North East Combined Authority

Leadership Board

Appendix 4 – Progress on Devolution Proposals

Section 15 Contact Officers

Adam Wilkinson, Interim Head of Paid Service (North East Combined Authority)

adam.wilkinson@northeastca.gov.uk 0191 6435689

Vivienne Geary, Interim Monitoring Officer (North East Combined Authority)

viv.geary@northtyneside.gov.uk 0191 643 5339

Paul Woods, Chief Finance Officer (North East Combined Authority)

Paul.woods@northeastca.gov.uk 07446 936840

Section 16 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

neca
north east combined authority

The Rt Hon George Osborne
Chancellor of the Exchequer

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

Clr 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

Clr Nick Forbes
Leader of Newcastle City
Council

Clr Grant Davey
Leader of Northumberland
County Council

Clr Iain Malcolm
Leader of South Tyneside
Council

Clr 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 reinvigoration 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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Devolution to the North East Consultation and Engagement Report

1. Introduction

In establishing the North East Combined Authority a key driver underpinning the move to strengthened governance arrangements was to position the North East to take on significant devolved powers and resources from central government. Following the Scottish referendum and the negotiation of the Greater Manchester deal in 2014, the Chancellor of the Exchequer issued a challenge to other city-regions to come forward with proposals, demonstrating strong leadership to boost their economy.

In January 2015, the North East Combined Authority agreed initial proposals for devolution in order to accelerate economic growth in the North East. The outline proposals were endorsed as the basis for the Combined Authority to engage with government ministers and other stakeholders, in securing greater devolution of funding, powers and responsibilities.

A series of meetings with local and regional stakeholders as well as MPs and House of Lords members took place in March 2015 to test the initial proposals. The overarching message from responses indicated strong support for devolution to the North East from communities, businesses and partners and broad agreement with the proposed priorities.

The feedback from the initial consultation exercise was used to inform the development of the NECA Statement of Intent, submitted to Government in September 2015 as an expression of interest in the devolution of powers, responsibilities and resources from central Government to the North East.

On 23 October the North East Combined Authority (NECA) Leadership Board signed a proposed agreement for devolution to the North East with the Chancellor and Commercial Secretary. 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. 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. Final agreement to the devolution proposals is conditional on a range of factors set out in the proposed agreement: the legislative process, the Spending Review, further public consultation, agreement by the constituent councils, and formal endorsement by the Leadership Board and Ministers.

Following publication of the proposed agreement, further public consultation on the proposals took place with a further series of meetings organised across the NECA area between November 2015 and January 2016, to continue the conversation about devolution and capture the views of partners, stakeholders and residents on key issues within the proposals. This report summarises the consultation and

engagement activity that has taken place in relation to the devolution proposals and the key messages emerging from the feedback.

2. Approach to consultation

Consultation on the proposals took place in two phases – in March 2015 on the initial proposals, then between November 2015 and January 2016 on the proposed devolution agreement. A range of methods has been used to gather views, including local events across the NECA area where participants received a presentation on the proposals, then participated in round table discussions followed by a question and answer session. Participants at these sessions were also provided with individual feedback forms, with an online version also available for completion via the NECA website.

In each phase of activity the consultation exercise and local events were publicised through press releases, on the NECA and individual local authority websites, and on social media, gaining interest from local and national media and helping to raise awareness of the both the North East Combined Authority and the devolution proposals.

The full range of opportunities to gather views included:

- a) A series of local facilitated events across the NECA area
- b) A regional stakeholders event
- c) A trade union event
- d) A Voluntary, Community and Social Enterprise Sector event
- e) Meetings of the NECA Overview and Scrutiny Committee
- f) A meeting of North East MPs and Lords at Westminster
- g) The opportunity to submit comments via the NECA website through an online questionnaire

As well as the public meetings coordinated centrally by the NECA, the constituent authorities are continuing to gather views locally from residents and stakeholders in their area. The Leaders and the Elected Mayor were also invited to an event hosted by the regional business sector on 3 February 2016 to consider the opportunities presented by the devolution proposals.

The full range of activity enabled engagement with over 750 stakeholders including residents, political representatives, business representatives and members of the voluntary and community sector.

3. Responses

3.1 Consultation on initial proposals – March 2015

Publication of the devolution proposals and the subsequent consultation activity generated a significant level of interest and debate including local and national media interest. 290 people signed in at the local events and others submitted written

responses through the NECA website or completed an online feedback form. In addition to the local events, a meeting was held with regional stakeholders in addition to separate meetings at Westminster with North East MPs and members of the House of Lords.

Overall the feedback demonstrated strong support among a wide range of stakeholders from communities, businesses and partners for the principle of devolution to the North East. Respondents felt that the North East loses out under current arrangements and there was broad positive agreement with the 12 individual proposals. Stakeholders were keen that the devolution ask of government should be ambitious and set out the potential for North East growth within the context of supporting national growth.

Further engagement of stakeholders on an ongoing basis was a key theme emerging from each event and a commitment was made to feedback on the outcome of the exercise after the election as well as providing regular updates and further opportunities for discussion. The consultation feedback was shared with stakeholders that attended the events or submitted a written response and was made available on the NECA website. The outcome was also detailed in a report considered by the NECA Leadership Board in June 2015. An overview of the outcomes from the March consultation activity is included in Annex A.

3.2 Consultation on Proposed Devolution Agreement – November 2015 – January 2016

Six local facilitated events across the NECA area

The second phase of consultation on the devolution proposals commenced in November 2015 with a series of six local events attended by 374 people. Four key questions formed the consultation, however the discussion was cross cutting and the feedback below therefore highlights the key emerging themes, including views on the proposals, suggestions for additionality and some issues to be considered further.

- a) **Governance:** There was wide discussion on governance issues at all events across the region (25 tables). In particular, 20 tables queried the power of the mayor and future governance arrangements of the Combined Authority. Discussions stressed the need for clarity regarding scrutiny and monitoring, the balance of power and decision making both within the Combined Authority and between the NECA and the constituent authorities. This also including ensuring that local authorities do not lose powers the in the future.

Questions were raised about the selection and election of the mayor (13 tables) as well as future cost of the mayor and administrative office (five tables).

It was suggested by 12 tables at four events that governance should be discussed in more detail at future events.

- b) **Finance and Funding:** 20 tables across four events questioned the impact that the £30m per annum funding for 30 years covering seven local authority areas

would have. The impact of the comprehensive spending review was raised by four tables.

Suggestions for discussion with government in the future included:

- Tax raising powers (six tables)
- The equity of central government funding to the north east compared to other regions (three tables)

It was suggested that future events should discuss resources and fair funding in more detail.

- c) **Business:** Discussions by eight tables stressed the need to focus on economic growth including encouraging enterprise, inward investment and innovation. 12 tables across four events also discussed the need to have a clear relationship with the North East Local Enterprise Partnership (NELEP).
- d) **Employment, skills and education:** 35 tables across the region raised specific issues around: the skills shortage, job creation and ensuring a range of employment opportunities exist across the area.

The need to review and reorganise post-16 education and apprenticeships to broaden opportunities was highlighted by four tables. The need to link with pre-16 education providers to ensure they feed into the range of opportunities available was also highlighted (six tables).

- d) **Health and Social Care:** 29 tables across all events discussed the importance of health and social care, stressing a need for further information particularly in relation to government funding and sustainability. The governance of the proposed North East Commission for Health and Social Care Integration was discussed including how the various partners will be able to influence and shape the direction and decisions.

The question of how the inclusion of health and social care in the proposals would improve the quality of health care was raised including how this would be measured.

- e) **Engagement:** 30 tables across all events discussed communications and engagement and stressed the need to raise awareness of the North East Combined Authority amongst the public. It was emphasised that there should be a continued dialogue and messages should be clear, simple and impartial. Suggestions included themed events and reaching out to communities. There was particular emphasis on the need to involve the following groups:
- The voluntary and community sector (19 groups). The need to understand the voluntary sector was stressed to ensure that the sector is able to contribute to delivering the proposals.
 - Parish and Town Councils (five groups)
 - Young people (three groups)

- f) **Transport:** There was strong support for the inclusion of an integrated transport infrastructure including rural areas and single ticketing with a regional coordinating body. The key link between the transport network and access to work and training was also highlighted.
- g) **Boundaries and Geographical issues:** The boundaries of the Combined Authority were discussed, including the size and diverse needs of the area as well as the urban and rural mix. The fact that the combined authority boundary is not coterminous with organisational boundaries such as Fire and Police was highlighted as a particular issue for consideration.
- h) **European Funding** The most significant issue raised was in relation to accountability.
- i) **Additional Areas:** Participants were asked to identify additional areas to consider in future discussions with Government on extending devolved powers. The key areas identified were culture and tourism, which it was stressed should feature as an element in the current agreement given its key economic role. There were also suggestions that the environment and housing should be included as key themes.
- j) **Stakeholder engagement** – Stakeholders were asked what they saw as their role in the implementation of the proposals. A range of issues about engagement, communications and future governance emerged.
- The need for community engagement
 - The role of the voluntary sector, trade unions and partners such as health, police, fire service, universities.
 - Links to Town and Parish Councils
 - The importance of clear and ongoing communication messages using existing networks

Regional online consultation and comments

92 people used the opportunity to respond to the questions posed at the events through a regional online questionnaire on the NECA website.

The responses were diverse, however strong themes emerged which reflect similar outcomes of the other consultation methods. These include:

- A strong agreement that the proposal could encourage inward investment, enterprise and innovation to support growth
- The need to look at an integrated transport infrastructure including rural areas and single ticketing with a regional coordinating body
- The additional areas suggested for future consideration were culture and tourism as well as the environment.

In relation to governance, there was significant support for ensuring robust scrutiny and monitoring. Also mentioned was the need to clarify the relationships with other levels of government such as local authorities, parish or town councils and central government.

The importance of grass roots bottom up engagement was stressed as well as the importance of local consultations.

Overview and Scrutiny Committee – 1 December 2015

The NECA Overview and Scrutiny Committee discussed the proposed agreement with a number of Leaders and the Elected Mayor at their meeting on 1 December 2015. Governance arrangements under a Mayoral Combined Authority were highlighted as a key issue in moving forwards including the ongoing role of Overview and Scrutiny in the new arrangements. Members also emphasised the importance of fiscal devolution to accompany new powers and responsibilities and the need to fully understand the potential implications of the proposals on business rates. A summary of the committee's discussion is attached at Annex B.

Meeting with Trade Unions – 11 January 2016

A positive meeting was held with Trade Union representatives on 11 January 2016, indicating a keen interest for unions to be involved in developments as they progressed and the importance of their relationship with the NECA. Key issues covered by the discussion included the need for accountability and transparency moving forwards, the proposed governance arrangements, and finance and funding issues. Concerns were raised around how the proposals could affect national pay bargaining, and the need to protect local services under new arrangements.

Voluntary, community and social enterprise (VCS) sector – 18 January 2016

An event facilitated by VONNE was held on 18 January 2016, with 62 delegates representing voluntary organisations and groups from across the region. Delegates felt that the proposed agreement covered the issues, barriers and challenges to economic growth facing the north east but that it was difficult to visualise what the interventions and changes would look like. It was recognised that working collaboratively could counter balance budget reductions.

It was emphasised that whilst the proposals must have an economic focus, any economic strategy must be underpinned by a locally focused social strategy. It was highlighted that the VCSE sector could be a conduit to making devolution real for people in communities, helping people to have a voice and co-design/co-produce interventions recognising the assets in communities to design own solutions. The need for continued dialogue, ongoing communications and simple and clear messages was also highlighted. A summary of the feedback is attached at Annex C.

Engagement with the business sector

The NECA Leadership Board has committed to work with business leaders to determine arrangements for a strengthened role for business 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. Leaders and the Elected Mayor were invited to an event hosted by the regional business sector on 3 February to consider this further. Whilst formal feedback from the session is still awaited, initial soundings indicate that discussions at the event were extremely positive with attendees supportive of the proposals, eager that the North East takes advantage of the opportunities presented by the devolution agenda and keen that the business community remains involved on an ongoing basis.

4. Conclusions

The North East Combined Authority has undertaken a wide range of consultation and engagement activity over the last year to obtain views on the devolution proposals. This has generated over 750 responses from across a variety of sources including a wide range of public and private sector stakeholders, the voluntary and community sector and members of the public, in addition to consultation activity undertaken at local level.

Responses across the full range of stakeholders have been positive overall, welcoming the opportunities offered by the devolution agenda and the progress made on key areas of priority. Support has been expressed for the issues identified as areas of priority in the outline proposals as they have been translated into the specific proposals in the proposed devolution agreement, with clear views expressed around extending the scope to consider culture, tourism and the environment in any future discussions with Government. Respondents have been keen to obtain more detailed information on the individual proposals as they develop and are particularly interested in how the new governance arrangements will operate in practice following the introduction of an elected mayor.

The consultation process generated a high level of interest across the North East and a clear message across all stakeholders that they want to remain involved as further progress is made. The detailed comments, suggestions and concerns raised in responses will be noted as activity moves towards implementation should the proposed agreement be formally agreed.

5. Constituent Authority Consultation/Engagement

Durham

Following signing of a proposed devolution agreement in October 2015, consultation took place between November 2015 and February 2016 both at regional and local authority area. This included providing people with information and the opportunity to consider the content of the proposed agreement, ask questions and make informed comments. Participants were asked for their views on whether the proposed agreement focused on the right issues to drive growth in the North East, if there were any key areas to be included in the next round of discussions with government, how

they saw their role in implementing the proposals and what would they want to discuss in more detail at future events.

In addition to the NECA consultation event hosted at County Hall with 172 attendees, over 85 businesses attended the Devolution Business Event held at the Gala Theatre, Durham on 26th January 2016 which included a presentation on the proposals followed by a question and answer session. A broad range of questions covering key areas such as targeted investments, business growth and engagement, skills development, the Mayor and governance arrangements, rurality and the need to ensure that the NECA does not lose sight of the region's wider connectivity and opportunities were highlighted by attendees. The overall tone of the meeting was in support of the agreement with the majority of those who raised questions indicating their enthusiasm for the potential offered by the proposals.

Durham County Council also held a poll of all electors in the County to help inform its Cabinet decision on whether to sign up to the final North East devolution agreement. The response rate was 21.7 % and analysis of the results showed that a clear majority (59.5 %) of those who took part in the poll believed that devolving some power and resources to the North East would be a step in the right direction. Just under half of those who took part in the poll (47.8 %) thought that the NECA Mayor should have limited powers while 40.3 % of people felt the Mayor should have quite a lot of power and influence. In relation to whether the North East should seek further devolved powers if the agreement goes ahead, 42.9 % preferred a cautious approach of waiting to see how things develop.

Gateshead

Gateshead hosted a local facilitated event in November 2015. This followed on from a local event in March 2015 which was part of the earlier consultation on the publication of the initial devolution proposals prior to the proposed devolution agreement. Although engagement focussed on four key questions that formed the basis of the consultation, the discussion with stakeholders was cross-cutting and the feedback from the events was considered by the Authority. The consultation and engagement focussed on governance, finance and funding, business, employment, skills and education and health and social care, transport, boundaries and geography and European funding. The engagement process also identified the need for community engagement with the NECA by ensuring, a role for the voluntary sector, the trade unions, partners such as health providers, the police, fire service and universities and also links to the Town and Parish Councils.

Gateshead also undertook a survey on the consultation portal of the Authority's website between 4 December and 30 January 2016. There were 81 responses submitted with 62% agreeing with the focus of the proposed agreement. 38% of respondents suggested other areas to consider as part of the devolution agreement. These ranged from a fairer share of funding for Gateshead and the North East, private landlords, economic planning, education and health. 90% of responses were from Gateshead residents, with the remainder coming from business and the VCS sector.

Newcastle upon Tyne

A series of consultation events were held in Newcastle. A meeting of the Authority's Policy Cabinet invited community organisations and residents to explore how devolved forms of decision making to neighbourhoods would support vibrant communities. There was also an event at the Crowne Plaza hotel that attracted 60 representatives from across the public, private and voluntary sector, together with members of the public.

Devolution updates and how to comment on the devolution proposals were also publicised via the Authority's social media channels. An article was also included in the Authority's "City Life" magazine. Discussions also took place with public sector partners, the Voluntary Sector Liaison Group and North East Chamber of Commerce. A well attended business reception hosted by the Leader of Newcastle City Council on 8 December confirmed strong support from business for the proposed Agreement. Meetings of the Overview and Scrutiny Committee, and a seminar open to all Newcastle City Councillors provided opportunities to capture Members' views on the proposed Agreement.

The consultation within Newcastle demonstrated very significant support for the principle of devolution, and for using the current agreement as a platform for further opportunities.

North Tyneside

Consultation on the Proposed Agreement involved a series of locally hosted events. Three main events were held from March to November 2015 and views were sought from representatives from education, business, Trades Unions, the VCS and the business sector. As a result broad support emerged for the implementation of the proposals within the negotiated agreement on devolution.

Northumberland

The County Council held meetings to discuss the proposed Agreement with Northumberland members of North East Chamber of Commerce on 1 December 2015, the Northumberland Voluntary and Community Sector (VCS) Assembly on 9 December 2015 and with Parish and Town councils also on 9 December.

At each session, participants were asked at the end of the discussion for their overall response as to whether the Devolution Agreement is good news or bad news for the North East. On balance the view given was that devolution should broadly be supported, albeit caveated by the fact that the Government approach was rather unstructured and in danger of leaving places in England behind.

In addition, an online questionnaire was posted on the Council's website and sent direct to those residents who form part of the Northumberland People's Panel. The consultation ran from 5 December 2015 until 15 January 2016. 30. Of the 350 responses, 70% indicated that they thought that it was important for the North East region to take control of issues relating to Adult Skills and Employment; Transport; Health and Social Care; Rural Growth; Business Support and Investment; European Funding; and Housing; 75% indicated that they thought it was important that a focus

is given to the Rural Economy and Infrastructure within any agreed devolution deal for the North East; 78% indicated that they thought it was important to take local responsibility for improving the employment and skills offer, with devolved responsibility for adult skills, employment support for harder-to-help claimants; and new partnership arrangements to create opportunities for young people and 73% indicated that they agreed with the proposals to create the UK's first fully joined up transport system, including rail, local highways, metro, buses and ferries across the North East – including the specific references to the reopening of the Ashington to Newcastle passenger railway service and the challenges around rural transport delivery.

South Tyneside

An open stakeholder and resident's consultation event took place on 5 November 2015. The Authority also had a devolution consultation page on its external website to allow residents to express their views directly on the proposals contained in the Devolution Agreement. There was also a discussion with key businesses at the South Tyneside Economic Regeneration Board on 1 December 2015 as well as an event with Trade Union representatives and Leaders on 11 January 2016. The Corporate Director for Economic Regeneration attended all January 2016 Community Area Forum meetings and presented on proposals and received feedback and comments on the proposed areas and content of the Devolution Agreement.

Sunderland

The proposed Devolution Agreement for the North East was discussed at each of the city's five Voluntary and Community Network area meetings, in February 2016. At each session, participants commented on the proposals in the context of potential implications for local communities and the city as a whole. The Council also hosted a business briefing in the city on 12th February, at which approximately 20 businesses were represented, and also consulted with the Sunderland Trades Union Congress.

A special edition of Community News was delivered to every household in Sunderland on 1st February 2016, outlining the proposed Devolution Agreement and its implications. It included a survey asking for residents' views on the proposals by 17th February. The same information was published on the Council's website with the option to complete the survey on-line. A total of 582 responses were received. Of these, 61% agreed that some strategic decisions about spending to drive economic growth should be made at a more regional level, instead of by central Government.

In answer to what respondents saw as particular advantages or disadvantages of the proposals, the most popular 'advantages' noted were that the devolution deal provides the North East with better opportunities to attract investment and that the local authorities and those who work in the region understand local needs. Of the disadvantages noted, most prominent were the introduction of an Elected Mayor (and the view that the Government is ignoring the previous referendum in the North East); that devolution will create additional tiers of bureaucracy and greater cost, and that the Government is inadequately funding devolution.

ANNEX A - Consultation on initial proposals – March 2015

The following questions were used to seek their views on the proposed prospectus and to help to identify the areas of focus in discussions with Government.

- Do you think the NECA proposals are the right areas to concentrate on?
- Are there any other areas or themes that should also be included?
- How would you like to be involved in the work of the NECA in future?

The key messages emerging from the engagement exercise are set out below.

Support for the Devolution Proposals

There is strong support for the broad principle of devolution from communities, businesses and partners.

- During facilitated discussions, 37 groups (97%) recorded support for the devolution proposal.
- Participants, in particular businesses, commented that the devolution request to the government needs to be ambitious and clearly set out the potential for growth in the North East that will ultimately support the economic growth of the entire country.
- There is a feeling demonstrated by 18 groups (47%) that an overarching vision should be developed which clearly reflects the ambition for the North East.

Support for the 12 Priorities and comments received

The consultation identified broad positive support for the 12 proposals or 'asks'.

- 27 groups, (71%) agreed that the proposals were correct for the area.
- 17 groups (45%) suggested that that NECA should initially focus only on the 12 priorities, in order to achieve quick wins and demonstrate the ability and capacity to deliver.

Additional Comments regarding the 12 proposed priorities

Although there was broad support for including all 12 proposals, specific priorities were identified as being of particular significance. It was stressed that some of these are key priorities, underpinning the others. Detailed comments about specific proposals are included in Appendix Six, however repeated comments included;

- Proposal 5, 'Investment in our major transport infrastructure' was highlighted across the region as being of key importance as it underpins progress towards the achievement of other growth ambitions. The particular importance of ports was stressed and it was felt that there should be a strong emphasis on ports and rivers as these are a major asset to the North East. There was a suggestion by 6 groups (16%) that ports should be included as a separate priority.
- Proposal 9, 'Devolution of skills funding' was also highlighted across the region as being of key importance. It was thought that skills training must reflect the needs of the region and local business to allow the North East to progress. The importance of appropriate local careers advice and apprenticeships was also stressed.

- Proposal 1, 'A North East Investment fund' was also stressed as being of central importance. A suggestion that there should be a regional bank was highlighted in both the facilitated discussions and written responses.

Additional Priorities

Analysis shows despite receiving suggestions from 6 groups (16%) that we should concentrate on the 12 priorities or even phase or combine them; when prompted, all groups went on to suggest additional priorities.

In terms of additional priorities for NECA to include or consider in future, a range of suggestions were recorded as follows:

○ Health, social care and wellbeing	27 groups (71%)
○ Education and Universities	18 groups (47%)
○ Housing	14 groups (37%)
○ Community Safety, including police and fire	9 groups (23%)
○ Climate change and environmental issues	9 groups (23%)
○ Business Rates	9 groups (23%)
○ Technology, communications and infrastructure	7 groups (18%)
○ Strategic and spatial planning and land use	4 groups (10%)
○ Public sector spending and uniformity	3 groups (8%)
○ Job creation for the region	3 groups (8%)
○ Welfare	1 group (3%)
○ Sport	1 group (3%)
○ Early Years	1 group (3%)

Development Needs and Future Considerations

- Issues of governance were raised frequently across the region by 22 groups (58%) with additional more specific comments about the need to consider and develop;

○ Terms of reference	22 groups (58%)
○ Structures to ensure shared approaches and ownership	20 groups (52%)
○ A clear decision making process	19 groups (50%)
○ Leadership	14 groups (37%)
○ A clear communications plan	12 groups (32%)
○ Underpinning principles	10 groups (26%)
○ Processes to monitor and evidence achievements	4 groups (10%)
○ Clarity of roles	4 groups (10%)
- It was suggested that the Combined Authority should focus initially on those areas where we can build on the successful partnership working in the region such as sustainable energy, given our pioneering work in this field and potential to do more.
- Some groups felt that the approach is worth pursuing if the area will benefit from inward investment to help make the area more sustainable and maximise funds to a fuller potential. 10 groups (26%)

Future Involvement and Consultation

- The principle of engaging a broad range of stakeholders in the development and continued work of the Combined Authority was discussed by participants and suggested by 19 groups (50%).
- Reference was made by all groups to working with existing partnerships and networks, local businesses and the voluntary sector, including;
 - Existing consultation and engagement mechanisms including partnerships and working groups 23 groups (61%)
 - The voluntary sector (local and regional) 19 groups (50%)
 - Local businesses and the business sector 10 groups (26%)
 - Town and Parish Councils 5 groups (13%)
 - Young people and youth organisations 4 groups (10%)
 - Organisations representing protected characteristics 2 groups (5%)
- 18 groups (47%) expressed the need to ensure that that the wider community are kept aware of NECA activities, the devolution proposals and progress, and to be provided with opportunities to have their say and shape proposals in order to ensure buy in at local, area and regional levels.
- The consultation identified a range of considerations and methods for informing, engaging and consulting with communities including;
 - Use of social media, website and emails 11 groups (29%)
 - Clear communications policy and mechanisms 10 groups (26%)
 - Regular update meetings 6 groups (16%)
 - Stakeholder and thematic groups 7 groups (18%)
 - Promotion and marketing to raise awareness 2 groups (5%)
 - Clear and easy to use web site 2 groups (5%)
 - Leaflet drops, bulletins and door knocking 2 groups (5%)
 - Be innovative 1 group (3%)

Areas for consideration

Analysis shows that there were some recurring issues raised during the consultation process that need further consideration, including;

- Although there was general support for devolution, 13 groups (34%) felt that care must be taken to avoid creating bureaucracy. Associated issues that need to be considered include additional costs, staff resources, local access and local influence. Whilst 7 groups (18%) felt that it would be sensible for NECA to have dedicated resources including staff, finance to enable it to achieve these priorities.
- It is necessary to engage and consult on a local and regional basis, it is also important to consider how NECA will engage and work with regional organisations covering a wider geographic and administrative area.
- There was an indication that some areas of work are best planned and delivered at a wider regional level, an example being health care. This did however include

a strong feeling that NECA should have a role in ensuring that relevant local needs are met and recognised at both regional and national level.

- The need for the relationship between the NELEP and the Combined Authority to be considered and clearly set out was raised by 7 groups (18%).
- Concern was raised by 9 groups (24%) about the Government's ongoing and future commitment to devolution due to political uncertainty and change linked to the forthcoming election.
- The need to ensure that the work of NECA addresses the whole of the area equally whether urban, rural or those on the peripheries and to consider the unique issues when planning and delivering on priorities was stressed by 24 groups (63%) across the area.
- It was recognised that Tees Valley is not included in NECA area; however it was raised by 15 groups (39%) that we need to ensure that we work with the Tees Valley area and beyond (Cumbria) to create a stronger voice for the region.
- Some indicated that they would like to see both Combined Authorities come together into one combined authority in the future - 3 groups (8%).
- 4 groups (11%) suggested that we should observe and learn from the experiences of Greater Manchester Combined Authority.

Feedback from the MPs and Lords meetings – 18 March 2015

In addition to the local and regional stakeholder events, meetings were also held with North East MPs and Lords to discuss the proposals and direction of travel. 15 MPs and Lords from the area participated in very positive discussions at each meeting and the Combined Authority was congratulated on its achievements so far.

In each session, all participants were supportive of the broad principle of devolution to the North East and felt there was a need for NECA to be ambitious in its proposals and demonstrate an ability to deliver.

There was strong support for the work of NECA and clear recognition of the importance of maintaining close links with neighbouring areas, including working with the emerging combined authority in Tees Valley and the area's Local Enterprise Partnership. The potential for working with Scotland and Cumbria was also highlighted as an important area for exploration. The need to recognise the diversity of the NECA area was emphasised and in particular ensuring rural issues are addressed within the wider agenda.

The approach to inward investment was also discussed including consideration of how the NECA works with UKTI. The skills agenda was identified as an area of priority with local control and influence of skills provision viewed as essential. It was also felt that more emphasis was needed on joining-up schools, colleges and businesses.

Suggestions for consideration alongside the initial proposals included looking at any opportunities for the North East to maximise the benefit from surplus government-owned land and assets in the area. It was also suggested that NECA seek greater influence over the distribution of the energy networks in the region. This was felt to be a key factor in attracting foreign investment to particular sites.

The capacity to deliver on such an ambitious agenda was discussed and emphasis placed on the need to be able to prioritise investment across the NECA area through a strategic plan. Both groups were keen to assist and champion the proposals and to maintain an ongoing dialogue with NECA as it enters negotiations with government.

Regional Stakeholder Event held on 9th March 2015

Introduction

The regional event was held at the start of the consultation process and brought together partners from the public, private and voluntary sectors across the region, particularly those with a regional focus.

The format of the event mirrored that of the local events; however, participants suggested changes to the format of the facilitated table discussions which were implemented. Therefore it is not possible to align the outcomes from this event with the following local events.

The main points from the discussions groups were as follows:

- a) It was suggested that all the proposals are interlinked and none are more important than others. Therefore we need to take a holistic approach and through the consultation, ask if they are the right proposals rather than which are the top priorities.
- b) Participants commented that the devolution request to the government needs to be ambitious and focus on what we can achieve not just for the region but also for the UK with devolved powers.
- c) It was suggested that the Combined Authority should build on the successful partnership working in the region such as Rural Growth Network where we have exceeded targets in developing the rural economy by getting women into enterprise and sustainable energy; and potential to do more. This would demonstrate our track record as well as benefits of the critical mass and a bigger voice.
- d) Need to build trust and credibility locally and nationally by starting with some quick wins. We have to demonstrate that we have the capacity, resources and skills to deliver.
- e) In order to demonstrate identity and cohesion in the NE, it was suggested that clarity will be needed on roles and how organisations will interact in the future. For example Local Authorities, NECA, the NE LEP, the Tees Valley CA as well as the wider north of England.
- f) It was suggested that the issues of inequalities, deprivation and social inclusion need to remain at the forefront of the debate as it relates to how we present the case to Government.

- g) The proposals should demonstrate the 'social value' and wider benefit so that the general public can understand what they are being asked to support. For example, benefits for the long term unemployed or people with disabilities accessing work.
- h) We need to be mindful about building the evidence for the proposals and what they can achieve. We are very good at collecting information at a Local Authority level but not necessary at a NECA level.
- i) The current proposed powers should be left as they are and we should be asking if there is anything to add at a later date e.g. stage two.
- j) It was suggested that NECA should initially focus only on the 12 proposals, in order to achieve quick wins and demonstrate the ability and capacity to deliver and that any additional priorities should be built into a stage two set of devolution proposals.
- k) Other comments included;
 - More detail will be required around the 12 proposals
 - We should observe and learn from the experiences of Greater Manchester Combined Authority.
 - Need clear leads for all the themes and sectors.
 - We need to identify what would have the largest impact and also what barriers stand in the way of achieving our ambition.
 - Longer term commitment is a priority and should be integral in the ask of Government
 - Need to build in democracy and accountability
- l) In terms of broad future engagement, regional stakeholders suggested the following methods;
 - Meetings with business organisations
 - Flow of information
 - Ensure the man in the street can understand the proposals
 - Have detailed discussions to ensure the proposals are robust

NECA Overview and Scrutiny Committee – 24 March 2015

The NECA Overview and Scrutiny Committee were consulted on the Combined Authority's devolution proposals at their meeting on 24 March 2015. There was broad agreement from the Committee to the outline proposals and strong support for the overall principle of devolution.

Suggestions for consideration alongside the initial proposals included establishing a North East Investment Bank, following the example of existing institutions in Germany, and having a joined up approach to strategic planning across the Combined Authority area.

Concerns were expressed about the potential impact that any devolution of health and social care budgets could have at both national and local level, and in particular whether it could result in less provision at a local level. It was felt that there was a

risk of the region becoming isolated if other areas pursue devolution deals with Government and the North East does not.

The Committee discussed the need to establish strong public support for the proposals and were concerned that the next iteration of the document must capture the public's imagination. They recognised that more detail was needed, and suggested including some key examples of the difference that having devolved powers and funding could mean within the region. They also discussed the need to address the outcome of the 2004 referendum - explaining how the new proposals differ from that offer - and to address the issue of governance models, including the potential for having an elected mayor.

ANNEX B**NECA Overview and Scrutiny Committee – 1 December 2015**

The NECA Overview and Scrutiny Committee considered the proposed devolution agreement at their meeting on 1 December in discussion with three members of the NECA Leadership Board.

Following discussion on the consultation exercise itself and the different approaches taken by constituent local authorities, members then considered the detail of the proposals. With regard to accountability going forward, it was hoped that the scrutiny arrangements would remain as now. It was recognised that although the agreement was a significant milestone, there was much more work still to be done and the committee discussed the conditions set out in the proposed agreement that needed to be met before formally progressing to the next stage of devolved arrangements, as well as receiving an update on the progress of the Cities and Local Government Devolution Bill through Parliament.

The committee discussed the governance implications and potential views among residents in relation to the principle of self-determination through devolution, but noting that there was likely to be some division and significant concern on an elected mayoral system. The committee noted the position of Government on the inclusion of an Elected Mayor as a mandatory element of the package of devolution proposals and discussed how the Mayor would work with the Leaders of the 7 local authorities as a Cabinet with appropriate checks and balances in place. It was felt that an elected mayor would have a key role in preparing a vision for the North East that all residents could sign up to and that civil society had to play a part in shaping the mayoral vision.

Discussion emphasised the importance of fiscal devolution to help shape the future of the region particularly in relation to transport and potential investment in the Metro, buses, airports and ports.

It was highlighted that a directly elected mayor for the CA area would be a very different model to what was currently known; the role was about skills and investment in the region and it was therefore important to get the constitution right, with Overview and Scrutiny written into the checks and balances processes.

The committee felt that NECA provided an opportunity to increase economic capacity and to operate on a global level and that decisions would be better made locally. Proposed changes to the business rates system were discussed along with the provisions of the Bill that covered a Mayoral precept.

The importance of ongoing consultation with all stakeholders was emphasised and the committee noted that an implementation plan was being developed including consideration of the appropriate capacity to progress the various workstreams related to the devolution agenda and the themes of the proposed agreement.

ANNEX C

NECA – Proposed Devolution Agreement – Consultation Events

Analysis of VONNE Stakeholder Event held on 18th January 2016

Introduction

The event was held at MEA house with 62 delegates representing voluntary organisations and groups from the across the region.

The event opened with a short introduction by Councillor Simon Henig on the aims of the North East Combined Authority, progress made so far, the Devolution Agreement and the next steps including further engagement and consultation with all stakeholders.

Adam Wilkinson – Acting Head of Paid Service then gave a short presentation on the Devolution Agreement followed by Jane Hartley – Chief Executive VONNE on devolution and the role of VONNE in the devolution proposals and delivery.

There was a short question and answers session with the panel and then delegates split into 6 groups to consider four set questions regarding the devolution agreement and the next steps to progress the debate/implementation of the agreement.

A summary of the main points from the discussion groups on each of the questions were as follows:

1. Does the proposed agreement focus on the right issues to drive growth in the North East?

- a) It was felt that the devolution statement covered the issues, barriers and challenges to economic growth facing the north east however, it was difficult to visualise what the interventions/and changes will look like. An action plan/ time line would assist
- b) The inclusion of the Human Capital strand was welcomed however, it was felt the statement overlooked the need to develop human capital at grass roots level There needed to be more emphasis on capacity building in communities and community development work using an asset based approach
- c) The theme of inequality across the Country; Region, within work force gender, race and age cut across all of the various agenda in the Devolution Statement cut across re was no mention of support for under 16s and it was felt early years intervention was needed to make step change in employment and skills. These had to be given a priority when moving the proposals forward
- d) The proposals currently have an economic focus rather than a VCSE focus. The reasons for this were understood but any economic strategy must be underpinned by a locally focussed Social Strategy

- e) There was a need to ensure that those outside of the job market e.g. young, old and those unable to work through mental or physical disability benefitted from the devolution agreement. Need to be in provision for structured approach to apprenticeships not just the traditional focus on higher education for training of young people.

2. Devolution is not just about drawing down powers and responsibilities from central Government to the North East Combined Authority – we want to work in partnership with our stakeholders and local communities. What do you see as your role and the sector’s role in the implementation of the proposals?

- a) It was felt the VCSE sector could be a conduit to “making devolution real for people in communities” helping people to have a voice and co-design/co-produce interventions recognising the assets in communities to design own solutions (community resilience)
- b) VCSE sector organisations can be a key player in innovating new services – Co-production/Co-Design; sharing best practice – showcasing success through forums, networks and case studies
- c) VCSE representatives could play a pivotal role as a reference group for devolution initiatives using existing forums e.g. VONNE Health & Well Being and could be a core deliverer of services especially at grass roots level e.g. capacity building, pre employability work etc.
- d) VCSE involvement in the process could be held back due to lack of capacity and funding

3. Which areas of the proposed agreement do you want to discuss in more detail at future engagement events?

- a) The Health and Social Care Commission – more clarity required about what it is, its role, and principles.
- b) NECA structures and where VCSE sector fits in.
- c) The development of an action plan, timeline or road map to guide and communicate devolution developments.
- d) Resource Mapping across the area as a whole so that an overall view of the assets, talents, opportunities and strengths there are across the region
- e) Further discussions around Human Capital Theme with a focus on community capacity building and development with a shift in focus from Joint Strategic Needs Assessment to Asset Based Community Development
- f) Governance structures and how the NECA will work with Tess Valley CA for the benefit of the whole region

- g) Resourcing, including impact of reduced resource allocation to the public sector and existing Local Councils, funding of projects and programmes across borders with adjoining councils and how resources will be allocated post devolution

4. Which areas of the proposed agreement do you want to discuss in more detail at future engagement events?

- a) Unified Procurement Mechanism – There are currently 7 different approaches to the implementation of the Social Value Act in procurement across the NECA Region.
- b) The development of a Community Engagement Plan ensuring hard to reach groups are brought in
- c) The Rural Dimension and Social Enterprise need to be considered and taken into account in future discussions and action planning.
- d) In order to demonstrate identity and cohesion in the NE, it was suggested that clarity will be needed on roles and how organisations will interact in the future. For example Local Authorities, the NECA, the NELEP, the Tees Valley CA as well as the wider north of England.
- e) It was suggested that the issues of inequalities, deprivation and social inclusion need to remain at the forefront of the debate as it relates to how we present the case to Government.

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Appendix 3

Creation of a Mayoral Combined Authority – Governance Issues

Introduction

This note provides information on the expected decision-making process and timeline towards creating a Mayoral Combined Authority and sets out anticipated decision-making arrangements once a new CA is established.

SECTION 1 - Decision-making arrangements within a Mayoral Combined Authority

The principles of decision-making processes in a NECA Mayoral Combined Authority described below are based on the Cities and Local Government Devolution Act 2016, the proposed Devolution Agreement, existing legislation and correspondence, meetings and discussions with DCLG. The proposed arrangements negotiated by the North East in the proposed agreement reflect the particular challenges facing the region:

- devolution is about drawing new powers and responsibilities for local functions down from central government not transferring them from local authorities – no powers can be transferred from a local authority to the mayor or combined authority without local authorities' consent
- The deal promotes an “embedded mayor” model in which the mayor will be required to consult with local leaders in relation to mayoral responsibilities and works with local leaders in relation to the NECA responsibilities.

The Cabinet and an embedded Mayor

The NECA Leadership Board would become the Cabinet of the Combined Authority, and would be chaired by the Mayor. Leadership Board members would become portfolio leads for the Combined Authority's responsibilities, building on the existing arrangements established within the Combined Authority and set out in its Constitution. Cabinet members would also be able to take on delegated powers for mayoral responsibilities as agreed with the Mayor. Any responsibility not specifically allocated to the Mayor under legislation would remain the responsibility of the Cabinet and the Mayor will not have a casting vote in decision-making. This section outlines decision-making processes and arrangements in three areas:

- a) Mayoral responsibilities
- b) Cabinet Responsibilities and
- c) Budget setting processes
- d) Mayoral plans and strategies
- e) Scrutiny

a) Functions Exercisable only by the Mayor

The Devolution Agreement identifies 4 specific areas which are to be the responsibility of the Mayor, and these will be reflected in the Order:

- 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.

Note – *this is not a regional spatial strategy, the intention is to 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.*

- 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.

Exercise of Mayoral powers:

- The Mayor will have the power to delegate any of their responsibilities to their Deputy, or a Cabinet Member or Officer of NECA and may consult Cabinet prior to exercising that decision making power. Provision for such consultation would be incorporated in the Constitution.
- Current proposals are that Mayoral decisions would be taken at Cabinet meetings with formal consultation with Cabinet being undertaken in that setting
- The precise Mayoral powers, responsibilities and funding streams will be settled with DCLG and work is underway to determine these.

b) Functions Exercisable by Cabinet

The Cabinet is responsible for **all NECA matters not otherwise specifically allocated to the Mayor** in the legislation.

Exercise of Cabinet powers:

- Decisions will be taken at Cabinet, or delegated to Committees or Officers
- The Mayor will be the Chair of Cabinet and each Cabinet Member (including the Mayor) has one vote - there is no casting vote for the Chair
- Decisions will be made on a simple majority basis unless specified otherwise in legislation
- There is no requirement for the Mayor to be in the majority (i.e. a 'Mayoral veto') as exists in some Combined Authorities. A process has been agreed with government officials to deal with the situation where a 'key strategic decision' is not supported by the Mayor. The Mayor may seek reconsideration of the matter by Cabinet, but ultimately the view of Cabinet will prevail.
- 'Key strategic decisions':
 - certain matters will be defined as 'key strategic decisions' requiring a greater than simple majority vote
 - these will be defined in the Order and are yet to be agreed, however they are likely to cover the areas that require unanimous agreement under the existing NECA Order

- It is likely moving forward that these areas would move from a requirement for decisions to be unanimous as set out in the existing Order, to instead be made by a 2/3 majority
- Arrangements for budget setting are set out separately below

Note – Mayoral veto in other Combined Authorities in some CA areas it has been agreed that the vote of the Mayor must be part of the majority vote for a matter to be agreed by Cabinet, this amounts to a Mayoral veto and enables a Mayor to control not only areas of Mayoral responsibility but Cabinet responsibilities as well. For the NECA Agreement it states that: -

*“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”.*

c) Budget Setting processes

In a Mayoral CA the overall budget setting process for NECA will encompass separate arrangements for (1) NECA responsibilities and for (2) Mayoral responsibilities. The Mayoral portion of the NECA Budget may be ring-fenced similar to the HRA.

Setting the Mayoral Budget

The detailed process for setting the Mayoral budget will be laid down in new regulations but is expected to reflect the current approach to the budget setting in Mayoral local authorities:

1. **Preparation** of a Mayoral draft budget
2. **Scrutiny** of the Mayoral draft budget
3. **Mayor’s response** to scrutiny of budget
4. **Submission of the draft Mayoral Budget to Cabinet** and either:
 - approval (potentially on the basis of a 2/3 majority as a key strategic decision)
 or
 - the agreement (on the basis of a simple majority) of specific Objections (which will be in the form of a costed alternative budget proposal validated by the CFO) raised by Cabinet to the draft Budget with a requirement that the Mayor reconsider their draft budget in the light of the Cabinet Objection

In the case of an Objection - a further meeting of the Cabinet considers the Mayor’s response to the Objection and unless the Objection is agreed by 2/3 of the Constituent Authority representatives the Mayor’s proposed draft budget will prevail. If the 2/3 majority is achieved the Mayors budget will be changed to reflect the Cabinet’s alternative budget proposal. The fine detail will emerge in due course.

Setting the budget for NECA Responsibilities

The budget for the NECA responsibilities will be subject to similar stages as the Mayoral budget subject to the following:

- Setting the budget would be a ‘key strategic decision’ and therefore subject to 2/3 majority when initially considered at Cabinet (subject to the changes to key strategic decisions referred to above)
- The Mayor could invoke the review process outlined above - the decision

would be reconsidered and either confirmed on a simple majority or amended on a 2/3 majority.

d) Mayoral Plans and Strategies

The detailed process for agreeing these Plans and Strategies is expected to be laid down in new regulations but again is expected to reflect the current approach to the agreement of plans and strategies within the Policy Framework in Mayoral local authorities.

e) Overview and Scrutiny

The current arrangements for Overview and Scrutiny do not permit the Call in of decisions. The new legislation provides for Call in of decisions of the Mayor and Cabinet. It also provides for the Chair of the committee to either be an Independent Chair or a Member of a political party not in the same party as the Mayor.

SECTION 2 - The Creation of a Mayoral Combined Authority – timetable and legal process

The dates set out for each stage below are indicative and based on the latest discussions with Government.

Stage 1 – Consent to creation of a Mayoral Combined Authority (March)

- NECA and the Constituent Authorities must formally consent to the making of Orders bringing into effect Devolution.
- The decision whether or not to consent is made by the Executive of each Authority and the NECA Leadership Board
- Each local authority is considering the decision on whether to consent to creation of a Mayoral CA at meetings during February/March and the NECA Leadership Board will make its decision on 24 March.

Stage 2 - Order laid before Parliament (May)

- The initial Order to create the Mayoral CA is currently expected to be laid before Parliament before the summer recess 2016 in May, but this is under the control of DCLG
- This is effectively the point at which the NECA becomes committed to a change to a Mayoral Combined Authority
- The decision to agree the precise wording of the Order to be laid may be delegated to a Leader/Elected Mayor or a Chief Executive – therefore consent could be withdrawn or not proceeded with if a further decision of Cabinet/Leadership Board is taken to withdraw the original consent
- The Secretary of State must also consent to the making of the initial and all subsequent Order(s)
- The Order must be in place by 4 November to enable a Mayoral election to take place in May 2017. Any delay to progress of the Order would delay the election.

Note - Any withdrawal of consent after the Order is laid before Parliament is likely to be more problematic and will depend on Parliamentary procedures.

Stage 3 – Devolution of Powers through a second Order (October)

- The initial devolution of powers to the NECA and allocation of powers to a Mayor will be through a second Order which is expected to be laid in October
- Considerable preliminary work and public consultation will take place prior to that point – this will determine the precise content of the Order
- Again the Constituent Authorities and the NECA must consent to the making of this Order before it will be laid in Parliament
- If any of the Constituent Authorities do not consent to the making of this Order, provided there are at least 2 consenting Authorities, a further Order will be made excluding the non-consenting Authorities from the Combined Authority.

Note – if authorities fail to consent

- *Constituent Authorities may also withdraw from the devolution process and the NECA by failing to or withdrawing consent to this Order.*
- *Any non-consenting Authorities would be removed from NECA by the Secretary of State by a further Order. Devolution may continue provided 2 or more Authorities agree.*
- *There would however be significant reputational implications if consent was withdrawn.*

SECTION 3 – Other Issues

Further devolution of powers

- If new powers and responsibilities are proposed to be devolved in the longer-term to the NECA from other public bodies such as Health, DWP etc, a further Order will be required.
- NECA and the Constituent Authorities can only trigger the devolution of powers from other public bodies if they all consent to the submission of a proposal for the devolution of such powers to the Secretary of State.
- If further devolution is proposed which is contrary to the wishes of a Constituent Authority and the remaining Authorities wish to proceed, a governance review could be carried out with a view to the removal of the Constituent Authority not in agreement.
- A further Order would be requested from the Secretary of State to bring into effect any necessary changes to the geographical extent of the NECA.

Transitional Arrangements – 2016/17

- Devolved powers come into effect only when the Mayoral CA is established
- Discussions with DCLG suggest that if the process follows the indicative timescales outlined above, the Mayoral CA would come into being on 1 April 2017 with transitional arrangements pending the election of a Mayor in May 2017
- Shadow arrangements could be put in place during 2016/17 enabling policy

development and informing the approach under a Mayoral CA however this would be on an informal basis

- Current advice from DCLG suggests access to the £30m/year funding in advance of a Mayor being in place, is subject to 2 conditions:
 - The first Order to create a Mayoral CA being laid before Parliament (as this signifies the authorities' commitment to the creation of a Mayor)
 - An assurance framework must be agreed with DCLG

This means the funding could potentially be available in June 2016 when it is expected that the first Order is laid before Parliament, however this is based on initial discussions with DCLG and is not confirmed i.e. the best case scenario.

Appendix 4 – Progress against devolution proposals

Devolution Theme	Proposal	Progress
Governance	<p>Establishing a Mayor who will exercise certain powers with personal accountability to the electorate, devolved from central Government and set out in legislation:</p> <ul style="list-style-type: none"> • Responsibility for a devolved and consolidated transport budget, with a multi-year settlement • 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. 	<p>Conferring the specific CA and Mayoral powers will be subject to Orders, all of which will require the consent of all of the constituent authorities and the NECA Leadership Board.</p> <p>Government in support of our proposals for an embedded elected mayor and the decision making model.</p>
Finance and Funding	<p>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.</p> <p>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.</p>	<p>The range of potential investment reflects a level of uncertainty over the details of the 5 yearly gateway arrangements in future years and the level of recyclable investment than can actually be achieved. NECA is working with the Government to ensure that the gateway test is reasonable to enable the maximum grant to be released over the period and to give the funding certainty needed to support prudential borrowing for capital investment purposes.</p>
	<p>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.</p>	<p>The level of national flexible funding available has only recently been announced in the March budget as £1.8bn, which will include funding for local sustainable transport schemes. A further £475m will be available for major transport schemes. This is significantly less than the £4.3bn of flexible grant</p>

Devolution Theme	Proposal	Progress
		<p>previous envisaged, due to £2bn being earmarked for Housing 'loan' finance, as opposed to flexible grant funding, with bids for loans to be made by Developers to the HCA.</p> <p>The North East LGF bid will be subject to a competitive process with the result not known until the autumn. It had been hoped that a fair allocation of funding could have been agreed to be included in our single pot of funding at this point. This will now not be possible and we are continuing to negotiate about securing a fair share of all three elements of the new LGF Funding, including the local sustainable transport funding.</p>
	<p>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.</p>	<p>The nature of any proposal would be a matter for the Mayor to decide, in consultation with the NECA Cabinet and the business community. The potential level of infrastructure investment that this could generate is substantial, with the maximum business rate possible to raise between £25m to £30m and year across the whole region. Which if used to fund capital infrastructure over 25 years could support initial capital investment of over £500m. The exact amount that could be raised will depend on the nature of any proposal and the result of the latest reductions in business rates and future business rate revaluations.</p>
	<p>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.</p>	<p>NECA will receive 100% of business growth over the next four years, in advance of a national scheme being introduced.</p>

Devolution Theme	Proposal	Progress
	<p>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.</p>	<p>The draft Memorandum of Understanding (MoU) between DCLG and NECA (as the Intermediate Body) has been received and is being reviewed together with details of the IB designation process and the various commitments (e.g. management and control systems, avoiding conflict of interests, etc.) that are required from NECA. The IB designation process is being managed jointly between DCLG and DWP.</p>
Page 71	<p>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</p>	<p>Discussions ongoing as each set of functions are devolved.</p>
	<p>Future funding outcomes under this agreement should take account of:</p> <ul style="list-style-type: none"> 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. 	<p>Discussions are ongoing with Government in relation to b and c to achieve appropriate clarification and commitment.</p>
Transport	<p>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.</p>	<p>An initial single transport budget amounting to £54.7m a year and £273m in total has been proposed over the next five years. This includes</p> <ul style="list-style-type: none"> • the Integrated Transport Block £13.9m a year – its current level • the Highways Maintenance Block of £40.7m a year, including the highest level of the incentive funding that would have been based on

Devolution Theme	Proposal	Progress
		<p>performance.</p> <p>Over the five years the highest performance band is £19.9m greater than the lowest performance band.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 72</p>	<p>Government will consider establishing and devolving a long-term funding programme to support investment in the Metro. This will include:</p> <p>a. Considering, through the spending review, setting a multi-year funding allocation for Metro reinvigoration phase 2, committed up to 2020-21,</p> <p>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.</p>	<p>The capital element of Metro Asset Renewal Programme grant is confirmed over the period at £120m, with Metro Rail Grant over the next 3 years confirmed at £25m a year. There is no confirmation about the level of the grant from 2019/20 onwards when the results of any new Metro franchise arrangement is expected to commence. There are advantages in terms of flexibility and cash flow of including the Metro funding within the single pot and discussion will continue to have this included in the single pot for future years.</p> <p>Positive discussions have taken place about securing substantial additional capital investment for the replacement of Metro cars and extension of the Metro system. Discussions will continue to secure the necessary additional investment and clarity about the level of the local contribution to the cost of the schemes by 2017, so that this can be reflected in any new franchising agreement and in the planning of the use of our local Investment Fund</p>
	<p>Combined Authority and Government, as part of Rail North will consider a business case for the re-establishment of passenger services on the Ashington, Blyth and Tyne line.</p>	<p>Discussions ongoing with Government</p>
	<p>To support better integration between local and national networks, the Government and the North East Combined Authority will enter into joint</p>	<p>Discussions ongoing with Government</p>

Devolution Theme	Proposal	Progress
	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.	
Human Capital	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	<p>The Employment and Skills Board is in the process of being established.</p> <p>Confirmation is being sought that the Area Based Reviews will be encompassed within a more comprehensive review as originally set out in the Agreement.</p> <p>The new Adult Education Budget is proposed to be devolved to NECA in 2018/19. Discussions on the detail of this will continue with BIS over the next 18 months. While the level of funding to be devolved will not be confirmed until Summer 2016, our indicative estimate for the devolved amount is around £80m.</p> <p>The new Work and Health Programme is to be co-designed with DWP by October 2017. Discussions on the detail of this will continue over the next 18 months. The budget allocation for the North East will be confirmed in Summer 2016.</p>
Business and Innovation	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.	Ongoing discussions with Government
	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	Ongoing discussions with UKTI

Devolution Theme	Proposal	Progress
	board to follow-up on progress.	
	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.	Project is established and delivering. Ongoing phases subject to further discussions with Government.
	The Combined Authority will commission a feasibility study into the establishment of a National Smart Data Institute in the North East.	£15M for a national institute for smart data innovation in Newcastle was announced in the 2016 Budget, subject to an approved business case.
More and Better Homes	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.	Employment and Housing schemes pipeline drafted, currently being reviewed. Membership of the Land Board currently being reviewed.
Page 74	Devolve statutory planning powers, including Compulsory Purchase Order powers and those powers available to the Homes and Communities Agency.	This will be included in the draft scheme and addressed by the Order laid in Parliament later this year.
	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.	Terms of reference for the NEPDF currently being defined to ensure consistency of Local Plans from a regional perspective. National planning policy powers to be reviewed.
Health & Social Care Integration	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.	Commission established, public call for evidence to be published imminently and commission due to report back end September 2016.
Rural Growth and Stewardship	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.	Discussion scheduled with Government Departments to agree timetable.

Devolution Theme	Proposal	Progress
	The Government will explore with the Combined Authority and Northumberland National Park Authority the options to give the Park Authority greater commercial freedom.	Part of the above discussions
Regulatory Powers	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.	This will be included in the draft scheme and addressed by the Order.
Events/culture	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.	Discussion ongoing Budget 2016 announced that government would support plans to bid to host the Rugby League World Cup in the North. This presents a clear opportunity for the North East.
Further devolution	<p>Combined Authority and Government will consider further opportunities for devolution, including but not limited to:</p> <ul style="list-style-type: none"> 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 	<p>Discussions are ongoing on further opportunities for devolution as appropriate. Devolution in areas not covered by the deal is an option for the future and implementation subject to consultation and consent of all Constituent Authorities and NECA.</p> <p>Air Passenger Duty has become increasingly urgent since the Scottish Government's recent publication of a document setting out its detailed plans for implementation of a 50% cut to APD at Scottish Airports. The region calls upon government to clarify how it intends to fulfil the Prime Ministerial commitment as soon as possible.</p>

Devolution Theme	Proposal	Progress
	<p>areas such as tourism, culture, transport and industrial collaboration.</p> <p>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.</p>	