

North East Combined Authority

North East Leadership Board

DATE: 24 March 2016

SUBJECT: North East Combined Authority – Devolution Agreement
Supplementary Report

REPORT OF: Head of Paid Service

EXECUTIVE SUMMARY

The Leadership Board received a report setting out the current position regarding the Proposed Devolution Agreement (the Proposed Agreement) signed on the 23rd October 2015 with Government. The report outlined the outcome of discussions and negotiations with Government on detailed implementation of the Proposed Agreement and a summary of outstanding issues.

This supplementary report updates the Leadership Board on the outcome of the Constituent Authorities' Cabinet meetings and sets out recommendations in regards to next steps.

RECOMMENDATIONS

The Leadership Board is recommended to:

- (1) Note the content of the report, the outcome of the consultation undertaken and the financial implications of the Devolution deal as set out in the North East Combined Authority Devolution Agreement entered into on 23 October 2015 (the "Proposed Agreement") and the governance arrangements as outlined in the report
- (2) Confirm the Leadership Board's continued support for devolution and support for the Proposed Agreement entered into on 23rd October 2015 but notes the outstanding issues including those referred to in the main report (paragraph 68) and matters raised in section 2 of this report require further clarification and commitment by Government, and
- (3) Authorise the Head of Paid Service to secure appropriate clarification and commitment from Government on the outstanding issues referred to in Recommendation (2) above, and
- (4) Convene an extraordinary Leadership Board meeting during the week commencing 9 May 2016 to consider the further information received in relation to the outstanding issues referred to in Recommendations (2) and (3) above [from Government] and to consider the next steps.

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Section 1: Background Information

1. The Leadership Board received a report setting out the current position regarding the Proposed Devolution Agreement (the Proposed Agreement) signed on the 23rd October 2015 with Government. The report outlined the outcome of discussions and negotiations with Government on detailed implementation of the Proposed Agreement and a summary of outstanding issues.
2. This supplementary report updates the Leadership Board on the outcome of the Constituent Authorities' Cabinet meetings and sets out recommendations in regards to next steps. The main report identifies the key outstanding issues arising from the Proposed Agreement in paragraph 68.

Section 2: Local Authority Decisions

3. The section below summarises the decisions taken by the Cabinets of the Constituent Authorities of the North East Combined Authority (NECA) in relation to the proposed Devolution Agreement signed between the Elected Mayor and Leaders of the Constituent Authorities and the Government in October 2015.
 - Durham County Council - Cabinet has deferred a decision on endorsing the Proposed Agreement until clarification has been received on outstanding issues
 - Gateshead Council - Whilst supporting the principle of devolution, Cabinet did not endorse the Devolution Agreement and did not consent to the Authority being part of a Mayoral Combined Authority.
 - Newcastle City Council – Cabinet has endorsed the proposed agreement and agreed to the creation of a North East Mayoral Authority.
 - North Tyneside Council - Cabinet has confirmed support for the Proposed Agreement and seeks clarification on outstanding issues
 - Northumberland County Council – Cabinet is minded to agree the Proposed Agreement subject to clarification on outstanding issues.
 - South Tyneside Council – Cabinet has agreed to continue to negotiate with Government on a range of issues.
 - Sunderland City Council – Cabinet has confirmed support for the Proposed Agreement and seeks clarification on outstanding issues
4. The Cabinet reports recognise the progress made against the Proposed Agreement, emphasise the point that Government must fully deliver on the commitments made in the Proposed Agreement and request clarity on a few outstanding issues including governance.

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5. The Proposed Agreement includes a Government commitment that where functions are agreed to be devolved or to be jointly accountable, a fair level of revenue funding for those functions will be identified in the form of a place-based funding settlement for the NECA. On this point the Constituent Authorities, through their Cabinet reports request clarification on how Government will fulfil its commitment to a single five year programme allocation of LGF; certainty over the £30 million a year funding over all 30 years and the 5-year gateway tests in order to establish an Investment Fund; confirmation on the devolution of sustainable travel funding to the region; confirmation of financial commitment to large scale infrastructure projects; and support to build a “rural proofing” element into the prioritisation and allocation of the Investment Fund.
6. 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 specifically the Cabinet reports highlight that Government needs to fully engage with the North East in relation to the forthcoming Fair Funding Review and subsequent approach to the proposed Business Rate Retention Scheme to ensure that specific issues are recognised and accommodated. In addition, the reports draw attention to the lack of an announcement in the March 2016 Budget on protecting Newcastle Airport from the impacts of devolution of Air Passenger Duty to Scotland and call upon Government to clarify how it intends to fulfil this commitment as a matter of some urgency.
7. Finally, as per the main report, Cabinet reports ask for confirmation that the Area Based Review process will not commence until the commission led by the Lord O’Neill Board is established.

Section 3 – Next Steps

8. The NECA Leadership Board is asked to consider the recommendations as set out in the report and to give the delegated authority to the Head of Paid Service, working in consultation with the Constituent Authority Leaders and Chief Executives, to seek formal responses from Government on outstanding matters arising from the proposed Agreement as set out in paragraph 68 of the main report.
9. The NECA Leadership Board will receive a report on the outcome of further negotiations undertaken and responses received from Government on the outstanding issues at a further meeting to be held in May 2016.
10. For the sake of completeness, should the Constituent Authorities and the Leadership Board support the creation of the Mayoral Combined Authority following receipt of formal responses from Government, secondary legislation

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will need to be prepared and laid by Government to create the Mayoral Combined Authority. In addition, if the devolution of specific powers to NECA is to be progressed, a Governance Review and resulting Scheme must be produced. Such a Scheme is subject to a period of public consultation and will set out the specific powers sought to be devolved, how the exercise of those powers is expected to improve the exercise of statutory functions in the NECA area, the decision making processes linked to the exercise of those powers, including whether the power will be exercised by the Cabinet or the Mayor, and associated budget processes and voting arrangements. The Scheme and consultation responses will be submitted to the DCLG and subject to Ministerial consent will form the basis of the Order devolving powers to NECA. More information regarding the timescales and process for the making of the requisite Orders is set out in Appendix 3 of the main report. Further reports will be submitted to the Leadership Board regarding the next steps in due course.

Section 5: Potential Impact on Objectives

See main report.

Section 6: Finance and Other Resources

See main report.

Section 7: Legal

See main report.

Section 8: Other Considerations

Consultation/Community Engagement

See main report

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

See main report

Crime and Disorder

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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

Section 13: Contact Officers

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Section 14: Sign off

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