

North East Combined Authority, Overview and Scrutiny Committee

24 March 2015

(2.00 - 4.18pm)

Meeting held Newcastle Civic Centre

Present:

Councillor: Wright (Chair)

Councillors: Armstrong, Crute, Daley, Dillon, Eagle, Glindon, Graham, A Lower, Maxwell, S Pearson, Snowdon and Tyler

41 WELCOME, INTRODUCTIONS AND APOLOGIES FOR ABSENCE

The Chair welcomed everyone to the meeting and introductions were made. She went on to welcome the BBC journalist, Mark Easton, and a camera crew on behalf of Overview and Scrutiny Committee. Mark Easton advised that the BBC was present for the devolution item; the North East Combined Authority was at an interesting stage of development, especially considering the current consultation on the 'devolution prospectus'. The BBC would film general shots of the meeting and pick up on the conversation.

Apologies were received from Councillor Meling.

42 DECLARATIONS OF INTEREST

Councillor Eagle declared an employment related interest and informed committee that he had dispensation to attend this meeting.

43 MINUTES OF PREVIOUS MEETING HELD ON 10 FEBRUARY 2015

The minutes of the last meeting held on 10 February were agreed as a correct record and signed by the Chair.

The Chair requested that a glossary be provided for each agenda item in the future; this would be added to the standard report template used by report authors.

VARIATION TO AGENDA ORDER

RESOLVED – That Overview and Scrutiny Committee Members agreed to change the order of agenda items to accommodate the presence of the BBC and to enable the item on devolution to be taken first.

44 DEVELOPING A DEVOLUTION PROSPECTUS FOR THE NORTH EAST

Submitted: Report of Monitoring Officer to summarise outline proposals that could form the basis for discussions with government and other stakeholders (previously circulated and copy attached to the official minutes) to secure a devolution of power, funding and responsibilities to deliver the North East Combined Authority's objectives and the shared agenda for growth in the future.

It was recommended that the Committee consider the outline proposals and comment on these as the basis for North East Combined Authority's (NECA) to engage with government ministers and other stakeholders.

To provide a comprehensive overview Rob Hamilton (Newcastle City Council's Economic Development Principal Advisor) gave a presentation which covered the following:-

- The national debate
- The current position of NECA and recent developments
- Playing to our strengths
- The North East economy
- Delivering change
- Devolution for the North East – developing a 12 point prospectus
 - 1) A North East Investment Fund
 - 2) Enhanced responsibility for the delivery of European Funding
 - 3) Government guarantee to deliver the existing City Deals
 - 4) A Housing Investment Fund and devolution of North East assets
 - 5) Investment in our major transport infrastructure
 - 6) The creation of an integrated public transport system
 - 7) Support to secure and enhance international connectivity
 - 8) A fully devolved Work programme
 - 9) Devolution of skills funding
 - 10) New powers to help North East business to grow
 - 11) Powers and funding to support our vibrant culture and visitor economy
 - 12) An integrated approach to public service delivery

The key messages:

- NECA was committed to a shared agenda for growth – through working in partnership with NELEP and other key regional stakeholders.
- Devolution to local areas held the key to a more resilient national economy and to bring about change, the North and its constituent economic areas needed much greater autonomy over the drivers and the proceeds of growth.
- Combined Authority areas in particular need greater control over the decisions that could drive economic growth. They needed to be able to control their own budgets across a variety of policy areas and have the opportunity to implement bespoke and innovative models, including raising their own revenue, to deliver on their aspirations.
- Combined Authorities already had the right framework in place to not only take on more devolved powers and responsibilities but to lead on

collaborative arrangements across the North to become a globally competitive economic powerhouse.

- It was expected that the Government would work with the North East to ensure devolution to support growth.

It was important to get Members' thoughts on whether the proposals were focused in the right areas. Committee was informed that recent local stakeholder events had also considered these broad questions.

Member comments, questions and points raised

- In response to a question members were advised that there was no guarantee of funding from the government or Europe at present. Most funding was allocated on an annual basis and NECA wanted to move to a minimum multi-year basis. It was essential that guarantees were confirmed. European funding in the North East amounted to £0.5billion and pulling out of the EU would have an enormous impact.
- The "Investment in our major transport infrastructure" prospectus made no mention of the old Leamside line. This missed the opportunity to have some sort of rail link with Washington.

Rob Hamilton agreed about the importance of the line and said work was going on to look at the benefits of using it. There was also a commitment that High Speed (HS) trains would come into the region (although not the HS track) so there needed to be increased capacity on the network; Leamside could provide this.

- The Chair asked if the devolution proposals should include health and social care.

Rob Hamilton advised that it would be a profound change to move to a new model eg. the Manchester model, but there was appetite to explore options. His approach would be to adopt a two stage process – better integration in the short term and then, looking at a more radical approach, if this was effective elsewhere in the country.

There was agreement that there was a lack of local democratic mandate in health but also concerns that the Manchester model could possibly cause fractures in the NHS.

- There were currently several disparate funding streams with a plethora of rules. Although Rob Hamilton confirmed that the aim was for a single pot, a Member pointed out that this was not made clear in the paper (Appendix 1 to Item 6). Rob Hamilton said that he had noted concerns that report and presentation should be sharper.
- The issue of the population numbers and possible lack of critical mass was raised.

It was confirmed that there was a population of 2million in the Combined Authority area and in this way NECA was one of the largest. The North East was also a coherent geography to work with. With regard to the referendum for an elected regional assembly in 2004, it was suggested that this was seen as an additional layer of bureaucracy. The Combined Authority had to ensure that it was seen as a mechanism for integrated delivery at the local level to get public support. A BBC poll in November 2014 had suggested that 85% of people in the North East supported improvements to powers and responsibilities in the region.

- The government had abolished the Regional Spatial Strategy five years ago. If the Combined Authority was planning to tackle economic growth it would need to have a strategic dimension to add to the local development plans currently in place.

It was suggested that there were strong advantages to a regional plan. However, the soon to be adopted Newcastle/Gateshead Joint Plan had been an enormous amount of work and other local plans had to be adopted by the constituent local authorities to balance the need for growth as well as protecting communities. A regional plan was a possibility in the future.

- It was maintained that the term 'devolution' had negative connotations and that it should be made clearer, in a positive way, that NECA wanted more power. Also, as the agenda developed it would be very useful to know what would be in the short/medium/long term and where the funding would come from; in this way the 'devolution prospectus' would not look like a wish list. A type of matrix to illustrate what/when/how etc. was needed. The Chair asked that some sort of spreadsheet be prepared to outline the issues/topics raised.
- This was a really exciting time and the prospectus was a very good start on something that could bring striking change. Although members considered that the questions were right, it was pointed out that there was no mention of a figure head in the paper. In Manchester the agenda being worked towards was predicated on an elected mayor. The North East could potentially have 7 'leaders' and there was a danger that it lacked a figure head. This should be included in the document as an additional question that should be asked.

At present, Greater Manchester Combined Authority would have an elected mayor, although Sheffield and Leeds would not.

- On other themes, the issue of air passenger duty was important. The North East Investment Fund was a good idea but this was also a good opportunity for the area to have a North East Investment Bank; this could raise capital and lend to the benefit of the region; it could also provide an opportunity for the region to cushion itself from future changes in interest rates; this also needed to be included in the paper.

In response to this point, Rob Hamilton stated that access to finance was crucial. The JEREMIE Fund (Joint European Resources for Micro to Medium Enterprises) had been successful and strong arrangements were in place

going forward. A strong factor in favour of the bank was that it would generate local investment eg. the German model.

The risks of not proceeding with the 'devolution deal' included that all the main political parties had made a commitment to further devolution; it was evident, from cities like Manchester and Sheffield, that these places were at the top of the list for investment; NECA had to come forward as a region now, and had to be seen to 'play in the premier league' now.

With regard to moving forward, the feedback would be collated and assessed after the election; the outline proposals would form the basis of early discussions with Greg Clark MP, in preparation for negotiations with the Chancellor of the Exchequer. Members were asked to submit any further comments or questions at:

www.northeastca.gov.uk/devolution

RESOLVED – That the Overview and Scrutiny Committee agreed that:-

- a) The next iteration of the prospectus should include details on spatial planning and also a future regional bank.
- b) That the Leadership Board be recommended to –
 - sell the prospectus in terms of decision making and local power; and,
 - provide information on the sequencing of priorities from future single pot funding.

45 **NELEP - UPDATE ON KEY PRIORITIES**

Helen Golightly (Chief Operating Officer, North East Local Enterprise Partnership - NELEP) offered the apologies of Paul Woolston (NELEP Chair) who could not attend the meeting today. She went on to provide a verbal update on the LEP and informed Committee that it had recently moved, from setting the strategic policy direction to delivering an ambitious plan for long term and sustainable economic growth.

A defining moment in the LEPs journey had been the publication of the Strategic Economic Plan (SEP). The plan articulated how the NELEP met the challenges set out in Lord Adonis's Independent Economic Review, bringing partners from the private and public sector together to make the North East a place where more businesses invest, grow and prosper. It focussed on six themes, innovation; business support and access to finance; skills; economic assets and infrastructure; employability and inclusion; and transport and digital connectivity, with common ambition of growth. (The NELEP Board was comprised of 18 members with at least two members championing each theme and the themes were all at different stages of maturity and development).

Since its launch in March 2014, the Economic Plan had become the core of the work, attracting £330m in funding from Government as part of the North East Growth Deal. The Growth Deal would enable the region to attract substantial private and public investment and deliver up to 5,000 jobs. The challenge for the LEP in facilitating delivery was that there was absolute reliance on partners to deliver.

The LEP also had a role with the North East Investment Fund of £55m; this was a Capital Loan Fund supporting projects that specifically encouraged local economic growth and create jobs.

The European funding programme was a further area of activity for the LEP although this was an evolving landscape at the moment. The government was in the final stages of signing the European Structural and Investment Fund (ESIF) which would bring great opportunities for economic growth in the next year.

Members' comments and questions

- In reply to a question about where the LEP sat with regard to the devolution agenda, Helen Golightly said that this would depend on government policy going forward. However, the LEP and the Combined Authority were now working closely and looking to ensure there was no duplication.
- It was confirmed that the LEP was subject to Freedom of Information requirements.
- Members expressed concerns that a written report had not been provided by the LEP; written papers helped attendees to frame their thinking in advance of meetings. It was suggested that the legal role of the Combined Authority, as the accountable body, should be reaffirmed.
- It was also pointed out that details of financial information and matched funding would be useful for Members at future meetings.

Helen Golightly advised Members that she had been asked to attend and provide an overview but would be happy to provide further information.

The Monitoring Officer stated that there would be clarity in the communications going forward. As the accountable body, it would also be useful to invite Paul Woods (NECA Chief Finance Officer) to meetings with the LEP.

- The Chair asked what could be done to ensure the region retained highly skilled talent and how many jobs had been created in recent years. Helen Golightly informed the meeting that 33,000 jobs had been created but this was not only because of the LEP/SEP. With regard to the types of jobs, the value of the jobs etc. the LEP Chief Economist could provide analysis about closing the gap.
- The Chair advised that a much fuller report was required for this Committee to do justice to its role.

It was agreed that an update report for information from the LEP on the six themes be included on the next agenda for the Overview and Scrutiny Committee.

46 METRO PERFORMANCE UPDATE AND GOVERNANCE OF NEXUS

Report of Monitoring Officer to provide an update on performance of the Tyne and Wear Metro and the options being considered for reform of the constitutional arrangements (previously circulated and copy attached to the official minutes).

A copy of a report of Chief Executive for the Thematic Lead for Transport and the Managing Director (Transport Operations) on 'Monitoring Nexus' Performance' - from the meeting of the NECA Transport North East (Tyne and Wear) Sub-Committee on 29 January 2015 – was attached to the covering report as Appendix 1.

Tobyn Hughes (Nexus Managing Director Transport Operations) was in attendance to update Members on performance and to explain measures being put in place to improve service performance. Raymond Johnson (Nexus Director for Rail and Infrastructure) was also in present at the meeting.

Members were advised that there were three delivery agents working on behalf of the Combined Authority – Nexus (for the Tyne and Wear area), and Durham and Northumberland councils for their respective county areas. The new role of Managing Director Transport Operations was created partly to manage Nexus but also to start to develop a plan of integration. Tobyn Hughes said that part of the job was to work very closely with all seven local authorities and to work towards integrating transport operations.

Tobyn Hughes highlighted the following issues in the report and confirmed that, although Nexus ran and managed the metro system (and was involved in transport planning), the trains were operated by German firm DB Regio via a seven year funding arrangement with DfT. This arrangement was extendable by two years so a discussion would be required regarding going forward.

A number of factors had contributed to recent reports on performance, including low rail adhesion problems, the age of the metro fleet, the availability of drivers and significant power failures.

Smart ticketing – this was a success in the wider North East area and, other than Oyster, NESTI now had the most smart cards in use. A pay-as-you-go travel scheme would be launched in the near future at the best possible price.

Metro reinvigoration - the delivery of the programme was going well and it was expected to be effectively delivered for the fifth year running.

Quality Contracts Scheme (QCS) – Nexus continued to work on this and was making progress through the stages of the statutory process.

Appendix 2 of the covering report was a copy of a report on the 'Governance of Nexus' to the meeting of the NECA Transport North East (Tyne and Wear) Sub-Committee on 26 February 2015. The paper related to Nexus going forward with the Combined Authority and how it could better enmesh and align with its policies and priorities.

Members' questions, comments and points raise

- A Member asked what had been done to alleviate bad press regarding leaves and other low rail adhesion problems. Tobyn Hughes stated that anytime customers were let down the organisation deserved bad press.

Raymond Johnson advised that this was a national problem which impacted more on smaller trains. Although there was an ongoing exercise to reduce vegetation around the Metro network a rail head treatment train had been introduced to mitigate against risks where possible.

- The issue of the single track line between Pelaw and Hebburn was raised. The track duelling scheme remained important to Nexus although these particular tracks were owned by Network Rail. The Metro 2030 Strategy set out new potential routes etc. and this work was being fed into wider transport work of the Combined Authority. It was anticipated that a more detailed rail strategy would be developed over the next 12 months covering the entire Combined Authority area.
- In response to a question about why the track had been taken up on the Leamside Line, Tobyn Hughes advised that this was carried out by Network Rail. This was due to parts of the track being stolen. It was most likely to feature in any strategy coming forward; as the East Coast Main Line became more well used the region would need to look at reopening other lines for local usage.
- Nexus continued to face challenges with regard to better communication with users about disruptions (although social media was used). An in-house review with Deutsche Bahn (the parent company of DB Regio) was looking at how to ensure that customers got timely information in the future, rather than no or misleading information.
- Nexus viewed the appointment of Sharon Kelly (the new interim MD of DB Regio) as a very positive step and believed her management would make a difference to effectively delivered services.
- With regard to value for money (VFM), Tobyn Hughes informed committee that the DB Regio had gone through a tendering exercise and that he believed it had been awarded the contract as it had offered the best VFM. He could not say whether an in-house bid would have done better; however, under any circumstances, an aging fleet, infrastructure improvements and staffing issues etc. would have had to have been dealt with.
- Nexus was asked if DB Regio had made improvements to workforce planning and whether or not there was an apprenticeship scheme.

Raymond Johnson replied that, although Nexus was not entirely satisfied, some actions had been put in place. For example:-

- drivers were required to give one months' notice but training for new drivers lasted for six months

- staff opting for elective surgery could not be factored into the planning
- it was now more difficult to predict retirement ages due to flexible working practices
- following a peak in the attrition rate, the processes were quickly reviewed and the company now had the capacity to train 24 drivers
- DB Regio now had a 'batch' of driver they could call on over the next two years

On behalf of the Committee, the Chair thanked Tobbyn Hughes and Raymond Johnson for attending the meeting. She went on to say that the Committee would like to focus on performance monitoring to help ensure achievement of objectives and it was agreed that Nexus should come back to a future meeting. Councillor Wright concluded by stating that it would be helpful to have another opportunity to look at governance to enable the Members to gain a better understanding.

Following a question about the QCS draft plan, Tobbyn Hughes informed attendees that the QCS Board would be scrutinising this in July. However, there was an abridged version which he agreed to share with Members.

47 **FORWARD PLAN & WORK PROGRAMME**

Report of Monitoring Officer to provide Members with an opportunity to consider the items on the current Forward Plan and to review the annual work programme (previously circulated copy attached to the official minutes).

Members of the Scrutiny Committee for the 2015/2016 municipal year would be consulted on new items to be added to the work programme, in addition to the items listed below to be carried forward.

- 6-monthly updates on the 3 priority themes
- Good practice examples of sub-regional scrutiny and accountability models, including links to Manchester CA as the most developed of the CA
- Budget and policy framework: Strategic Economic Plan, Growth Plan , Local Transport Plan
- Developing relationships with partners and delivery organisations
- Forward Plan items
- Proposal for policy review

'Transport related barriers to employment' was considered a good topic for a policy review and this could contribute to the North East Transport Plan. A report would be included on the first agenda of the new municipal year (June).

The proposal that the Centre for Public Scrutiny (CfPS) be approached to develop a bespoke development session for Members; it was envisaged that this would be delivered in June. The Chair requested that scrutiny officers also be invited to attend the session.

RESOLVED – That the Overview and Scrutiny Committee noted the items to be carried forward into next year's work programme, endorsed the outline proposal for

a policy review topic for the year ahead and agreed in principle to hold a development session to be designed for scrutiny members and officers by the CfPS.

48 DATES AND TIME OF FUTURE MEETINGS

2015/16 Proposed NECA Scrutiny Dates (all meetings 2 pm)

22 June - Durham

21 July – Sunderland

8 September – Gateshead

20 October – Newcastle

9 February – South Tyneside

22 March – North Tyneside