

COUNCIL

21ST MARCH 2016**SUPPLEMENTAL REPORT OF THE INTERIM HEAD OF PAID SERVICE****NOTH EAST COMBINED AUTHORITY – PROPOSED DEVOLUTION AGREEMENT AND ELECTED REGIONAL MAYOR – FURTHER INFORMATION****1.0 Executive Summary**

- 1.1 On 23 October 2015, the North East Combined Authority (NECA), signed a proposed Devolution Agreement with Government, committing us to further discussions on devolution.
- 1.2 The transfer – from central Government to NECA - of a specific set of powers concerned with driving economic growth is proposed, along with control of some associated funds for employment and skills, transport, housing, planning, business support and investment. In addition, an allocation of revenue funding for capital financing of £30 million a year - planned to be over a period of 30 years - would be given to NECA to help create an investment fund (the North East Investment Fund). This and other proposed, additional funding that could be included in the Investment Fund has the potential to increase investment by in excess of £1.5 billion over the 30 year period. The proposed Agreement also includes Government support for reviews to be undertaken by NECA in relation to options for future Health and Social Care Integration, Employment and Skills services and Public Service Reform.
- 1.3 Included in the proposed Agreement is a proposal that NECA becomes a Mayoral Combined Authority. This proposal, as with all aspects of the proposed Agreement, is subject to the formal consent of NECA and its constituent authorities. In agreeing to create a Mayoral Combined Authority at this stage (should that be the decision reached), NECA will not be bound to implement the recommendations that come forward from the aforementioned reviews.
- 1.4 There has been extensive consultation with the public and business across the NECA area in relation to the proposed Agreement, including the creation of an Elected Mayor. The consultation with the public, business and others is outlined in Section 7 of the report with further detail in Annexes 1 and 2.
- 1.5 Whilst approval of the proposed Agreement is a Cabinet (Executive) responsibility, the Cabinet resolved to consult with Council to understand their views on the proposals prior to progressing with the decision making. The view of Council will be considered by Cabinet on 23 March 2016, when a formal decision is taken on whether to support the proposed Agreement and to consent to the creation of a Mayoral Combined Authority, including the creation of an Elected Mayor.
- 1.6 As outlined in 6.3 of the report, next steps will include Orders being made by the Government to create the Mayoral Combined Authority in the first instance (by November this year) and subsequently for the devolution of new responsibilities to the NECA. In respect of the latter, the constituent authorities will need to be content with the draft Order setting out those responsibilities as it is developed, in respect of the responsibilities of both the Cabinet and the specific decision making responsibilities and powers of the Mayor.

2.0 Background

- 2.1 In April 2014, to promote the economic regeneration and prosperity of the area, seven local authorities of the North East formed the North East Combined Authority. The Members are County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland, working with the North East Local Enterprise Partnership. The Combined Authority 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 and with a specific remit to support and drive economic growth in the area.
- 2.2 In January 2015, the North East Combined Authority Leadership Board agreed and consulted on a set of outline proposals to assess 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.
- 2.3 Following consultation, the North East Combined Authority Leadership Board published a Statement of Intent and commenced a process of detailed negotiation with HM Treasury. A proposed agreement was signed by the Leadership Board, the Chancellor and Commercial Secretary to the Treasury on 23 October 2015. Similar agreements have also been signed by Greater Manchester, Sheffield City Region, Tees Valley and West Midlands Combined Authorities.

3.0 The Proposed Agreement

- 3.1 The proposed Agreement is included with the original Cabinet report. It is conditional on the outcome of a number of matters including the legislative process, the Spending Review, further public consultation and to the agreement of the constituent authorities and NECA.
- 3.2 In summary the proposed agreement includes:
 - Additional resources of £30 million a year revenue funding, committed for 30 years, to support the financing costs of a North East Investment Fund worth up to £1.5bn. (*This will not mitigate against the significant levels of cuts across the full spectrum of local authority and wider public sector services, but is additional resource to that which the NECA area would otherwise receive, in order to support economic growth*).
 - An allocation from the Local Growth Fund, 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.
 - An Employment and Skills Board (Chaired by a Government Minister at the invitation of NECA) 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.

- A 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 control over the management of around €500 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 councils 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.

3.3 Throughout the negotiation process, Ministers made clear that devolution was conditional on the creation of an elected Mayor for the Combined Authority's area. They argued that significant 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 centre. Nevertheless, in the interests of securing the region's proposals for devolution, and as a basis for future devolution opportunities, the 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 included appropriate checks and balances.

3.4 The proposed devolution agreement provides for a Mayor to work within the Combined Authority, which they would Chair, through a Cabinet made up of the Leaders of the local authorities. The Mayor would be subject to the Combined Authority's revised Constitution and they would only have the power to make decisions in relation to those matters specifically allocated to them by legislation. The Cabinet (and Overview and Scrutiny Committee) will examine the Mayor's annual draft budget, plans and strategies and will be able to amend them if two thirds of the local authority appointed 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 Combined Authority.

- 3.5 Notwithstanding these important checks and balances, it is clear that the Mayor would be an influential and visible figure within and beyond the region.
- 3.6 Further information on the governance of the Mayoral Combined Authority is set out in Annex 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 subject to Ministerial agreement and the outcome of a governance review and scheme, which are yet to be created.
- 3.7 For each of the Combined Authority areas entering into a proposed devolution agreement with the Government the decision making responsibilities and powers of their elected mayor are set out. In relation to NECA, it is proposed that the Mayor will have decision making responsibilities and personal accountability in relation to:
- Integrated transport including rail, Metro, bus and ferry services as described above.
 - Strategic planning through the creation of a Planning Development Framework which will provide 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 Regional Spatial Strategy and does not convey any powers to grant or refuse planning consent. The decision making powers in relation to planning applications will remain with 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. Such agreement is currently provided through a ballot of affected businesses.
 - 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.
- 3.8 It is currently envisaged that should the local authorities and the Leadership Board consent to the creation of the Mayoral Combined Authority, an election for a Mayor would take place in May 2017.
- 3.9 As mentioned above, the proposed Agreement was conditional on the completion of the legislative processes, the Spending Review, further public consultation, agreement of the constituent authorities of NECA and formal endorsement of the Leadership Board of NECA.
- 3.10 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 are supported, the secondary legislation would be brought forward later this year.

4.0 Finance and Funding

- 4.1 The negotiations on devolution have taken place against the background of austerity. Devolution cannot reverse the cuts, but it can create more freedom for the region to set its own priorities, and greater financial flexibility to invest for the longer-term. The Devolution Agreement sets out a principle of fair funding, which leaders have discussed directly with the Commercial Secretary to the Treasury. The Spending Review has now been completed, and discussions are underway to deliver on the agreed principle of fair funding, and to ensure newly devolved responsibilities are fairly resourced.

- 4.2 If approved, the Devolution Agreement will bring considerable additional resources from 2016/17 onwards to the NECA area. These additional resources will be administered by the NECA rather than the individual local authorities. The use of these resources will be determined by the Elected Mayor or Leadership Board following consultation.
- 4.3 The proposed Agreement would enable NECA to create an Investment Fund worth up to £1.5 billion, to facilitate a programme of capital investment across the region, with an initial allocation of revenue funding for capital financing of at least £30 million a year, potentially for 30 years. This grant is subject to a gateway test every five years. 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. A pipeline of potential capital projects and opportunities for Investment and Business Finance are currently being developed for consideration by the NECA Leadership Board later this year, with decisions for investment in future years being taken by the NECA Cabinet, which will include the Mayor.
- 4.4 This grant is also intended to fully cover the costs of the Devolution Agreement, including the cost of the capacity needed to achieve the devolution objectives, the cost of mayoral elections and the costs of the Mayoral Combined Authority in the next two years. Subject to the agreement of NECA, the Cities and Local Government Devolution Act 2016 makes provision for the Secretary of State to enact an order to enable the Mayor to raise a council tax precept in the following years, to fund the cost of the Mayor's budget. The earliest that this could occur is likely to be 2018/19.
- 4.5 The fund would also include the region's share of Local Growth Funding and other devolved funding streams. The Agreement enables NECA to submit a proposal for a five year Local Growth Fund grant. The multi-year nature of the grant would provide greater funding certainty and flexibility and greater local control over how the money is to be invested, which should help accelerate the delivery of high priority capital investment programmes. The national level of available funding is expected to be confirmed after the March Budget.
- 4.6 Certain decisions on European regional funding would also be made in the region allowing the North East to influence the alignment of investments with other aspects of the devolution deal.
- 4.7 Work is underway to secure a substantial place based delegated Transport Budget for 2016/17 onwards, including highway and transport capital and revenue grants. The scale of this budget is expected to be announced shortly and this resource would also be included in the Investment Fund.

5.0 A Fair Funding Settlement

- 5.1 The proposed Devolution Agreement referred to a "fair funding settlement" to mitigate against the risk of the North East suffering disproportionately from future reductions in funding. The Spending Review made clear that austerity will continue for Local Government until at least 2020. The results of the Local Government Revenue Grant Settlement for 2016/17 did not change the fact that the North East has been the hardest hit by the withdrawal of Government funding since 2010 and has had the largest cut in spending power, while facing above average cost pressures.

5.2 The provisional grant settlement for 2016/17 published in December 2015 was 'fairer' than in previous years, in that the average percentage cut in total Grant and Business Rate income funding for councils in the NECA area was below the national average. However the cut in "core spending power' which includes the ability of councils to raise income from council tax is still showing a slightly higher cut than other regions, although the difference is less than in previous years. In addition, the impact of the transitional grant and extra rural grant funding awarded to some authorities has acted against the fair funding principle. These are important issues and work is on-going with Government to further improve the fairness of the funding settlement and is part of the consideration and consultation on changes to the Local Government funding arrangements.

6.0 Legal

- 6.1 Decisions relating to the implementation of the proposed Devolution Agreement are executive decisions and therefore the responsibility of Cabinet.
- 6.2 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 of which Sunderland City Council is one, and with NECA. Ministerial consent is also required.
- 6.3 The creation of a Mayoral Combined Authority 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 NECA and their initial term of office (the initial Order) and a further Order devolving new responsibilities to NECA and allocating specific decision making responsibilities to the Mayor. Any responsibility which is not specifically allocated to the Mayor remains the responsibility of the Leadership Board which will be renamed the "Cabinet."
- 6.4 The Department of Communities and Local Government (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 the Parliamentary processes would be commenced with a view to the first Order being laid before Parliament prior to the summer recess. Subsequent Order(s), that require additional public consultation before being made, must be in place early in 2017.
- 6.5 The proposed Devolution 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 new 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 a decision taken by 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.
- 6.6 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.

- 6.7 Subject to the conditions outlined in 4.4 above, the responsibilities of the Mayor not otherwise funded through Government grants, or the continuation of existing levy arrangements, will be funded through a precept. 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 Government grants, constituent authority contributions and appropriate levies.
- 6.8 Not only does 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 are also subject to change if the requisite majority is achieved.

7.0 Consultation/Community Engagement

7.1 Further public consultation has taken place, both within the city and across the NECA area, since the proposed agreement was signed to capture the views of partners, stakeholders and residents on the Agreement. The consultation has demonstrated material support for the principle of devolution, and for using the current Agreement as a platform for further opportunities. There are different views on whether the mayoral model is appropriate to the North East, but it is recognised that this is a strict condition set by government in order to secure devolved responsibilities.

7.2 Local Consultation

7.2.1 The local consultation undertaken within the city, is summarised together with results and outcomes, at Annex 1. Consultation included briefings and meetings with the business community, the voluntary and community sector, local TUC representatives and a special edition of Community News delivered to every household incorporating a survey which could also be completed online.

7.3 NECA-wide Engagement

7.3.1 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 using a variety of consultation methods across 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 a local level, as mentioned above.

7.3.2 Consultation on the devolution 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 was used to gather views, including:

- A series of local facilitated events across the NECA area
- A regional stakeholders event
- A Trades Union event
- A Voluntary, Community and Social Enterprise Sector event
- Meetings of the NECA Overview and Scrutiny Committee
- A meeting of North East MPs and Lords at Westminster
- The opportunity to submit comments via the NECA website through an online questionnaire

- 7.3.3 Responses across the full range of stakeholders have been positive overall, welcoming the opportunities offered by the devolution agenda. 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.
- 7.3.4 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 formal agreement be reached. 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.
- 7.3.5 The results of the NECA consultation exercises are detailed in the report attached at Annex 2.

8.0 Annexes

Annex 1: Sunderland City Council: Devolution Consultation

Annex 2: Devolution to the North East Consultation and Engagement Report – February 2016

Annex 3: Proposed Governance Arrangements

Sunderland City Council – Devolution Consultation

Background

In the time between signing the proposed Devolution Agreement for the North East and the Council forming an opinion on the matter, Sunderland City Council chose to engage as widely as possible with residents and stakeholders in the city. This included attending each of the five Voluntary and Community Network area events in February 2016, hosting a business briefing in the city on 12th February, consulting with the Sunderland Trades Union Congress, writing to every household in Sunderland with information on the proposals and asking for responses to a set of questions, as well as publishing this same information on the council's website. The report on devolution was also considered by the Council's Scrutiny Committee on 11th February.

Voluntary and Community Network area events

Each of the five events was attended by either the Deputy Leader or Leader of the Council, who presented the details of the proposed Devolution Agreement. Following this presentation, questions were invited from those present. The following questions were raised at these sessions:

- **Elected Mayor:** the majority of questions raised related to the Elected Mayor, specifically, what role the Mayor would have; what powers they would hold and would they set the budget; what type of person may run for this role; and how attuned they would be to local circumstances (noting that PCCs have not been a very successful model)
- **Budget:** questions were raised over the £30m a year that will be devolved should the deal go ahead. These included: how the money would be used; will the £30m a year replace any of the budget allocated to local councils; and concern over whether the Combined Authority will have responsibility for the health budget and the implications of this
- **Working Together:** Questions were asked over who will hold the Portfolio seats in the Mayoral Cabinet and how the seven local authorities will work together, particularly around different transport needs
- **Influence:** It was asked in which areas did Sunderland have specific influence and also comments were made that it will be positive to have more influence over European funding decisions i.e. there are examples of projects in the area where money could have been put to better use had local knowledge been utilised
- **General:** Some general questions were raised about devolution, namely, what is the ideology behind it and where is the accountability to the public

Scrutiny Committee

The Deputy Leader of the Council presented a report at the meeting on 11th February which provided details of the current position in relation to the devolution proposals for the region and addressed questions and comments as follows:

- **Budget:** concern was expressed that the £30m per year for 30 years on offer was insignificant and it was asked whether the costs of running the Combined Authority would have to be borne from this figure
- **Public consultation:** Members asked how the questions that had been included in the public consultation and the timescales involved in this had been agreed and whether these were the same in all seven local authorities
- **Working Together:** it was discussed that not all seven local authorities would be needed to form the Combined Authority and concern was raised that this may not be practical especially in relation to plans for integrated transport and health and social care
- **General:** Views generated on the proposals were mixed and concerns were expressed at the apparent haste with which the NECA was being forced to consider the proposals, given the many unknowns and the lack of understanding of the implications involved.

Business Event

A business briefing event was held on 12th February 2016. Approximately 20 business representatives attended and received a presentation from the Leader of the Council on the details of the proposed devolution deal. The following questions were raised at this session:

- **Elected Mayor:** it was asked how important it would be for the Mayor to have a good turnout to give them a mandate and how likely would it be that the 'right' type of character that the region would need in a Mayor. Another question focused on whether the Mayor will have the final say on decisions
- **Budget / Governance:** questions were raised over the £30m a year that will be devolved should the deal go ahead. These included: is the £30m a year additional to known Government grants; what will it cost to run the Combined Authority and will local authorities lose some power to the Combined Authority. A further question related to whether the Combined Authority will shy away from making the real strategic decisions needed
- **Role of Government:** it was asked why this can't be run from Westminster with local MPs representing the North East's interests. A concern was voiced that central government may 'wash its hands' of the North East once they have devolved power to the region and would this genuinely be a 30 year deal, given government will change in that time period.

Consultation with the public

A special edition of Community News was delivered to all Sunderland residents on 1st February 2016 outlining the proposed Devolution Agreement for the North East. This included the background to the signing of the proposal, the current situation and the implications of a devolution deal. The newsletter advised that before Sunderland, as a member of the North East Combined Authority, makes a decision about a devolution deal with the Government, the Council believed it was important to understand the opinions of local people. The newsletter included a survey asking for people's views on the proposals.

Residents were invited to respond by either returning the newsletter to a freepost address or to submit their views online. The deadline given was 17th February. A total of 582 responses were received. Of these, 214 were submitted online and 368 were via post. Three questions were asked:

Question 1: Do you agree that some strategic decisions about spending to drive economic growth should be made at a more regional level, instead of by Central Government?

- | | |
|----------------|--------|
| • Yes | 60.99% |
| • No | 31.78% |
| • I don't know | 5.49% |
| • No response | 1.71% |

Please tell us why?

Those respondents who said 'yes' to question 1 overwhelmingly felt that local authorities know the region's needs better and similarly that the country is far too London/South East-centric and that the North East is left behind, with the Government not understanding or caring about its needs.

The majority of those respondents who said 'no' to question 1, felt that the Government (and local MPs) have been elected to govern the whole country and had concerns over how the seven local authorities would work effectively together for the benefit of all areas. A particular concern raised was that disproportionate levels of resource may be focused on certain parts of the region. A further significant proportion of those answering 'no' felt that the Combined Authority and devolution would mean another level of costly bureaucracy which the North East had already voted against once before.

Of the minority that answered 'I don't know' or did not provide an answer, the main reason given was that they did not feel that they knew enough to answer decisively.

Question 2: What are your views on the proposals for devolution to the North East Combined Authority, as described here: do you see any particular advantages or disadvantages in these proposals?

A variety of questions were asked by those respondents who declined to say whether they could see any advantages or disadvantages, most notably around how could it be guaranteed that each local authority had an equal say in working together through the Combined Authority. It was also noted that the process felt very rushed, more information was needed and that as progress is made, transparency is crucial.

Three topics dominated the advantages list:

- 1) The most popular response was simply that the proposals for devolution have "more advantages than disadvantages"
- 2) The devolution deal provides the North East with better opportunities to attract investment
- 3) The local authorities and those that work in the region understand local needs

A significant minority of respondents also agreed with an Elected Mayor, with a proportion of these stating that they would like to see a strong mayoral figure.

Five topics dominated the disadvantages list:

- 1) The need for an Elected Mayor (and that the Government are ignoring the previous referendum in the North East around this issue, coupled with the low turnout for PCC elections in the past)
- 2) That devolution will create additional tiers of bureaucracy and greater cost
- 3) That Government are inadequately funding devolution
- 4) That disproportionate levels of resource may be focused on certain parts of the region
- 5) A lack of trust in the Government and that it might “wash its hands” of the region following devolution

Question 3: If you have any further comments, please write them here

The following topics made up the majority of comments received in this section:

- 1) It must be ensured that the right people are representing the city and are making decisions on Sunderland’s behalf to ensure that the city receives the appropriate level of resource and opportunity, including adequate transport provision
- 2) The need for an Elected Mayor was questioned, with specific concern over the costs involved in this
- 3) As with the comments under ‘disadvantages’, many respondents noted again that the Government are ignoring the previous referendum in the North East around similar issues
- 4) That devolution will create additional tiers of bureaucracy and greater cost
- 5) That the Government has focused on the south of the country for too long and that historically there has been an imbalance in spending per capita between the North East and the South, particularly London. There is hope that devolution will put an end to this.

Devolution to the North East Consultation and Engagement Report – February 2016

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, 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 NECA, the constituent authorities are continuing to gather views locally from residents and stakeholders in their area and 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 on-going 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 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 LEP.

- 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 Commission for Health and Social Care 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 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 on-going 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 CA were highlighted as a key issue in moving forwards including the on-going 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 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 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, on-going 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 on-going 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.

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 on-going 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 on-going 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 on-going 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 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, NECA, the NE LEP, 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.

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 in the event that a Mayoral Combined Authority (Mayoral CA) is established.

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 work 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 the following areas:

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

a) Functions Exercisable only by the Mayor

The Devolution Agreement identifies four 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 how a Housing Revenue Account would operate.

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 the draft 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 Chief Finance Officer) 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 Mayor's 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.

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

The dates for each stage as set out 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 the creation of a Mayoral CA at meetings during February/March and the NECA Leadership Board will make its decision on 24 March 2016.

Stage 2 - Order laid before Parliament (June)

- The initial Order to create the Mayoral CA is currently expected to be laid before Parliament before the summer recess 2016 (in June), but this is under the control of DCLG.
- This is effectively the point at which the NECA becomes committed to change to become 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 two 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 consent to, or withdrawing their consent for, this Order.*
- *Any non-consenting authorities would be removed from NECA by the Secretary of State by a further Order. Devolution may continue provided two or more authorities agree.*
- *There would however be significant reputational implications if consent was withdrawn.*

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 two 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. it is the best case scenario / earliest point at which the funding could be available.