

Tees Valley Combined Authority Agenda

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Date: Friday, 8th July, 2016 at 11.00am

Venue: Meeting Room 1, Cavendish House, Teesdale Business Park,
Stockton-on-Tees, TS17 6QY

Membership:

Mayor David Budd (Mayor of Middlesbrough Council) (Chair)
Councillor Bill Dixon (Leader of Darlington Borough Council)
Councillor Christopher Akers-Belcher (Leader of Hartlepool Borough
Council)
Councillor Sue Jeffrey (Leader of Redcar and Cleveland Borough Council)
Councillor Bob Cook (Leader of Stockton-on-Tees Borough Council)
Paul Booth (Chair of Tees Valley Local Enterprise Partnership)

Associate Membership:

Phil Cook (Member of Tees Valley Local Enterprise Partnership)
Paul Croney (Member of Tees Valley Local Enterprise Partnership)
Ian Kinnery (Member of Tees Valley Local Enterprise Partnership)
Alastair MacColl (Member of Tees Valley Local Enterprise Partnership)
Naz Parkar (Member of Tees Valley Local Enterprise Partnership)
Nigel Perry (Member of Tees Valley Local Enterprise Partnership)
David Robinson (Member of Tees Valley Local Enterprise Partnership)
David Soley (Member of Tees Valley Local Enterprise Partnership)
Alison Thain (Member of Tees Valley Local Enterprise Partnership)

EXTRAORDINARY MEETING

AGENDA

- 1. Apologies for absence**
- 2. Declarations of Interest**
- 3. Tees Valley Combined Authority Draft Governance Review**

Report attached

Tees Valley Combined Authority Agenda

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Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: Peter Bell – 01642 526188 – peter.bell@stockton.gov.uk

Members' Interests

Members (including co-opted Members) should consider whether they have a personal interest in any item, as defined in paragraphs 9 and 11 of the Tees Valley Combined Authority's (TVCA) code of conduct and, if so, declare the existence and nature of that interest in accordance with and/or taking account of **paragraphs 12 - 17** of the code.

Where a Member regards him/herself as having a personal interest, as described in **paragraph 16** of the code, in any business of the TVCA he/she must then, **in accordance with paragraph 18** of the code, consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the Member's judgement of the public interest and the business:-

- affects the Member's financial position or the financial position of a person or body described in **paragraph 17** of the code, or
- relates to the determining of any approval, consent, licence, permission or registration in relation to the Member or any person described in **paragraph 17** of the code.

A Member with a personal interest, as described in **paragraph 18** of the code, may attend the meeting but must not take part in the consideration and voting upon the relevant item of business. However, a Member with such an interest may make representations, answer questions or give evidence relating to that business before the business is considered or voted on, provided the public are also allowed to attend the meeting for the same purpose whether under a statutory right or otherwise (**paragraph 19** of the code).

Disclosable Pecuniary Interests

It is a criminal offence for a Member to participate in any discussion or vote on a matter in which he/she has a disclosable pecuniary interest (and where an appropriate dispensation has not been granted)(**paragraph 20** of the code).

Members are required to comply with any procedural rule adopted by the TVCA which requires a Member to leave the meeting room whilst the meeting is discussing a matter in which that Member has a disclosable pecuniary interest (**paragraph 21** of the code).

AGENDA ITEM 3

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY**

DATE 8 JULY 2016

**REPORT OF TVCA MONITORING
OFFICER**

GOVERNANCE PROPOSALS FOR THE TEES VALLEY MAYORAL COMBINED AUTHORITY

SUMMARY

The Tees Valley devolution deal includes provisions to change the governance of the Tees Valley Combined Authority to incorporate a Mayor. This report and attachments set out proposals for how the Tees Valley Mayor could work within a Combined Authority. If approved by the Combined Authority the proposals will be made available for public consultation ahead of potential legislative changes in the Autumn.

RECOMMENDATIONS

1. That the Combined Authority considers the governance review, scheme and consultation documents and approves them for publication.
2. If necessary and appropriate, that the Combined Authority delegates further minor amendments ahead of publication to the Managing Director and the Chair of the Combined Authority working with officers.

DETAIL

1. The leaders and elected mayor of the Tees Valley local authorities and the chair of the Local Enterprise Partnership signed the Tees Valley devolution deal in principle in October 2015. The deal was then approved in principle by local authorities.
2. The deal brings new powers and funding to the Tees Valley to enable progress in key areas around economic growth and supports the delivery of the Tees Valley Strategic Economic Plan.
3. An integral part of the devolution deal is changes in the governance of the Combined Authority to incorporate a Tees Valley Mayor, who will be directly elected for the first time in May 2017.
4. We have worked with colleagues across the Tees Valley local authorities and in the Department for Communities and Local Government (DCLG) to develop proposals on the most appropriate governance arrangements in the Tees Valley. In broad terms, while the Mayor holds certain powers directly, the aim is for the Mayoral function to become embedded within the wider governance arrangements of the Combined Authority.

5. In order to approve the proposed changes, the Secretary of State must assess whether the three statutory tests set out in the relevant legislation are met. The statutory tests are that:
 - a) the Secretary of State considers that to do so [ie to make the governance changes proposed] is likely to improve the exercise of statutory functions in the area or areas to which the order relates,
 - b) the constituent councils consent, and
 - c) any consultation has been carried out.
6. This covering report is accompanied by three papers which are required in order to enable the Secretary of State to assess the statutory tests:
 - a Tees Valley Combined Authority **Governance Review** setting out the justification for broadening the remit and changing the governance of the Combined Authority (appendix 1);
 - a **Scheme** to set out the proposed legal parameters of a Mayoral Combined Authority (appendix 2); and
 - a **consultation document** which would be published to invite comments from members of the public and other stakeholders on the proposals (appendix 3).

Next steps

7. If the proposals are supported by the Combined Authority we will then launch a consultation on the changes next week. Other Combined Authorities are considering launching their own similar consultations.

FINANCIAL IMPLICATIONS

8. There are no direct financial implications of this approval.

LEGAL IMPLICATIONS

9. Agreement to the proposals does not constitute a legal decision to support changes to the Combined Authority governance. In due course and following the public consultation, the Combined Authority and constituent authorities will be asked to make a formal decision on whether or not to consent to changes in the legislation.
10. The Governance Review is carried out under S111 of the Local Democracy, Economic Development and Construction Act 2009 as amended by the Cities and Local Government Devolution Act 2016, which allows the Secretary of State to make changes to an existing Combined Authority. A decision by the Secretary of State to make governance changes takes place under S113 of the Act.

RISK ASSESSMENT

11. This approval is categorised as low risk. While there are major implications of future legislative changes, this decision of itself does not commit to such changes.

CONSULTATION

12. The documents supporting this report have been written in consultation across the Tees Valley. Public consultation will follow on from approval of these documents.

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Background Papers

Tees Valley Combined Authority Governance Review

Scheme to set out the proposed legal parameters of a Mayoral Combined Authority

A consultation document

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THE TEES VALLEY COMBINED AUTHORITY GOVERNANCE REVIEW - JULY 2016**Introduction**

1. The Tees Valley spans the geographical area of five local authorities – Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees.
2. The Tees Valley Combined Authority (TVCA) was established on 1 April 2016 under the Tees Valley Combined Authority Order which was approved by the Secretary of State under the provisions of the Local Democracy, Economic Development and Construction Act 2009 as amended by the Cities and Local Government Devolution Act 2016. It has been built on a strong history of collaboration between the five Tees Valley local authorities and the private sector, in particular through the Tees Valley Local Enterprise Partnership (LEP), Tees Valley Unlimited.
3. A full Governance Review was carried out as part of the consideration before the establishment of the Tees Valley Combined Authority and is attached here:-
<https://teesvalley-ca.gov.uk/wp-content/uploads/2016/03/combined-authority-tees-valley-governance-review-6-may-1.pdf>
4. The members of the Tees Valley Combined Authority are the leaders/elected mayor of the five local authorities and the chair of the Tees Valley LEP. Other members of the Tees Valley LEP are associate members of the Tees Valley Combined Authority.
5. The Tees Valley had already taken steps towards the establishment of the Combined Authority when the Tees Valley devolution deal was agreed in October 2015. Now that the TVCA is established, it has undertaken this Governance Review of its combined matters. The purpose of this Governance Review is to determine how the Combined Authority could be strengthened so as to implement the Tees Valley devolution deal.
6. The result of the Governance Review is a Scheme that proposes changes to the constitution of the Tees Valley Combined Authority; that sets out how an elected Tees Valley Mayor would work as Chair of the Combined Authority alongside its existing members; and that sets out how the Mayoral Combined Authority will deliver the functions proposed in the devolution deal. These constitutional changes sit alongside the enhanced decision-making powers and funding agreed as part of the devolution deal, which will enable the Tees Valley to make further progress in delivering the priorities relating to economic growth.

Legal Context

7. S113 of the Local Democracy, Economic Development and Construction Act 2009 as amended by the Cities and Local Government Devolution Act 2016 allows the Secretary of State to make changes to an existing Combined Authority. In order to make such a decision the Secretary of State must be convinced that the statutory tests are met. The statutory tests are that:
 - a) the Secretary of State considers that to do so [ie to make the governance changes proposed] is likely to improve the exercise of statutory functions in the area or areas to which the order relates,
 - b) the constituent councils consent, and
 - c) any consultation required by subsection (2) has been carried out.
8. S111 of the Act requires the publication of a Governance Review. This Governance Review provides evidence that the statutory tests are met. It supports the proposal to provide for certain powers to rest with a Tees Valley Mayor and sets out how a Tees Valley Mayor will work within the Tees Valley Combined Authority, as envisaged by the Tees Valley Devolution Deal signed on 23 October 2015.
9. This Governance Review and the scheme that follows form the basis of the statutory public consultation to be carried out in the Tees Valley between 11 July and 21 August on the proposals for the scheme. The results of that consultation will be analysed and reported to the Secretary of State to assist him in making a decision about the future governance of the area.

The Tees Valley Strategic Economic Plan (SEP)

10. The Tees Valley Strategic Economic Plan is currently being revised. It sets out a vision for the next ten years with stretching ambitions and is the foundation for the strategy to drive a step change in economic growth in the Tees Valley.
11. The priorities in the SEP are grouped into six building blocks for economic growth in the Tees Valley which reflect the main challenges, areas of market failure and opportunities for the Tees Valley:
 - business growth;
 - research, development and innovation;
 - education, skills and employment;
 - place;
 - culture; and
 - transport and infrastructure.
12. These map onto the areas where we agreed additional powers, responsibilities and funding through the Tees Valley devolution deal.
13. The Tees Valley Combined Authority and the Tees Valley LEP are joint owners of the Strategic Economic Plan. The funding devolved through the devolution deal will be used alongside funding from other sources such as Local Growth Deals and European Structural and Investment Funds in support of those objectives.
14. The Strategic Economic Plan sets a target of 25,000 additional jobs in the Tees Valley over the next 10 years across a range of sectors. To reach the 25,000 target, Tees Valley will need to out-perform the UK growth rate in a number of sectors. Other success criteria for the delivery of the Strategic Economic Plan will be the growth in Gross Value Added per head; unemployment and economic activity; average earnings; a better qualified workforce and good school results.
15. The priority business sectors for economic and jobs growth set out in the Strategic Economic Plan are: advanced manufacturing; process, chemicals and energy; logistics; health and biologics; creative and digital; culture and leisure and professional and business services. In delivering growth in these sectors Tees Valley will be contributing strongly to the four prime “capabilities” that the Government has set out for the Northern Powerhouse.
16. A circular economy is a sustainable way of organising a producing economy which reduces waste and pollution to a minimum, designing in processes and materials so that products and by products are re-used and recycled. The Tees Valley still has a significant concentration of manufacturing and has particular expertise in energy and waste management. The Strategic Economic Plan sets out the opportunity for the Tees Valley to differentiate itself by applying the principles of the

circular economy and be the leading region in England for circular economy activity.

17. The devolution deal and the governance changes proposed will devolve additional powers to the Tees Valley and improve the efficiency of decision-making. In doing so they will support the delivery of the Strategic Economic Plan.
18. Lord Heseltine's independent report "Tees Valley: Opportunity Unlimited", published on 7 June 2016, provides a strong endorsement for the priorities and direction set out in the Tees Valley SEP; and for the governance changes proposed through the Tees Valley devolution deal.

The Tees Valley Devolution Agreement

19. The Tees Valley Devolution Agreement was signed by the Chancellor of the Exchequer and the leaders of the five Tees Valley local authorities and the LEP on 23 October 2015. It focused very clearly on powers and commitments designed to promote the development of economic growth in the Tees Valley area. These are powers currently held by Government departments in Whitehall which will in future be held in the Tees Valley.
20. The deal was then ratified by votes in principle in each of the five local authorities over the following month.
21. The deal covers a number of different objectives within that overall aim:
 - Finance – to increase the funding coming into the area for the use of the Tees Valley Combined Authority and drive towards complete flexibility of the funding already in the area so that it can better support Tees Valley objectives;
 - European Funding – to bring more control locally over the resource allocation which affect the Tees Valley;
 - Planning and Housing – to accelerate the speed with which land can be developed for both residential and business purposes and to make sure the Tees Valley has the housing stock it needs for the next decades;
 - Transport – to raise the profile and seek funding for the key transport priorities which promote economic growth in the Tees Valley;
 - Business Support – to improve the specific offer we can make to business to encourage the growth and diversification of business in the Tees Valley;
 - Education and Skills – to obtain powers to address the underperformance of some of our schools and colleges and to make sure that we both create more jobs and make sure that Tees Valley people have the skills to take up those jobs;
 - Energy and Technology – to promote the unique potential of the Tees Valley within the green economy, innovation and nuclear power; and
 - Culture – to get a better and more tailored funding deal for the Tees Valley.
22. Since the deal was signed Tees Valley has been working with the Government to progress deal commitments.

Governance Changes

23. It is an integral part of the agreed deal that alongside the additional powers being transferred to the Tees Valley, there will be an elected Mayor across the Tees Valley region from May 2017.
24. The current members of the Tees Valley Combined Authority are the five leaders/mayor of the local authorities comprising the Tees Valley plus the chair of the Tees Valley LEP.
25. The draft TVCA (Election of Mayor) Order 2016 has been laid before Parliament under the Local Democracy, Economic Development and Construction Act 2009 as amended by the Cities and Local Government Devolution Act 2016. Subject to Parliament's approval, it will establish the post of Tees Valley Mayor, the term of office and the details of the election to be held in May 2017. The electorate for that election will be all those eligible and registered to vote in local elections across the five local authorities of the Tees Valley.
26. Following that election the Tees Valley Mayor will become the Chair and a member of the Tees Valley Combined Authority.

Deputy Mayor

27. The Tees Valley Mayor will nominate a deputy mayor from within the Combined Authority constituent authority members. The expectation that the appointment will rotate annually will be set out in the Combined Authority constitution.

Portfolios

28. While the Tees Valley Mayor will chair the Combined Authority, the other members of the Combined Authority (the five LA leaders) will form a Cabinet and hold portfolio responsibility within that Cabinet.
29. These portfolios will be proposed by the leaders/mayor of the five local authorities and be subject to agreement with the Tees Valley Mayor in due course.

Scrutiny

30. A scrutiny panel has already been established under the existing constitution and this will continue under the Mayoral Combined Authority. The panel of 15 LA Members is drawn from the five local authorities of the Tees Valley according to the overall political proportions for each party plus any others co-opted.
31. The Chair of scrutiny will rotate between LAs and must be held by a member of a different political party from the Mayor; or be an independent person.

Decision-making in the Mayoral Combined Authority

32. The Tees Valley Combined Authority has an existing constitution and the basic principle will be to make limited changes to that constitution as part of these governance changes. That will ensure that the decision-making process remains as efficient as possible and we do not create any unnecessary bureaucracy.
33. However, one substantial function which this Governance Review fulfils is to set out a clear role for the Tees Valley Mayor within the Tees Valley Mayoral Combined Authority.

Key Decision-Making and the Exercise of Other Powers

34. The aim of the Mayoral Combined Authority will be to work by consensus wherever possible.
35. Decisions will be made by majority voting unless otherwise stated. If a vote is tied then the motion will not be approved. Each local authority member of the Mayoral Combined Authority will have one vote, as will the Tees Valley Mayor. The five local authority members and the Mayor are the statutory members of the Mayoral Combined Authority. The LEP chair will also be a full member and will have a vote on certain matters to be defined in the constitution and not including those matters which are specifically restricted to the approval of local authority leaders and the Tees Valley Mayor.
36. Only leaders and mayor of the local authorities will vote on matters about the financial contributions of each local authority to the Combined Authority.
37. Some matters will require unanimous votes of all local authority leaders and the Tees Valley Mayor. These are:
 - adoption of an Investment Plan (as defined at the Appendix);
 - setting of any transport levy under section 74 of the Local Government Finance Act 1988 and in accordance with regulations made thereunder; and
 - such other plans and strategies as may be determined by the Combined Authority and set out in its standing orders.

Budget and Strategy - Principles

38. The devolution deal says that the Tees Valley Mayor will propose a strategy and a budget. They must consult the Tees Valley Cabinet (as defined in the Appendix) who may reject the strategy and/or budget if three-fifths of the local authority members agree to do so.

Budget

39. The Tees Valley Mayor will propose the Medium Term Financial Plan (MTFP) for the Combined Authority which will incorporate the budget for the areas where they have direct authority. There is a facility for a mayoral precept.
40. The Medium Term Financial Plan, including the Tees Valley Mayor's budget, can be rejected if three out of the five local authority leaders/mayor choose to do so. In that event, an alternative budget will be prepared, subject to three of the five local authority leaders/mayor approving it. The Tees Valley Mayor shall not be entitled to vote on the alternative budget.
41. The MTFP will be subject to public consultation and scrutiny along the same lines as set out for the MTFP of a local authority.
42. The devolution proposals include the devolution of a single transport pot of £70m over 5 years to be included within the MTFP proposed by the Tees Valley Mayor. However, most of this is funding such as Highways Capital Maintenance which already comes to the Local Authorities and has been provided for in Local Authority Medium Term Financial Plans and allocated to the backlog maintenance of roads.
43. It is therefore proposed that the Scheme linked to this review sets out the allocation of the Highways capital allocations for the next five years for each of the local authorities. That would provide additional certainty and allow the early planning of delivery programmes. The Mayor, as proposer of the Medium Term Financial Plan, will have the right to review budget allocations but any changes will be subject to the arrangements for approval of the Medium Term Financial Plan as set out above.
44. Constituent local authorities will be encouraged to develop collaborative arrangements in this area where that is appropriate.

Strategy

45. The Tees Valley Mayoral Strategy will in effect be the Strategic Economic Plan, as this will set out the overall strategic plan for economic growth in the Tees Valley and will include the areas over which the Tees Valley Mayor has direct responsibility. So in future the Strategic Economic Plan will be developed in collaboration between the Tees Valley Mayor and the local authority leaders/mayor; and proposed by the Tees Valley Mayor. The Mayoral Strategy and

Strategic Economic Plan can be rejected if three fifths of the local authority leaders choose to do so.

46. The Mayoral Strategy will also incorporate the Strategic Transport Plan for the Tees Valley.
47. As with the MTFP, in the event of the rejection of a Mayoral Strategy, an alternative Strategy will be prepared, subject to 3 of the 5 Tees Valley Cabinet members approving it. The Tees Valley Mayor shall not be entitled to vote on the alternative Strategy.
48. The Tees Valley Mayor holds the function of being able to create Mayoral Development Corporations (as defined in the appendix). To propose an MDC the Mayor should have majority support of leaders where that majority includes the leader of any Authority where land proposed for the MDC lies. In the Scheme this is reflected by a clause that says a proposal for the MDC can be rejected if three of the five members voting choose to reject it; or the member of the Combined Authority for a local authority which covers any part of the area within the proposed MDC does not give consent to the designation.

The Tees Valley Devolution Deal.

49. This section of the Review sets out in more detail the powers which will transfer as part of the deal and how they will help to drive economic growth in the Tees Valley. Many of these support the delivery of the key priorities in the Strategic Economic Plan and delivery of the devolution commitments will be strengthened by the proposed governance changes.
50. The importance of driving economic growth through devolved powers is also the key focus of Lord Heseltine's independent report.

Investment Fund:

51. There will be an additional annual allocation of £15m investment funding for the Tees Valley which will mean £450m extra money coming into the Tees Valley through this deal over 30 years. In order for the funding to continue to the next five year period we will need to demonstrate that we have done things which will drive economic growth and/or deal with key social issues. We expect that the first £15m payment will be made in September 2016.
52. The Tees Valley Combined Authority will have control over a single pot of money comprising some of the money currently spent here by Government across a range of services. In the first instance this will include Local Growth Fund money, some transport funding and additional annual funding of £15m allocated as part of the deal. In due course this will be expanded into other areas including adult skills funding – we are on course to have control of this funding by 2018-19. We will be

Appendix 1

able to set our own priorities for this money and move it between years and between services to make sure we get the most from it.

53. The Government and Tees Valley local authorities currently share the income from business rates. In future, when we generate economic growth the extra rates will stay in the Tees Valley for the benefit of the people here. We are currently working with the Government on the implementation of this.

54. Decisions relating to the Tees Valley Investment Plan including approval of funding will require the unanimous approval of the Tees Valley Mayor and the leaders of the local authorities.

European Funding

55. The Tees Valley Combined Authority will become an “Intermediary Body” and have the power to make decisions about some European funding rather than those decisions being made in Whitehall. That will mean better decision-making, based on local knowledge. In the light of the result of the European referendum the period during which the Combined Authority holds Intermediary Body status is likely to be limited.

Planning and Housing

56. Working with the Combined Authority, the Tees Valley Mayor will have the power to set up Tees Valley Development Corporations which can make local decisions to speed up the development of problematic land sites. Unlike the previous Teesside Development Corporation this will be under the democratic control of the Tees Valley Combined Authority. Work to establish the areas of land which could benefit most from being part of a Tees Valley Development Corporation and how the Corporation can best operate is already underway.

57. That work is separate from the formation of the South Tees Development Corporation announced by Lord Heseltine and the leaders of the Tees Valley Combined Authority in February 2016 to tackle the issues of the land around the former SSI site in Redcar and along the South Bank of the Tees.

58. Government has also undertaken to work with Tees Valley on the devolution of funding designed to encourage better housing for people here. Some national initiatives are not appropriate for the market conditions here and devolution of a proportion of the national funding will enable the Combined Authority to find ways to stimulate the market which are specifically designed for our context.

Transport

Appendix 1

59. The Combined Authority already carries out certain strategic transport planning functions under part 2 of the Transport Act 2000 and part 4 and 5 of the Transport Act 1985
60. Tees Valley is now a full member of the Transport for the North and Rail North, the bodies set up by the Government to administer major regional transport schemes, but we have ground to catch up. The deal sets out some of our key transport infrastructure projects. It does not guarantee funding for these projects but as part of the deal the Government recognises their importance and agrees to work with Tees Valley to develop full business cases, which puts them in a much stronger position to get funding in the future. Work is already underway on the business cases for four key projects:
- a further Tees crossing to alleviate a major pinch point on the A19; and upgrading of the A19;
 - enhancing East-West connectivity in particular around Darlington;
 - electrification of the railway line between Northallerton and Teesport; and
 - improvements to Darlington station as the hub into the rest of the strategic rail network.
61. Under the deal Tees Valley will also be at the forefront of negotiating for new powers on buses as envisaged by the 2016 Buses Bill to make sure that people can get to work and travel around the area. The Bill would allow for the devolution of some powers to the Tees Valley Mayor and we are working through the most appropriate solution for Tees Valley.

Business Support

62. An export plan is being agreed between Tees Valley and UK Trade and Investment which will allow Tees Valley flexibility and be tailored to our specific requirements. That will mean that businesses will have better access to the resources of UK Trade and Investment and can grow their export markets more quickly.
63. HM Revenue and Customs are working with Tees Valley on proposals which could be advantageous to businesses around the port and airport.
64. The Government prioritised Tees Valley for a Smart Specialisation Advisory Hub which took place in January. This is the mechanism to confirm Tees Valley as a leader in innovation in the UK.
65. Under the deal Government has recognised Tees Valley's unique strengths in some industries and will support us in an investment fair to attract new investors from abroad.

Education, Skills and Employment

Appendix 1

66. This section gives the Tees Valley Combined Authority devolved powers over our adult skills provision so that it is better for students as well as being better linked into employers.
67. The devolution will take place over 3 years with full control of funding in the Tees Valley by 2018-19.
68. The Tees Valley Combined Authority has taken the lead in the review of FE set up by the Government in Autumn 2015. Because we have been in the lead we have been able to ensure that the conclusions, which were published in draft on 11 May 2016, meet the needs of students and employers in the region.
69. Under the deal we have set up a Tees Valley Board to improve education and skills across the area and all the relevant Government departments have undertaken to work as partners with us. That will mean that we can direct the resources of all the local authorities and the central government departments in a very powerful way for the benefit in particular of the young people of the area.
70. The deal prioritises the growth of apprenticeships and the Government has formally agreed to provide us with support and advice on this particularly in placing apprentices in SMEs, which are the mainstay of our economy. We will be able to place more apprentices in the area to make sure our young people have the skills they need.
71. Tees Valley Combined Authority will work with DWP to co-design the future employment support, from April 2017, for harder-to-help claimants. We will be able to make the DWP's employment programmes more effective by focussing the support where we know it is most needed.

Energy

72. As part of the deal, the Government is committed to working with Tees Valley to explore how it can continue to develop its industrial carbon capture and storage (ICCS) proposals towards deployment of this infrastructure for its industrial sites in the 2020s. The Department of Energy and Climate Change have already provided "bridge" funding to enable the development work to continue in this exciting area, which could be a real selling point for the Tees Valley.
73. The Government will work with Tees Valley to understand the challenges associated with connecting to the local electricity network. Recent analysis has said that it costs far more to access the network here than in the South East of England. We want to understand if that is a problem for our businesses and if so press to do something about that.
74. The Hartlepool nuclear power station is a key part of the area's economy. Government has offered support in considering the future options for the Hartlepool site and has extended the life of the current Nuclear Power Station until 2024, guaranteeing jobs and wealth generation for a further five years.

Culture

75. Tees Valley is one of very few Combined Authorities which prioritised culture as part of our devolution deal. Under the deal, Government is working with the Tees Valley and Arts Council England to examine how Arts Council England funding could support Tees Valley's economic growth through culture. We need a fair share of funding for the arts and culture in the Tees Valley and will work with the Arts Council and Government to get that as well as how to make best use of the resources we get.

Evaluation

76. In return for the commitments Government has made, Tees Valley has made commitments of its own in relation to the deal.
77. Most importantly, we will agree with Government how the social and economic impact of our investment in Tees Valley is measured. We will be expected to show that we have invested in projects which bring significant improvements in economic growth. The first evaluation will be after five years of the deal being in place.

Future developments

78. We are pleased to be at the forefront of the devolution agenda. As part of the deal we signalled to Government our willingness to make further agreements on devolution including further devolution of funding in due course.
79. We are committed to pressing for more efficient ways of doing things across the Tees Valley. We will continue to set out our proposals for how local resources and funding will be pooled across the Tees Valley. We will continue to find new ways of working across the Tees Valley to save money but importantly each local authority will stay separate and the devolution deal does not take powers away from individual local authorities to the Combined Authority.

Conclusion

80. In our view the evidence is clear that broadening the remit of the Combined Authority in the way envisaged by the devolution deal will greatly benefit the Tees Valley's ability to drive economic growth in the area. By working across local authority boundaries we will be able to take advantage of more strategic opportunities and speak with increased authority to Government and business.
81. An integral part of these proposed changes is the directly elected Mayor and this Review and the accompanying Scheme set out a clear role for the Mayor working

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Appendix 1

as part of the Combined Authority. Our conclusion is that these constitutional changes will allow a strengthening of the existing arrangements which will promote an increased focus on our growth agenda and a bright economic future for Tees Valley.

Leaders of the five local authorities

Chair of the LEP

Appendix: Definitions

Mayoral Development Corporation: A Mayoral Development Corporation is a body which can be established by a city-region Mayor to lead the regeneration of a prescribed area of land. Unlike former Urban Development Corporations, any Tees Valley Mayoral Development Corporations will be under the control of the Tees Valley Mayor and Tees Valley Combined Authority.

Mayoral Office: The Mayoral Office means those staff directly appointed by the Mayor.

Tees Valley Cabinet: The Tees Valley Cabinet is the local authority leaders/mayor who work alongside the Tees Valley Mayor in the Tees Valley Combined Authority. Each local authority leader/mayor holds a portfolio responsibility as part of the Combined Authority.

Tees Valley Investment Plan: The Tees Valley Investment Plan is the set of major projects designed to drive economic growth in the Tees Valley as a whole and funded from a variety of sources such as Local Growth Fund, Investment Fund, local partner funding, national funds, and European Funds. The investment plan follows from the priority themes set out in the Tees Valley Strategic Economic Plan. Decisions relating to the Tees Valley Investment Plan including approval of funding will require the unanimous approval of the Tees Valley Mayor and the leaders/mayor of the local authorities.

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Draft Scheme for the establishment of the Tees Valley Mayoral Combined Authority

Introduction – Delivery of the Tees Valley Devolution Agreement

The Tees Valley Combined Authority (“TVCA”) was established on 1 April 2016 pursuant to the Tees Valley Combined Authority Order 2016. It has been built on a strong history of collaboration between the five Tees Valley local authorities and the private sector, in particular through the Tees Valley Local Enterprise Partnership, Tees Valley Unlimited.

The Tees Valley Devolution Deal (the “Devolution Deal”) subsequently agreed in principle a radical devolution of funding powers and responsibilities, principally the transfer of significant powers for employment and skills, transport, planning and investment from central government to the Tees Valley. It also envisages that a directly-elected Mayor for Tees Valley will be established from May 2017. The Mayor will work as part of the Combined Authority subject to local democratic scrutiny, and in partnership with business, through Tees Valley Unlimited, the Local Enterprise Partnership for Tees Valley (the “LEP”).

The Devolution Deal paves the way for further devolution over time and for the reform of public services to be led by Tees Valley. Further powers may be agreed over time and included in future legislation, which will require further Parliamentary Orders.

Section 1 – Establishment of the Tees Valley Mayoral Combined Authority

All of the provisions in the Scheme are in addition to and subject to the provisions of the Tees Valley Combined Authority Order 2016. In the event of any conflict then the provisions of this Scheme shall prevail.

1. This Scheme details the powers and functions that are to be granted to the TVCA to enable it to deliver the Governance Review.

Section 2 – Membership and Voting

2. The directly elected Mayor for the Tees Valley shall become a Member of and the Chair of the TVCA Board and will be subject to the TVCA constitution.
3. Once elected, the Mayor shall appoint a Deputy from one of the Constituent Authority Members.

4. The position of Deputy Mayor shall rotate on an annual basis between the Constituent Authority Members in the order as specified in the TVCA constitution.
5. In the event that the Mayor leaves or resigns their position before the expiry of their term of office, the Deputy Mayor shall exercise the powers and functions of Mayor until the election of the next Mayor.
6. The Mayor shall have one vote as part of the TVCA Board.
7. Questions relating to the following matters require a unanimous vote in favour by all five Constituent Authority Members (or Substitute Members acting in place of those Members), and the Mayor (or Deputy Mayor acting in place of the Mayor) to be carried:
 - a) adoption of an investment plan, which will include the Tees Valley £15 million per annum Investment Fund;
 - b) setting of any transport levy under section 74 of the Local Government Finance Act 1988 and in accordance with regulations made thereunder; and
 - c) such other plans and strategies as may be determined by the Combined Authority and set out in its standing orders.

In the event that the Deputy Mayor is required to act in place of the Mayor, the Substitute Member for the Constituent Authority to which the Deputy Mayor belongs shall exercise that Constituent Authority's vote in relation to that matter.

8. All other decisions of the TVCA shall be decided by a majority vote, unless otherwise set out in this Scheme.
9. The Mayor shall be required to consult with the Constituent Authority Members on the Mayor's plans and strategies, as determined by the Constituent Authority Members. The Constituent Authority Members may reject the said plans and strategies on a 3/5th basis.

Section 3 – Overview & Scrutiny Arrangements, and Audit Arrangements

10. The Overview and Scrutiny Committee and Audit Committee arrangements of the TVCA shall comply with Schedule 5A of the 2009 Act.
11. The Chair of the Overview and Scrutiny Committee shall be a member of the opposition party to the Mayor. In the event that the Mayor is an independent or non-politically affiliated candidate, then no such requirement applies.

12. The Audit Committee shall include at least one Independent Person, as defined by the Localism Act 2011.

Section 4 – Functions and Responsibilities sought by the TVCA

13. The Mayor shall hold the consolidated transport budget. For the period up to 2021 the Mayor shall review the Constituent Member Authorities allocations as set out below but shall have regard to the statutory duties Constituent Member Authorities have as highway authorities, and the commitments that those highways authorities have made in relation to their allocations:

<u>TOTAL LTP</u>	Total allocation 2016/17	Total allocation 2017/18	Allocation 2018/19	Allocation 2019/20	Allocation 2020/21
Hartlepool	£1,871,000	£1,870,972	£1,870,972	£1,870,972	£1,870,972
Middlesbrough	£2,839,000	£2,837,243	£2,837,243	£2,837,243	£2,837,243
Redcar and Cleveland	£2,908,000	£2,907,534	£2,907,534	£2,907,534	£2,907,534
Stockton-on-Tees	£3,741,000	£3,739,214	£3,739,214	£3,739,214	£3,739,214
Darlington	£2,576,000	£2,575,740	£2,575,740	£2,575,740	£2,575,740
Total Tees Valley	£13,935,000	£13,930,702	£13,930,702	£13,930,702	£13,930,702

14. The TVCA will work with government to explore a pilot scheme which will enable the TVCA to retain all business rate growth which would otherwise have been paid as a share to central government, above an agreed baseline, for an initial period of five years, with 2015/16 forming the starting point for the baseline.
15. Subject to the conditions being met in the Devolution Deal and the agreement of the TVCA, the 19+ adult skills budget will be fully devolved to the TVCA from the 2018/19 academic year. The TVCA will begin to prepare for local commissioning of outcomes to be achieved from this budget from the academic year 2016/17.
16. The TVCA shall work with Transport for the North and Rail North to further develop proposals in conjunction with Highways England and Network Rail to ensure that its key strategic infrastructure projects will be considered as part of the development of the Northern Transport Strategy.

Section 5 – Mayoral Development Corporations

17. The establishment of a Mayoral Development Corporation (“MDC”) shall be a mayoral function, subject to the following limitations;
- (a) the Constituent Authority Members may reject the proposal to establish an MDC on a 3/5th basis; and

- (b) any MDC proposed to be established which wholly or substantially falls within the boundary of one of the Constituent Authority Members requires the consent of that Constituent Authority.

Section 6 – Finance and Funding

18. The Mayor shall propose the TVCA budget and the Medium Term Financial Plan which the 5 Constituent Authority Members of the TVCA can examine and reject on a 3/5th basis.
19. In the event that the Mayors TVCA budget or Medium Term Financial Plan are rejected in accordance with para 18 above, the 5 Constituent Authority Members may propose an alternative Mayor's TVCA Budget or Medium Term Financial Plan, which shall require approval by all Constituent Authority Members on a 3/5th basis.
20. Funding associated with the Investment Plan, which includes the Tees Valley £15 million per annum Investment Fund, shall be proposed by the Mayor and will require unanimous approval by all 5 Constituent Authority Members.
21. If the TVCA agrees, and subject to any statutory provision, the Mayor may be paid an allowance subject to a review by an independent remuneration panel of the amount of such an allowance.

Section 7 – Substructures and Internal Scheme of Delegation

22. The TVCA may establish further committees or sub-committees and delegate powers and functions as it may decide, in accordance with the terms of its constitution.

Section 8 – Subsequent Reviews

23. Subsequent reviews may be required in the event that further devolution deals are agreed and implemented.

Your views on: The proposed powers of a Tees Valley Mayoral Combined Authority

The Tees Valley Combined Authority was established in April 2016 to help accelerate the creation of jobs. In October 2015, a Devolution Deal was signed in principle with Government that would bring additional powers and resources into the Tees Valley from Central Government. Part of that Deal includes the establishment of an elected Mayor for the Tees Valley, which would turn it into a “Mayoral” Combined Authority.

The Tees Valley Combined Authority in conjunction with the five local councils (Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton-on-Tees) are asking for your views on the proposed powers of a Tees Valley Mayoral Combined Authority.

The attached governance review sets out further details of the powers we are proposing to transfer from central government to the Combined Authority, and the checks and balances that we believe will secure effective governance of those powers and responsibilities. In preparation for the next stage of the legislative process, we are consulting the public and stakeholders on these proposals.

Please return your completed questionnaire by the **22nd August 2016**.

1. Please tell us who you are (choose one):

I am a Resident	
I am a Business representative	
Other (please specify)	

2. Please tell us which Local Authority area you are from (choose one):

Darlington	
Hartlepool	
Middlesbrough	
Redcar & Cleveland	
Stockton-on-Tees	
Other (please specify)	

We are interested in your general views on the devolution of powers from Whitehall and on specific powers and areas of responsibility which will come to the Tees Valley.

The closing date for this consultation is **22 August 2016**.

We will analyse and publish the results in September.

All responses will be treated confidentially.

3. Your views

Q1: What are your views on the principles of devolution of power from Whitehall to the Tees Valley Mayoral Combined Authority, and the specific powers and responsibilities set out in the governance review?

Q2: What are your views on how the Tees Valley Mayor should work within the Tees Valley Combined Authority, including with checks and balances, and effective scrutiny and democratic oversight, as proposed in the governance review?

THANK YOU

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