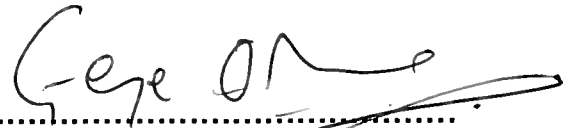


Tees Valley Devolution Agreement






.....
Cllr Bill Dixon
Leader, Darlington Borough Council



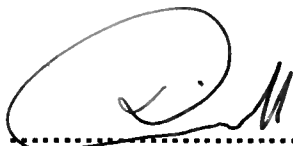
.....
The Rt.Hon. George Osborne
Chancellor of the Exchequer



.....
Cllr Carl Richardson
Deputy Leader, Hartlepool Borough Council




.....
Lord O'Neill of Gatley
Commercial Secretary to the Treasury



.....
Mayor Dave Budd
Mayor of Middlesbrough



.....
James Wharton
Minister for Local Growth and the Northern Powerhouse



.....
Cllr David Walsh
Deputy Leader, Redcar and Cleveland Council



.....
Paul Booth OBE
Chair, Tees Valley Unlimited Local Enterprise Partnership



.....
Cllr Bob Cook
Leader, Stockton-on-Tees Borough Council

Summary of the Devolution Deal agreed in principle by the Government and Tees Valley Shadow Combined Authority Leadership Board

The Tees Valley Shadow Combined Authority Leadership Board and the Government have agreed in principle a radical devolution of funding powers and responsibilities. A Combined Authority will be created as soon as possible and 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. This agreement will be conditional on the legislative process, agreement by the constituent councils, and formal endorsement by the Tees Valley Combined Authority Leadership Board (which currently exists in shadow form).

The deal provides for the transfer of significant powers for employment and skills, transport, planning and investment from central government to the Tees Valley. It paves the way for further devolution over time and for the reform of public services to be led by Tees Valley. It enables the Combined Authority to create an Investment Fund, through a 30 year initial allocation of funding for capital financing of at least £15 million a year. Tees Valley will in addition have access to the Local Growth Fund and will benefit from new Enterprise Zones, subject to the current bidding round.

In summary, a new, directly elected Mayor of Tees Valley will act as Chair to the Tees Valley Combined Authority and will exercise the following functions devolved to that Authority:

- Responsibility devolved from Government for a consolidated transport budget, with a multi-year settlement to be agreed at the Spending Review
- Creation of new Mayoral Development Corporations and leadership of a land commission to examine what publicly owned land and other key strategic sites should be vested in the development corporation.

The Tees Valley Combined Authority, working with the Mayor, will exercise the following powers devolved to it:

- To create a Tees Valley Investment Fund, bringing together funding for devolved powers and used to deliver a 30 year programme of transformational investment in the region
- Control of a new £15 million a year funding allocation over 30 years, to be included in the Tees Valley Investment Fund and invested to boost growth
- Leadership of the comprehensive review and redesign of the education, skills and employment support system in Tees Valley
- Responsibility for a devolved approach to business support from 2017, to be developed in partnership with Government.

Further powers may be agreed over time and included in future legislation.

Governance

1. The proposal for a Mayoral Combined Authority (as defined in The Cities and Local Government Devolution Bill) is subject to final formal consent of the Combined Authority, the constituent councils, agreement of ministers, and to the enactment of the necessary primary legislation (The Cities and Local Government Devolution Bill) and to parliamentary approval of the secondary legislation implementing the provisions of this agreement.
2. Strengthened governance is an essential pre-requisite to any further devolution of powers to any city region. Through this deal Tees Valley will introduce a directly elected city region Mayor (i.e. a Mayor covering the whole city region, not just one local authority), who, working with other leaders as part of the (still to be established) Tees Valley Combined Authority will: provide overall leadership; be directly accountable to the Tees Valley electorate and have new powers on transport, housing and planning to drive through reforms to stimulate the area's economic growth.
3. The Mayor will be the Chair and a Member of the Tees Valley Combined Authority and within the statutory framework for combined authority mayors, subject to the Authority's Constitution and associated procedures (to be amended in the light of the introduction of a Mayor). The powers contained in this deal document will be devolved from Government to the Mayoral Combined Authority. Working within the Constitution of the Combined Authority, the Mayor will exercise certain powers autonomously and also deliver his/her mandate as Chair of the Combined Authority. Other members of the Tees Valley Combined Authority Leadership Board (to be renamed as a Cabinet) will become portfolio leads for aspects of the Combined Authority's responsibilities, on the basis to be set out in its Constitution, and agreed with the Mayor.
4. The Mayor for Tees Valley will be elected by the local government electors for the areas of the constituent councils of Darlington Borough Council, Hartlepool Borough Council, Middlesbrough Borough Council, Redcar and Cleveland Borough Council and Stockton-on-Tees Borough Council. Subject to parliamentary time allowing for the passage of legislation through parliament, the first election will be held in May 2017.
5. Proposals for decision by the Combined Authority may be put forward by the Mayor or any Cabinet Member. All members including the Mayor will have one vote. Any questions that are to be decided by the Combined Authority are to be decided by a majority of the members present and voting, subject to that majority including the vote of the Mayor, unless otherwise set out in legislation, or specifically delegated through the Authority's Constitution.
6. Recognising the Tees Valley model of governance, the Combined Authority will also be strengthened with additional powers devolved from central Government. The agreement will protect the integrity of the five existing Tees Valley Local Authorities, and continue to support strong working between the local authorities and Local Enterprise Partnership.
7. The directly elected Tees Valley Mayor will receive new powers over transport, housing, and planning. The Mayor would be able to exercise these powers within the structure of the Tees Valley Combined Authority, though he/she and the Tees Valley Cabinet (comprising the leaders of the five Tees Valley local authorities) will be required to be scrutinised and held to account by a new scrutiny panel to be established. The Mayor will

also be required to consult the Tees Valley Cabinet on his/her strategies, which it may reject if three-fifths of the members agree to do so. The Tees Valley Cabinet will also examine the Mayor's spending plans and will be able to amend his/her plans, again if three-fifths of the members agree to do so.

8. Economic growth is a shared endeavour and is vital in delivering the Northern Powerhouse ambitions. The Mayoral Combined Authority will continue to work very closely with HM Government for the benefit of the public.
9. Tees Valley Combined Authority commits to work with partners across the North of England to promote opportunities for pan-Northern collaboration, including Transport for the North, to drive northern productivity and build the Northern Powerhouse.
10. In recognition of this strengthened governance system, the government will devolve the powers set out below to the Combined Authority to be exercised by the Tees Valley City Region Mayor.

Tees Valley Investment Fund

11. HM Government will work with the Tees Valley Combined Authority to agree specific funding flexibilities to a Spending Review timetable. The joint ambition will be to give Tees Valley Combined Authority an investment fund to invest in its economic growth. This fund will comprise a flexible, multi-year settlement providing the freedom to deliver its growth priorities, including the ability to re-direct funding to reflect changing priorities, whilst upholding its statutory duties. This local freedom will be over a range of budgets to be determined by Tees Valley and HM Government in the run-up to and beyond the Spending Review. HM Government expects to disburse this agreed settlement to the Tees Valley City Region annually in advance. Existing commitments that utilise this pot will need to be agreed with Tees Valley Combined Authority.
12. HM Government agree to allocate an additional £15m per annum of capital and revenue funding for 30 years, which will form part of and capitalise the Tees Valley Combined Authority investment fund. This is subject to the passing of five-yearly assessment gateways. Success at the gateways would depend on the outcome of an independent assessment of the economic and social benefit of business growth and infrastructure projects implemented by Tees Valley; funding would cover the period 2017-18 to 2047-48. The Government will work collaboratively with Tees Valley on the delivery of many of these projects.
13. The Combined Authority and Government will pilot a scheme which will enable the Combined Authority to retain all business rate growth that would otherwise have been paid as central share to government, above an agreed baseline, for an initial period of five years, with 2015/16 forming the starting point for the baseline.

European Funding

14. The Government is committed to working with the Tees Valley Combined Authority to achieve Intermediate Body status for the European Regional Development Fund and European Social Fund. HM Government will work with Tees Valley Combined Authority to agree how to delegate powers to select projects on the basis of strategic fit with operational programmes and local conditions. This will allow the Tees Valley to integrate and align investments with other aspects of the devolution deal, to select projects for investment, to improve performance and maximise economic impact.

Planning and Housing

15. Government will give the Mayor of Tees Valley and the Tees Valley Combined Authority the power to create democratically controlled Mayoral Development Corporations as envisaged by the Cities and Local Government Devolution Bill. This new corporation will seek to prioritise economic development and housing on under-developed land within the Tees Valley. Government and Tees Valley will establish a land commission to examine what publicly owned land and other key strategic sites could be vested in the development corporation. HM Government will work with Tees Valley local authorities to explore what additional planning powers and responsibilities would support their development ambitions. Increases in the value of the land as a result of the work of the development corporation will be reinvested in the corporation to deliver new schemes.
16. Government will continue to explore the devolution of housing financial transaction funding with Tees Valley.

Transport

17. The Government recognises that Tees Valley have identified a number of key strategic transport schemes seen as essential to facilitate growth in the Tees Valley. Transport for the North (TfN) was established to enable the region to collectively identify the key strategic transport interventions that could help to forge a single Northern economic area and support economic growth. Government welcomes Tees Valley's participation in Transport for the North. As one of the new members of TfN, the Tees Valley has only recently started to participate in the workstreams established by TfN to identify strategic transport interventions. Working with TfN and Rail North, the government has committed to facilitate the Tees Valley partners as they further develop proposals in conjunction with Highways England and Network Rail to ensure their key strategic infrastructure projects will be considered as part of the development of the Northern Transport Strategy. These priorities include:
 - Enhancements to the A19 corridor and the requirement for an additional Tees River crossing
 - Darlington station to be HS2 ready and improve the rail gateway into and across the Tees Valley
 - Delivery of improved east west road connectivity from the A1 to the international gateway at Teesport
 - Electrification of the Northallerton to Teesport rail line to improve connectivity for business and passengers.
18. The Tees Valley clearly has ambitions to continue to strengthen the bus network and indeed the relationship and influence it has with local bus operators. The Government is currently developing a number of policies that will form part of the buses bill to be shortly laid before Parliament and this will set out a range of new mechanisms and opportunities for local areas to influence bus services. The Government looks forward to discussing a franchising model or other appropriate mechanism(s) with Tees Valley as they are finalised in the coming months.

19. The Government will pool and devolve relevant central funding for local transport to Tees Valley and provide a multi-year transport settlement at the next Spending Review, as part of the single capital pot to be devolved to the directly elected Mayor of the Tees Valley Combined Authority. This settlement will be on the same basis as capital and resource settlements given to Government departments at that time.

Business support

20. Working within the scope of existing contracts (2015/16 and 2016/17), Government will work with Tees Valley to align the Business Growth Service and other national services with local business support through its Growth Hub, to give businesses a joined-up, simplified service that meets their needs. Government will work with Tees Valley to develop a devolved approach to the delivery of business support from 2017 onwards. What is ultimately devolved will reflect the decisions taken in the next spending review on the shape of – and level of spending on – business support schemes.
21. An export plan will be agreed between Tees Valley and UK Trade and Investment (UKTI) which will allow Tees Valley flexibility (being tailored to meet local requirements). UKTI will also work with Tees Valley to ensure UKTI services are integrated into overall business support within Tees Valley with sharing of customer data and common marketing. Ringfenced resource remains subject to departmental budget changes.
22. HM Revenue and Customs (HMRC), as the UK customs authority, is committed to supporting economic growth through the provision of efficient, simple and transparent customs facilitations and procedures to existing and new customers. HMRC is happy to support Tees Valley Combined Authority to identify the best options for local businesses, discuss application criteria and processes, and provide guidance on where to find detailed information.
23. The Government will work with Tees Valley Combined Authority to mitigate the impact of significant industrial closures on the local economy, particularly in SSI's suspension of production. This will be the subject of future work to develop an appropriate economic recovery plan.
24. The Government will prioritise Tees Valley for Smart Specialisation Advisory Hub and/or Innovate UK innovation workshops. These will help Tees Valley identify their existing and potential innovation strengths in response to identified needs. Such activity is also likely to support any future application to participate in a Science and Innovation Audit.
25. The Government will support an annual inward investment event to be held in Tees Valley. UKTI Investment Group will agree with Tees Valley the details of a joint business investment event in 2016.

Education, Skills and employment

26. The Government will enable local commissioning of outcomes to be achieved from the 19+ adult skills budget starting in academic year 2016/17; and will fully devolve budgets to Tees Valley Combined Authority from academic year 2018/19 (subject to readiness conditions). These arrangements do not cover apprenticeships.
27. Devolution will proceed in three stages, across the next three academic years:
 - a. Starting now, the Tees Valley Combined Authority will begin to prepare for local commissioning. It will develop a series of outcome agreements with providers about

what should be delivered in return for allocations in the 2016/17 academic year. This will replace the current system of funding by qualifications as providers will receive their total 19+ skills funding as a single block allocation. This new arrangement will allow the Tees Valley Combined Authority to agree with providers the mix and balance of provision that will be delivered in return for the block funding, and to define how success will be assessed.

- b. For the 2017/18 academic year, and following the area review, Government will work with the Tees Valley Combined Authority to vary the block grant allocations made to providers, within an agreed framework.
- c. From 2018/19, there will be full devolution of funding. The Tees Valley Combined Authority will be responsible for allocations to providers and the outcomes to be achieved, consistent with statutory entitlements. Government will not seek to second guess these decisions, but it will set proportionate requirements about outcome information to be collected in order to allow students to make informed choices. A funding formula for calculating the size of the grant to local / combined authorities will need to take into account a range of demographic, educational and labour market factors.

28. The readiness conditions for full devolution are that:

- a. Parliament has legislated to enable transfer to local authorities of the current statutory duties on the Secretary of State to secure appropriate facilities for further education for adults from this budget and for provision to be free in certain circumstances.
- b. Completion of the Area Review process leading to a sustainable provider base.
- c. After the area-reviews are complete, agreed arrangements are in place between central government and the combined authority to ensure that devolved funding decisions take account of the need to maintain a sustainable and financially viable 16+ provider base.
- d. Clear principles and arrangements have been agreed between central government and the Combined Authority for sharing financial risk and managing failure of 16+ providers, reflecting the balance of devolved and national interest and protecting the taxpayer from unnecessary expenditure and liabilities.
- e. Learner protection and minimum standards arrangements are agreed.
- f. Funding and provider management arrangements, including securing financial assurance, are agreed in a way that minimises costs and maximises consistency and transparency.

29. Government, including the Department for Education, the Department for Work and Pensions and the Department for Business, Innovation and Skills will work with the Tees Valley Education, Skills and Employability Board to transform standards in education and skills through the delivery of City Region and national responsibilities and priorities.

30. Government will provide advice to support Tees Valley in their work to secure more apprenticeship places with employers, particularly among Small and Medium Enterprises and also drive up demand from individuals looking for apprentice jobs.

31. To help tackle long-term unemployment in Tees Valley, the Government will work with Tees Valley Combined Authority to agree how local and national provision could be co-ordinated. Tees Valley Combined Authority will work with DWP to co-design the future employment support, from April 2017, for harder-to-help claimants, many of whom are currently referred to the Work Programme and Work Choice.

Energy and climate change

32. The Government is committed to working with Tees Valley to explore how it can continue to develop its industrial carbon capture and storage (CCS) proposals towards deployment of this infrastructure for its industrial sites in the 2020s.
33. HM Government will work with Tees Valley to understand the challenges associated with connecting to the local electricity network.
34. Government will continue to make clear that it welcomes new nuclear investment in Hartlepool as one of the potential sites listed in the Nuclear National Policy Statement.

Culture

35. Recognising the considerable cultural and historic assets within Tees Valley, Government will work with Tees Valley and Arts Council England to examine how Arts Council England funding could support Tees Valley's economic growth through culture.

Evaluation and economic assessment

36. Tees Valley will be required to put in place a programme of evaluation, agreed at the outset with the Cities and Local Growth Unit. This will include gateway assessments for the Tees Valley Investment Fund. Tees Valley and the Cities and Local Growth Unit will jointly commission an independent assessment of the economic benefits as well as the social and economic impacts of the investments made under the Investment Fund, including whether the projects have been delivered on time and to budget. This assessment will be funded by Tees Valley, but agreed at the outset with the Cities and Local Growth Unit and HMT, and will take place every five years.
37. The next five year tranche of funding will be unlocked if the Cities and Local Growth Unit and HMT are satisfied that the independent assessment shows the investment to have met the objectives and contributed to national growth; the gateway assessment should be consistent with the HMT Green Book, which sets out the framework for evaluation of all policies and programmes, and where relevant with the more detailed transport cost-benefit analysis guidance issued by the Department for Transport (DfT). The assessment should also take into account the latest developments in economic evaluation methodology.
38. The government would expect the assessment to show the activity funded through the Tees Valley Investment Fund represents better value for money than comparable projects, defined in terms of a Benefit to Cost ratio; evaluation of the impact of the devolution agreement, including the new governance arrangements. This could take the form of, for example, Randomised Control Trials for the different policy interventions.
39. Tees Valley will agree with HMT and the Cities and Local Growth Unit and confirm with government its plans for this evaluation, with the first review to be completed in 2021-22.

Next steps

40. The Leadership of the five local authorities agree to take the necessary next steps to progress the contents of this Agreement, including the progression of the details through individual councils, and the government undertakes to work jointly with Tees Valley Combined Authority to develop a detailed Implementation Plan.
41. Government and the Tees Valley signal their willingness to make further agreements on devolution including further devolution of funding in due course.
42. The Mayor for the Tees Valley City Region will be elected by the local government electors for the areas of Darlington Borough Council, Hartlepool Borough Council, Middlesbrough Borough Council, Redcar and Cleveland Borough Council and Stockton-On-Tees Borough Council. Subject to the necessary legislative changes, it is expected that the new elected Mayor will be in place by May 2017.
43. Additional funding or budgets that are devolved as a result of this agreement will go to the Tees Valley Combined Authority to be the responsibility of the Mayor or members of the Combined Authority collectively as provided for in this agreement.

Tees Valley Combined Authority commitments

44. Tees Valley Combined Authority will work with HM Government to develop a full implementation plan, covering each policy agreed in this Deal, to be completed ahead of implementation. This plan will include the timing and proposed approach for monitoring and evaluation of each policy and should be approved by the DCLG Accounting Officer.
45. Tees Valley Combined Authority will continue to set out their proposals to HM Government for how local resources and funding will be pooled across the city region.
46. Tees Valley Combined Authority will agree overall borrowing limits with HM Government and have formal agreement to engage on forecasting. Tees Valley Combined Authority will also provide information, explanation and assistance to the Office for Budget Responsibility where such information would assist in meeting its duty to produce economic and fiscal forecasts for the UK economy.
47. Tees Valley Combined Authority will agree a process to manage local financial risk across local public bodies and will jointly develop written agreements with HM Government on every devolved power or fund to agree accountability between local and national bodies on the basis of the principles set out in this document. This will include assurance work to be undertaken in partnership with DCLG and Homes and Communities Agency on processes to be implemented and capability to be employed in managing any investments across their lifecycle.
48. Tees Valley Combined Authority will continue to progress amongst its constituent authorities their programme of transformation to streamline back office functions and share more services and data, including on assets and property. It paves the way for further devolution over time and for the reform of public services to be led by Tees Valley.
49. Tees Valley Combined Authority will continue to adhere to its public sector equality duties, for both existing and newly devolved responsibilities.
50. The agreement set out in this document will be subject to future Spending Reviews.