

Tees Valley Combined Authority Agenda

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Date: Tuesday, 19th July, 2016 at 2.00pm

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)

EXTRAORDINARY MEETING

AGENDA

- 1. Apologies for absence**
- 2. Declarations of Interest**
- 3. Transport for the North (TfN) – Proposal to Establish a Sub-National Transport Body**

Report attached

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4. AGE Grant

Report attached

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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 19th JUNE 2016

REPORT OF THE MANAGING DIRECTOR

TRANSPORT FOR THE NORTH – PROPOSAL TO ESTABLISH A STATUTORY BODY WITH DEVOLVED POWERS

SUMMARY

Transport for the North (TfN) is proposing to become the first sub-national transport body (STB) in early 2017, applying new legislation introduced in 2016. This will ensure that the North has greater influence over decisions on transport investment and services, with statutory powers devolved from central government.

This paper, and its supporting information, sets out the rationale behind the current draft proposal, as well as the draft proposal itself, and seeks endorsement from the Combined Authority to submit the draft to Government.

Once government has responded to TfN's proposal, probably later this year, the Combined Authority will need to separately consider whether to become a member of the proposed statutory body. An equivalent process is being taken forward through all the North's transport authorities.

RECOMMENDATIONS

It is recommended that the Combined Authority endorse the current draft proposal for the establishment of a STB, in order that it can be submitted to Government before the Summer Recess for the reasons set out in the detail.

DETAIL

1. The Cities and Local Government Devolution Act 2016, enables the Secretary of State for Transport to establish statutory sub-national transport bodies (STBs) following receipt of a proposal from authorities in that area, provided that two conditions are met:
 - The STB would facilitate development and implementation of transport strategies for the area; and
 - Economic growth would be furthered by development and implementation of such strategies.

2. From its establishment, it has always been envisaged that Transport for the North (TfN) would become the first STB. Over the last six months, TfN's Governance Working Group, chaired by the TVCA Managing Director, has been developing the scope and functions of the STB, as well as a formal draft proposal to be submitted to Government. During this process, the TfN Executive and Partnership Boards, on which the Tees Valley is represented, have had several opportunities to discuss and shape the proposals.
3. Appendix A includes a copy of the finalised proposal, which is now being presented to each of the North's transport authorities. The proposals include:
 - The development of a statutory strategy for transport across the North;
 - Drawing down significant powers from Central Government to specify the strategic pan-Northern transport objectives for Highways England and Network Rail, enhancing the north's influence over those agencies to deliver agreed pan-northern priorities;
 - Progressive devolution of responsibility for franchised northern and trans-Pennine rail services, building on the existing Rail North partnership which would be incorporated within TfN;
 - powers exercised concurrently with Combined Authorities and Local Transport Authorities, to support coordination on issues such as Smart Ticketing, and which would only be exercised with the agreement of the individual authorities..

Governance

4. New statutory responsibilities need to be effectively governed. TfN has already established effective partnership arrangements, but these would need to move towards more formal governance arrangements,
5. It is proposed that all transport authorities across the North be invited to become full members, with authorities in the Midlands being granted "associate" member status to reflect the fact that some northern services run into their areas. It is proposed that decisions are reached by consensus, but as a statutory body a provision needs to also be made for voting. It is proposed that authorities receive one vote for each 200,000 population or part thereof. The recommended voting share arrangements are set out at Appendix B to this paper. There is also a provision for super-majority, requiring a 75% vote and a majority of individual members, for any votes on the following key issues:
 - The approval and revision of TfN's transport strategy;
 - The approval of TfN's annual budget; and
 - Any changes to TfN's constitution.

There are provisions for continued partnership with business, and for scrutiny by elected members through a new cross-northern scrutiny panel on which all authorities would be represented.

Tees Valley's Position

6. Many of the Tees Valley's transport priorities need to be taken forward in partnership with the rest of the North. Our proposals to improve the A1, A19 and A66, the East Coast Mainline, and franchised northern and trans-pennine rail services cannot be delivered solely through devolution to the Tees Valley. TfN therefore represents an opportunity for

the Tees Valley to accelerate delivery of our most significant priorities, by making common cause with others across the North. By enhancing the statutory powers of TfN, we will benefit from greater influence over long-term transport investment decisions which would otherwise be made in Whitehall without our sufficient involvement. The governance proposals also build in an effective role for the Tees Valley Combined Authority, with the proposed voting weights giving us a slightly greater weight than our population share.

7. Once comments from Government have been received, the final proposal for legislation will require formal endorsement from each constituent TfN Authority who wish to become members. A further report will be brought to the Combined Authority at that stage.

FINANCIAL IMPLICATIONS

There are no direct financial implications related to the submission of the draft proposal. The draft proposal allows for financial contributions to be made by constituent members of the STB at a later stage, provided that there is unanimous support for such an arrangement. The current TfN business plan is however fully funded by central government.

LEGAL IMPLICATIONS

There are no immediate legal implications at this stage. A later decision by the Combined Authority would be required before the Tees Valley Combined Authority becomes a member of the proposed statutory body.. Darlington Borough Council's Assistant Director, Law and Governance, has been involved in the development of the draft to date.

RISK ASSESSMENT

Existing management systems and daily routine activities are sufficient to control and reduce risk associated with the endorsement of the draft proposal.

CONSULTATION

Consultation on the proposal will be undertaken by TfN. Once government has responded to the proposal, a further process of consultation would take place on the final legislative proposals.

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Post Title: Managing Director
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TRANSPORT FOR THE NORTH (TfN)

PROPOSAL TO ESTABLISH A SUB-NATIONAL TRANSPORT BODY (STB)

This proposal is made by the constituent authorities set out below pursuant to section 102F of the LTA 2008 for the establishment of a sub-national transport body (STB) covering the area of the constituent authorities. In making the proposal the constituent authorities have consulted the appropriate authorities and other persons set out in Schedule A to this proposal.

The proposal provides as follows:

1. Constituent Authorities

The constituent authorities making these proposals are the local transport authorities situated wholly or partly in the North East, North West and Yorkshire and the Humber regions of England, namely:-

Greater Manchester Combined Authority
Liverpool City Region Combined Authority
North East Combined Authority
Sheffield City Region Combined Authority
Tees Valley Combined Authority
West Yorkshire Combined Authority
Cumbria County Council
Lancashire County Council
North Yorkshire County Council
Blackburn with Darwen Unitary Authority
Blackpool Unitary Authority
Cheshire East Unitary Authority
Cheshire West and Chester Unitary Authority
Warrington Unitary Authority
City of York Unitary Authority
East Riding of Yorkshire Unitary Authority
Hull Unitary Authority
North Lincolnshire Unitary Authority
North East Lincolnshire Unitary Authority

2. Area of the STB

The area of the STB will be the area of the constituent authorities

3. Name of the STB

The name of the STB will be **Transport for the North (TfN)**

4. Membership

- 4.1 Each constituent authority will appoint one of their councillors/members or their elected mayor as a member of TfN. It is expected that the person appointed will be that authority's elected mayor, chair, leader or cabinet member for transport.
- 4.2 Each constituent authority will appoint another of their councillors / members or their elected mayor as a substitute member to act as a member of the TfN in the absence of the person appointed under paragraph 4.1.
- 4.3 There will be a presumption that decisions are normally taken by consensus. But in the absence of consensus, and subject to paragraphs 4.4 and 13.1, decisions will be taken on the basis of a system of weighted voting to reflect differences in the populations of the constituent authorities. The weighted voting entitlement of the constituent authorities will be determined on the basis of one vote for each 200,000 or part thereof of the resident population of its area as estimated annually by the Office of National Statistics (Resident Population).
- 4.4 Certain decisions will require both a super-majority consisting of 75% of the weighted vote and a simple majority of the members appointed by the constituent authorities to be carried. Such decisions will be :
- The approval and revision of TfN's transport strategy
 - The approval of TfN's annual budget
 - Any changes to TfN's constitution

. [DN: consideration should be given to the minimum number of times that TfN is required to meet each year]

5. Co-opted Members

- 5.1 The regulation should provide for the appointment of persons who are not elected members of the constituent authorities to be co-opted members of TfN
- 5.2 *Persons to be appointed as co-opted members will include:*
- (a) the person appointed by TfN as "independent chair of the Partnership Board" for the purposes of paragraph 6.3 below and
 - (b) one elected member appointed by each of the local transport authorities which are members of Rail North Ltd, but not constituent authorities of TfN, namely:-

Derbyshire County Council
Lincolnshire County Council
Nottinghamshire County Council

Nottingham City Council
Staffordshire County Council
Stoke-on-Trent City Council

[DN: Consideration should be given as to whether any representatives of the LEPs should be included as co-opted members]

- 5.3** Co-opted members will be non-voting members of TfN, except to the extent that the voting members of TfN resolve that such members should have voting rights.

6. Partnership with Business

- 6.1 A business *body* will be established consisting of representatives of Local Enterprise Partnerships in the areas covered by TfN.
- 6.2 The functions of this body will be to advise TfN on its policies and priorities, to conduct its own reviews on matters relating to transport and the economic well-being of the North and to make representations to TfN
- 6.3 TfN and *the business body* will establish a Partnership Board which will hold regular partnership meetings to be chaired by the person appointed by TfN as the “independent chair”.

7. Executive Arrangements

- 7.1 TfN will not operate formal statutory executive arrangements
- 7.2 TfN is a “local authority” for the purpose of section 101 of the Local Government Act 1972 and may delegate the discharge of its functions to a committee, sub-committee or officer, or to another local authority. As such, TfN may establish a committee(s) to discharge any functions as are delegated to it.
- 7.3 The functions of agreeing a budget and the transport strategy of TfN will **not** be delegated functions and will only be determined by a meeting of the full TfN.

8. Executive Body

TfN will not establish an executive officer body, but will delegate the discharge of agreed functions to its officers in accordance with a scheme of delegation or on an ad hoc basis.

9. Functions

The functions of TfN will include:

- General functions provided for in section 102H of the Local Transport Act 2008, including the preparation of a transport strategy.
- Local transport functions to be exercised by TfN concurrently with local transport authorities and PTEs
- Other public authority functions (including functions of the Secretary of State) to be exercised by TfN instead of by, or jointly with, the public authority
- The functional power of competence in **section 102M of the Local Transport Act 2008**

10. General Functions

The general functions of TfN should be:

- 10.1 to prepare a transport strategy for its area in accordance with **section 102 I of the Local Transport Act 2008**
- 10.2 to provide advice to the Secretary of State (SoS) about the exercise of transport functions in its area (whether exercisable by the SoS or others)
- 10.3 to co-ordinate the carrying out of transport functions that are exercisable by its different constituent authorities
- 10.4 to make proposals to the SoS for the transfer of transport functions to TfN
- 10.5 to make other proposals to the SoS about the role and functions of TfN

11. Exercise of local transport functions

- 11.1 It is **not** proposed that any transport functions exercisable by a local authority (or PTE) should be exercisable by TfN instead of by the local authority (or PTE), but it is proposed that various transport functions should be exercisable by TfN concurrently with the local authority or PTE as set out below.
- 11.2 TfN should have the same power of an ITA or CA under **sections 99 and 102 of the Local Transport Act 2008** to promote the economic, social and environment well-being of its area.
- 11.3 TfN should have the general powers of a PTE under **section 10 of the Transport Act 1968** (with the omission of the words “with the approval of the Authority” where they appear), including the power to carry passengers by railway between places in Great Britain.
- 11.4 TfN should have the same powers of a local transport authority under **sections 135-138 of the Transport Act 2000** in relation to making joint and through ticket schemes.

- 11.5 TfN should have the same powers of a local authority under **section 239 of the Local Government Act 1972** to promote and oppose local or personal Bills in Parliament (which bring in rights to apply for orders under the Transport and Works Act 1992).
- 11.6 TfN should have the same powers and rights of a PTE under **section 13 of the Railways Act 2005** including rights to be consulted in relation to franchise agreements for services to, from or within its area, and to enter into agreements with the SoS or franchisees in relation to such services.
- 11.7 TfN Should have the same power of a local authority under **section 56(2) of the Transport Act 1968** to give capital grants to persons for purpose of the provision of facilities for public passenger transport.
- 11.8 TfN should have the power of county councils and unitary districts under **section 24 of the Highways Act 1980** to construct highways (subject to the consent of the highway authority) and their powers under **Part XII of the Highways Act 1980** to acquire land etc.
- 11.9 There will be an operating agreement between TfN and the constituent authorities providing, inter alia, for the drawing up of agreed protocols in relation to the exercise of concurrent functions. Such protocols would be kept under regular review.

12. Other Public Authority Functions

- 12.1 TfN should have the function of the SoS under **section 3 and Schedule 2 of the Infrastructure Act 2015** to set and vary the Road Investment Strategy (RIS) insofar as the RIS relates to TfN's area. This function would be exercised jointly with the SoS.
- 12.2 TfN should have the function of the SoS under **Schedule 4A, paragraph 1D, of the Railways Act 1993**. In relation to the High Level Output Specification (HLOS) insofar as it relates to railway activity in TfN's area. This function should be exercised jointly with the SoS.
- 12.3 *Devolution of Rail Franchising*

Under section 23 and 26 to 30 of the Railways Act 1993, the SoS is responsible for the rail franchising. RNL jointly manage with the SoS the Northern and Transpennine franchises and have various rights under a contractual agreement. At the end of the recently let franchises in 2023/25, it is envisaged that the function would be devolved to TfN. The preferred legal route is that there should be an exemption order under section 24 enabling TfN to let concessions in the same way as TfL and Merseyside PTE do with exempted services

in their area. *[An alternative route would be to devolve the franchising functions of the SoS under the Railways Act 1993 to TfN as in Scotland and Wales]*

12.4 **Section 6(5) of the Highways Act 1980** enables the SoS or Highways England to enter into agreements with a county council or metropolitan district council for the construction or improvement of trunk roads. It is proposed that this section be modified to include TfN as an authority having power to enter into such agreements.

12.5 **Section 8 of the Highways Act 1980** enables local highways authorities or Highways England to enter into agreements with other such authorities in relation to the construction, improvement or maintenance of a highway for which any party to the agreement is the highway authority. It is proposed that this section be modified to enable TfN to be a party to such agreements as if they were a highway authority.

13. Financial

13.1 The Regulations should provide for the constituent authorities to make statutory contributions as determined by TfN towards the costs of TfN, provided only that a decision to require such contributions and the overall amount of such contributions is unanimously agreed by all TfN members appointed by the constituent authorities. The apportionment of such contributions should be determined on the basis of Resident Population, unless unanimously agreed to the contrary.

13.2 TfN should be able to accept voluntary contributions to its costs from constituent authorities.

13.3 An order should be made by the Treasury specifying TfN (or STBs generally) as a body to which **section 33 of the Value Added Tax Act 1994** applies. This would enable TfN to claim refunds of VAT paid by it in certain cases.

14. Scrutiny

14.1 It is proposed that TfN arrange for the appointment of a scrutiny committee including at least one member of each constituent authority nominated by the constituent authority.

14.2 The scrutiny committee appointed by TfN may not include a member, substitute member or co-opted member of TfN, but may include co-opted persons representative of non-constituent authorities and non-councillor representatives of passengers, road users, employers and employees.

14.3 *[The arrangements should ensure that the membership of the scrutiny committee reasonably reflects the political balance of elected members]*

on the constituent authorities (or, in the case of combined authorities, their constituent councils) taken together.]

- 14.4 The arrangements should ensure that the scrutiny committee has power:-
- (a) to review and scrutinise decisions made, or other action taken, by TfN
 - (b) to make reports or recommendations with respect to the discharge of the functions of TfN
 - (c) to make reports or recommendations on transport matters that affect the area of TfN or inhabitants of the area
 - (d) to require members or officers of TfN to attend meetings of the committee to answer questions.
 - (e) to invite other persons to attend meetings of the committee

15. Rail North Ltd (RNL)

15.1 It is proposed that TfN should become the sole owner of RNL, provided that any changes to RNL's constitutional arrangements ensure:

- That the rights and interests of those RNL member authorities which are not constituent authorities of TfN are protected
- That RNL member authorities which are TfN constituent authorities are able to retain rights similar to their existing rights through TfN's constitutional arrangements

15.2 Such protection would include:

- Existing geographical sub-groups continuing to nominate directors of RNL
- RNL authorities which are not TfN constituent authorities becoming co-opted members of TfN with a right to vote on "Rail North matters"

16. Miscellaneous

It may be necessary that certain additional local authority enactments are applied to TfN as if TfN were a local authority, including staffing arrangements, pensions etc. In this respect, it is also proposed that TfN should be a "local authority" for the purposes of **section 1 of the Local Authorities (Goods and Services) Act 1970**, to enable constituent authorities to provide services to TfN.

DRAFT

TfN Legislation - Voting Arrangements

TfN Combined Authority, County Council, Unitary Authority	Population	% of population	Recommended	Alternatives Considered					Rail North
			Weighted Vote (1 per 200k of pop or part thereof)	Weighted Vote (1 per 0.1% of TfN pop)	Weighted Vote (1 per 250k of pop or part thereof)	Weighted Vote (1 per 500k of pop or part thereof)	Weighted Vote (1 per 1,000k of pop or part thereof)	Rail North Votes (1 per 0.1% of pax miles)	
Greater Manchester CA	2,732,854	18.08%	14	181	11	6	3	223	
Leeds City Region / WYCA	2,264,329	14.98%	12	150	10	5	3	209	
North East CA	1,952,473	12.92%	10	129	8	4	2	65	
Liverpool City Region CA	1,517,463	10.04%	8	100	7	4	2	59	
Sheffield City Region CA	1,365,847	9.04%	7	90	6	3	2	78	
Lancashire CC	1,184,735	7.84%	6	78	5	3	2	55	
Tees Valley CA	666,237	4.41%	4	44	3	2	1	33	
North Yorkshire CC	601,536	3.98%	4	40	3	2	1	32	
Cumbria CC	497,874	3.29%	3	33	2	1	1	40	
Cheshire East UA	374,179	2.48%	2	25	2	1	1	21	
East Riding of Yorkshire UA	337,115	2.23%	2	22	2	1	1	9	
Cheshire West and Chester UA	332,210	2.20%	2	22	2	1	1	11	
Hull City Council	257,710	1.71%	2	17	2	1	1	13	
Warrington UA	206,428	1.37%	2	14	1	1	1	12	
City of York UA	204,439	1.35%	2	14	1	1	1	54	
North Lincolnshire	169,247	1.12%	1	11	1	1	1	4	
North East Lincolnshire	159,804	1.06%	1	11	1	1	1	6	
Blackburn with Darwen UA	146,743	0.97%	1	10	1	1	1	6	
Blackpool UA	140,501	0.93%	1	9	1	1	1	15	
Total	15,111,724		84						
Enhanced Majority 75%			63						
TfN Rail North Co-opted Member Areas									
Staffordshire CC	860,165							1	
Nottinghamshire CC	801,390							3	
Derbyshire CC	779,804							14	
Lincolnshire CC	731,516							7	
Nottingham City Council CC	314,268							15	
Stoke-on-Trent City Council	251,027							8	

AGENDA ITEM

REPORT TO THE TEES VALLEY COMBINED AUTHORITY

DATE: 19th July 2016

**REPORT OF: Sue Hannan,
Employment and Skills Manager**

Devolution of the Apprenticeship Grant for Employers (AGE)

SUMMARY

In the Tees Valley Powerhouse Plan (the Blue Book) the Combined Authority proposed to '*become the commissioning authority as soon as practically possible for the Apprenticeship Grant for Employers 16-24 (AGE)*'. The AGE scheme provides government support for certain small businesses to recruit individuals aged 16 to 24 into employment, through the apprenticeship programme (where they would not otherwise be in a position to do so).

The Skills Funding Agency (SFA) currently has responsibility for AGE funding and delivers it to employers through a national network of Training Providers. Eligibility is subject to a set of national criteria – except in three of the devolved areas (Greater Manchester, West Yorkshire/Leeds, Sheffield) where the Grant is already managed locally through devolution, therefore eligibility criteria is different for these areas:

As a consequence of our devolution deal, the Tees Valley Combined Authority has now reached agreement in principle with government for devolved funding in respect of the AGE grant, for the year 1st August 2016 to 31st July 2017. Funding would need to transfer across to the Combined Authority with effect from 1st August 2016, hence the urgency in submitting this report to the Combined Authority. The AGE grant is expected to cease from 31st July 2017 (unless there is a change of plan by Government), in which case the Combined Authority would need to consider a potential role on any successor arrangements.

A number of potential questions around how the AGE grant could potentially work within Tees Valley have been answered in **Annex A**.

RECOMMENDATIONS

1. Tees Valley Combined Authority is recommended to accept transfer of responsibility for the Apprenticeship Grant for Employers (AGE) in Tees Valley, from the Skills Funding Agency with effect from 1st August 2016.

1. DETAIL

1.1 The Skills Funding Agency (SFA) currently has responsibility for AGE funding and delivers it to employers through a national network of Training Providers. Eligibility is subject to a set of national criteria – except in the following areas where the Grant is already managed locally through devolution, therefore eligibility criteria is different for these areas:

- [Greater Manchester](#)
- [Sheffield City Region](#)
- [West Yorkshire Combined Authority/Leeds LEP](#)
(see hyperlinks for details of each scheme)

1.1 Tees Valley Combined Authority has now also been approached by the SFA to discuss the opportunity to take responsibility for the AGE Grant through the devolution deal..

2. FINANCIAL IMPLICATIONS

2.1 Combined Authority Officers from Tees Valley, with other areas considering devolution of this funding, met with SFA in Coventry on 17th May to discuss the details of what this could mean for our areas. Through devolution, the Tees Valley Combined Authority would receive a block grant for this region, calculated on the basis of 100% of our current annual application volumes for the AGE initiative.

2.2 SFA advised that in practice, **only 67% of previous individual applications for AGE were approved by SFA, however a devolved allocation would reflect the 100% figure for our area, thereby increasing the amount of funding going to employers in this area.**

2.3 Funding would be transferred to the Combined Authority in advance, using **Section 31 Grant powers**. Whilst there is no suggestion of any 'claw back' if not fully allocated, areas would be expected to invest any unspent balance on apprenticeships in their area (for our indicative allocations, see 2.8 below).

2.4 Tees Valley Combined Authority would then have full responsibility and accountability for the AGE 16-24 budget for this area and for programme management of applications from and payments to employers, which includes:

- Applications, decisions, claims, complaints, documentary evidence and usual fiduciary controls
- Section 31 reporting

2.5 Funding would be allocated to us by Government **for one year only** as at present, AGE is due to close either on 31st March or 31st July 2017 (date still to be decided). However, SFA inform us that this has been the case in the past and there have been several extensions to the scheme over the past few years, so this may happen again.

2.6 The AGE budget is allocated by Treasury for a financial year but the scheme operates on an academic year for allocations (1st August 2016 to 31st July 2017). The value of the Tees Valley grant would be fixed for that year – with two funding releases made to the Combined Authority:

- The first to cover apprenticeship starts from 1 August to 31 December 2016.

- The second tranche from 1 January 2017 to either 31 March, or to 31 July 2017. (This date will depend upon decisions still to be made by Government on the timing of closure of the AGE programme).

2.7 Funding must be committed in the year in which it is allocated and within the two age ranges. Funding cannot be moved between age ranges (16-18 and 19-24) or be allocated beyond the specified period (subject to Section 31 rules). The Tees Valley allocation will be based upon past data reflecting providers who have delivered to an employer workplace with a postcode in the Tees Valley in the last full year and their contract value minus AGE grants already paid and in the pipeline.

2.8 The table below shows an indicative allocation based on data at a given point in time (it does not take into account employers who may already be in the pipeline).

	16 – 18 year olds		19 – 24 year olds	
	1 Aug – 31 Dec 2016	*Full Year (1 Aug 16 – 31 July 17)	1 Aug – 31 Dec 2016	*Full Year (1 Aug 16 – 31 July 17)
National total starts	30287	30287	15634	15634
TVCA starts	280	541	137	358
% total starts	0.9%	1.79%	0.88%	2.29%
National 15/16 budget	£55,000,000	£55,000,000	£30,600,000	£30,600,000
TVCA % budget value	£508,469	£982,435	£268,146	£700,704
TVCA rounded budget value	£508,500	£982,500	£268,500	£700,500

(*Includes the 1.8.16 to 31.12.16 amounts)

2.9 The allocation for the full year will never be more than that stated above as this assumes that the programme will end on 31 July 2017. Therefore the 1 August to 31 December 2016 allocation is included within the full year allocation. In summary, if the programme runs until 31st July 2017, the indicative budget for the full year may be in the region of:-

16-18 £ 982,500
 19-24 £ 700,500
£1,683,000

3. LEGAL IMPLICATIONS / CORE REQUIREMENTS

3.1 There are a limited number of legal implications and core requirements which must be adhered to if we take over the grant:

- The grant is subject to State Aid rules, so financial checks are required.
- The budget comes from Government in two separate funding streams (16-18 and 19-24). This split must be maintained and is not interchangeable.

- Apprentices must be recorded on the Individual Learner Record (ILR) maintained by providers, as this is used to contribute to the rest of the national management information for AGE.
- Only apprentices aged 16-24 who are undertaking an apprenticeship 'Framework' are eligible for the scheme. The new apprenticeship 'Standards' are excluded as they already carry a financial incentive for employers.
- Only apprentices who will have a place of work within the Tees Valley will be eligible for the devolved scheme.

3.2 Apart from adhering to the above core criteria, Tees Valley Combined Authority would have the flexibility to set different local eligibility criteria and manage the programme in its own way. For example, in order to speed up payments, we could pay directly to employers, rather than via training providers as with the national scheme, a process which causes additional delays and is often criticised by employers.

3.3 The national version of the AGE programme will still exist for areas that do not have devolved responsibility and providers will continue to hold and operate this for employers/employees they deal with in postcodes outside devolution areas.

4. FLEXIBLE ELIGIBILITY

4.1 The Combined Authority would have the flexibility to set local eligibility criteria for businesses and to vary other elements from the national model, e.g. such as the amount of grant, payment system, frequency etc. Ideally we would want to keep the system fairly straight forward to minimise administration and attractive enough to encourage more employers to apply. As there is currently no proposal of further funding to follow at this stage, we would want to include a 'whilst funds are available' condition to any offer. The table below shows the current national eligibility alongside a suggested eligibility criteria for a Tees Valley specific programme:-

National AGE Eligibility	Proposal for Tees Valley AGE Eligibility
SMEs with fewer than 50 employees	Increase eligibility to all SMEs (companies with up to 250 employees)
One-off payment of £1,500 made at 13 weeks after start of the programme (this currently takes a further 4 weeks to process through the provider system).	One-off incentive payment (of £2,500) paid promptly after 13 weeks, to encourage smaller employers to recruit.
No additional incentives for higher levels of apprenticeships	An additional £1000 for employers taking a Higher or Degree apprentice, plus An additional £1,000 for progression from a Traineeship (to encourage employers to keep trainees on and progress rather than release and take someone else) NB one incentive or the other would apply, so maximum £3,500.
Companies must not have had an employee start an apprenticeship in the previous 12 month period (even if the employer didn't apply for the AGE scheme for the earlier post).	No restriction for Tees Valley. Companies could start an apprentice and receive AGE regardless of whether they have taken one in last 12 months, as long as the previous position is still within the business (i.e. to discourage any 'dumping' of previous

	apprentices and taking new to attract the grant)
Up to 5 grants available (but must be applied for all together up front, or at least 1 year apart)	Maximum 3 grants available but can be staggered over the 12 month period, as long as any previous AGE apprentice posts are still within the company headcount and payroll.

5. RESOURCES AND PROCESSES

- 5.1 Under a Tees Valley Combined Authority led local scheme, providers would continue to make referrals but TVCA could also promote the AGE grant through the TVCA website, Business Compass, and using the Tees Valley Learning Provider Network. In addition, SFA would continue to promote using the national AGE literature which leads enquirers through to the three currently devolved schemes and also the Tees Valley scheme. In addition, each of our Local Authorities would market and act as 'ambassadors' for the scheme to local employers, as they did successfully for the RGF4 'Jobs and Skills Investment Scheme' in 2014-15.
- 5.2 It is recommended that as the Combined Authority would have ultimate responsibility for the grant, TVCA should also manage the actual assessment of applications received and process the payments, rather than routing funds via the numerous training providers, as is done in the national model. This would keep all the key financial information in one place for audit purposes, minimising the risk to TVCA and speeding up payments to employers.
- 5.3 A joint meeting took place on 1st July with the major learning providers who are currently operating the national AGE Grant scheme in Tees Valley, including representatives from all five GFE Colleges and the five Tees Valley local authorities. They are now fully aware of changes from the national scheme and recognise the potential for additional benefits from a Tees Valley version. As such they have pledged their support and have offered to assist employers to complete the training details within their applications for the scheme. This will be welcome and will save clarification enquiries by TVCA.
- 5.4 As this **funding would come to the Combined Authority as a Section 31 Grant**, it would then be up to TVCA to use resources as it deemed appropriate to deliver the AGE grant.

6. CONSULTATION

- 6.1 No formal consultation is considered necessary as a local scheme would only enhance the national offer for local companies and individuals, with resource implications for the Combined Authority limited. However informal discussions have taken place with local training providers who administer the existing national scheme, and their response has been positive.
- 6.2 The proposal to devolve the AGE grant to Tees Valley would open up the offer to more employers, creating significant benefits, particularly for smaller employers as we could be more flexible with the eligibility and features of a local scheme. This would make it more favourable

to the businesses we particularly wish to attract and create more quality apprenticeships for our young people.

6.3 Tees Valley is one of only a small number of Combined Authorities to be offered this new opportunity as we particularly asked for 'devolution of the AGE grant' in our request to Government, and it has since also been recommended within the Lord Hesletine Independent Report.

6.4 Tees Valley Combined Authority is therefore recommended to approve the transfer of responsibility for the Apprenticeship Grant for Employers (AGE) in Tees Valley, from the Skills Funding Agency to the Combined Authority with effect from 1st August 2016.

6.5 Further activity would then continue:

- Working with Skills Funding Agency to agree the process and timescale for transfer of the grant;
- Working within Combined Authority to confirm details of the Tees Valley AGE scheme;
- Liaising with local providers and employers to promote the benefits and eligibility of the Tees Valley scheme.

7. RISK ASSESSMENT

“This Devolution of the Apprenticeship Grant for Employers is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.”

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Tees Valley AGE Grant - questions and answers

1. Q. How will the proposed TV programme differ from the national programme?
A. The core requirements will remain the same as the national programme:
 - 16-18 and 19-24 funding streams
 - Apprentices must be recorded on the Individual Learner Record (ILR)
 - The grant is only for Apprenticeship Frameworks (not Standards)

The rest of the programme can be tailored to suit the TV region. We are proposing:-

 - SMEs with up to 250 employees
 - One-off incentive payment of £2,500 with additional incentives for those who take Higher and Degree Apprentices or who take someone from a Traineeship.
 - Companies can start an apprentice even if they have received AGE in last 12 months (up to a maximum of 3 in a 12 month period)
2. Q. What will happen to the current colleges/training providers who have an AGE allocation?
A. To alleviate the burden on providers/colleges, the grant will be paid directly by TVCA to employers. Colleges/providers will still need to register candidates on the ILR and provide the evidence of start.
3. Q. If the level of grant to employers is increased, will this reduce the number of apprenticeship starts?
A. We anticipate that an increased grant will encourage more SMEs to take on an apprentice and as we would be receiving a greater overall allocation for the region than under the national scheme, this excess could be accommodated without numbers being reduced. The additional incentives will also add value to the scheme by increasing the number of higher level/degree apprenticeships and encourage employers to keep and progress those doing Traineeships onto an Apprenticeship.
4. Q. When will the programme finish?
A. The programme closure date will be the same as the national programme and is either 31st March or 31st July 2017. This is still to be decided by Government and is not something we would have local control over. However, there have been several extensions to the scheme over the past few years and therefore it may yet continue.
5. Q. Will providers have to operate a different system for employers outside of the Tees Valley?
A. Yes. The national programme will still be in operation. Different programmes already exist within other devolution areas such as Greater Manchester, Leeds and Sheffield City Regions and providers accommodate this. Tees Valley providers have been advised of this opportunity, understand the twin approach and are supportive of the scheme.

