
TEES VALLEY DEVOLUTION DEAL

Responsible Cabinet Member - Councillor Bill Dixon, Leader

Responsible Director - Ada Burns, Chief Executive

SUMMARY REPORT

Purpose of the Report

1. To invite Members to approve a “Devolution Deal” with HM Government that will significantly enhance economic development and regeneration across the five Tees Valley Authorities

Summary

2. In July 2015, the five Leaders/Elected Mayor that comprise the Shadow Tees Valley Combined Authority, working with business through the Local Enterprise Partnership (Tees Valley Unlimited), were invited by Government to submit proposals for a Devolution Deal for the Tees Valley.
3. Given the strength of the existing partnerships within the region, and the clarity of existing economic ambitions, the Tees Valley Councils were requested to engage in a fast-track process that puts the Tees Valley in the first wave of new Deals, shaping the agenda and influencing Government’s resource allocation ahead of the Spending Review announcement in November 2015.
4. The proposals, “Tees Valley Powerhouse Plan” were submitted to Government on 4 September. They build upon the ambitions and opportunities set out within agreed economic strategies and the Tees Valley Statement of Ambition.
5. In the period since early September detailed negotiations with Government departments and Ministers have concluded in the Deal attached to this report.
6. In global terms the deal is worth £450m in investment in the region over 30 years. It comprises a package of resources and powers, to be devolved down from Government to the Tees Valley Combined Authority, which is on the current timetable due to be established from 1 April 2016. This is in return for developing a new governance model in the form of an elected Mayor for the Tees Valley which will follow subject to legislation currently going through Parliament. The Mayor

would work with the Combined Authority currently going through the establishment processes.

7. Members are now asked to formally approve the Deal. This request is being made of all five Tees Valley Councils.
8. If agreed by each of the five councils, the next step will be the development of detailed implementation plans, including a Constitution for the Combined Authority and Mayoral governance arrangements.

Recommendation

9. It is recommended that :-
 - (a) It is recommended that Members approve the Tees Valley Devolution Deal described within this report and detailed within **Appendix 1**.
 - (b) The Chief Executive be authorised to confirm to the consent of Cabinet to the devolution agreement and to formalise the sign off process with Government (subject to Council voting in favour of the proposals when it considers them on 19 November 2015)

Reasons

10. The recommendations are supported by the following reasons:
 - (a) It creates opportunities to accelerate the creation and safeguarding of vital jobs within the region.
 - (b) It gives greater local democratic oversight to funding streams currently controlled by central Government.
 - (c) It enables the Tees Valley to exercise a stronger voice in negotiations for a fairer share of national resources.

Ada Burns
Chief Executive

Background Papers

Reports on the pursuit of a Combined Authority, were considered by Cabinet on 3 March 2015 and Council on 19 March 2015.

Appendices

Appendix 1 – The Tees Valley Devolution Deal

Appendix 2 – The Devolution Deal - What does it mean for the Tees Valley?

Ada Burns : Extension 5813

S17 Crime and Disorder	There are no specific impacts on Crime and Disorder
Health and Well Being	The devolution of powers to the Tees Valley is likely to have positive benefits for health and well-being.
Carbon Impact	The carbon impact of the report is limited.
Diversity	There are no specific diversity impacts resulting from this report.
Wards Affected	The report impacts on all wards equally
Groups Affected	The report impacts on all groups equally.
Budget and Policy Framework	The report does not impact on the overall budget and policy framework.
Key decision	The proposed devolution of powers from Government to the Tees Valley will have a significant impact in Darlington.
Urgent Decision	This report is not an urgent decision.
One Darlington: Perfectly Placed	The devolution of powers helps support the aspirations for economic growth in Darlington
Efficiency	The devolution of powers to the Tees Valley will enable more effective local collaboration and further our economic ambitions.

MAIN REPORT

Information and Analysis

Tees Valley Context

11. Tees Valley, the area covered by the local authorities of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees, shares a coherent economic identity and a history of highly effective collaboration.
12. As one of the most significant integrated industrial economies in the UK it is home to England's third largest port and produces some 30% of the UK's process output. With a positive balance of trade and GVA worth £11.4 billion to the UK economy, the Tees Valley offers a key ingredient in the nation's future growth and prosperity.
13. Providing a "gateway" to the Tees Valley, good quality environment and a diverse economic base with a strong growth record, Darlington plays an important role in helping to realise the collective ambitions of the whole Tees Valley region. The five boroughs long ago recognised that working collectively and collaboratively would bring about faster progress in creating and ensuring access to wealth, and that powerful partnership has been rewarded from successive governments with resources and support.
14. In Tees Valley Unlimited, the innovative Local Enterprise Partnership, the Councils and business have established a mature and robust partnership, a ten year plus proven track record of delivery and a willingness to collaborate for the benefit of our

combined community. Following a public consultation earlier this year, the Tees Valley Councils are on track to establish a Combined Authority in April 2016.

15. This devolution proposal builds on that background and on the City and Growth deals already agreed with Government to take economic growth to a new level.

Vision

16. The vision is that Tees Valley is an area with:

- (a) Rapid and sustainable local economic growth to benefit Tees Valley and the whole of the UK, with a full role in the Northern Powerhouse
- (b) Improved life chances and opportunities for communities so that local people directly benefit through improved prosperity and wellbeing; and
- (c) Real strength and vibrancy as a place in which to live, work, visit and invest

Progress So Far

17. Through Tees Valley Unlimited the five local authorities and business work very well together in the Tees Valley and have made good progress.
18. With a lead role played by Darlington, full membership of Transport for the North has been secured. This for the first time is giving the region equitable access to negotiations with the Department for Transport, Highways England, and Network Rail to secure a fairer share of national infrastructure pots.
19. Effective bidding has secured significant external funds through Tees Valley Unlimited and there is a good track record in using those funds to enable businesses to create jobs. For example:
 - (a) £104m of Local Growth Funding is creating 5,000 jobs and 1,500 new homes
 - (b) City Deal is creating 3,500 jobs and £10m of investment
 - (c) £6m of Government investment in the Tees Valley Jobs and Investment Scheme has created over 700 jobs in just 18 months.
 - (d) In total, 11,000 private sector jobs have been created in Tees Valley since 2011.
20. There is, however, much more to be done to diversify and strengthen the Tees Valley economy and make it more resilient to external shocks, such as the recent announcement about SSI and steel. The Devolution Deal would help to accelerate jobs growth.

The Devolution Deal

What does the devolution deal mean for the Tees Valley?

21. The devolution deal would bring £450m of additional money into the Tees Valley over the next 30 years and take decision-making powers away from Whitehall and into the area. The deal is focused on driving economic growth, accelerating delivery

of the 25,000 new jobs as set out in the Strategic Economic Plan, and creating up to 14,000 additional new jobs. Final agreement depends on the support of each of the five local authorities (Darlington, Hartlepool, Middlesbrough, Redcar and Stockton). This summary describes what the deal would mean to the Tees Valley with the full document attached at Appendix 1.

Governance (paragraphs 1-10 of the full document)

22. The five Councils are currently progressing the establishment of a Combined Authority. This arrangement will in effect accelerate decision making on jointly agreed priorities for economic development, transport strategies and other matters currently subject to agreement by each Council. The submission for a Combined Authority was agreed by Cabinet on 3 March 2015 and by Council on 19 March 2015
23. As the devolution deals involve a transfer of powers and resources from Whitehall to local areas the Chancellor has made clear that every deal on this scale requires a directly elected Mayor. If the deal is agreed, there will be an elected mayor for the whole area of the Tees Valley.
24. The Mayor would be part of the Combined Authority and would lead it alongside the leaders of the five local authorities. The Combined Authority would have its own constitution which would set out in detail how it operates. The constitution for the Combined Authority will be developed in the coming months, and steps will be taken to ensure effective working between the Combined Authority and the Mayor. The Leaders have negotiated scope for safeguards, for example, the requirement for the Mayor to have the support of the majority of local authority leaders. In addition and as already planned for the Combined Authority, there will be a Scrutiny function.
25. If all progresses as envisaged, it is expected that the Combined Authority will come into being on 1 April 2016 and the first Mayor would be elected in May 2017.

Tees Valley Investment Fund (paragraphs 11-13)

26. The Government would provide extra funding of £15m a year for 30 years or £450m in total for the Tees Valley as part of the deal. The Combined Authority would be able to spend that money to generate economic growth in the area. In addition, the Combined Authority would also get the power to use the money which Government already spends in the area more flexibly – moving it between years and between services. The Councils would also be able to keep the benefits of economic growth above that estimated and reinvest them in the region (additional business rate income). Overall the Tees Valley Combined Authority would be in a better position to spend money in ways which would reflect local economic circumstances and opportunities as opposed to national decisions.
27. It is important to note that the Comprehensive Spending Review is very likely going to result in reductions in some of the funding streams that have previously supported the five Councils in the Tees Valley, and that the Investment Fund within

the Deal may offer a degree of protection from the full impact of these cuts.

European Funding (paragraph 14)

28. The Tees Valley Combined Authority would have powers to make decisions about how best to spend allocated European funding, and again, ensure that resources were better targeted to local circumstances.

Planning and Housing (paragraphs 15-16)

29. A new Tees Valley Development Corporation, which would be under the control of the Combined Authority, would move as quickly as possible to bring surplus land into use for housing and business use. That could give a boost to house and commercial construction programmes.

Transport (paragraphs 17-19)

30. There are a number of key transport schemes which are needed to enable better connectivity for business and the public (and freight) to the other regions of the North. Positively, the Deal mentions these specifically and commits the Government to working with Tees Valley to support our positioning of these within the Transport for the North body. The schemes are widening the A19; a new Tees crossing; improvements to the east coast mainline at Darlington station; improving east-west connectivity from the A1 and electrification of the Northallerton-Teesport line. These schemes are major projects which will take years to bring to fruition but need to be built into the key investment plans over the coming years.
31. The deal also supports the Tees Valley in utilising new proposed arrangements for bus operations that would strengthen the scope to improve access to jobs within the region.

Business support (paragraphs 20-25)

32. There are benefits for businesses in the deal. The devolution of powers on skills funding, education and employment programmes would enable the Combined Authority to focus on the needs of employers now and in the future.
33. The deal also commits Government to using its resources to provide better support which is more tailored to the needs of Tees Valley businesses. We would work with Government on a joint plan to improve exports in the area and on an event to help inward investment. And the deal puts in place the mechanisms for Government to recognise the Tees Valley's strength in innovation.

Education, Skills and Employment (paragraphs 26-31)

34. The Combined Authority would move towards full control of funding for adult skills in the Tees Valley within 3 years. That would enable a better focus on where it is really needed to improve the skills to take up the new jobs being created.

35. Tees Valley will be in the first phase of area reviews of Further Education to make sure that the sector meets the needs of students and employers. And Government will work in partnership with the Combined Authority leaders to transform education and skills in the region so that young people have the qualifications they need to thrive in the modern world.
36. Tees Valley will work with the Government to design a future programme for those who are struggling to find work so that those who really need support get the support they need.

Energy and Climate Change (paragraphs 32-34)

37. Tees Valley would get support to become a market leader in new technology that mitigates the environmental impact of heavy industry (Industrial Carbon Capture and Storage).

Culture (paragraph 35)

38. The clause gives the Tees Valley greater scope to would work with Arts Council England to get a fairer share of the national culture budgets and to direct the resources towards a shared strategy.

Evaluation and Economic Assessment (paragraphs 36-39)

39. Government requires that an independent evaluation every five years of the social and economic impact of the extra funding to show that it is being well used. This will be a “gateway” process to trigger release of the following period’s resources and will need to comply with conventional treasury economic assessment methodology. It will therefore be important that the Tees Valley authorities continue to develop strong propositions to lever in and demonstrate growth.

Next steps and Commitments (paragraphs 40-50)

40. These paragraphs describe the process of implementing the commitments Government and Tees Valley would make as part of this deal. The planning would involve a lot of intensive work over the next few months.
41. The deal flags the possibility that Tees Valley and the Government may want to do future deals to devolve further funding and powers to the Tees Valley. In particular there is the possibility of extending the approach of a devolution deal to other aspects of public service reform.
42. A more detailed analysis is attached at **Appendix 2**.

Who will this benefit and how?

43. Communities, businesses and Government will benefit. In particular, some of the most disadvantaged communities will stand to benefit as more jobs are created, skills funding is directed to training and apprenticeships that will help them secure

the jobs being created, and more and better housing is developed.

Financial Implications

44. The Deal, if agreed, will provide £450m for the Tees Valley over 30 years. The main staffing resource for delivering the work of the Combined Authority, and enhancements through the Devolution Deal, will be from our existing, jointly-funded team at Tees Valley Unlimited. However, in view of the scale of the Deal, some additional capacity would need to come from budgets devolved from Government, linked to a review of capacity at TVU.

Legal Implications

45. Following formal agreement to the devolution proposals, secondary legislation will need to be drafted by Government in order to enable the transfer of powers. The Tees Valley Combined Authority will need to be formally constituted by the Tees Valley Councils and elections will need to be held to elect a Mayor, in order to receive those powers.

Risks

46. There are likely to be further significant cuts in local authority funding, over and above what we already know. The Spending Review, to be announced in late November 2015, is expected to confirm this. These cuts to local authority budgets will happen irrespective of any Devolution Deals. The Deal offers us significant resource. Even with the Deal, the Tees Valley may be worse off in years to come when compared to 2015, but would almost certainly be much worse off if the Deal is rejected.
47. There are risks associated with a new governance model in the form of a Tees Valley elected Mayor. This would be a new form of governance sitting on top of a well-established model of collaboration of the Leaders and Mayor working alongside business through the LEP and now the Shadow Combined Authority. It will be important to ensure that the Constitution and protocols worked through with Government will protect the sovereignty of the five Councils and enhance current effective partnerships with business.
48. Tees Valley would be required to put in place a programme of evaluation agreed at the outset with Government (Gateway Reviews) to demonstrate economic and social impact of our investment. There is a risk that the bar is set high for this Gateway review and it will be vital to be ambitious and robust in negotiations with Government, including to ensure that the criteria reflect economic realities in the north of England

Who have we consulted?

49. The timescale set out by Government for the negotiations has made it impossible to engage specifically on the Deal propositions. However, the “asks” and key components are all matters drawn from agreed Economic Strategies at both individual borough and Tees Valley wide level. These Strategies will have had

substantial consultation, including through the LEP and partner authorities in formulating the deal.

50. Members of Council have also been invited to give their views on these proposals, a separate report will be considered by Council on 19 November 2015.

Tees Valley Devolution Deal – FINAL VERSION**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 their statutory duties. This local freedom will be over a range of budgets to be determined by Tees Valley and HMG 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 ERDF and ESF. 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:
- a. Enhancements to the A19 corridor and the requirement for an additional Tees River crossing,
 - b. Darlington station to be HS2 ready and improve the rail gateway into and across the Tees Valley
 - c. Delivery of improved east west road connectivity from the A1 to the international gateway at Teesport
 - d. 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 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. 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 DFE, DWP and BIS 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 SMEs 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 coordinated. 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 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 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 their 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 HCA 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 their 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.

[Signatures]

THE DEVOLUTION DEAL – WHAT DOES IT MEAN FOR TEES VALLEY?

Summary of the Devolution Deal agreed in principle by the Government and Tees Valley Shadow Combined Authority Leadership Board	
Text in the deal	What does this mean?
<p>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 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).</p>	<p>The devolution deal has been agreed in principle by leaders and elected mayor of the five local authorities (Darlington, Hartlepool, Middlesbrough, Redcar and Stockton) which together form the Tees Valley Shadow Combined Authority. Final agreement is subject to debate and agreement in each local authority.</p>
<p>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.</p>	<p>This deal hands a set of powers from the Government to the Combined Authority and mayor. Further deals may follow this one including on the reform of other public services.</p>
<p>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:</p> <ul style="list-style-type: none"> • Responsibility devolved from 	<p>As part of the deal and as with other devolution deals elsewhere in the country there is a requirement for a Tees Valley elected mayor who will have certain executive powers across the area.</p>

<p>Government for a consolidated transport budget, with a multi-year settlement to be agreed at the Spending Review.</p> <ul style="list-style-type: none"> • 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. 	
<p>The Tees Valley Combined Authority, working with the Mayor, will exercise the following powers devolved to it:</p> <ul style="list-style-type: none"> • 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. <p>Further powers may be agreed over time and included in future legislation.</p>	<p>This deal brings £450m of extra money into the Tees Valley over 30 years and in addition control over money which is already spent by Government in the Tees Valley. The Tees Valley Combined Authority, of which the elected mayor will be part, will get the power to spend that money.</p>
<p>Governance</p>	
<p>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 (Leadership Board), 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</p>	<p>The legislation which provides for devolving powers to elected mayors is still going through Parliament; it is expected to become law in early 2016. Tees Valley will need its own statutory order to pass through Parliament to set out how an elected mayor can best work here.</p>

provisions of this agreement.	
<p>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.</p>	<p>The elected mayor is a key part of devolution from the Government's perspective and will have certain executive powers (but there will be safeguards to prevent the abuse of that power).</p>
<p>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.</p>	<p>The mayor will chair the Combined Authority. The other LA leaders will form the rest of the Cabinet of the Combined Authority and will have defined responsibilities across the area. The split of responsibilities has yet to be decided and will be set out in the constitution of the Combined Authority. The Tees Valley local authorities will lead the work on the development of the constitution, with input from the Government, over the next few months.</p>
<p>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</p>	<p>All eligible people in the Tees Valley will be able to vote for their choice of mayor in May 2017.</p>

<p>the passage of legislation through parliament, the first election will be held in May 2017.</p>	
<p>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.</p>	<p>The detail of how decision making will work will be set out in the Tees Valley statutory order and the constitution. The last sentence of paragraph 5 ensures that the Tees Valley local authorities have the freedom to set out the decision-making rules within the constitution in a way which is appropriate for our circumstances.</p>
<p>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.</p>	<p>The devolution deal does not affect the identities of the five LAs which will remain separate. This is not about re-forming Cleveland County Council.</p>
<p>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.</p>	<p>The Tees Valley Mayor will get new powers from Whitehall. There will be safeguards on the use of these powers – the mayor will have to have the agreement of three out of the five LA leaders for spending and strategy.</p>
<p>8. Economic growth is a shared</p>	<p>The powers devolved by this deal will</p>

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.	enable the Tees Valley to play a full role in the Northern Powerhouse.
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.	Tees Valley now has a full role in the decision-making body for strategic transport projects in the North, Transport for the North. As noted below, the deal recognises the significance of some of the Tees Valley's major transport infrastructure projects.
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 their statutory duties. This local freedom will be over a range of budgets to be determined by Tees Valley and HMG 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.	The Tees Valley Combined Authority will get access to a single pot of money comprising the money currently spent here by Government across a range of services. We will be 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.
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	There will be £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

<p>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.</p>	<p>done things which will drive economic growth and/or deal with key social issues.</p>
<p>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.</p>	<p>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. [This paragraph may have been superseded by the Chancellor's announcement that local authorities will keep business rates.]</p>
<p>European Funding</p>	
<p>14. The Government is committed to working with the Tees Valley Combined Authority to achieve Intermediate Body status for ERDF and ESF. 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.</p>	<p>The Tees Valley Combined Authority will 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.</p>
<p>Planning and housing</p>	
<p>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</p>	<p>We will set up a Tees Valley Development Corporation 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 control of the Tees Valley Combined Authority.</p>

<p>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.</p>	
<p>16. Government will continue to explore the devolution of housing financial transaction funding with Tees Valley.</p>	<p>We hope to reach a deal for Government to devolve housing funding. This will enable the Combined Authority to prioritise building affordable and aspirational homes in key areas.</p>
<p>Transport</p>	
<p>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:</p> <ul style="list-style-type: none"> • Enhancements to the A19 corridor and the requirement for an 	<p>Tees Valley is now a full member of the Transport for the North 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.</p>

<p>additional Tees River crossing,</p> <ul style="list-style-type: none"> • 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. 	
<p>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.</p>	<p>Tees Valley will be at the forefront on new powers on buses to make sure that people can get to work and travel around the area.</p>
<p>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.</p>	<p>Tees Valley will have more power over spending on transport and can make local decisions rather than having to follow priorities set in Whitehall.</p>
<p>Business support</p>	
<p>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</p>	<p>Businesses in the Tees Valley will benefit from support which is more focused on their needs rather than a “one size fits all” approach.</p>

<p>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.</p>	
<p>21. An export plan will be agreed between Tees Valley and 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.</p>	<p>Businesses will have better access to the resources of UK Trade and Investment.</p>
<p>22. 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.</p>	<p>The work with HMRC will include looking at the benefits of a Free Trade Area around the port and airport.</p>
<p>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.</p>	<p>The Government have already announced an £80m support package which is in addition to this deal.</p>
<p>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</p>	<p>This is the mechanism to confirm Tees Valley as a leader in innovation in the UK.</p>

<p>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.</p>	
<p>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 event in 2016.</p>	<p>The Government recognises Tees Valley's unique strengths in some industries and will support us in an investment fair to attract new investors from home and abroad.</p>
<p>Education, Skills and employment</p>	
<p>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.</p>	<p>This section gives the Tees Valley Combined Authority devolved powers to improve our adult skills provision so that it is better for students as well as being better linked into employers.</p>
<p>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.</p>	<p>The devolution will take place over 3 years with full control of funding in the Tees Valley by 2018-19.</p>

<p>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, consistently 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.</p>	
<p>28. The readiness conditions for full devolution are that:</p> <p>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.</p> <p>b. Completion of the Area Review process leading to a sustainable provider base.</p> <p>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.</p> <p>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.</p> <p>e. Learner protection and minimum standards arrangements are agreed.</p> <p>f. Funding and provider management arrangements, including securing financial assurance, are agreed in a way that minimises costs and maximises</p>	<p>This section sets out what needs to happen before full devolution of funding. The Tees Valley Combined Authority will lead the area review of FE and can ensure that it meets the needs of students and employers.</p>

consistency and transparency.	
29. Government, including the DFE, DWP and BIS 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.	We will set up a Tees Valley Board to improve education and skills across the area and all the relevant Government departments will work as partners with us.
30. Government will provide advice to support Tees Valley in their work to secure more apprenticeship places with employers, particularly among SMEs and also drive up demand from individuals looking for apprentice jobs.	We will be able to place more apprentices in the area to make sure our young people have the skills they need. Small and Medium Enterprises will get help through the bureaucracy which will be better for them and for our young people.
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.	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 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.	The Tees Valley will become a UK leader in technology to capture and store the carbon created by our heavy industries.
33. HM Government will work with Tees Valley to understand the challenges associated with connecting to the local electricity network.	Transmission charges to access the network are £9 per KwH here and 25p per KwH in Kent. We want to press the Government to review this whole system which is unfair to our businesses.
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.	The nuclear power station is a key part of the area's economy. We will discuss options with the Government for future power generation and encourage bids from private consortia for the site.

Culture	
35. Recognising the considerable cultural and historic assets within Tees Valley, Government will work with the Tees Valley and Arts Council England to examine how Arts Council England funding could support Tees Valley's economic growth through culture.	The Tees Valley has a rich cultural history. 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 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 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.	We will agree with Government how the social and economic impact of our investment in Tees Valley is measured.
37. The next five year tranche of funding will be unlocked if 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.	The evaluation process will be carried out according to standard Government appraisal methodology (the "Green Book") which takes account of social and economic impacts.

<p>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.</p>	<p>We will be expected to show that we have invested in projects which bring significant improvements in economic growth.</p>
<p>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.</p>	<p>The first evaluation will be after five years of the deal being in place.</p>
<p>Next steps</p>	
<p>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.</p>	<p>After the signing of this deal we will work with Government to make sure the actions are planned properly so that they have the impact they should.</p>
<p>41. Government and the Tees Valley signal their willingness to make further agreements on devolution including further devolution of funding in due course.</p>	<p>We could do more deals in future - Manchester has now done 3 deals covering different areas of responsibility.</p>
<p>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.</p>	

<p>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.</p>	<p>Funding will go to the Combined Authority for use across the area rather than to individual Local Authorities.</p>
<p>Tees Valley Combined Authority commitments</p>	
<p>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.</p>	
<p>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.</p>	<p>We will continue to find new ways of working across the Tees Valley to save money but each local authority will stay separate.</p>
<p>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 their duty to produce economic and fiscal forecasts for the UK economy.</p>	<p>This section deals with the technical financial responsibilities and accountability we will have.</p>
<p>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 HCA on processes to be implemented and</p>	<p>This section deals with the technical financial responsibilities and accountability we will have.</p>

capability to be employed in managing any investments across their lifecycle.	
48. Tees Valley Combined Authority will continue to progress their programme of transformation amongst authorities 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.	We will continue to look for efficiencies within individual local authorities.
49. Tees Valley Combined Authority will continue to adhere to their public sector equality duties, for both existing and newly devolved responsibilities.	We will continue to promote issues of equality in using the new funding.
50. The agreement set out in this document will be subject to future Spending Reviews.	