



Department for
Communities and
Local Government

Proposal to establish a combined authority for Tees Valley

Consultation



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Chapter 1 – The consultation

Why we are consulting

1. The five borough Councils in the Tees Valley – Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees – in partnership with the Local Enterprise Partnership, Tees Valley Unlimited, have published a governance review and scheme for a Tees Valley Combined Authority. This is in accordance with Section 108 and 109 of the Local Democracy, Economic Development and Construction Act 2009 (“the 2009 Act”).
2. The 2009 Act provides that the Secretary of State may, if certain statutory conditions are met and if Parliament approves, make an Order opening the way for the Councils to adopt their new ways of working by establishing a combined authority. The statutory conditions that have to be considered include that the area of the combined authority must consist of contiguous whole local government areas and not overlap with the area of another combined authority, an Economic Prosperity Board, or an Integrated Transport Authority. The Secretary of State must also consider, having regard to the scheme published by the councils concerned, that establishing a combined authority would be likely to improve:
 - The exercise of statutory functions relating to transport in the area;
 - The effectiveness and efficiency of transport in the area;
 - The exercise of statutory functions relating to economic development and regeneration in the area; and
 - Economic conditions in the area.

Before making such an Order the Secretary of State must consult:

- Each appropriate authority; and
- Such other persons if any, as the Secretary of State considers appropriate.

The statute also requires the Secretary of State in making the Order must have regard to the need:

- To reflect the identities and interests of local communities; and
- To secure effective and convenient local government.

3. Accordingly, given the proposal from the five Councils, and having regard both to particular circumstances of the local area and to the Government’s devolution policies to reverse more than a century of centralising devolution power in Whitehall so as to boost economic growth, improve productivity and rebalance the economy, the Secretary of State is now consulting on a proposal to establish a combined authority

for the Tees Valley. The proposal has regard to the governance review and scheme which the Councils published in May 2015.

4. Subsequently in October 2015 a Devolution Deal Agreement (see Annex A) has been announced between the Government, the five Councils and Tees Valley Unlimited (the Local Enterprise Partnership). This Devolution Deal is an agreement in principle for a radical devolution of funding powers and responsibilities. Under this Agreement, and conditional on the legislative and statutory processes and formal agreement of the five Councils, a combined authority will be established as soon as possible and a directly elected Mayor for Tees Valley will be established from May 2017 with a significant transfer of powers to the combined authority and Mayor. The Cities and Local Government Devolution Bill ("the Bill"), which is currently before Parliament, will if enacted provide the powers to enable the directly elected Mayor to be established and the Deal to be fully implemented.
5. However, the Secretary of State's current proposal for a combined authority for Tees Valley is necessarily made pursuant to the current provisions of the 2009 Act, in accordance with which this consultation is being undertaken. Subject to this consultation, to his being satisfied that the statutory tests in the 2009 Act are met, and Parliamentary approval, the Secretary of State intends to make the necessary Order under the 2009 Act establishing the proposed combined authority as soon as possible. If and when the Bill is enacted, the Secretary of State intends to make further Orders as statute would then provide in order to fully implement the Deal.

Who we are consulting

6. The appropriate authorities that the 2009 Act requires the Secretary of State to consult are:
 - A county council if the area of the county council, or part of that area, is within the area for which the combined authority is to be established;
 - A district council if the area of the district council is within the area for which the combined authority is to be established;
 - An Economic Prosperity Board, if its area or part of its area, is within the area for which the combined authority is to be established; and
 - An Integrated Transport Authority, if its integrated transport area, or part of that area, is within the area for which the combined authority is to be established.
7. In this case these statutory consultees are Darlington Borough Council, Hartlepool Borough Council, Middlesbrough Council, Redcar and Cleveland Council and Stockton-on-Tees Council.
8. In addition the Secretary of State considers in this case it is also appropriate to consult:
 - The local enterprise partnership concerned – Tees Valley Unlimited.

- Those councils and authorities that neighbour the combined authority area – Durham County Council, Hambleton District Council, North East Combined Authority, North Yorkshire County Council, Richmondshire District Council and Scarborough Borough Council.

We also welcome comments from members of the public, local businesses and their representative bodies and representatives of the voluntary sector.

How to respond

9. Your response must be received by Wednesday 9th December 2015. It can be sent by email to governance@communities.gsi.gov.uk or in writing to:

Kenny Way
Department for Communities and Local Government
2 Marsham Street
Fry Building, 2nd floor, NE Quadrant
London
SW1P 4DF

Confidentiality and data protection

10. Responses to this consultation may be shared with other Government departments. Responses may be published in full or in a summary of responses.
11. All information in responses, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).
12. If you want your response to remain confidential, you should explain why confidentiality is necessary and your request will be acceded to only if it is appropriate in the circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

Chapter 2 – The Councils’ scheme

The scheme

13. On 6 May 2015 the five Councils in the Tees Valley, in partnership with Tees Valley Unlimited, published, in accordance with the 2009 Act, a scheme with proposals for delivering greater local economic growth centred on the establishment of a combined authority. Before preparing this scheme, the Councils had, as required by the 2009 Act, undertaken a review of the governance arrangements across the Tees Valley. This governance review and scheme may be viewed at www.teesvalleyunlimited.gov.uk. The paragraphs below outline the findings of the Councils’ governance review, and their conclusions that underpin the proposals in the scheme.

The governance review

14. The governance review considered the effectiveness and efficiency of (a) transport within the area covered by the review and (b) arrangements to promote economic development and regeneration within the review area. The purpose of the review was to determine the following:
- Whether the area covered by the Councils in the Tees Valley (Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees) can properly be seen as constituting a functional economic area for the purposes under consideration in the review;
 - Whether the existing governance arrangements for transport, economic development and regeneration are effective or would benefit from changes; and
 - To examine the options available and in relation to each option, to evaluate the likely improvement in:
 - The exercise of statutory functions relating to transport, economic development and regeneration in the area;
 - The effectiveness and efficiency of transport in the area; and
 - The economic conditions in the area; and
 - To consider the feedback from consultation carried out in December 2014 and January 2015 across the Tees Valley, to have regard to the identities and interests of local communities.

Functional economic area

15. The Tees Valley has long been recognised as a functional economic area, building on its past industrial history of iron and steel, chemicals, mining and shipping. Over the last 50 years the economy has moved from heavy industry towards advanced manufacturing. Today, the Tees Valley has both an industrial cluster with chemicals,

process industries and steel, and cutting edge industrial design and technology, including the Centre for Process Innovation.

16. The labour market was dominated by a small number of large employers, but, in line with national trends, technological advances and international competition have changed the shape of the local workforce. The contraction in manufacturing jobs was, in part, off-set by growth in service sectors, but there have not been the same levels of service sector growth experienced elsewhere, and the Tees Valley has been reliant on employment growth in the public sector. The following sectors drive the economy, in terms of numbers employed: retail and wholesale; health and social work; finance; real estate and business services; manufacturing; education; construction; transport and communications; hotels and catering.
17. Private sector employment has risen over the past two years, with a net increase of over 11,000 private sector jobs since 2011, but there is a long way to build economic resilience. The Tees Valley economy currently supports 285,000 jobs, serving a working age population of 421,000, resulting in a GVA per head of 73.5 per cent of the national average. However, the Tees Valley economy makes a significant contribution to the UK economy of £11.4 billion and is part of the only region in England with a consistently positive balance of trade in goods.
18. The area has a significant level of self-containment, with 88 per cent of residents working within Tees Valley. Many people work within their district of residence though significant proportions travel between the Tees Valley districts. The area experiences a number of similar issues, including skills and poor transport connectivity, and opportunities, including export-led growth, advanced manufacturing, the low carbon economy and offshore engineering, which resonate across Tees Valley, regardless of local authority boundaries.
19. This section of the governance review concludes that the Tees Valley is a strong and growing functional economic area with huge potential for growth.

Existing governance arrangements

20. The governance review looked at the existing governance arrangements. The Tees Valley has a long track record of public and private partnership working to address strategic economic development and transport matters.
21. This partnership working dates back to 1996 with the formation of the Tees Valley Joint Strategy Unit, and has led to area wide strategy and vision development. The councils have pooled strategic economic functions through Tees Valley Unlimited, which has a permanent staff of 31 and an annual core revenue budget of £2.1 million, funded by the five Councils. Cross-boundary prioritisation and decision making on spending has been facilitated through the Tees Valley City Region Investment Plan, Single Programme Delivery Plan, Housing Market Renewal Business Plan, Enterprise Zone development, the Growing Places Fund and the Local Growth Fund.
22. Tees Valley Unlimited operates as a voluntary public/private partnership, with Stockton-on-Tees Council as the accountable body, and a Leadership Board, which was formed in 2008, prior to the establishment of the Local Enterprise Partnership. The Board comprises of eight business sector representatives and the five Council

Leaders/Elected Mayor. Advisory groups, chaired by a private sector Board member, inform and assist the Board on specialist matters, including transport and infrastructure, business growth, low carbon, skills, and area development.

23. The Governance Group of Tees Valley Unlimited developed the governance review, building on the Tees Valley's Statement of Ambition agreed in 2012, the 2013 Tees Valley City Deal and the 2014 Strategic Economic Plan. The premise for the governance review is that as the ambitions of the Councils and businesses in Tees Valley have grown, the form needs to evolve further to enable greater ambitions to be realised. These ambitions are to contribute to the UK's economic growth by creating 25,000 new jobs and over £1 billion of investment between 2012 and 2022 and to become a high value, low carbon, diverse and inclusive economy. The focus is on accelerating growth by forging better links between economies across the North – by road, rail and freight – to boost competitiveness, attract foreign direct investment and open the labour markets. The six priorities are as follows:
- i. Develop and nurture an innovation culture and positive environment for business growth;
 - ii. Secure the transformation of the Tees Valley into a Low Carbon High Value economy;
 - iii. Secure improved skills levels to address future demand in growth sectors and in existing industries;
 - iv. Secure additional capacity of the East Coast Main Line rail route and improve rail services to major northern cities and within Tees Valley;
 - v. Improve air, road, port, land and property infrastructure to enable economic growth; and
 - vi. Create and retain wealth by establishing Tees Valley as a preferred location to live in, work and visit.
24. This section of the governance review concludes that there is a strong history of partnership working and a clear vision for the future, and improvements could be made to the governance arrangements so as to realise the ambitions for the area.

Case for a combined authority

25. The governance review acknowledges that the five Councils work closely together and since local government reorganisation in the 1990s have worked together successfully through Tees Valley Unlimited and its predecessor bodies. The Councils are now looking to cement collaborative working for economic growth. They see the need to increase transparency in decision making, as Tees Valley Unlimited business is conducted in private. They are also aware that currently decision making can be a slow process, requiring all six bodies to take the same decision, and that greater efficiency is required.
26. The governance review looked at four potential models: enhancements of the status quo (enhancements to current arrangements with Tees Valley Unlimited); a Joint

Committee; a combined authority; and company models. The option of an Economic Prosperity Board was considered and rejected as it would not include transport powers and responsibilities, which are considered critical to accelerating economic growth. The review's conclusions on the four options were as follows:

- Enhance the status quo: As the Tees Valley Councils and businesses work well together through Tees Valley Unlimited this would be an easy option, but it would not provide the clarity of responsibility and accountability now required, nor does it provide speedy decision making or certainty.
- Joint Committee: This could be established quickly and decision making would be more transparent, but would lack the certainty required to facilitate business confidence.
- Combined authority: This would allow for speedy decision making alongside effective scrutiny, transparency, accountability and openness. It would provide certainty and build on existing arrangements that spend money wisely against priorities. It also provides the ability to receive new powers and resources as part of the devolution agenda, and the longer term commitment to give businesses confidence, whilst remaining within democratic control.
- Company: This would be complex to establish, would be more costly, would not be able to recover VAT and there would be issues with Corporation Tax, the company's autonomy and its ability to reflect the identities and interests of local communities.

27. The governance review concluded that moving to a combined authority would:

- Provide business with the certainty of a clear process for agreeing Tees Valley priorities, a legally-based partnership, and binding decisions, which would support long term business investment decisions;
- Ensure the consideration of the views of business in a proper, democratically accountable governance structure, and provide for a clear, transparent and understood process for making hard choices;
- Speed up decision making by making the decision once;
- Continue to represent the functional economic area of the Tees Valley, but with the certainty that comes with cementing the democratic/business relationship;
- Achieve a non-bureaucratic, seamless operation of Tees Valley Unlimited and the Combined Authority going forward;
- Be cost effective. There would be limited additional cost across the Tees Valley to deliver more effective decision making and delivery of strategy, and the marginal costs would be dwarfed by the potential gains;
- Manage risk, hold funds and assets, and employ staff;

- Allow proper scrutiny of what is done as a partnership in the spirit of openness, transparency and accountability;
 - Allow the Tees Valley to compete with city-regions internationally that already enjoy devolved powers and freedoms; and
 - Establish a democratically accountable body that would be ready to receive additional devolved powers.
28. The governance review sets out that a combined authority would work closely with Tees Valley Unlimited on three areas in particular: inward investment, transport infrastructure and skills.
29. The Tees Valley Councils have pooled inward investment capacity, and a combined authority would reinforce a single conversation with business and Government to support inward investment opportunities and so improve the exercise of statutory functions for economic development and regeneration and provide for better economic conditions in the area. Better alignment of decisions, for example on skills and transport infrastructure, will also improve the exercise of statutory functions relating to transport and improve the efficiency and effectiveness of transport in Tees Valley.
30. A Tees Valley combined authority would focus on the following ambitions so as to improve the exercise of statutory functions relating to transport and the efficiency and effectiveness of transport in Tees Valley:
- A further crossing over the River Tees;
 - Upgrading north-south and east-west road and rail corridors;
 - Tackling the pinch-points on the Tees Valley's key road routes;
 - A better secondary road network;
 - The electrification of rail;
 - Resolving East Coast Mainline infrastructure issues and the Tees Valley's key gateway station;
 - Rail loading gauge improvements for container traffic;
 - Northern Gateway project for Teesport;
 - Sustainability of Durham Tees Valley Airport; and
 - A better bus network.
31. The current skills base is limited, especially given the present and future demands for skilled workers. There are skills challenges in relation to the changing age profile of the population, high levels of youth unemployment and young people not in employment, education or training, a scarcity of higher level skills, underperformance in education, and inconsistent labour market information. A combined authority would

influence, direct, coordinate and commission with businesses, schools and colleges, other training providers, funding agencies and national policy makers to meet the area's specific requirements and deliver better outcomes. These actions would improve the economic conditions in the Tees Valley.

Identities and interests of local communities

32. The draft governance review and the outcome of the options appraisal were used to inform widespread local consultation on proposals to create a combined authority for the Tees Valley, which took place in December 2014 and January 2015.
33. The consultation process comprised: widespread media coverage; an online survey; dissemination of detailed information through websites and publications; presentation and debate at key partnership meetings; and political debate at scrutiny and Council meetings.
34. A total of 1,911 responses were received, with the majority (1,638) from local residents. 74.5 per cent of all respondents agreed that it was important for the five Councils to work together with business, whilst 17.9 per cent disagreed. 64.8 per cent of all respondents agreed that the Tees Valley should strengthen its partnership approach through a new combined authority, whilst 26.9 per cent disagreed.
35. This section of the governance review concludes that each Council demonstrated widespread and cross party support for the proposal.

Chapter 3 – Issues for consultation

36. Having regard to the proposal from the five Councils and the Local Enterprise Partnership, and his policy of devolution, the Secretary of State is considering making an Order under the statute which, if Parliament approves, would establish the Tees Valley Combined Authority. This would bring together Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees for the delivery of transport, economic development and regeneration functions.
37. Under the statute the Secretary of State can make the Order only if, having regard to the Councils' scheme, he considers that establishing a combined authority would be likely to improve the effectiveness and efficiency of transport in the area, the exercise of statutory functions relating to transport, economic development and regeneration in the area and the economic conditions in the area. In making this judgement the Secretary of State would welcome views on this matter from consultees and others in response to this consultation. Chapter 2 of this consultation sets out the views and conclusions of the five Councils to which consultees and others may wish to have regard when responding to the consultation.
38. The Secretary of State also recognises in making the Order he must have regard to the need to reflect the identities and interests of local communities and to secure effective and convenient local government. Again, the Secretary of State would welcome the views of consultees and others on these matters when responding to the consultation.
39. Finally, were the Secretary of State to make such an Order, he is minded that it should provide for a combined authority with a constitution and functions as described in Annex B to this consultation document. A draft of an Order to give effect to these proposals is at Annex C. The Secretary of State would welcome the views of consultees and others on these matters when responding to the consultation.

Consultation questions

40. In short, comments are invited on the proposal to establish the Tees Valley Combined Authority, and in particular:

Question 1: On whether you consider that establishing the proposed Tees Valley Combined Authority would be likely to improve the provision of transport in the area and its effectiveness and efficiency, the provision of economic development and regeneration in the area, and the economic conditions in the area;

Question 2: On how establishing such a Combined Authority may impact on the identities and interests of local communities and on securing effective and convenient local government; and

Question 3: On the proposed constitutional arrangements and functions for the Combined Authority as set out in Annex B to this consultation paper.

Annex A

Devolution Deal - Summary

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.

The Tees Valley Devolution Agreement can be viewed [here](#).

Annex B

The proposed constitution and functions for the Combined Authority

Establishment

1. It is proposed that the Combined Authority would come into existence on 1 April 2016. The authority would be known as the Tees Valley Combined Authority. It would cover the Councils for the local government areas of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland and Stockton-on-Tees – the constituent councils.

Constitution

2. The Combined Authority would be made up of one elected member from each of the five constituent councils. The members of the Combined Authority, by agreement and following a nomination from the Local Enterprise Partnership, Tees Valley Unlimited, should appoint a member of Tees Valley Unlimited to be the Local Enterprise Partnership member of the Combined Authority, making six members in total.
3. Each constituent council would appoint another of its elected members to act as a member of the Combined Authority in the absence of the appointed member – the substitute member. Tees Valley Unlimited should also nominate a substitute member for agreement by the Combined Authority. Substitute members will have the same decision making authority and voting rights as the person whose place he/she is taking.
4. As the economic transformation of the area depends on strong governance, there is an expectation that each constituent council would appoint its Leader or Elected Mayor to the Combined Authority. In the case of Tees Valley Unlimited the expectation is that the Chairman would be appointed. This provides for decision making at the highest level and sets the strategic direction of the authority.
5. The constituent councils wish to use the Combined Authority to formalise and strengthen the strong and effective working relationship that has been established between all the members of the Board of Tees Valley Unlimited, including the Leaders and Elected Mayor of the constituent councils. As a combined authority must have the majority of its members drawn from local authorities, so as to ensure democratic accountability, it is proposed that only the Chair of Tees Valley Unlimited will be a member of the Combined Authority. However, the intention is for all the Tees Valley Unlimited Board members who are not members of the Combined Authority to be named locally as associate members of the Combined Authority.
6. At the first meeting of the Combined Authority a Chair and Vice Chair would be appointed from among the constituent members for a term of one year. At the end of their term, a new Chair and Vice Chair would be appointed, with the intention that the

positions shall rotate between the constituent councils on an annual basis. Members of the Combined Authority would not be paid for the work they undertake for the Combined Authority. However, they could receive allowances for travel and subsistence.

7. Where a member of the Combined Authority ceases to be a member of their Council or of Tees Valley Unlimited, they would also cease to be a member of the Combined Authority and a replacement member would be appointed as soon as practicable.
8. A constituent council or Tees Valley Unlimited may at any time terminate the appointment of a member or a substitute member appointed/nominated by it to the Combined Authority.

Voting

9. The constituent council members of the Combined Authority will have one vote each. The Chair and Vice Chair would not have a second or casting vote.
10. The Local Enterprise Partnership member would be a non-voting member but may be given voting rights on certain issues should the constituent council members of the Combined Authority resolve to grant these.
11. Subject to the provisions of any enactment the Combined Authority will aim to reach decisions by consensus. If, exceptionally, it is not possible to reach consensus on any matter on which it is necessary to reach a decision, the matter will be put to a vote that will be decided by a simple majority of the members of the Combined Authority present and voting. The quorum for the Combined Authority will be three out of the five constituent council members.
12. The following matters will require the unanimous support of members of the Combined Authority for approval:
 - Investment plan;
 - Medium term financial plan, including constituent council contributions;
 - Setting of the transport levy; and
 - Such other plans and strategies as may be determined by the Combined Authority and set out in its standing orders.

Funding

Transport

13. Current and ongoing expenses relating to transport functions will continue to be met by the constituent councils by an agreed formula.
14. Section 74 of the Local Government Act 1988 allows for a combined authority to be given power to issue a levy in respect of its expenses relating to its transport functions. The scheme proposes that the Combined Authority should be given the power to issue a levy, in part because having the access to this guaranteed income stream will allow the Combined Authority to use the power to borrow, limited to purposes relevant to its

transport functions, provided by the 2009 Act. It would be a decision for each Council whether they absorbed the cost of the introduction of the levy and any subsequent increases through re-organising or re-prioritising services, or whether they chose to fund all or part of the levy through an increase in council tax. Any council tax increase by a constituent council would remain subject to any annual council tax referendum thresholds determined by the Government and approved by the House of Commons. The relevant regulations (The Transport Levying Bodies Regulations 1992) will be amended to enable the Combined Authority to decide how best to apportion the amount to be raised by the levy between the five Councils; the fall-back position would be that it would be funded on the basis of the proportions paid by constituent councils for transport matters as at the start date of the CA.

15. For the financial year 2016-17, the current financial arrangements will continue. The first levy covering all five Councils would be for the financial year 2017-18. Tees Valley intends that the levy would only be used for major new transport projects and so it is expected that for 2017-18, the levy would be set at zero.

Economic development

16. The costs of the Combined Authority in relation to the exercise of the economic development and regeneration costs and all start-up costs would be met by the constituent councils. These costs will be apportioned between the constituent councils by an agreed formula, with a default position of apportionment by population.

Functions

17. The primary focus of the Combined Authority will be to manage a significant programme of investment in transport and economic infrastructure, and to influence and align with government intervention, in order to boost economic growth. A key aim will be to have regard to the duty to cooperate to ensure effective alignment between decision making on transport, economic development, employment and skills initiatives, business investment and low carbon strategies.

Transport

18. The Combined Authority would have powers over a single Local Transport Plan, concessionary fares and public transport subsidies (including powers to enter in to quality contracts/partnerships, marketing and information). These powers would be transferred from the constituent councils rather than being exercised concurrently. Powers over traffic and highway management functions would be retained by each respective constituent council. The Combined Authority would be able to transfer functions back to a constituent council where it was decided that this was a matter dealt with at the local level, for example, local bus services.

Economic development

19. The Combined Authority would have powers that would allow it to drive strategic economic growth across the functional economic area. It will focus on strategic issues such as:
 - Setting the Statement of Ambition for the area;

- Setting the Investment Plan for the area;
- Undertaking economic assessment and research to provide an evidence base for economic strategy at the Tees Valley and borough level;
- Applying for funding and acting as the accountable body for interventions, projects and programmes that respond to economic strategy at a Tees Valley level; and
- Ensuring that core business advisory services are available to SMEs across the Tees Valley.

General power of combined authority

20. The Combined Authority would have a function related general power of competence provided to them under Chapter 3 of Part 1 of the Localism Act 2011.

Scrutiny arrangements

21. The Combined Authority will establish one overview and scrutiny committee with three members appointed to it by each of the constituent councils to exercise scrutiny functions over the Combined Authority and any sub-boards. Membership of the overview and scrutiny committee would be politically proportionate. The quorum of the overview and scrutiny committee would be seven, and must include representatives from at least three constituent councils. The Overview and Scrutiny Committee would have a range of powers appropriate to its functions, including the power to recommend that a decision be reconsidered by the Combined Authority and the power to require attendance.

Incidental provisions

22. The Combined Authority will employ staff who are currently working for Tees Valley Unlimited and employed by Stockton-On-Tees Council, and the Combined Authority will take on their pension arrangements.

Substructures and internal scheme of delegation

Tees Valley Unlimited

23. It is intended that future governance arrangements will preserve the excellent relationships, delivery and working arrangements that exist currently with Tees Valley Unlimited. To this end, it is proposed that the meetings of the Tees Valley Unlimited Leadership Board and the Combined Authority would be held together with a two part agenda. The Council leaders would continue to give advice and participate in decisions on Local Enterprise Partnership matters. The business leaders would give advice on Combined Authority matters, but decisions would be taken by the Combined Authority, thereby ensuring democratic accountability. The Tees Valley Unlimited member of the Combined Authority is not given voting rights in the draft Order, but may be given voting rights on certain issues should the constituent council members of the Combined Authority resolve to grant these.

24. The Combined Authority would act as the accountable body for Tees Valley Unlimited.

Other arrangements (Transport Committee and Investment Panel)

25. The Combined Authority may establish committees or sub-committees and delegate powers and functions as considered to be appropriate. This is provided for through existing legislation, rather than expressly through the Tees Valley Combined Authority Order. It is intended that a Transport Committee will be established to oversee the delivery of the Tees Valley Transport Plan once this has been agreed by the Combined Authority, and an Investment Panel will also be established.

Annex C

Tees Valley Combined Authority Draft Order

Draft Order laid before Parliament under section 117 of the Local Democracy, Economic Development and Construction Act 2009, for approval by resolution of each House of Parliament.

DRAFT STATUTORY INSTRUMENTS

2016 No.

LOCAL GOVERNMENT, ENGLAND

TRANSPORT, ENGLAND

The Tees Valley Combined Authority Order 2016

Made - - - - - *****

Coming into force in accordance with article 1

This Order is made in exercise of the powers conferred by sections 103 to 105 and 114 to 116 of the Local Democracy, Economic Development and Construction Act 2009⁽¹⁾.

The Secretary of State, having regard to a scheme prepared and published under section 109 of the Local Democracy, Economic Development and Construction Act 2009, considers that the making of this Order is likely to improve—

- (a) the exercise of statutory functions relating to transport in the area to which this Order relates,
- (b) the effectiveness and efficiency of transport in that area,
- (c) the exercise of statutory functions relating to economic development and regeneration in that area, and
- (d) economic conditions in that area.

The Secretary of State is satisfied that the area to which this Order relates meets the conditions set out in section 103 of the Local Democracy, Economic Development and Construction Act 2009.

The Secretary of State has consulted—

- (e) the councils for the local government areas which are within the area for which the combined authority is to be established,

⁽¹⁾ 2009 c.20.

(f) such other persons as the Secretary of State considered appropriate.

In making this Order, the Secretary of State has had regard to the need to reflect the identities and interests of local communities, and to secure effective and convenient local government.

A draft of this instrument has been approved by a resolution of each House of Parliament pursuant to section 117 of the Local Democracy, Economic Development and Construction Act 2009.

Accordingly, the Secretary of State makes the following Order:

PART 1

General

Citation and commencement

1. This Order may be cited as the Tees Valley Combined Authority Order 2016 and comes into force on 1st April 2016.

Interpretation

2. In this Order—

“the 2009 Act” means the Local Democracy, Economic Development and Construction Act 2009;

“combined area” means the area consisting of the areas of the constituent councils;

“the Combined Authority” means the Tees Valley Combined Authority as constituted by article 3;

“the commencement date” means the date on which this Order comes into force;

“constituent councils” means the councils for the local government areas of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees;

“financial year” means the period of 12 months ending with 31st March in any year; and

“the Local Enterprise Partnership” means the board of the Tees Valley Local Enterprise Partnership.

PART 2

Establishment of a combined authority for Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees

Establishment

3.—(1) There is established a combined authority for the combined area.

(2) The combined authority is to be a body corporate and to be known as the Tees Valley Combined Authority.

(3) The functions of the Combined Authority are those functions conferred or imposed upon it by this Order or by any other enactment (whenever passed or made), or as may be delegated to it by or under this Order or any other enactment (whenever passed or made).

Constitution

4. Schedule 1 (which makes provision about the constitution of the Combined Authority) has effect.

Funding

5.—(1) The constituent councils must meet the costs of the Combined Authority reasonably attributable to the exercise of its functions relating to economic development and regeneration.

(2) The amount payable by each of the constituent councils is to be determined by apportioning the costs of the Combined Authority referred to in paragraph (1) between the constituent councils in such proportions as they may agree or, in default of such agreement, in equal shares between the constituent councils.

(3) Subject to paragraph (4), the costs of the Combined Authority reasonably attributable to the exercise of its functions relating to transport may be met by means of a levy issued by the Combined Authority to the constituent councils under section 74 of the Local Government Finance Act 1988⁽²⁾, and in accordance with regulations made thereunder.

(4) Each contribution must bear the same proportion to the amount that the relevant constituent council has budgeted to spend on the functions transferred under article 8 in that financial year as the number of days in that financial year from and including the commencement date bears to the total number of days in that year.

PART 3

Transport

Transfer of functions — constituent councils

6. There are transferred to the Combined Authority—

- (a) the functions of the constituent councils under Parts 4 and 5 of the Transport Act 1985⁽³⁾; and
- (b) the functions of the constituent councils as local transport authorities under Part 2 of the Transport Act 2000⁽⁴⁾.

Adaptation of enactments

7.—(1) This article has effect in consequence of article 6.

(2) In relation to any function transferred under article 6, any reference in any enactment (whenever passed or made) to a non-metropolitan district, or to any class of area which includes a non-metropolitan district, is to be treated as including a reference to the combined area.

(3) In any enactment (whenever passed or made) any reference in relation to any function transferred under article 6 to a non-metropolitan district council, or to any class of body which includes a non-metropolitan district council, is to be treated as including a reference to the Combined Authority.

Continuity

8.—(1) Nothing in this Part of the Order affects the validity of anything done by or in relation to a constituent council in relation to the functions transferred under this Part before the commencement date.

(2) There may be continued by or in relation to the Combined Authority anything (including legal proceedings) which—

- (a) relates to any of the functions, property, rights or liabilities transferred to the Combined Authority; and

⁽²⁾ 1988 c. 41. Section 74 was amended by the Local Government Finance Act 1992 (c. 14), Schedule 13, paragraph 72(1); by S.I. 1994/2825; by the Greater London Authority Act 1999 (c. 29), section 105; by the Courts Act 2003 (c. 39), Schedule 8, paragraph 305(a); by the Fire and Rescue Services Act 2004 (c.21), Schedule 1, paragraph 68; by the Local Government and Public Involvement in Health Act 2007 (c. 28), Schedule 1, Part 1, paragraph 16(2) and Schedule 7, Part 4; and by the Local Democracy, Economic Development and Construction Act 2009 (c. 20), Schedule 6, paragraphs 74 and 75 and Schedule 7, Part 4.

⁽³⁾ 1985 c. 67.

⁽⁴⁾ 2000 c. 38.

- (b) is in the process of being done by or in relation to a constituent council in relation to the functions transferred under this Part, immediately before the commencement date.

(3) Anything which—

- (a) was made or done by or in relation to a constituent council for the purposes of or otherwise in connection with any of the functions, property, rights or liabilities transferred; and
- (b) is in effect immediately before the transfer takes effect,

has effect as if made or done by or in relation to the Combined Authority.

(4) The Combined Authority is to be substituted for a constituent council in any instruments, contracts or legal proceedings which are made or commenced before the commencement date and which relate to any of—

- (a) the functions, property, rights and liabilities transferred under article 6; or
- (b) the functions transferred under article 8.

(5) A reference in this article to—

- (a) anything made or done by or in relation to a constituent council includes a reference to anything which by virtue of any enactment is to be treated as having been made or done by or in relation to a constituent council;
- (b) a constituent council is a reference to any of the constituent councils.

PART 4

Additional functions

Economic development and regeneration functions

9.—(1) The functions of the constituent councils set out in Schedule 2 are exercisable by the Combined Authority in relation to its area.

(2) The functions are exercisable concurrently with the constituent councils.

(3) Any requirement in any enactment for a constituent council to exercise such a function may be fulfilled by the exercise of that function by the Combined Authority.

Incidental provisions

10. The following provisions are to have effect as if the Combined Authority were a local authority for the purposes of these provisions—

- (a) Section 113 of the Local Government Act 1972⁽⁵⁾ (power to place staff at the disposal of other local authorities)
- (b) section 142(2) of the Local Government Act 1972 (the power to arrange for publication of information etc relating to the functions of the authority); and
- (c) section 222 of the Local Government Act 1972 (the power to prosecute and defend legal proceedings).

11.—(1) The Combined Authority is to have the power to exercise any of the functions described in subsection (1)(a) and (b) of section 88 of the Local Government Act 1985⁽⁶⁾ (research and collection of information) whether or not a scheme is made under that section.

(2) For the purposes of paragraph (1) of this article, paragraphs (a) and (b) of section 88(1) of the Local Government Act 1985 are to have effect as if a reference to “that area” were a reference to the combined area.

12. Section 13 of the Local Government and Housing Act 1989⁽⁷⁾ (voting rights of members of certain committees) is to have effect as if—

⁽⁵⁾ 1972 c.70.
⁽⁶⁾ 1985 c.51.
⁽⁷⁾ 1989 c.42.

- (a) in subsection (4) after paragraph (h) there were inserted—
 - “(i) subject to subsection (4A), a committee appointed by the Tees Valley Combined Authority;”;
- (b) after subsection (4) there were inserted—

“(4A) A person who is a member of a committee falling within paragraph (i) of subsection (4) or a sub-committee appointed by such a committee shall for all purposes be treated as a non-voting member of that committee or sub-committee unless that person is a member of one of the constituent councils as defined by article 2 of the Tees Valley Combined Authority Order 2016.”

13.—(1) The Local Government Pension Scheme Regulations 2013⁽⁸⁾ are amended as follows.

(2) In Part 2 of Schedule 3 (appropriate administering authority)—

- (a) in column 1 of the table insert at the end—

“An employee of the Tees Valley Combined Authority established by the Tees Valley Combined Authority Order 2016.”;

- (b) in column 2 of the table insert at the end—

“Middlesbrough Borough Council.”.

Signed on behalf of the Secretary of State for Communities and Local Government

	<i>Name</i> Parliamentary Under Secretary of State Department for Communities and Local Government
Date	

SCHEDULE 1

Constitution

Article 4

Membership

1.—(1) Each constituent council must appoint one of its elected members to be a member of the Combined Authority.

(2) Each constituent council must appoint another of its elected members to act as a member of the Combined Authority in the absence of the member appointed under sub-paragraph (1) (“the substitute member”).

(3) The Local Enterprise Partnership must nominate one of its members to be a member of the Combined Authority (“Local Enterprise Partnership Member”).

(4) The Local Enterprise Partnership must nominate another of its members to act as a member of the Combined Authority in the absence of the member appointed under sub-paragraph (3) (“the substitute member”).

(5) The Combined Authority must appoint a member nominated by the Local Enterprise Partnership as a member of the Combined Authority (“Local Enterprise Partnership Member”).

(6) The Combined Authority must appoint another member nominated by the Local Enterprise Partnership to act as a member of the Combined Authority in the absence of the member appointed under sub-paragraph (5) (“the substitute member”).

(7) For the purposes of this Schedule any reference to a member is to be treated as including a reference to the Local Enterprise Partnership Member.

(8) A person ceases to be a member or substitute member of the Combined Authority if they cease to be a member of—

⁽⁸⁾ S.I. 2013/2356. Schedule 3 was amended by regulations 31 and 32 of the Local Government Pension Scheme (Amendment) Regulations 2015/755.

- (a) the constituent council that appointed them; or
- (b) the Local Enterprise Partnership that nominated them.

(9) A person may resign as a member or substitute member of the Combined Authority by written notice served on the proper officer of the constituent council that appointed them or, as the case may be, the chairman or vice-chairman of the Local Enterprise Partnership that nominated them, and the resignation takes effect on receipt of the notice by the proper officer of the council or chairman or vice-chairman of the Local Enterprise Partnership (as the case may be).

(10) Where a member or substitute member's appointment ceases by virtue of sub-paragraph (8) or (9)—

- (a) the constituent council that made the appointment must, as soon as practicable, give written notice of that fact to the Combined Authority and appoint another of its elected members in that person's place;
- (b) the Local Enterprise Partnership must, as soon as practicable, give written notice of that fact to the Combined Authority and nominate another of its members in that person's place.

(11) A constituent council may at any time terminate the appointment of a member or substitute member appointed by it to the Combined Authority and appoint another one of its elected members in that person's place.

(12) Where a constituent council exercises its power under sub-paragraph (11), it must give written notice of the new appointment and the termination of the previous appointment to the Combined Authority and the new appointment takes effect and the previous appointment terminate at the end of one week from the date on which the notice is given or such longer period not exceeding one month as is specified in the notice.

(13) The Local Enterprise Partnership may at any time terminate the appointment of a member or substitute member nominated by it to the Combined Authority and nominate another of its members in that person's place.

(14) Where the Local Enterprise Partnership exercises its power under sub-paragraph (13), it must give written notice of the new nomination and the termination of the previous appointment to the Combined Authority.

(15) The Combined Authority must appoint a member nominated under sub-paragraph (14) and the new appointment takes effect and the previous appointment terminate at the end of one week from the date on which the notice is given or such longer period not exceeding one month as is specified in the notice.

(16) The Combined Authority must appoint a member nominated under sub-paragraph (10)(b) or sub-paragraph (14) at the next meeting of the Combined Authority.

(17) For the purposes of this paragraph, an elected mayor of a constituent council is to be treated as a member of the constituent council.

Chairman and vice-chairman

2.—(1) The Combined Authority must in each year appoint a chairman and a vice-chairman from among its members and the appointments and the order of rotation of the chairman and the vice-chairman are to be the first business transacted after the appointment of members of the Combined Authority, at the first meeting of the Combined Authority, and in subsequent years at the annual meeting of the Combined Authority.

(2) A person ceases to be chairman or vice-chairman of the Combined Authority if they cease to be a member of the Combined Authority.

(3) If a vacancy arises in the office of chairman or vice-chairman, an appointment to fill the vacancy is to be made at the next ordinary meeting of the Combined Authority, or, if that meeting is to be held within 14 days of the vacancy arising, at the meeting following that meeting.

Proceedings

3.—(1) Subject to the following sub-paragraphs, any questions that are to be decided by the Combined Authority are to be decided by a majority of the members and substitute members, acting in place of members, present and voting on that question at a meeting of the Combined Authority.

(2) No business is to be transacted at a meeting of the Combined Authority unless at least three members or substitute members appointed by the constituent authorities are present at the meeting.

(3) Each member, or substitute member acting in that member's place, is to have one vote and no member or substitute member is to have a casting vote.

(4) If a vote is tied on any matter it is deemed not to have been carried.

(5) Questions relating to the following matters require a unanimous vote in favour by all five constituent council members, or substitute members acting in place of those members, to be carried—

- (a) adoption of an investment plan
- (b) adoption of a medium term financial plan, including the determination of any contributions from the constituent councils;
- (c) setting of any transport levy under section 74 of the Local Government Finance Act 1988 and in accordance with regulations made thereunder; and
- (d) such other plans and strategies as may be determined by the Combined Authority and set out in its standing orders.

(6) The proceedings of the Combined Authority are not invalidated by any vacancy among its members or substitute members or by any defect in the appointment or qualifications of any member or substitute member.

Committees

4.—(1) The Combined Authority must appoint an overview and scrutiny committee of the Combined Authority.

(2) The Combined Authority must appoint at least three members of each of the constituent councils to the overview and scrutiny committee appointed by the Combined Authority, so that the constituent council members taken as a whole reflect so far as reasonably practicable the balance of political parties for the time being prevailing among members of the constituent councils.

(3) An overview and scrutiny committee appointed by the Combined Authority may not include any member or substitute member of the Combined Authority.

(4) No business is to be transacted at a meeting of the overview and scrutiny committee unless at least seven members or substitute members appointed by at least three constituent authorities are present at the meeting.

(5) Each member of the overview and scrutiny committee appointed from the constituent councils is to have one vote and no member is to have a casting vote.

(6) If a vote is tied on any matter it is deemed not to have been carried.

(7) An overview and scrutiny committee appointed by the Combined Authority is to have the power to—

- (a) require members or substitute members of the Combined Authority to attend before it to answer questions;
- (b) invite other persons, including members of the public, to attend meetings of the committee;
- (c) review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are the responsibility of the Combined Authority;
- (d) make reports or recommendations to the Combined Authority with respect to the discharge of any functions which are the responsibility of the Combined Authority;
- (e) make reports or recommendations to the Combined Authority on matters that affect the authority's area or the inhabitants of the area.

(8) The power to review or scrutinise a decision made but not implemented under sub-paragraph (6)(c) includes the power to recommend that the decision be reconsidered by the Combined Authority.

(9) Where an overview and scrutiny committee appointed by the Combined Authority makes a report or recommendation under sub-paragraph (6)(d) the committee may—

- (a) publish the report or recommendations;
- (b) by notice in writing require the Combined Authority to—
 - (i) consider the report or recommendations;
 - (ii) respond to the overview and scrutiny committee indicating what (if any) action the Combined Authority proposes to take;
 - (iii) if the overview and scrutiny committee has published the report or recommendations under paragraph (a), publish the response.

(10) A notice served under sub-paragraph (9)(b) must require the Combined Authority to comply with it within two months beginning with the date on which the Combined Authority received the reports or recommendations or (if later) the notice.

(11) The Combined Authority must comply with a notice given under sub-paragraph (8)(b).

(12) Sub-paragraphs (9)(a) and (11) are subject to section 9FG of the Local Government Act 2000⁽⁹⁾ and to any provision made under section 9GA(8) and the Combined Authority is to be treated as a local authority for these purposes.

Records

5.—(1) The Combined Authority must make arrangements for the names of members and substitute members present at any meeting to be recorded.

(2) Minutes of the proceedings of a meeting of the Combined Authority, or any committee or sub-committee of the Combined Authority, are to be kept in such form as the Combined Authority may determine.

(3) Any such minutes are to be signed at the same or next suitable meeting of the Combined Authority, committee or sub-committee as the case may be, by the person presiding at that meeting.

(4) Any minute purporting to be signed as mentioned in sub-paragraph (3) is to be received in evidence without further proof.

(5) Until the contrary is proved, a meeting of the Combined Authority, committee or sub-committee, a minute of whose proceedings has been signed in accordance with this paragraph, is deemed to have been duly convened and held, and all the members and substitute members present at the meeting are deemed to have been duly qualified.

(6) For the purposes of sub-paragraph (3) the next suitable meeting is the next following meeting or, where standing orders made by the Combined Authority provide for another meeting of the authority, committee or sub-committee, to be regarded as suitable, either the next following meeting or that other meeting.

Standing orders

6. The Combined Authority may make standing orders for the regulation of its proceedings and business and may vary or revoke any such orders.

Remuneration

7. No remuneration is to be payable by the Combined Authority to its members, other than allowances for travel and subsistence paid in accordance with a scheme drawn up by the Combined Authority.

SCHEDULE 2

Article 10(1)

Economic development and regeneration functions

1. Such functions of the constituent authorities as are exercisable for the purpose of economic development and regeneration in reliance on the general power of competence under section 1 of the Localism Act 2011⁽¹⁰⁾.

2. The power under section 144 of the Local Government Act 1972 (the power to encourage visitors and provide conference and other facilities).

3. The duties under sections 15ZA, 15ZB, 15ZC, 17 and 18A(1)(b), of the Education Act 1996⁽¹¹⁾ and the power under sections 514A and 560A of that Act (duties and powers related to the provision of education and training for persons over compulsory school age).

⁽⁹⁾ 2000 c. 22. Sections 9FG and 9GA were inserted by the Localism Act 2011 (c. 20), section 21 and Schedule 2.

⁽¹⁰⁾ 2011 c.20.

⁽¹¹⁾ 1996 c.56. Sections 15ZA, 15ZB, 15ZC, 17A, 18A, 514A and 560A were inserted by the Apprenticeships, Skills, Children and Learning Act 2009 (c. 22), sections 41, 42, 45 to 48 and by S.I.

4. The duty under section 69 of the 2009 Act (duty to prepare an assessment of economic conditions).

EXPLANATORY NOTE

(This note is not part of the Order)

This Order establishes the Tees Valley Combined Authority.

Part 6 of the Local Democracy, Economic Development and Construction Act 2009 (“the 2009 Act”) provides for the establishment of combined authorities for the areas of two or more local authorities in England. Combined authorities are bodies corporate which may be given power to exercise functions relating to transport and to economic development and regeneration in their area.

The Secretary of State may only establish a combined authority for an area where a scheme for such an authority has been published under section 109 of the 2009 Act. This Order has been made following the publication of such a scheme on 6 May 2015 by the constituent councils whose areas together make up the combined area of the new authority. The scheme is available at: www.darlington.gov.uk/your-council/news/tees-valley-governance-review.

Part 2 of the Order establishes the new authority, to be known as the Tees Valley Combined Authority and makes provision for its constitution and funding.

Article 4 of and *Schedule 1* to the Order make provision for the constitution of the Tees Valley Combined Authority. This is supplemental to the provision that is made by Part 1A of Schedule 12 to the Local Government Act 1972 (see paragraph (6A) of that Schedule, as amended by the 2009 Act).

Article 5 makes provision for the funding, by the constituent councils, of those costs of the Combined Authority that relate to the exercise of its economic development and regeneration functions. *Part 3* concerns the transport functions of the Combined Authority. *Article 6* to the Order transfers specified transport functions of the constituent councils to the Combined Authority. *Article 7* makes adaptations to enactments consequential upon article 6. *Article 8* contains general continuity provisions.

Part 4 confers additional functions on the Tees Valley Combined Authority. *Article 9* confers functions of the constituent councils relating to economic development and regeneration. These are set out in Schedule 2 to the Order and are to be exercised concurrently with the constituent councils. *Articles 10 to 13* make some general, incidental provisions relating to the Tees Valley Combined Authority to enable it to carry out its functions more effectively.

A full regulatory impact assessment has not been prepared as this instrument will have no impact on the costs of business and the voluntary sector.