
Report of: Director of Joint Strategy Unit
Report to: Leadership Board
Date: Wednesday 13 June 2007
Subject: MULTI AREA AGREEMENTS - PROGRESS
Item for: Decision

SUMMARY

1. This report sets out progress on developing the concept of a Multi Area Agreement. The Board is asked to endorse the approach set out in the report.

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to update the Leadership on progress on developing a Multi Area Agreement.

2. THE ROLE OF A MULTI AREA AGREEMENT

- 2.1 In submitting the business case and the evidence base, the Tees Valley Authorities submitted a 10 year investment plan based broadly on the currently availability of resources which set out a prioritised programme to implement the business case. The Multi Area Agreement (MAA) would cover the three main funding streams namely the single programme from One NorthEast, transport funds through the regional funding allocation or direct from Department for Transport, and housing market restructuring funds through the Regional Housing Board/Department for Communities and Local Government (DCLG). In putting forward the MAA proposal we have made clear that the amount of resource for these funding streams to the Tees Valley would be dealt with through regional and national funding allocation processes. Interestingly, the Peer Assist Review referred in its report to the long term possibility of a mini regional funding allocation.

- 2.2 There are a number of features about the MAA. They are:

- a) Unlike LAAs the funding streams are mainly capital funding streams – there is some revenue in the ONE funding stream.
- b) The MAA is complementary to Local Area Agreements and does not have a hierarchical relationship to LAAs.
- c) The MAA should for the moment cover the three funding streams outlined above in order to keep it simple and should solely concentrate on the objective of improving economic performance.

- 2.3 DCLG has set up a small group to deal with MAAs. The senior management of the JSU together with Jenny Haworth (Stockton), Peter Scott (Hartlepool) and John Rundle (GONE) met with the DCLG group at the end of April. The delegation from DCLG found the meeting very helpful and informative. Subsequently we have been asked to:

- a) Submit a one page report summarising the concept of an MAA and the added value it would bring.
- b) A more detailed briefing note expanding on the one page note.

These reports were required as input into the preparation of a report by the DCLG group to the Sub National Review due to be held on 31st May. I attach copies of these reports for the Board's information.

- 2.4 We have also been asked to present our concept of an MAA and the added value it will bring to a wider group of DCLG officials on the 7th June 2007. I will report back to your meeting on the outcome of these discussions.

- 2.5 We have prepared a detailed discussion paper on MAAs, a preliminary report on the types of performance indicators that can be used and a series of detailed questions for DCLG to consider. However, DCLG are primarily concerned with broad principles at this stage. We understand that the possibility of the Tees Valley becoming a pilot MAA is actively being considered.
- 2.6 The Director of the JSU has also been invited to several national and regional conferences to talk about the concept of an MAA. These presentations have been very well received.
- 2.7 We have had discussions with One NorthEast on the concept of an MAA. These informal discussions indicate that ONE sees the process as one of agreeing the programme with ONE, and then Tees Valley Unlimited through the JSU being responsible for managing the programme, preparing business cases and carrying out appraisals for submission to ONE. We have also had discussions with the Department for Transport who in principle support the proposals.
- 2.8 Progress on developing the MAA concept will very much depend on the ability of DCLG to progress the matter. In the meantime we are providing them with any information requested and responding to any issues that may arise.

3. TAKING FORWARD THE PROGRAMME WITH ONE NORTHEAST FOR 2008/9

- 3.1 The Director of the JSU and the Tees Valley Partnership Manager are meeting Tom Warburton and Nick Muse of One NorthEast to discuss how we take forward the 2008/9 programme. The programme consists of three categories:
- a) Projects already approved for 2008/9;
 - b) Projects to be developed for 2008/9 which are included in the investment plan;
 - c) Revenue projects for which no provision has been made beyond 2008/9. Some of these will still need to be funded by ONE, others could be funded from other sources.
- 3.2 We have provided schedules of these projects to ONE for further discussion.

4. RECOMMENDATION

- 4.1 The Board is asked to endorse the approach put forward.

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Valley Multi-Area Agreement: A Case Study

The Tees Valley City Region Business Case was presented to Government in October 2006 in response to the Secretary of State's visit in May last year. It was not intended to represent a "wish list" of requests from Government, but rather a robust, evidence based appraisal of how it is planned to improve the economic performance of the Tees Valley over the next ten years in particular, thus improving the quality of life for residents, workers and visitors.

Having presented the Business Case as one that encourages delivery, the Tees Valley Partners have not sat back in the intervening period. In particular, they have started to develop what can be included in a new Multi-Area Agreement (MAA).

The Local Government White Paper included suggestions as to what could be included in an MAA, namely, governance arrangements, outcome-based targets, pooled funding and accountable bodies, and this provided a starting point. Due to the work already undertaken in developing Local Area Agreements (LAAs), the Tees Valley Partners felt that that it was appropriate to develop an MAA that was simple, flexible, but had clear deliverables, an accountable governance structure and measurable and relevant indicators.

The Tees Valley Partners felt that they already had the basis of this within the City Region Business Case, and hence the proposed MAA includes four elements:

- **Priorities** – based on the projects within the City Region Investment Plan;
- **Resources** – the projects have already been prioritised to complement expected funding envelopes and the delivery capacity;
- **Governance** – a new City Region Metropolitan Economic Partnership including strong representation from the private sector;
- **Performance Monitoring** – indicators that draw on, rather than add to, the emerging national indicator set for LAAs.

The Tees Valley Partners feel that MAAs should draw on as much as possible of the work already in place in City Regions, but provide added value. In essence, 80% of what they wish to achieve can be done without an MAA – the MAA itself facilitates the delivery of the final 20% through the following key areas:

- **Comfort** – for the Tees Valley in being able to say that their proposals have the outline support of Government, and for Government to show that the City Region has taken hard choices in prioritising our interventions to account for funding availability and delivery capacity ;
- **Certainty** – greater long term funding certainty which will facilitate greater private sector leverage and provide agreed 'limits' for Government to work to;
- **Flexibility** – an ability to vire resources between projects and funding streams so that overall programme (and cost) management is improved, and to share efficiency savings between all Partners;
- **Buy in** - a document that has a protocol, and is signed, committing parties to delivering real benefits for communities, which draws Partners together towards a common goal.

Finally, the Tees Valley feels that the proposed MAA clearly demonstrates to the public, to Members and to other stakeholders that the Government can deliver in a joined up way, through a mature relationship with Local Government.

Prepared by Jonathan Spruce

Date

10 May 2007

Subject Tees Valley Multi-Area Agreement – An Outline

1. INTRODUCTION

This note provides an outline of the development of a Multi-Area Agreement (MAA) for the Tees Valley, highlighting the scope and content of our proposed MAA, and the key benefits of an MAA to the City Region and to Government.

2. SCOPE AND CONTENT OF OUR MAA

The Local Government White Paper included a reference to MAAs that highlighted a number of elements that Communities and Local Government (CLG) would expect to see in MAAs, namely, governance arrangements, outcome-based targets, pooled funding and accountable bodies. This provided a starting point for considering what should be included within our proposed MAA. It also provided a starting point for what the focus of our MAA should be, in that we consider it better to focus on improving economic development within our MAA.

Due to the work already undertaken in developing Local Area Agreements (LAAs), we felt that that it was appropriate to develop an MAA that was simple, flexible, but had clear deliverables, an accountable governance structure and measurable and relevant indicators. **Our feeling was that we already had the basis of this within our City Region Business Case, based around the four areas of priorities, resources, governance and performance monitoring.**

Much of the background work to our MAA is already in place, as discussed later, **as we were keen that the MAA was not seen as an additional administrative burden, as has sometimes been the case with LAAs in the early rounds, nor that it was perceived as an mechanism to introduce an additional tier of democracy.**

We feel that MAAs should draw on as much as possible of the work already in place in City Regions, but provide the added value described later in this note. In essence, 80% of what we wish to do we can do without an MAA – the MAA itself facilitates the delivery of the final 20%.

3. ELEMENTS OF OUR MAA

We felt that our MAA needs to concentrate on the areas where City Region working can deliver real benefits, **but that it also needs to be readily understandable to a range of Partners and be clear about what it is trying to do.** In other words, we needed to answer the simple questions: “what?”, “when?”, “how?” and “why?”

3.1 *Priorities*

In terms of **priorities**, our City Region Investment Plan includes detailed proposals for the physical and economic regeneration, housing market renewal and transport, all of which we feel are best delivered at a City Region level to

achieve our economic regeneration objective. This represents the “**what**” and “**when**” elements of the MAA.

The Investment Plan has been developed with a mind to available funding and with a series of defined outcomes, so it is not simply a “wish list”. It represents the interventions that we believe are necessary to achieve our economic regeneration aspirations, and so **have already been prioritised by the City Region to match anticipated funding envelopes. Including these within the MAA will give an initial endorsement to our forward programme by all parties**, although we recognise that project appraisals will still be required.

3.2 *Resources*

Delivery of our investment priorities will be related to the availability and flexibility of **resources**, both physical and fiscal. It will be important within the forward programme to understand what freedoms and flexibilities will be provided under the MAA to allow us to maintain overall delivery through effective programme management. This will represent part of the “**how**” element of the MAA.

Flexibility (and maybe certainty) of resources, both physical and fiscal, underpins the added value that the MAA provides, and will provide better overall programme management, together with increased confidence in our delivery capability, and hence increased comfort for both public and private sector investors.

Initially the three funding streams to be included in the MAA are as follows:

- a) Single programme resources from One NorthEast for expenditure on Place plus other projects in economic development and skills.
- b) Transport resources from the Department for Transport and the Interim Regional Transport Board through the regional funding allocation process.
- c) Housing market renewal resources from DCLG and the Regional Housing Board.

It is important to recognise that the existing strategic allocation of resource arrangements will define the level of resources to be spent in the Tees Valley for inclusion in the MAA and where appropriate the programme/key projects following negotiation with Tees Valley Unlimited.

3.3 *Governance*

Our outline **governance** proposals adopt an evolutionary rather than revolutionary approach to City Region working, whilst providing clear accountability and a true partnership between the public, private and third sectors. Such a strong and accountable structure is necessary to ensure delivery and is a pre-requisite of additional devolution to the City Region. This therefore will represent the other part of the “**how**” element of the MAA.

The inclusion of the governance arrangements within the MAA means that all parties are agreed on an accountable mechanism focused on delivery, and that the public see an inclusive structure that will make a difference.

For our MAA, we have adopted an evolutionary, rather than revolutionary, approach to governance, building on existing partnerships, so as again to offset any potential criticism of added bureaucracy.

It is intended that one authority will act as the accountable body for the resources in the MAA supplemented with an agreement with the other four Tees Valley authorities specifying the responsibilities of the accountable body and the other four local authorities in delivering the MAA in their area. This agreement already exists for single programme resources from One NorthEast.

3.4 *Performance Monitoring*

The detailed economic analysis presented as part of the Business Case identifies a series of key economic challenges which all of our proposals are designed to address. Therefore, we already feel we have a robust evidence base from which to develop a series of indicators and targets as part of a **performance monitoring** framework. This will represent the “**why**” element of the MAA.

This will be the means by which delivery is measured, drawing on local priorities and feeding in directly to national priorities, in particular PSA Target 2, **and provide a clear framework for all parties to measure the benefits of the MAA.**

4. **ADDED VALUE OF OUR MAA**

Much of the background work to our MAA has been done through our City Region Business Case and through existing partnerships within the Tees Valley. We are committed to delivering our Investment Plan, managing the programme within individual funding streams as best we are able, and leveraging in as much private sector investment as possible. Recent Cabinet approvals mean that our new governance arrangements will be set up (at least in shadow form) from Summer 2007, and we will track key indicators as we currently do for an annual “State of the Tees Valley” report. So, if we are doing all of that, what *is* the added value of an MAA?

We believe that the added value comes in four main elements, namely:

- Comfort;
- Certainty;
- Flexibility; and,
- Buy in.

All of these deliver the additional 20% mentioned previously, and all of these cannot truly be delivered by the current voluntary arrangements, not a strengthening of them. As our MAA concentrates on economic development, which all agree is better reviewed at a City Region level, these cannot really be delivered through an extension of the LAA process (separate work has been undertaken on how we see LAAs and MAAs being complementary rather than hierarchical).

In terms of **comfort**, enshrining our Investment Plan and governance proposals within the MAA provide a sign off from Government that the projects that we are pursuing are appropriate (although still subject to appraisal) in terms of achieving our economic regeneration aspirations, and that our governance proposals are sensible and workable. **This is crucial to being able to “sell” the proposals, to the public, to Members and to Partners.** In particular, an endorsement from Government will head off the potential criticism that “this is just a wish list” or “this is just another talking shop”.

For Government, it should give the comfort that, in the first instance, **we have taken some hard decisions in the Tees Valley to prioritise our key interventions**, and that we have agreed on a set of priorities that deliver genuine outcomes within the funding envelope anticipated. It should also provide comfort to the Government that there is a **governance structure in place that is accountable, can take the hard decisions that will inevitably be required over time, and is one that complements existing Local Government**

arrangements, particularly as we already have two directly elected Mayors within the City Region.

In terms of **certainty**, this is always a big 'ask' from Local Government, but existing moves in the light of LAAs and other funding (eg Local Transport Plans) have shown a shift towards giving greater certainty over funding levels. **So, for the Tees Valley, a five year funding guarantee (or, more likely, a 3 + 2 arrangements, based on performance), will give us more certainty over which to plan projects**, some of which have a delivery period far in excess of three years, given their scale and complexity. **It will also, we believe, help us to negotiate increased private sector leverage in the later years of the programme** as we have more certainty over public sector contributions with which to open discussions.

For Government, it also gives longer term certainty of spend, as one feature of our MAA is not to tie in any reward funding at this stage (a difference to LAAs), as explained later in this note. **Therefore, longer term financial planning for the City Region should be enhanced for all parties.**

In terms of **flexibility**, the **ability to vire resources across different funding streams to maintain overall programme delivery is crucial to the MAA, and this can only be done through a new form of agreement.** We feel that this flexibility will allow us to deliver a more effective programme on time and to budget. For example, if a transport scheme is slipping for a particular reason, the ability to move that funding in any given year to bring forward, say a regeneration scheme, with the funding repaid from the regeneration source the following year, will allow us to ensure that the overall programme is on track.

This will also only work with the increased certainty mentioned above, as the only way moving money between sources will be effective will be if there is a guarantee that funding will be replaced the following year. Without a longer term funding certainty, this would not be possible to the same extent. **To work effectively, there may also be a need to review the rules governing some funding sources, such as EU funding.**

This may require changes to the way Government departments work in practice to be truly effective, as each department will need to agree to the principle, and understand the consequences on their own targets in a particular year. This is why a new agreement *is* necessary. However, the benefit to Government overall is in better programme management.

Finally, the MAA provides a **buy in** from all parties – a document that has a protocol, and is signed, committing parties to delivering real benefits for communities, something that the LAAs have been successful at. Again, **we believe that the biggest benefit to us of this will be the ability to demonstrate to all parties that we are on the right track, and that all Government departments are supporting and trusting us.**

The other important benefit of the MAA is that we do not believe that this is about additional resources, or reward funding. We have already prioritised our Investment Plan against expected funding, and have a mechanism within the governance structure proposed to make the hard decisions should funding be reduced. **We will not change our investment priorities – they will just take longer to deliver.**

To this end, we also see that reward funding would be of little value, as our Investment Plan represents our full programme for the next 15 – 20 years, and there may be an issue of capacity to deliver projects outside those planned.

However, where we do see rewards and incentives playing a key role is where we make efficiency savings within the delivery process.

We propose a pain/gain share arrangement with Government. If projects increase in cost, we would be expected to fund the additional expenditure, or adjust the programme accordingly. However, **if we were to lever in more private sector funding as anticipated, or we were to work more efficiently with partners through scheme delivery, we would hope that a proportion of the funding “saved” would be retained within the Tees Valley for use within the City Region.** We are not asking for 100% of the funding to be retained – the principle of the agreement would be for Government to share in the “gain”, but we would hope that the City Region would benefit from our efforts.

For example, we are currently discussing projects with both the Highways Agency and Network Rail on our main transport routes, both of whom have got proposals for recabling their network, the former to provide for new variable message signs, the latter for new signalling. Rather than each party commission their own design and implementation works, we feel that our proposals for a Transport Board will provide the opportunity for the parties to jointly commission the work, allied to some proposals that the City Region has itself, such that one set of works is undertaken under a joint Client team, and that both set up and implementation costs are saved by all parties.

Under existing regimes, if this were to be done, there is a risk that both the Highways Agency and Network Rail, being national agencies with wide ranging responsibilities, would use those savings elsewhere on their networks outside the Tees Valley. **What we are asking for is that a proportion of that saving is retained in the Tees Valley for other projects (and not necessarily transport projects, as set out above).**

To do this, the MAA provides an upfront agreement that underpins the comfort, certainty, flexibility and buy in needed to make this, and other similar examples, work. Moreover, it clearly demonstrates to the public, to Members and other stakeholders that the Government can deliver in a joined up way, through a mature relationship with Local Government.