



Cabinet

Date Wednesday 18 January 2023
Time 9.30 am
Venue Council Chamber, County Hall, Durham

Business

Part A

Items which are open to the public and press

6. North East Devolution - Report of Chief Executive (Pages 3 - 136)

Helen Lynch

Head of Legal and Democratic Services

County Hall
Durham
10 January 2023

To: **The Members of the Cabinet**

Councillors A Hopgood and R Bell (Leader and Deputy Leader of the Council) together with Councillors T Henderson, C Hood, S McDonnell, J Rowlandson, E Scott, A Shield, J Shuttleworth and M Wilkes

Contact: Michael Turnbull

Tel: 03000 269714

This page is intentionally left blank

Cabinet

18 January 2023

North East Devolution

Ordinary Decision



Report of Corporate Management Team

John Hewitt, Chief Executive

Councillor Amanda Hopgood, Leader of the Council

Electoral division(s) affected:

All

Purpose of the Report

- 1 The first part of this report provides
 - (a) a summary of the discussions with Government and the LA6 Councils relating to devolution in County Durham; and
 - (b) information relating the opportunities and impact of a devolution deal on County Durham. This will cover consideration of a County devolution deal option and also a devolution deal for the North East Region covering Durham, Gateshead, Northumberland, North Tyneside, Newcastle, South Tyneside and Sunderland local authority areas.
- 2 Subject to Cabinet being satisfied that the LA7 deal represents the best option for the County, the second part of the report
 - (a) provides details of the 'minded to' deal that has been announced by the Secretary of State; and
 - (b) explains the legislative process that underpins the delivery of the LA7 deal, including a Governance Review, Governance Scheme and consultation.

Executive Summary

- 3 The Government published its White Paper on Levelling Up in February 2022 and reaffirmed its ambition for every area in England to be part of a devolution deal with Government. A framework for devolution in England identifies three levels of devolution the governance arrangements that were needed to access each level of deal.
- 4 The level of deal that maximises the ability to impact positively on the economy in an area is that contained in Level 3 deals. Level 3 deals come with the maximum number of devolved powers from government and also have a long term (30 years) investment fund. Deals at level 1 and level 2 do not attract an investment fund and the range of devolved powers available is significantly less than those available at level 3.
- 5 On 28 December 2022 HM Government announced a “minded to” Level 3 devolution deal with the seven councils across the North East (i.e., Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland Councils).
- 6 The deal would see a significant shift of powers, funding and responsibility which would enable the Councils to pursue their ambitions for inclusive growth. In total, it would provide £4.2 billion of additional investment to the region over 30 years, including a £1.4bn investment fund alongside significant funding for transport, education and skills, housing and regeneration. This will enable investment into projects which reflect local needs and opportunities, making a real difference for our residents, communities, and the local economy.
- 7 To implement the deal, the Councils will need to establish a new mayoral combined authority which covers the area of the seven Councils and replaces the two existing combined authorities (North East Combined Authority and North of Tyne Mayoral Combined Authority) in the region. This report sets out the findings of a statutory review regarding these proposed governance changes and, if Cabinet are satisfied that the relevant criteria have been met, recommends that the proposals are subject to public consultation.
- 8 From early 2022 until the summer, negotiations with Government took place on the options available to Durham in terms of devolution. In terms of the County deal option discussions were underway when it became clear that level 3 powers were not available without changing the council’s decision making structure to an elected Mayor and it also became apparent that the deal itself would not be of the scale as that on offer if Durham were to join the six north east councils that had separately been negotiating a devolution deal with Government.
- 9 In consideration of the potential deals on offer at both a County and a LA7 area, the Council’s political leadership were of the opinion that the LA7

deal represented the best option for the County, and this together with the governance changes to the County Council that would be required under a County deal, led to the Council's Leadership advising the Secretary of State that the Council wished, in principle, to formally join the LA6 deal that was being finalised with Government. This position was notified to Government in October 2022.

10 Detailed discussions and negotiations were entered into by the Council with the LA6 partners and central Government which resulted in a new LA7 deal being agreed and formally announced by the Secretary of State on the 28 December 2022.

11 At an extraordinary meeting of the County Council on the 7 December 2022, it was resolved that:

'This council recommends DCC's cabinet puts County Durham first by securing a devolution deal that is best for County Durham residents and businesses, with government.'

12 In order to allow Cabinet to consider the recommendation of Council, the devolution options available to County Durham have been analysed and set out in this report. Taking account of the concerns over the implications of the governance requirements for Directly Elected Mayor / Leader in a County deal, together with the deeper and more flexible devolution on offer in the LA7 deal, the report sets out how the LA7 deal provides the best route to benefit County Durham residents and businesses, and offers the greatest support to successfully delivering the ambitions in the County's recently approved Inclusive Economic Strategy.

13 In summary:

- (a) With a population of over 2m, the size and scale of the LA7 region will elevate the status of the North East region to that of the largest Combined Authorities in the Country. The LA7 deal includes a commitment from Government to negotiate early 'trailblazer' status with the LA7 region
- (b) An elected Mayor and MCA of this scale will benefit in the long term from new opportunities, funding and powers not available in a County deal.
- (c) The investment fund that Durham brings to devolution is £13m in the case of the LA7 deal and circa £9m for a County Deal. The LA7 deal is £120m more than could be achieved within a standalone County deal and has more flexibility as 71% of the fund can be utilised as revenue compared to 50% in a County deal.
- (d) Economic estimates suggest that 6,500 new jobs could be created in Durham within a LA7 deal, 2,000 more than in a County deal.

- (e) It is estimated that the LA7 deal will attract £1.34bn private sector investment into the County, some £400m more than that estimated in a County deal.
 - (f) More investment to support housing development is available in the LA7 deal enabling 730 more homes to be built in the County under a LA7 deal compared to the County deal.
 - (g) Although not accessing the new City Region Sustainable Transport funding in the first three years of the LA7 deal, County Durham will have access to this funding for the remaining 27 years of the LA deal. This significant funding is not available in a county deal.
 - (h) A LA7 deal will see an elected Mayor that has responsibility for the devolution deal but will have no responsibility for the services delivered by Durham County Council. A County deal would require the introduction of an elected Mayor with executive decisions making powers covering all aspects of Council services.
- 14 Subject to cabinet agreeing that the LA7 is the best option the report then considers the detail of the minded to deal across the LA7 area. The headline powers and funding in the deal include:
- (a) The North East electing a directly elected mayor to provide overall vision and leadership, seek the best value for taxpayer's money, be directly accountable to the city region's electorate, and to receive new powers on transport, housing and skills.
 - (b) Control of a £48 million per year investment fund over 30 years (£34 million revenue and £14 million capital), to be invested by the North East to drive growth and take forward its priorities over the longer term.
 - (c) New powers to improve and better integrate local transport, including the ability to introduce bus franchising, control of appropriate local transport functions e.g., local transport plans, and control of a key route network.
 - (d) A city region sustainable transport settlement of up to £563 million capital funding, with £5.7 million resource funding for 2022/23 and further funding to be confirmed in line with other eligible areas. Included in this is new and unallocated funding of £147m and the North East MCA will invest this amount in a manner which reflects the development of the deal prior to County Durham joining, for the current funding period to 2026/27.
 - (e) New powers to better shape local skills provisions to ensure these meet the needs of the local economy. This will include devolution of

adult education functions and the core adult education budget, as well as input into the new local skills improvement plans.

- (f) The North East Mayoral Combined Authority will plan and deliver the UK Shared Prosperity Fund (UKSPF) from 2025/26.
 - (g) The integration of the North East Local Enterprise Partnership into the North East MCA will ensure there continues to be a strong and independent local business voice which informs local decision making and strategic economic planning. In absorbing the role and functions of the North East LEP, the North East will deliver a number of functions on behalf of central government departments agreed jointly between government and the North East.
 - (h) A commitment to explore a local partnership with Great British Railways Transition Team so that the mayor can help shape and improve the local rail offer.
 - (i) New powers to drive the regeneration of the area and to build more affordable, more beautiful homes, including compulsory purchase powers and the ability to establish mayoral development corporations.
 - (j) To support this, additional £17.4 million for building new homes on brownfield land, subject to sufficient eligible projects for funding being identified.
 - (k) £20m of capital funding in this Spending Review period to drive place-based economic regeneration, with NETPark and Aykley Heads developments being priority schemes in Durham.
 - (l) A commitment to developing, in partnership with the Government, an arrangement which ensures close cooperation with the North East's Police and Crime Commissioners (PCCs), and a key leadership role for the mayor in local resilience and civil contingency planning, preparation and delivery.
- 15 In order to access the deal a new Mayoral Combined Authority for the North East (LA7) region needs to be established in law. This requires the abolition of the North East Combined Authority (NECA) and the North of Tyne Mayoral Combined Authority (NTCA). A Governance Review has been undertaken to consider if this is the optimum arrangement to improve the region's economy. The review concludes that it is.
- 16 To create a new North East MCA the seven Councils must demonstrate to the Secretary of State that a number of statutory tests have been met. In order to provide this information the Councils will need to undertake a formal consultation and provide the results to the SoS.

- 17 Subject to the SoS being satisfied that this is the case, and following confirmation from each local authority, the SoS will then lay down the necessary Statutory Instrument in Parliament.
- 18 Further reports will be presented to Cabinet during this implementation process. The intention is that subject to the statutory approval process being positive the new NEMCA will be established in May 2024 and the election of the first Mayor will be held at that time.

Recommendation(s)

- 19 Cabinet is recommended to:
 - (a) agree that the 'minded to' LA7 devolution deal represents the best option for County Durham residents and businesses
 - (b) endorse in principle the "minded to" devolution deal (see Appendix 3);
 - (c) agree with the findings of the governance review (Appendix 4), namely that the proposed creation of a new mayoral combined authority for the North East region to replace the existing combined authorities will improve the exercise of statutory functions across the region;
 - (d) agree that the North East Councils shall publish a scheme for the delivery of these governance changes (the current draft is attached as Appendix 5);
 - (e) agree that the North East Councils shall undertake public consultation in connection with the proposals contained in the scheme as described in paragraphs 86 to 89 of this report;
 - (f) agree that the Chief Executive, in consultation with the Leader of Council, shall be authorised to take all steps necessary to implement the above proposals, including (but not limited to) making amendments to the draft scheme and the consultation exercise
 - (g) note that a further report will be brought to Cabinet at the end of that consultation exercise.

Background

- 20 This section will cover:
- (a) White Paper and Devolution Options for County Durham
 - (b) An Overview of the LA7 'Minded to Deal'
 - (c) The Governance Review
 - (d) The Scheme and Public Consultation

White Paper and Devolution Options for County Durham

- 21 The Government published its White Paper on Levelling Up in February 2022 and reaffirmed its ambition for every area in England to be part of a devolution deal with Government.
- 22 To support this ambition the Government introduced a framework for devolution in England which, for the first time, identified three levels of devolution and outlined the governance arrangements that were needed to access each level of deal.
- 23 The level of deal that maximises the ability to impact positively on the economy in an area is that contained in Level 3 deals. Level 3 deals come with the maximum number of devolved powers from government and also have a long term (30 years) investment fund.
- 24 Deals at level 1 and level 2 do not attract an investment fund and the range of devolved powers available is significantly less than those available at level 3.
- 25 For the first time devolution deals were available to County areas with a population in excess of 500,000.
- 26 To access a level 3 deal the governance arrangements in either a Combined Authority or County area requires the introduction of an elected Mayor (or Leader). In the case of a combined authority this would result in an elected Mayor chairing the combined authority with responsibility for delivering the deal but having no responsibility for the services delivered by the constituent member councils of that authority. In the case of a County deal an elected Mayor would take full responsibility for both the devolution deal and also the executive decision-making responsibility of that County Council. Appendix 2 shows the different devolved powers and governance requirements for each of the three levels in more detail.
- 27 Within the LA7 North East region, County Durham had two options to secure a devolution deal for the County as a result of the February 2022 Levelling Up White Paper.

- 28 In April 2022, Government was asked to consider a deal for County Durham that included the Level 3 powers and funding set out in the white paper, but without the requirement for a directly elected mayor or leader. The Council's political leadership were clear that it wanted the best economic deal for the County, but that the White Paper did not fully recognise the governance issues of introducing a directly elected leader in an already established unitary council like Durham. It was considered that a directly elected leader or mayor with responsibility for all council services and devolved powers and funding would have much more direct power than in any other form of devolution deal. The risks of introducing this type of governance, which is untested in terms of combining local and devolved decision making, were considered significant and not a preferred approach.
- 29 Discussions took place with Government officials and Ministers over a number of months, and as these evolved, it became apparent that:
- (a) A County deal at level 3 was not possible without the County Council agreeing to change governance arrangements to introduce an elected mayor / leader with executive decision-making powers for all local services and devolved powers and funding;
 - (b) The council's ambitions in terms of level of investment fund and powers, would not be met in a County deal, even in the event that the Council agreed to an elected Mayor / leader;
 - (c) Government would consider Durham looking to join the emerging LA6 deal that was being negotiated with the other 6 local authorities in the north of the region.
- 30 As a consequence of the wider regional option being raised, and the continued position on the requirement for an elected mayor / leader for the county council, discussions with Government began to consider both a County Deal and the principle of a LA7 deal concurrently.
- 31 After further discussions with Government, in October, the Secretary of State wrote to the Council and confirmed that a level 3 Durham County Deal was not possible without an elected leader / mayor and that a decision was required on Durham's position in relation to whether it wished to join the LA6 devolution deal. On the 13 October the Deputy Leader of the Council wrote to the Secretary of State and advised that Durham, in principle, wished to join the LA6 arrangements. Following detailed discussions with the LA6 Councils and Government, the Secretary of State announced a North East LA7 'minded to' deal on the 28 December 2022. Details of the deal are covered later in this report.
- 32 On the 7 December 2022 at an Extraordinary Meeting of the County Council it was resolved that:

‘This council recommends DCC’s cabinet puts County Durham first by securing a devolution deal that is best for County Durham residents and businesses, with government.’

33 In order that Cabinet can consider the recommendation made by Council on the 7 December, the next section of the report provides a summary of a number of areas relating to Durham County having a devolution deal at level 3 (which would require a directly elected Mayor or leader), and comparison with the position of the LA7 regional deal.

34 In order to make a meaningful comparison of the two options, the outcomes that are contained in the Governance Review have been extrapolated on the basis of population. Actual outcomes will be determined in the medium to long term and will be subject to the investment priorities of the new Mayoral Combined Authority.

35 **Geography, Population and Influence**

Durham Deal with Elected Leader (L3)	LA7 MCA Deal
<ul style="list-style-type: none"> • County Durham geography • Population 522,100 	<ul style="list-style-type: none"> • The 7 local authority’s area, population 2m • With 2 million residents, a LA-7 Combined Authority would be the fourth largest CA in the country. • The scale of the NEMCA will provide the opportunity for the Mayor to have a significant ‘national voice’

36 The LA7 area includes the five Tyne and Wear authorities, together with the two counties of Durham and Northumberland. The population of the area would be significant at around 2 million residents, and this would lead to the opportunity of an elected Mayor for the new authority having a platform on which to represent the region at a national level and a significant level of influence nationally. The ‘north east area’ is a recognised functional economic area, where transport, business and skills provision are integral to economic success. Each day approximately 61,000 County Durham residents travel into the LA6 area for employment.

37 The County deal passes the benchmark of a minimum of 500,000 population to secure a level 3 deal. As a County, it is of significant size and scale and whilst the Mayor would be a powerful and influential force within the County and region, it is unlikely that a County Mayor would be able to match the level of influence and stature of a LA7 Mayor at a national level.

38 Investment Fund

Durham Deal with Elected Leader (L3)	LA7 MCA Deal
<ul style="list-style-type: none"> • £9m per annum fund • 50:50 Capital : Revenue • £270m over 30 years • Lower revenue amount -less ability to frontload investment • Additional funding pot was not offered by Government 	<ul style="list-style-type: none"> • Additional £13m pa to create a £48m per annum fund • £1.44bn for LA7 area over 30 years • £120m more than stand alone Durham County • 71 : 29 Revenue / Capital • Greater flexibility to frontload investment • Additional £20m capital, with Durham schemes prioritised • Early 'Trailblazer' status

39 The level and structure of the long-term investment fund is a critical tool to help create new jobs and opportunities for residents and businesses. Having a larger proportion of the investment fund classed as revenue provides greater flexibility on how the fund can be used in the early years of any devolution deal.

40 The LA7 investment fund benefits from the Government's commitment to provide the same per capita sum that was originally negotiated in the North of Tyne devolution deal. On this basis, the annual investment fund is £48m, an increase of £13m as a result of County Durham joining the deal. This by far the highest annual investment fund (£1.44bn over 30 years) of any Mayoral Combined Authority, and with 71% (£34m) of the fund being revenue, this provides significant flexibility in how the fund is used. It is estimated that an additional 24,000 jobs will be created across the region (with an indicative 6,500 being in County Durham based on a per capita extrapolation).

41 The strategic use of the investment fund will lever in private sector investment and it is estimated that the LA7 investment fund and wider deal will bring in £5bn of additional private sector funding to the region. Based on a per capita extrapolation, that equates to an indicative County Durham figure of £1.34bn private sector investment for comparison purposes.

- 42 In addition to the long term investment fund, the minded to deal includes a one off £20m capital allocation and the regionally significant initiatives at NETPark and Aykley Heads are specifically identified as priority projects for this fund for County Durham.
- 43 The 'minded to' deal also identifies an early opportunity for the new LA7 MCA to have further powers and funding allocated to it through what is termed a trailblazer status. This is a significant opportunity for the LA7 region and provides an early opportunity to devolve further powers and funding much earlier in the cycle than would normally be the case for new devolution deals.
- 44 The level of the County deal investment fund was identified in negotiations with DHLuC as £9m per annum, allocated 50:50 revenue and capital. This provides a 30 year fund of £270m, which is £120m less than the amount of investment County Durham brings to the LA7 deal. The lower allocation of revenue funding means less flexibility compared to the LA7 regional deal. It is estimated that an additional 4,500 jobs will be created in Durham under the county deal, 2,000 less than that estimated 6,500 based on a per capita extrapolation of the LA7 job outcomes.
- 45 Private sector leverage is estimated at £938m for a County deal which is £400m less than the extrapolated County Durham position in the LA7 deal.
- 46 In terms of the additional £20m capital pot and the early opportunity to expand the devolution deal to trailblazer status, these opportunities were not on offer during negotiations with Government.

47 **Housing Brownfield Fund**

Durham Deal with Elected Leader (L3)	LA7 MCA Deal
<ul style="list-style-type: none"> • £4.1m over the current spending review period 	<ul style="list-style-type: none"> • Additional £17.4m over the LA7 area for the current spending review period (in addition to £32m already secured in the North of Tyne deal). • County Durham joining the deal adds an additional £8m

- 48 This devolved funding will support bringing more land into development for delivery of housing on brownfield sites. The level of the fund directly relates to the numbers of houses being built on brownfield land.

49 An additional £8m was added to the LA7 deal as a consequence of Durham joining. The amount allocated for a county deal was £4.1m. As a comparison and based on extrapolation, the indicative brownfield fund in the LA7 deal would allow 730 more homes to be built in that deal as compared to the County deal allocation.

50 **Adult Education Budget**

Durham Deal with Elected Leader (L3)	LA7 MCA Deal
<ul style="list-style-type: none"> • Devolved subject to readiness tests 	<ul style="list-style-type: none"> • Devolved and would build on existing NoT infrastructure to deliver AEB outcomes • MCA has access to “passport” other skills funding – e.g. Bootcamps

51 Giving people the skills to access the new employment opportunities that will result from devolution is an important element of any deal. Matching skills to opportunities and ensuring the Adult Education system and providers strategically plan to achieve this is essential.

52 In both devolution deal options, the responsibilities and funding for the devolution of the AEB are the same. The technical tests of readiness have already been met by the North of Tyne Combined Authority, and this readiness will enable an early discharge of AEB devolution across the LA7 area. In the case of a Durham County deal, the Council would need to develop its infrastructure and skills to pass the Governments readiness tests.

53 AEB being devolved to a County Durham deal does provide for strategic decisions being made on a county geography, and the approach will connect adult skills provision to regional priorities, including County Durham.

54 **UK Shared Prosperity Fund**

Durham Deal with Elected Leader (L3)	LA7 MCA Deal
<ul style="list-style-type: none"> • Allocation controlled by DCC 	<ul style="list-style-type: none"> • First three years the fund is controlled by individual local authorities.

	<ul style="list-style-type: none"> • After this, responsibility will be at a regional level via the MCA
--	--

55 In the first three years of a LA7 deal, and continuously within a county deal, Durham County Council has responsibility for overseeing and managing the fund and allocations.

56 Within the LA7 deal the responsibility for these functions will be with the MCA after the first three years.

57 **Transport**

Durham Deal with Elected Leader (L3)	LA7 MCA Deal
<ul style="list-style-type: none"> • Business As Usual (BAU) local transport funding provided over a five year period • Bus franchising powers • BSIP allocations • Ongoing BAU ability to bid for national transport funding pots • CRSTS not available 	<ul style="list-style-type: none"> • Current CRSTS funding period (to 26/27) allocated to the LA6 geography • Post 26/27, until LA7 deal end (27 years) CRSTS allocated across LA7 geography and recognises LA7 Geography in funding allocations • Bus Franchising Powers • BAU local transport funding treat in a similar way to current practice within the Joint Transport Committee (JTC).

58 In a LA7 deal, the MCA is able to benefit from ongoing City Region Sustainable Transport Settlements. These settlements are only available to city regions and the current national allocation across these regions is £5.7bn until 2026/27.

59 As the LA6 authorities had already secured the CRSTS funding and no additional transport funding was available when County Durham sought to join the wider regional deal, the 'minded to' deal states that the unallocated capital amount in the CRSTS (£147m) will be spent on projects in the LA6 geography within the current allocation period (up to

2026/27). Subsequent CRSTS funding will be available across all LA7 authorities.

60 Within the LA7 deal, 'business as usual' local transport funding allocated to County Durham, Northumberland and Tyne and Wear will be received by the MCA with a regional commitment to treat this allocation in a similar way to current practice within the JTC.

61 Within a County Deal scenario, the transport situation is very different with no ability to access any CRSTS funding - as this funding is not available in County Level 3 deals. Recently 'minded to' County deals in Cornwall, Norfolk and Suffolk have been announced. They do not include CRSTS funding.

62 **Governance**

Durham Deal with Elected Leader (L3)	LA7 MCA Deal
<ul style="list-style-type: none"> • Would require a new elected Leader/Mayor model, with wide powers over executive council decisions (ie those made by Cabinet) • Directly Elected Leader / Mayor has significantly more powers than a MCA Mayor (ie. Council and Devolution) • More direct control of devolution deal • Fundamental change to Council constitution to remove current executive decision making arrangements • Mayor/Leader election in either 24 or 25 	<ul style="list-style-type: none"> • No change to DCC local authority leadership model. • MCA has no authority over DCC functions and responsibilities unless any Council agrees to transfer any responsibility to the MCA • Mayoral election in 2024 • Decision making : Mayor and Cabinet model • Cabinet controls decisions on devolution deal • Mayor has some transport powers

63 The LA7 regional deal would see a new Mayoral Combined Authority being created with an election in May 2024. The Mayor would chair the authority and each constituent LA would be a voting member. The MCA would have powers and funding devolved to it from central government and there would be no responsibility for individual local authority services by the Mayor or the MCA.

- 64 In the LA7 regional deal, the Mayor has regional transport responsibilities and has a single vote in general decision making of the authority. Arrangements for overview and scrutiny are also covered in the ‘minded to’ deal.
- 65 In general, decisions of the MCA will be on the basis of majority vote with the Mayor not having a veto, save that the mayor must be in the majority on some decisions relating to transport functions. Decisions on strategic priorities, investment fund allocations and other interventions will be made by majority vote of the MCA. At this point in time this arrangement does not provide any funding specifically into any local authority area but as the new authority is established and investment plans approved, the Mayor and each local authority will want to ensure a sensible distribution of resource and intervention across the whole region to support the wider economic plan.
- 66 A county deal would require a fundamental change in the governance and decision making arrangements of the council. A deal at level 3 would require the council to adopt a directly elected mayor / leader and cabinet executive governance model. The elected mayor / leader would be directly accountable to County Durham’s electorate and would provide overall leadership to the council. The mayor would be responsible for deciding how to discharge the executive functions of the council.
- 67 In a county deal therefore, the elected mayor not only has responsibility for the delivery of the devolution deal but, unlike the LA7 mayor, also has responsibility for discharging the executive decisions of the Council. This is a unique governance position that has not been tested in any arrangements across the country at this stage albeit some unitary councils who do not have options to join an MCA deal are considering Level 3 deals on this basis.
- 68 In a County deal, the investment fund, other funds and powers, will be used for projects and interventions within the County area.

69 **Business Support**

Durham Deal with Elected Leader (L3)	LA7 MCA Deal
<ul style="list-style-type: none"> • Would secure support from business community as a means of ensuring Durham is within a devolution deal area 	<ul style="list-style-type: none"> • This is the preferred model for the business community bringing the LA7 authorities working together

70 The business community, through representative bodies, has supported the concept of devolution to the North East for many years. In terms of County Durham, business organisations have emphasised the importance

of ensuring that the county is included in a devolution deal with real powers and a long term investment fund.

- 71 The preferred option of the business community is to have one regional combined authority with a devolution deal at level 3. Since the announcement of the ‘minded to’ deal, organisations representing the business community (the CBI, the North East Chamber of Commerce and the Federation of Small Businesses) have all strongly supported the regional LA7 deal.

Options: Summary and Conclusion

- 72 The Council has recently approved a new Inclusive Economic Strategy and the areas that have been considered are important drivers to support the delivery of inclusive economic growth.
- 73 In conclusion, the county deal provides powers and funding that provide the opportunity to grow the economy for the benefit of residents and businesses. However, the powers and funding offered in the LA7 deal are significantly enhanced, and as a consequence, better outcomes are likely to be achieved in the County and across the wider region. The LA7 deal provides more opportunities for expansion and additional devolved powers – and the opportunity to benefit more quickly from new government initiatives in the future. It also retains a separation between devolution activities and the responsibilities of the council and does not require the council to adopt a new executive governance model which at this stage is untested.
- 74 The LA7 proposition at a regional level has also been strongly supported by the business community since the announcement of the ‘minded to deal’.
- 75 It is therefore considered that the LA7 deal provides the best route to benefit County Durham residents and businesses, and offers the greatest support to successfully delivering the ambitions in the County’s Inclusive Economic Strategy.
- 76 Should Cabinet agree with this assessment then it is asked to consider a number of issues that require decisions in order to progress the delivery of the ‘minded to’ LA7 devolution deal.

The ‘minded to’ Devolution Deal

- 77 The “minded to” devolution deal has emerged from serious and passionate cross-party, cross-regional leadership during the coronavirus pandemic. As well as providing policy leadership in the response to COVID19, the Leaders and Mayors of the North East worked together on substantive recovery plans. They worked with partners across business, academia, the

community and voluntary sector and with the people of the North East to set out what a North East, built back better and fairer, would look like.

- 78 The “minded to” devolution deal sets out the offer of powers and budgets from Government and the reforms and measures that the 7 Councils would need to deliver. The deal would see a significant shift of powers, funding and responsibility which would enable the Councils to pursue their ambitions for inclusive growth. In total it would provide £4.2 billion of additional investment to the region over 30 years, including a £1.4bn investment fund alongside significant funding for transport, education and skills, housing and regeneration. The deal is the culmination of a process of negotiation with Government which commenced when it became clear that additional funding and powers – including access to the City Regional Sustainable Transport Fund – could only be unlocked through a regional devolution deal.
- 79 A copy of the minded to devolution deal is included at Appendix 3 but the key elements of the deal can be summarised as follows:
- (a) Bigger and better – demonstrably adding value in relation to the existing devolution deal for the North of Tyne area and bringing new resources and powers – and significant private sector leverage – into the North East region. It recognises the huge value of integrating economy, skills, transport, housing and public sector reform.
 - (b) Reduced carbon, reduced inequality – with the green agenda clearly woven through the deal, and shared principles of inclusive growth, addressing disparities and bringing communities together in a smart, skilled and sustainable region.
 - (c) Bold on the rural economy – setting out clear intentions to accelerate rural growth and looking at the opportunities of the Northumberland Line, rural housing, rural stewardship and net zero transition – including through a Rural Growth and Stewardship Board.
 - (d) Amplifying the North East’s global assets – through a clear focus on the region’s growth corridors, 3 ports, gigafactories, an international airport, and globally-facing cities and historic town centres. A world-leading ‘Arc of Green and Blue Energy Innovation’ from OREC to Nissan and home of the next-generation electric vehicle industry and the only science park nationally, NETPark in Sedgefield County Durham, to host 2 centres from different Catapults.
 - (e) Balancing growth and prevention – by bringing forward fiscal innovation, working on a public service reform programme, greater influence within the integrated care system.

- (f) Transforming connectivity – using a full package of devolved transport investment and powers to create an integrated transport system, including the potential unlocking of visionary schemes; such as, the Northumberland Line, Leamside Line and Washington Extension, Cobalt Loop, Team Valley, Newcastle City Mobility plans and a region-wide EV charging network.
 - (g) Attacking the opportunities of digital and 5G – providing strong incentives for investment in digital connectivity, 5G-ready infrastructure, digital skills and unlocking the huge potential of digital-enabled manufacturing.
 - (h) Connecting our coastal areas – using devolved funding and powers to better link our unique coastal communities and economic assets – through skills, jobs and accelerating development on our housing and economic sites.
 - (i) Building on strong collaborative governance – ensuring each of the partners can see the benefits of cross-regional investment, and that decisions are made in a way that reflects our diverse geography, assets and needs
- 80 The minded-to deal represents a significant step towards securing important decision-making powers and investment for region. The Combined Authority would also be able to make decisions that reflect local needs and invest into projects that will make a difference for all our residents, communities and local economy.
- 81 Furthermore, if the Councils were to agree to progress the “minded to” deal, it could be the first step in a process of further devolution, and the North East could deepen their devolution arrangements over time. It is proposed that the government and North East would commence negotiations on trailblazer provisions which deepen and enhance the powers in the deal in early 2023, drawing on the arrangements in Greater Manchester and West Midlands when concluded, with a view to these powers being in place as soon as possible after the first mayoral election in May 2024. The government will also continue to work with the North East on important areas of public service reform and infrastructure investment, to support inclusive economic growth in towns, cities and rural areas whilst tackling climate change, on our journey to 2030.

A new mayoral combined authority

- 82 If the deal is supported by all the Councils, then its implementation will depend upon the creation of a new mayoral combined authority which covers the whole of the North East region, i.e., the area of all 7 Councils. This would require the Secretary of State to make a statutory order under

the Local Democracy, Economic Development and Construction Act 2009 (“the 2009 Act) to:

- (a) abolish the existing 2 combined authorities i.e., NECA (which covers the areas of Durham, Gateshead, South Tyneside, and Sunderland) and NTCA (which covers the areas of Newcastle, North Tyneside and Northumberland); and
- (b) create the new mayoral combined authority for the North East region (which, it is proposed, will be called the North East Mayoral Combined Authority or NEMCA).

Governance review

83 As the first stage in the process of seeking the statutory order to create the new combined authority, the 7 Councils have undertaken a governance review in accordance with sections 108 and 111 of the 2009 Act to establish whether the governance proposals set out in the previous paragraph would meet the necessary statutory criteria, namely that the proposals would improve the exercise of statutory functions in the region.

84 A report setting out the findings of the governance review is attached at Appendix 4 to this report. The review found a strong rationale to build on existing collaboration, delivery and success by creating a new Mayoral Combined Authority. It concluded that:

- Current regional governance arrangements – based on a combination of a Mayoral and a non-Mayoral Combined Authority and a Joint Transport Committee – do not represent the best model in terms of delivering the long-term ambitions of the authorities within the area for economic growth and delivery of public services.
- The new Authority would extend the benefits of devolved funding for investment, skills and housing, previously secured by the North of Tyne MCA, over the full regional geography. In addition, it would also unlock new funding and powers, including over transport, across the whole region.
- There is limited practical scope for the existing governance arrangements to be meaningfully strengthened, short of adopting the Mayoral Combined Authority (MCA) model of governance.
- A change is required to enable the North East authorities to pursue their economic and social policy agenda at greater pace.

85 On the basis of these findings, the review concludes that the relevant statutory criteria have been met. Specifically, that the move to a single mayoral combined authority would improve the exercise of statutory functions across the region, whilst also having a positive impact on the

interests and identities of local communities and helping secure more effective and convenient local government by reducing complexity and streamlining the delivery of public services.

The Scheme and public consultation

- 86 If Cabinet are satisfied with the findings of the governance review, then the next stage is for the North East Councils to publish a scheme in respect of the proposals. A draft of the scheme is attached at Appendix 5. In brief, the scheme explains how the new mayoral combined authority (“NEMCA”) would be constituted, who would be appointed to NEMCA, what functions it would have and how it would make decisions on the exercise of those functions.
- 87 As set out in the scheme, it is expected that the first election for the mayor would take place in May 2024, when NEMCA would come into existence. The mayor would make decisions on certain functions – see section 3 of the scheme. NEMCA’s Cabinet would make decisions on all other matters. The Cabinet would comprise the Mayor, a member from each of the 7 constituent councils, a representative of the business community and a representative of the voluntary and community sector. Only the Mayor and the representatives of the 7 constituent councils would have a vote on Cabinet decisions. Most decisions would be made by way of a simple majority vote, save for the exceptions set out at section 2.6 of the scheme.
- 88 The recommendations in this report include a delegated authority to the Chief Executive to finalise the terms of the scheme. The scheme will then be published for the purposes of public consultation. The consultation period will last for a period of 8 weeks. The consultation process will include on-line and face to face engagement across the region and include a number of questions (which have been shared with central government) to seek views on the proposals.
- 89 At the end of the consultation period, the Councils will prepare a summary of the consultation responses received. This will include an analysis of the issues arising from that consultation and any submissions which it is proposed that the Council should make in response to those issues. A further report will be brought to Cabinet before the summary of the consultation responses and any proposed submissions on behalf of the Councils are sent to the Secretary of State.

Why are the proposals being put forward

- 90 As set out above, it is proposed that the creation of a new mayoral combined authority for the North East region would unlock the benefits of the minded to devolution deal and improve the exercise of statutory functions across the region.

What impact will this proposal have?

91 Publishing the scheme for consultation is the next step needed to establish the mayoral combined authority for the region and access the benefits of devolution. In addition to the economic and social impacts set out above, it is expected that the new mayoral combined authority would also provide:

- strong and visible collective leadership of the area recognised by government with direct democratic accountability and transparency, able to influence national decision making for the benefit of the area and access initiatives only available to mayoral combined authorities;
- alignment of decision-making at a strategic level across a broad range of statutory functions and through a coherent strategy and investment programme;
- closer working across the wider public sector on integrating functions and services and providing innovative solutions to the challenges of reducing financial resources; and
- strengthened capacity through a combined and co-located resource supported with better information and analysis

Background papers

- None

Other useful documents

- Levelling Up White Paper February 2022

Author(s)

John Hewitt Tel: 03000 268 062

Geoff Paul Tel: 03000 266 332

Appendix 1: Implications

Legal Implications

The legal implications are set out in the report and appendices.

Finance

Implementing the devolution deal would enable the region to access over £4bn of funding over a 30 year deal cycle, together with new powers to better shape local skills provisions to ensure these meet the needs of the local economy. This would include devolution of adult education functions and the core adult education budget, as well as input into the new local skills improvement plans. Over time the region would also expect to benefit from access to additional funding streams reserved for mayoral combined authorities. Detailed discussions will be progressed with the existing combined authorities and the other constituent authorities regarding the financial arrangements associated with the transition to the new arrangements

Consultation

There is a legislative requirement to undertake consultation and the detail is explained in the report.

Equality and Diversity / Public Sector Equality Duty

In developing these proposals, the Councils have taken account of their obligations under section 149 of the Equality Act 2010 (i.e., the public sector equality duty). It is not expected that the proposals described in this report will have any adverse impacts on people with protected characteristics. Indeed, the aim of promoting inclusive growth within the region is expected to boost the efforts of its constituent authorities to advance equality of opportunity and foster good relations between different groups. The Councils will continue to assess their responsibilities in this regard and ensure that the equality impact assessment will be reviewed throughout the process.

Climate Change

The green agenda is woven through the deal and in addition a specific section of the deal covers 'Levelling up Innovation and Green Energy' Human Rights
None

Crime and Disorder

The LA7 minded to deal has a commitment to developing, in partnership with the Government, an arrangement which ensures close cooperation with the North East's Police and Crime Commissioners (PCCs), and a key leadership role for

the mayor in local resilience and civil contingency planning, preparation and delivery

Staffing

None

Accommodation

None

Risk

For the reasons set out in the attached governance review report and above, it is considered that the failure to establish NEMCA risks the region falling behind other major city regions such as Greater Manchester, Liverpool City Region and Tees Valley, which have received new powers and funding. In terms of establishing NEMCA, the key risk is that the Secretary of State will not be satisfied that the statutory criteria are met and/or that the necessary consents from the affected bodies are not forthcoming. In order to mitigate these risks, it will be important to consider and respond to issues raised in the consultation process.

Procurement

None

Appendix 2: White Paper Devolution Framework

Level 3 – A single institution or County Council with a directly elected mayor (DEM)

Level 2 – A single institution or County Council without a DEM, across a FEA or whole county area

Level 1 – Local authorities working together across a FEA or whole county area

Function	Detail	L1	L2	L3
Strategic role in delivering services	Host for Government functions best delivered at a strategic level involving more than one local authority e.g., Local Nature Recovery Strategies	x	x	x
	Opportunity to pool services at a strategic level	x	x	x
	Opportunity to adopt innovative local proposals to deliver action on climate change and the UK's Net Zero targets	x	x	x
Supporting local businesses	LEP functions including hosting strategic business voice		X	X
Local control of sustainable transport	Control of appropriate local transport functions e.g., local transport plans*		X	X
	Defined key route network*			X
	Priority for new rail partnerships with Great British Railways – influencing local rail offer, e.g., services and stations			X
	Ability to introduce bus franchising		X	X
	Consolidation of existing core local transport funding for local road maintenance and smaller upgrades into a multi-year integrated settlement			X
Investment spending	UKSPF planning and delivery at a strategic level		X	X
	Long-term investment fund, with an agreed annual allocation			X
Giving adults the skills for the labour market	Ability to establish Mayoral Development Corporations (with consent of host local planning authority)		X	X
	Providing input into Local Skills Improvement Plans		X	X
	Role in designing and delivering future contracted emp programmes			X
Local control of infrastructure decisions	Ability to establish Mayoral Development Corporations			X
	Devolution of locally-led brownfield funding			X
	Strategic partnerships with Homes England across the Affordable Housing Programme and brownfield funding			X
	Homes England compulsory purchase powers (held concurrently)		X	X
Keeping the public safe and healthy	Mayoral control of Police and Crime Commissioner (PCC) functions^			X
	Clear defined role in local resilience*		x	X
	Where desired offer MCAs a duty for improving the public's health (concurrently with local authorities)			X
Financing local initiatives for residents and businesses	Ability to introduce mayoral precepting on council tax*			X
	Ability to introduce supplement on business rates (ballot)			x

* refers to functions which are only applicable to combined authorities

^ refers to functions which are currently only applicable to mayoral combined authorities

North East Devolution Deal

Subject to ratification of the deal by all partners and the statutory requirements referred to within this document, including, public consultation, the consent of councils affected, and parliamentary approval of the secondary legislation implementing the provisions of this deal.



Department for Levelling Up,
Housing & Communities



North Tyneside Council



South Tyneside Council



Signature page

The Rt Hon Michael Gove MP
Secretary of State for Levelling Up,
Housing and Communities

Cllr Amanda Hopgood
Leader, Durham County Council

Cllr Martin Gannon
Leader, Gateshead Council

Cllr Nick Kemp
Leader, Newcastle City Council

Mayor Jamie Driscoll
Mayor, North of Tyne

Norma Redfearn CBE
Mayor, North Tyneside Council **Cllr**

Cllr Glen Sanderson
Leader, Northumberland County Council

Tracey Dixon
Leader, South Tyneside Council

Cllr Graeme Miller
Leader, Sunderland City Council

Contents

Introduction	4
Governance	10
Finance and Investment	16
Skills and Education	18
Levelling up Innovation and Clean Energy	22
Housing and Land	26
Transport	30
Digital and Connectivity	39
Arts, Culture Heritage and Sport	41
Public Service Reform	43
Resilience and Public Safety	45
Rural	46
North East's commitments underpinning the deal	48

Introduction

1. The government has set itself a mission that, by 2030, every part of England that wants a devolution deal will have a devolution deal, with powers at or approaching the highest level of devolution, with a simplified, long-term funding settlement. The Levelling Up White Paper makes clear the case for devolution as the engine room of improved productivity and reduced regional disparities. Devolution will be critical to delivering our twelve headline Levelling Up missions, strengthening local leadership to act more flexibly and innovatively to respond to local need, whether on transport, skills or regeneration.
2. This document sets out the terms of an agreement for a Level 3 devolution deal between the government and the local councils of County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland (“the North East”). This document describes both the offer of powers and budgets from government and the reforms and measures that the North East will need to deliver. Central to this is the election of a directly elected leader across the deal area to champion its interests, deliver on local priorities and be accountable to local people. This agreement is subject to ratification by those councils, and to the statutory requirements for making the secondary legislation implementing the provisions of the deal. These statutory requirements include public consultation, those councils consenting to the legislation and Parliament approving it. Once this legislation is approved and made, the devolution deal will be confirmed.
3. The deal outlined in this document is the product of two separate negotiations. The first negotiation was amongst the six local authorities of Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland (the “LA6”). A North East deal, negotiated on an LA6 basis, was agreed in late summer 2022. Subsequent negotiations have focused on incorporating Durham County Council into this agreement. The final agreement outlined in this document ensures a strong deal for the whole of the North East.
4. This deal emerges from serious and passionate cross-party cross-regional leadership during the pandemic. As well as providing policy leadership in the response to COVID19, the leaders and mayors of the North East worked together on substantive recovery plans. They worked with partners across business, academia, the community and voluntary sector and with the people of the North East to set out what a North East, built back better and fairer, would look like.
5. These plans were submitted to government as part of the 2020 and 2021 Comprehensive Spending Rounds and underpinned the North East Transport Plan. They informed and linked collaboration and collective action to lead the North East to a stronger future.

6. This deal is:

- **Bigger and better** – demonstrably adding value in relation to the existing North of Tyne deal and bringing new resources and powers – and significant private sector leverage – into the region. It recognises the huge value of integrating economy, skills, transport, housing and public sector reform.
- **Reduced carbon, reduced inequality** – with the green agenda clearly woven through the deal, and shared principles of inclusive growth, addressing disparities and bringing communities together in a smart, skilled and sustainable region.
- **Bold on the rural economy** – setting out clear intentions to accelerate rural growth and looking at the opportunities of the Northumberland Line, rural housing, rural stewardship and net zero transition – including through a Rural Growth and Stewardship Board.
- **Amplifying the North East’s global assets** – through a clear focus on the region’s growth corridors, three ports, gigafactories, an international airport, and globally-facing cities and historic town centres. A world-leading ‘*Arc of Green and Blue Energy Innovation*’ from OREC to Nissan and home of the next-generation electric vehicle industry and the only science park nationally, NETPark in Sedgefield County Durham, to host two centres from different Catapults.
- **Balancing growth and prevention** – by bringing forward fiscal innovation, working on a public service reform programme, greater influence within the integrated care system.
- **Transforming connectivity** – using a full package of devolved transport investment and powers to create an integrated transport system, including the potential unlocking of visionary schemes; such as, the Northumberland Line, Leamside Line and Washington Extension, Cobalt Loop, Team Valley, Newcastle City Mobility plans and a region-wide EV charging network.
- **Attacking the opportunities of digital and 5G** – providing strong incentives for investment in digital connectivity, 5G-ready infrastructure, digital skills and unlocking the huge potential of digital-enabled manufacturing.
- **Connecting our coastal areas** – using devolved funding and powers to better link our unique coastal communities and economic assets – through skills, jobs and accelerating development on our housing and economic sites.
- **Building on strong collaborative governance** – ensuring each of the partners can see the benefits of cross-regional investment, and that decisions are made in a way that reflects our diverse geography, assets and needs.

7. With a population of 2 million and a GVA of over £32,300 per head, the North East offers enormous potential. It has 68,850 businesses providing 887,000 jobs. It is a coherent economic area and has a number of significant growth sectors including automotive and advanced manufacturing, offshore and renewable energy and life sciences, as well as four outstanding universities.
8. Sizeable parts of the North East enjoy access to exciting new opportunities for growth. Car manufacturer Nissan is building a £1 billion electric vehicle hub near to its existing plant in Sunderland, which will create 6,000 new jobs at the firm and associated supply chain. While the adjacent International Advanced Manufacturing Park will be the location for advanced manufacturing and European-scale supply chain industries - this will see an estimated 5,200 jobs created in the long term. Blyth in Northumberland is seeing potential investment of £2.6 billion into a new 95-hectare Gigaplant. But the North East also faces challenges which impact on productivity levels and the ability to grow. These include: addressing skills issues, replacing an ageing workforce and ensuring skills for existing and new sectors; developing more indigenous SMEs; attracting more foreign direct investment; increasing innovation investment and exploitation; and reducing unemployment. Greater local powers are needed to level up, to tackle the challenges facing the North East, and to harness its huge economic opportunity for the benefit of people in the North East and for the whole UK.
9. These powers will build on the existing strong track record of the North East Local Enterprise Partnership and the North of Tyne MCA, as well as new levelling up funds already allocated. These funds include £379.6 million from previous Growth Deals; £47 million from the Getting Building Fund; £61.9 million from the Future High Street Fund (for Sunderland, Bishop Auckland, Blyth, and South Shields); a £20.9 million Town Deal for Blyth and £33.2 million for Bishop Auckland; £6.15 million from the Community Renewal Fund; and £79.8 million from the Levelling Up Fund.
10. The local councils of the North East and government are minded to agree a historic mayoral devolution deal which will provide powers and funding to enable the North East to unleash its full economic potential, and in doing so level up, raise living standards for its communities and make a full contribution to the UK economy. It will build upon the area's history of collaboration to maximise this investment. The North East devolution deal shows how levelling up can be done in practice – with clear alignment to the twelve headline levelling up missions and long-term, devolved funding underpinning it.
11. The North East deal will unlock significant long-term funding and give local leaders greater freedom to decide how best to meet local needs and create new opportunities for the people who live and work there. The government recognises that devolution is a journey, not a one-off event, and this agreement is the next

step in a process of further devolution. The Government and North East will commence negotiations on trailblazer provisions which deepen and enhance the powers in this Deal in early 2023, drawing on the arrangements in Greater Manchester and West Midlands when concluded, with a view to these powers being in place as soon as possible after the first election in May 2024. The government will also continue to work with the North East on important areas of public service reform and infrastructure investment, to support inclusive economic growth in towns, cities and rural areas whilst tackling climate change, on our journey to 2030.

Summary of the devolution deal between the government and the local authorities of the North East comprising County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland.

The government and the North East are minded to agree a devolution deal which will provide the area with new powers and funding to increase opportunities and living standards through inclusive growth and productivity improvements.

A devolution agreement is contingent upon the North East proceeding through the steps necessary to meet the governance criteria for a Level 3 devolution deal.

This devolution agreement includes:

- The North East electing a directly elected mayor to provide overall vision and leadership, seek the best value for taxpayer's money, be directly accountable to the city region's electorate, and to receive new powers on transport, housing and skills.
- Control of a £48 million per year investment fund over 30 years (£34 million revenue and £14 million capital), to be invested by the North East to drive growth and take forward its priorities over the longer term.
- New powers to improve and better integrate local transport, including the ability to introduce bus franchising, control of appropriate local transport functions e.g., local transport plans, and control of a key route network.
- A city region sustainable transport settlement of up to £563 million capital funding, with £5.7 million resource funding for 2022/23 and further funding to be confirmed in line with other eligible areas. The North East MCA will invest this settlement in a manner which reflects the development of the deal prior to County Durham joining, for the current funding period to 2026/27.
- New powers to better shape local skills provisions to ensure these meet the needs of the local economy. This will include devolution of adult education functions and the core adult education budget, as well as input into the new local skills improvement plans.
- The North East Mayoral Combined Authority will plan and deliver the UK Shared Prosperity Fund (UKSPF) from 2025/26.
- The integration of the North East Local Enterprise Partnership into the North East MCA will ensure there continues to be a strong and independent local business voice which informs local decision making and strategic economic planning. In absorbing the role and functions of the North East LEP, the North East will deliver a number of functions on behalf of central government departments agreed jointly between government and the North East.
- A commitment to explore a local partnership with Great British Railways Transition Team so that the mayor can help shape and improve the local rail offer.
- New powers to drive the regeneration of the area and to build more affordable, more beautiful homes, including compulsory purchase powers and the ability to establish mayoral development corporations.
- To support this, additional £17.4 million for building new homes on brownfield land, subject to sufficient eligible projects for funding being identified.

- £20m of capital funding in this SR period to drive place-based economic regeneration.
- A commitment to developing, in partnership with the Government, an arrangement which ensures close cooperation with the North East's Police and Crime Commissioners (PCCs), and a key leadership role for the mayor in local resilience and civil contingency planning, preparation and delivery.

More detail on these commitments is given in the main body of the document below.

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

Governance

12. The agreement flows from collaboration on transport management and work done during the COVID19 Pandemic. It reflects discussions and correspondence with Ministers on delegated transport funding, reflections on the Prime Minister's July 2021 Levelling Up speech and the White Paper.
13. This agreement builds on or updates existing regional governance: specifically, North East Combined Authority, North of Tyne Mayoral Combined Authority, the North East Joint Transport Committee and the North East Local Enterprise Partnership.

Mayoral Combined Authority

14. A key advantage of the mayoral combined authority model is its joint governance arrangements for key growth levers such as transport, skills, economic development and regeneration, which allow for strategic prioritisation across its area and integrated policy development. In addition, a directly elected mayor provides greater local accountability and decision-making power, working in partnership with the combined authority and constituent councils.
15. As part of this agreement, the North East will, through the current process set out in the Local Democracy, Economic Development and Construction Act 2009 adopt the model of a directly elected mayor over a new combined authority area in the North East, with the first mayoral election in May 2024. The mayor will provide overall leadership and be directly accountable to the city region's electorate. The new mayor will be elected by the local government electors for the areas of the constituent councils of the new combined authority - County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland. Mayoral terms will last four years.
16. The North East Mayoral Combined Authority will comprise the following members:

Voting members:

- The elected mayor.
- Seven elected members, one appointed by each of the seven constituent councils.
- The constituent councils may nominate one substitute member for their combined authority member who will act as a member of the combined authority in the absence of the appointed member.

In addition, there will be:

- The Chair of the Business Board.
- A representative of the Community and Voluntary Sector.

These members will be non-voting unless the combined authority resolves to give them a vote on any issues.

17. The North East Mayoral Combined Authority will continue to explore opportunities for further collaboration with its other neighbouring councils such as those in the Tees Valley MCA.
18. The mayor and the other combined authority members will be required to work together. Specifically:
 - The mayor will provide overall leadership and chair combined authority meetings.
 - The mayor will appoint a deputy mayor from among the members of the combined authority who will act as mayor if the mayor is unable to act or the position is vacant.
 - The mayor may choose to delegate function(s) to members of the combined authority. Where this is the case the member to which a specific mayoral function has been delegated will exercise that function on behalf of the mayor, and that member may include the deputy mayor.
 - Members of the combined authority may also act to support and advise the mayor in the exercise of mayoral functions.
 - The mayor may appoint one person as the mayor's political adviser.
 - The combined authority may establish an independent remuneration panel to recommend allowances payable to the mayor or utilise one of the independent remuneration panels of its constituent councils to discharge this function.
19. Functions contained in this deal document will be devolved to the mayoral combined authority by the government subject to parliamentary approval. Some of these functions will be exercisable by the mayor personally and some by the combined authority collectively. Where these functions are local authority functions, they will be held concurrently with the local authorities in the area to ensure joined up decision making. Arrangements for the concurrent exercise of the functions will be a matter for agreement between the combined authority and the constituent councils.
20. The functions that are currently exercised by the North of Tyne Mayoral Combined Authority and the North East Combined Authority will be conferred onto the new combined authority. These include powers in relation to:
 - Housing and regeneration.
 - Education, skills and training.
 - The adult education budget.
21. The combined authority will also have new powers arising from this devolution deal in relation to transport including powers currently undertaken by the Joint Transport Committee and its subcommittees.

22. The directly elected mayor for the North East Combined Authority will autonomously exercise their new functions with personal accountability to the electorate, devolved from central Government and set out in legislation. These functions will be:
- The functional power of competence.
 - Housing and planning
 - Power to designate mayoral development areas and establish mayoral development corporations.
 - Housing and land acquisition powers to support housing regeneration, infrastructure and community development and wellbeing.
 - Finance
 - Power for the mayor to set a precept on council tax to fund mayoral functions.
 - Power to charge business rate supplement (subject to ballot).
 - Transport
 - Power to draw up a local transport plan and strategies.
 - Bus franchising powers.
 - Ability to pay grants to bus service operators.
23. No constituent council functions are currently being removed from those councils. Where existing functions or resources currently held by the constituent councils are to be shared with the mayor and the combined authority, this must be agreed through the constituent councils. Additionally, the government intends to legislate so that mayors will have a power of direction allowing them to direct highway authorities on exercising their highway powers with regard to the Key Route Network (KRN). The combined authority may exercise functions in relation to its area and may exercise functions outside its area, subject to and in accordance with, statutory provisions.
24. Proposals for decision by the combined authority may be put forward by the mayor or any combined authority member. The mayor will have one vote as will other voting members of the combined authority. Any questions that are to be decided by the combined authority are to be decided by a simple majority of the members present and voting, unless otherwise provided for in legislation.
25. For those functions that are currently exercised by North of Tyne Mayoral Combined Authority or North East Combined Authority as listed in paragraph 20, the mayor does not need be in the majority in favour but instead can ask the combined authority to review decisions that they have voted against. For new functions with new funding transferring over to the new combined authority, as listed in paragraph 21, the majority in favour must include the mayor.
26. The North East Mayoral Combined Authority will establish constitutional and practical decision-making arrangements that seek to ensure the functions and

activities of the combined authority are undertaken in a collaborative and consensual way. This will include member-led statutory and advisory boards with appropriate portfolio holder and collective combined authority oversight.

27. In addition, for the following decisions the majority members must include the consent of the mayor and all the constituent councils:
 - Approving the combined authority's budget (excluding decisions which relate to the mayor's budget).
 - Setting a levy.
28. The mayor will be required to consult the combined authority on their strategies, and this will be subject to the following specific conditions:
 - Decisions on the adoption of any mayoral spatial development strategy will be by majority vote (5/8) including the mayor, following a unanimous vote
 - of the constituent councils to confer a duty on the mayor to produce an
 - SDS.
 - The combined authority will be able to amend the mayor's budget if 5 of the 7 constituent members agree to do so.
 - The combined authority will be able to amend the mayor's transport strategy if a simple majority of members agree to do so.
29. The following decisions by the mayor will require the consent of the combined authority member(s), or substitute members, appointed by the constituent council in whose area the decision will apply:
 - The designation of any area of land as a mayoral development area leading to the establishment, by order, of a corporation (the consent of the National Park Authority, if relevant, is also required if the land falls within the designated National Park area, recognising that National Parks are protected land and not land for wider development areas as a whole).
 - The compulsory purchase of land or buildings by the mayor.
 - Any decisions that could lead to a financial liability falling directly upon that constituent council.
 - Such other matters as may be contained in the combined authority's constitution and agreed with the mayor.
30. The mayor and the combined authority will be scrutinised and held to account by the combined authority's Overview and Scrutiny Committee(s). The mayor and the combined authority may also seek to enhance scrutiny and develop wider conference with all elected members in the combined authority area to engage on key issues.
31. "Nexus" is the Tyne and Wear Passenger Transport Executive for Tyne and Wear and its role as the executive body and officer of both the North East Combined Authority and the North of Tyne Mayoral Combined Authority will be

transferred to the new mayoral combined authority in relation to transport functions in Tyne and Wear. Following review by the new mayoral combined authority, Nexus' role may also be extended to cover transport functions in Northumberland and County Durham.

32. Ownership of, and responsibility for, the Tyne Tunnels (both road tunnels and the pedestrian/cycling tunnel) will be transferred from the North East Combined Authority and the North of Tyne Mayoral Combined Authority to the new mayoral combined authority. The existing provisions, through which any income, revenue or financial liabilities arising from the Tyne Tunnels are ring-fenced to the Tyne and Wear authorities, will be maintained. Following review by the new mayoral combined authority future income, revenue or financial liabilities arising from the Tyne Tunnels may be expanded to additionally include Northumberland.
33. The Levelling Up White Paper committed the government to producing a reformed accountability framework for all local areas with devolution deals in England. The government, the North East and other areas with devolution deals will work together to determine how this can best work in practice, so that we can improve the consistency of data and reporting, streamline our approach to focus on clear and transparent outcomes and ensure the right mechanisms are in place to promote good practice, as well as address serious concerns. This is to ensure that local people have confidence that devolution is leading to improvements in their area. This framework will apply to the North East as well as all existing areas that have agreed devolution deals and all future areas. The framework will be published later in 2022.
34. The provisions in this devolution deal are subject to ratification by each local council through their normal executive decision-making processes. This will include a governance review, the development and consultation of a scheme, and the submission the outcomes of the consultation to the government. The implementation of the deal will require public consultation including with local communities and business on the proposals. Implementation is also subject to the Secretary of State for the Department for Levelling Up, Housing and Communities being satisfied that the required statutory requirements have been met, the required relevant statutory consents from authorities locally and parliamentary approval of the required secondary legislation.

LEP Integration

35. The Levelling Up White Paper announced the government's intention to support the integration of local enterprise partnership functions and roles into local democratic institutions to ensure a strong business voice at the heart of local decision making. Further guidance on how integration should happen was published on 31 March 2022. This deal confirms the integration of LEP functions in the North East, subject to government approval of an integration plan and agreement from the North East LEP.

36. The new North East Mayoral Combined Authority will be supported to take on all of the functions and roles set out in section 10 of the guidance on LEP integration. The geography of this deal will allow for the full integration of the North East Local Enterprise Partnership's role and functions into the North East Mayoral Combined Authority, including all relevant LEP assets and receipts, and the ongoing management of current and legacy local growth funding streams for the benefit of the whole region. The region shall benefit from strategic economic planning across a clear, consistent economic geography that builds on the established evidence based developed by the North East Local Enterprise Partnership.
37. Any long-term future funding for the integration of LEP functions and roles will be subject to future funding decisions and business planning. Government reserves the right to modify the functions and roles set out in section 10 of the guidance on LEP integration.

Finance and Investment

38. The North East will create a fully devolved funding programme covering all budgets for devolved functions (“North East Investment Fund”) to the North East Mayoral Combined Authority.
39. The North East will use the North East Investment Fund to deliver a programme of transformational long-term investment. Government agrees to allocate £48 million per annum for 30 years (£34 million revenue and £14 million capital) which will form part of the North East Investment Fund. This will be subject to five-yearly gateway assessments to confirm that the investment has contributed to economic growth and levelling up. Once the Order is made establishing a new mayoral institution and the North East Mayoral Combined Authority has its Assurance Framework signed off, the North East Mayoral Combined Authority may have access to the Investment Fund prior to mayoral elections, subject to the agreement with Government of suitable caps.
40. The North East Mayoral Combined Authority will have the flexibility to secure private and public sector leverage. As per local government guidance, The North East Mayoral Combined Authority will also be able to use capital receipts from asset sales as revenue funding for public service transformational initiatives.
41. Based on existing permissions to the North of Tyne Mayoral Combined Authority, the North East Mayoral Combined Authority will be given powers to borrow for its new functions, which will allow it to invest in economically productive infrastructure, subject to an agreed cap with HM Treasury. The combined authority will agree overall debt limits with HM Treasury. These limits are subject to review as set out in the debt cap agreements. The combined authority will update HM Treasury about any deviation from its underlying borrowing plans in order to support HM Treasury in its duty to monitor and forecast changes in the fiscal aggregates. The North East Mayoral Combined Authority will also provide information, explanation and assistance to support the Office for Budget Responsibility in its duty to produce economic and fiscal forecasts for the UK economy.
42. The costs of the North East Mayoral Combined Authority will be met from the overall resources of the authority, including any new resources secured by the combined authority following the agreement of this deal. To support the combined authority in its early stages, the government will provide £1 million in capacity funding in 2023/24 and 2024/25, once the establishing legislation is made and the Assurance Framework confirmed with government. Any future capacity funding will be subject to spending reviews, in line with arrangements for other devolution deals. When taking on additional activities or funding allocations from government, the need for additional resources to support the new activity will be considered as for other authorities.

43. The mayor will have the power to issue a precept on local council tax bills to help pay for the mayor's work. This precept can only be raised for mayoral functions.
44. The mayor will have the power to introduce a supplement on business rates for expenditure on a project or projects that will promote economic development in the area, subject to a ballot of affected businesses.
45. The North East Mayoral Combined Authority will be the lead local authority for the planning and delivery of the UK Shared Prosperity Fund from 2025/26, subject to a future spending review and reconfirmation of overall UK Shared Prosperity policy and delivery arrangements. It will have responsibility for developing investment proposals and their delivery. It is anticipated that the combined authority will have overall accountability for the funding and how the fund operates in the area, with wide flexibility to invest and deliver according to local needs. In carrying out this role, it will need to engage constituent authorities and other local partners to ensure that the needs of residents can be effectively addressed.
46. The government agrees that the significant additional investment to the North East set out in this devolution deal, including the expanded element of the investment fund, represents new money with no cross-subsidisation from existing funding streams to the North of Tyne Combined Authority.
47. The North East region is highly ambitious. At the heart of this devolution deal is the role for the new mayor and combined authority in providing the visible leadership and coordination to seize opportunities and overcome barriers to growth. The combined authority will continue to develop proposals for a Regional Wealth Fund and specific financial innovations that could support inclusive economic growth within key sites in the region – such as Newcastle's Accelerated Development Zone, the International Advanced Manufacturing Park, and port-and-river-side sites in North Tyneside, South Tyneside and Gateshead. The proposed Regional Wealth Fund and specific financial innovations could also support the ambition of driving inclusive economic growth at Aykley Heads in Durham City.
48. The government recognises the combined authority's and future mayor's leadership driving growth in the North East, and the significant opportunities available in the area. An effective partnership between the government and the combined authority and future mayor will capitalise on local leaders' in-depth knowledge of the local policy, political, social and economic landscape. The government is committed to maintaining a close dialogue with the combined authority and mayor on shared priorities, and to consider innovative policy proposals from the area as appropriate.

Skills and Education

Adult Education

49. Government will fully devolve the Adult Education Budget (AEB) to the North East from academic year 2024/25 subject to readiness conditions and successful passage through Parliament. These arrangements do not cover apprenticeships.
50. Prior to full devolution taking place the government will work with the North East to support their preparations for taking on the relevant functions.
51. Upon devolution the North East Mayoral Combined Authority will be responsible for making allocations to providers and the outcomes to be achieved, consistent with statutory entitlements. The 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.
52. The government will consult with the North East Mayoral Combined Authority on any proposed changes to a funding formula for calculating the size of the grant to be paid to the North East Mayoral Combined Authority for the purpose of exercising the devolved functions recognising the geographical coverage of the new area.
53. In order to proceed with devolution, the government needs to be assured of the following readiness conditions, recognising that the North East Mayoral Combined Authority will be building on the structures and processes already in place for the North of Tyne Combined Authority:
 - a. The Secretary of State for Education and appropriate accounting officer are assured that the North East Mayoral Combined Authority is operationally ready to administer the adult education budget and is satisfied the required statutory tests have been met.
 - b. Parliament has legislated to enable transfer to the North East Mayoral Combined Authority 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.
 - c. Agreement to a memorandum of understanding between the Department for Education and the North East Mayoral Combined Authority that provides appropriate assurance that the named parties will work together to ensure the future financial stability of the provider base, including for sharing financial risk and managing provider failure.
 - d. Learner protection arrangements are agreed between parties.
54. In addition, the government will commit to working with the North East Mayoral Combined Authority, and other areas which have devolved powers for adult education, to further the skills agenda, and to adopt a consistent approach towards the apportionment of funding between the areas. With regard to Skills Bootcamps, the Government cannot guarantee funding for any MCA beyond the

2022/23 financial year; however, it is the government's intention to continue to grant fund MCAs and some local authorities to deliver local programmes over this spending review period. The Department for Education will negotiate with the North East Mayoral Combined Authority for future years of Bootcamps funding based on their view of demand across the new combined authority.

Skills and Education

55. Local leadership and coordination of the skills system is essential to support the people of the North East and its economy. Building on the track record of our constituent councils, North of Tyne Combined Authority, LEP, Chamber of Commerce and businesses, the North East Mayoral Combined Authority will take this further and make a material difference for individuals and for the economy.
56. Local Skills Improvement Plans (LSIPs) will set out the current and future skills needs of an area and how local provision needs to change to help people develop the skills they need to get good jobs and increase their prospects. They will build a stronger and more dynamic partnership between employers and providers and allow provision to be more responsive to the skills needs of employers in local labour markets. Working with the designated Employer Representative Body and utilising and sharing the local labour market intelligence and analysis developed¹, the North East Mayoral Combined Authority will support and provide input into the LSIP for the area. DfE will look to align the LSIP specified area to the new MCA area, within the first year of the MCA receiving AEB funding.
57. The pandemic has had a significant impact on the education of young people across the North East – with large numbers of students and staff absent. This exacerbates long-term disparities in outcomes for pupils in the North East. The North East Combined Authority is committed to enabling education recovery to address COVID learning loss, addressing disparities and improving life chances for our children throughout their time in education, starting in the Early Years Foundation Stage. This work will build on a successful NTCA pilot and addresses the government's Levelling Up Mission 5. The government commits to collaboration between the North East Combined Authority and DfE, advising on how North East Combined Authority work can best complement DfE funded activity.²
58. To support emerging system changes as outlined in the Opportunity For All white paper, the North East Mayoral Combined Authority will support and enable

¹ This includes analysis produced previously by the North East LEP and its Skills Advisory Panel (funded by a Department for Education grant up until March 2023) and the existing Combined Authorities in the area.

² https://mcusercontent.com/12a4bd639231413c724e87521/files/2a940c33-924a-a5b0-3d86-4711cf5a784c/Press_release_Covid_related_absences_in_schools_December_2021.pdf

collaboration between all parts of our local education system. DfE commits to supporting this collaboration, with the intention of seeing the system working together to the benefit of our children.

59. 38% of North East children live in relative poverty, with over half of those in working households³. Recognising the significant human and economic cost, the North East Mayoral Combined Authority commit to the continuation and expansion of the NTCA's Child Poverty Prevention pilot, based on interventions to support poverty prevention in school, workplace and family settings. It will undertake this work with a wider coalition of partners and consider how best to capitalise on national activity and government programmes.
60. In order to learn from – and potentially scale up – the pilot phase of this programme, the government commits to explore collaboration with North East Mayoral Combined Authority to address priorities for better health. DfE also commits to working with the North East Mayoral Combined Authority to advise how best to address priorities identified in the Special Educational Needs and Disabilities and Alternative Provision green paper.
61. The government recognises the vital role that local Further Education institutions play in providing skills for people from across the region. Government recognises that further investment is needed in these institutions to ensure that the facilities are up to a standard that will allow providers to deliver on the ambition to create a world-leading technical education offer in this country. The government is committed to providing the investment that is needed into Further Education colleges, subject to affordability and will seek to target this investment into the areas where it is most required to deliver quality further education.
62. While applying to all Further Education partners in the area, this specifically includes support – through decisions already made by government on the Further Education Capital Transformation Programme – to Tyne Coast College Group, as it develops its globally significant maritime capability and works with the constituent authorities on both sides of the Tyne to move into appropriate accommodation and drive town centre regeneration, particularly in South Shields. It also includes work with Education Partnership North East and the Housing Innovation and Construction Skills Academy with investment in a facility dedicated to support the North East's Advanced Manufacturing and Electric Vehicle specific training requirements.
63. The government recognises the crucial role that the North East Mayoral Combined Authority will have in improving skills in the region. The government will work with the North East Mayoral Combined Authority across a range of policies to achieve the ambitious skills mission.

Employment

³ <https://endchildpoverty.org.uk/child-poverty/>

64. The government recognises the challenges facing the North East, with diverse, urban, rural and coastal communities experiencing a complex range of issues, such as poor connectivity and access to jobs and skills. There is a need to develop and deliver targeted programmes to address the unique and very different challenges across such a large and diverse region. The North East will work in partnership to develop proactive support for priority groups through ongoing engagement with local DWP Jobcentre Plus. The government and the region will also work together to better target employment support by understanding and utilising publicly available local labour market intelligence and analysis.⁴
65. To provide a strategic framework for collaboration, DWP and the North East Mayoral Combined Authority commit to the expansion of the current joint North of Tyne Combined Authority and Department for Work and Pensions 'Delivery Statement'. A new Framework Agreement will have Ministerial and Mayoral endorsement. DWP will also consider what role the North East Mayoral Combined Authority could have in the design and delivery of future contracted employment programmes.
66. Through this devolution deal, DWP and DHSC commit to working with the North East Mayoral Combined Authority on stronger regional engagement to provide support to those with mental ill health into and to be able to sustain employment.
67. To promote local employment and sustainable supply chains, DLUHC will stress to departments their existing general duty around social value and how it may be used in supply chains in the region, where appropriate, and will engage the North East Mayoral Combined Authority in this activity.
68. Strategic leadership will be provided to this work by DWP and local partnership working through an expanded Inclusive Economy Board, to incorporate the new MCA geography, building on the success of the North of Tyne Combined Authority in this area. DWP continues its commitment to departmental involvement in the Board.
69. DWP and the North East Mayoral Combined Authority will work together on its strategic priorities for employment through enhanced engagement by way of:
- a. Membership of the joint DWP and DfE Mayoral Combined Authority Advisory Group.
 - b. Regular engagement with the regional Employer and Partnership team in Jobcentre Plus, and strategic labour market partnership teams.

⁴ this includes analysis produced previously by the North East LEP and its Skills Advisory Panel (funded by a Department for Education grant up until March 2023).

Levelling up Innovation and Clean Energy

Private Sector Growth

70. Through the deeper devolution trailblazer deals announced in the Levelling Up White Paper, government will bring together a holistic package of powers, roles, functions and strategic relationships to grow the private sector at a local level. The trailblazers are designed as a blueprint for other mayoral combined authorities, and the government will draw lessons from this approach to make a similarly broad and holistic offer to the North East Mayoral Combined Authority in due course. This offer will aim to build the resilience of businesses and households in the North East to cost of living pressures, strengthen the North East's global competitiveness and empower local entrepreneurs. This offer will explore the following, and potentially other, options to:
- a. Empower the North East to be able to secure greater private investment in local priorities.
 - b. Strengthen the North East's local innovation capacity to help realise the potential of local innovation assets and the innovation potential of small and medium-sized enterprises.
 - c. Help to realise the global export potential of local businesses in the North East and maximise the local benefits of international trade.
 - d. See the North East play a greater role in supporting local businesses to improve their productivity.
 - e. Engage the North East in the delivery of digital infrastructure and potential economic and public service applications of data and data science.
71. Recognising the work undertaken to-date by the North of Tyne Combined Authority to realise local economic strengths and drive entrepreneurship, the government will work with the North East Mayoral Combined Authority to take early action to grow the private sector through this devolution deal.

Levelling up Innovation

72. Innovation will be vital to levelling up the North East; it makes firms more productive, boosting wages and economic growth. In the Levelling Up White Paper, government set out how it will maximise the contribution of innovation to levelling up by building on existing and emerging strengths across the country. These reforms will deliver benefits to the North East alongside other areas of the UK.
73. Domestic public investment in R&D outside the Greater South East will increase by at least 40% by 2030, and over the spending review period by at least one third, with that additional government funding seeking to leverage at least twice as much private sector investment over the long term to stimulate innovation and productivity growth. Supporting delivery of this mission, BEIS will make levelling up one of the objectives of its R&D investment strategy and will aim for the regions outside the Greater South East to receive at least 55% of its R&D

budget by 2024/25. This will be in lockstep with the approach set out in the Innovation Strategy to unleash private investment across the UK.

74. The government's commitments build on the brilliant work already underway between business and universities in the North East, for example between Procter and Gamble and the University of Newcastle upon Tyne and the region's strengths in the offshore wind and maritime industries. The government is backing the North East's ambition to realise the green industries of the future, with, for example, Innovate UK supporting businesses in the North East's offshore energy and maritime clusters to support transition from oil and gas to renewable energy and offshore wind.
75. The North East is home to four universities; Durham, Newcastle, Northumbria, Sunderland. The North East Mayoral Combined Authority will work with its universities, businesses and stakeholders to develop a bespoke 'Inclusive Innovation Deal' programme – focusing on translating the region's world class research expertise into jobs, skills and inclusive growth outcomes. As set out above, government and the North East Mayoral Combined Authority will take further steps, building on this devolution deal, to strengthen the North East's local innovation capacity, to help realise the potential of local innovation assets and the innovation potential of small and medium enterprises, including by considering how the lessons learned from the Innovation Accelerator pilots could be rolled out more widely.
76. The UK Infrastructure Bank ("the Bank") will increase infrastructure investment across the UK by partnering with the private sector and local government to help tackle climate change and support regional and local economic growth. The Bank's advisory service, when launched, could offer advice and support to local actors, including the North East Mayoral Combined Authority, to help deliver on their objectives, including driving investment into net zero infrastructure and innovative local projects. It can also act as a convenor, bringing together local actors for collaborative projects, and where appropriate identifying where projects can be aggregated to achieve greater impacts.

Offshore, engineering and green manufacturing

77. Building the world-class strength of the region's offshore, engineering and green manufacturing industries in the North East, the government and the North East Mayoral Combined Authority will work together to create a connected package of investment, flexibilities and investment incentives across the region.
78. The assets and growth opportunities that this will bring together are critical to the region's economy - complimenting key existing industrial activities and enabling the region to further develop its export capability - and to UKPLC. This includes the export of Nissan vehicles across the globe, green energy from the North Sea Link, the base for offshore subsea engineering, the servicing of the world's largest offshore wind farm at Dogger Bank and the Seagreen wind farm, and the potential of the region's international airport to drive supply chain growth and

talent into these industries. The North East Mayoral Combined Authority will work in close collaboration with government to develop a model which connects the Ports of Blyth, Tyne and Wear, Newcastle International Airport, IAMP and the region's industries, building on the work of Energy Central and the Tyne Taskforce.

79. The North East Mayoral Combined Authority intend to bring this work together under the banner of a collaborative Green Superport.
80. To advance this agenda, the government will work with the North East Mayoral Combined Authority, Port of Blyth, Port of Sunderland, Port of Tyne, IAMP LLP, Tyne Taskforce and Newcastle International Airport to explore a range of financial and policy measures, including:
- a. Measures to enable greater operational synergies and collaboration between the region's maritime ports and leverage greater private sector investment into the region.
 - b. Working with the Department for International Trade to explore areas for deeper collaboration on trade and investment at a local level.
 - c. Development of an integrated skills pipeline and curricula to support accelerated growth in related industries – through existing devolved skills funding, Bootcamps and close collaboration between DfE, BEIS and the North East Mayoral Combined Authority.
 - d. Agreement from these stakeholders to take the following actions to address specific physical and operating constraints across our cluster that would – if removed – accelerate growth, trade and job creation. These are outlined below.
81. The government and the North East Mayoral Combined Authority will work together to address specific infrastructure and environmental issues:
- a. The government recognises the importance of the Ports in stimulating low carbon growth. For example, recent major investments by JDR Cables at Blyth, and by Equinor on the Tyne.
 - b. The North East Mayoral Combined Authority will work with DEFRA and associated ALBs to create a sustainable, long-term environmental management and dredging regime that delivers healthy and resilient rivers, underpinned by appropriate Action Levels and channels that support enterprise.
 - c. On the Tyne, the North of Tyne Combined Authority is working closely with National Grid Electricity Transmission and Port of Tyne to understand the issues relating to the cables over the river; government welcomes the progress of parties working together to progress a cost benefit analysis which will be put to Ofgem, the independent regulator, to consider; and it will continue to engage with Port of Tyne, Tyne Taskforce and National Grid as this progresses.
 - d. The government recognises the need to increase the North East's electricity network capacity to meet future electricity demand, including from industry. As set out in the Electricity Networks Strategic Framework, government is committed to ensuring that areas with a devolution deal, including the North East Mayoral Combined Authority, have a meaningful

role in planning our future energy system for net zero, alongside other local areas as appropriate.

- e. The government commits to continuing to support the North East Mayoral Combined Authority to produce a Blyth to IAMP Clean Energy Innovation Deal.
- f. The government notes the work underway at the International Advanced Manufacturing Park to ensure sufficient network capacity is in place to meet the requirements of the region's planned gigafactories. Planning applications to the Nationally Significant Infrastructure Project regime for network upgrades will be considered by the Secretary of State for Business, Energy and Industrial Strategy following the usual quasi-judicial process.
- g. The North East Mayoral Combined Authority will work with DLUHC and Homes England, where relevant, on a shared plan – and identify joint resources – to accelerate sites for green industry, leisure and housing in ways that can unlock accelerated growth and wider social and economic benefits.
- h. To expand capacity and capitalise on the region's capability delivering innovative methods of construction to reduce the impacts of climate change, such as the globally acclaimed Low Carbon Materials company who were Earthshot Prize short listed 2022 and located at JADE County Durham.

82. This will seek to seek to leverage the unique capabilities on the Blyth, the Tyne and the Wear which could help deliver specific strategically important infrastructure projects.

83. In return, the North East Mayoral Combined Authority and constituent councils will continue their collaborative work to leverage private sector funding and expertise to deliver the right infrastructure to support the UK's place in the offshore, clean energy and advanced manufacturing sectors, and in green heat and energy innovation. For example, building on the leading work done by the Offshore Renewable Energy Catapult and Energy Central around the Blyth Estuary, the 2050 Innovation Hub at the Port of Tyne, the Tyne Task Force and numerous partnerships with NISSAN, and pilots in hydrogen and minewater heating in Gateshead and South Tyneside, and the ambition to create a National Centre for Geothermal Energy at Seaham Garden Village.

Housing and Land

84. The North East Mayoral Combined Authority will have broad powers to acquire and dispose of land to build houses, commercial space and infrastructure, for growth and regeneration. They will be able to invest to deliver housing for the area.
85. The North East Mayoral Combined Authority will have land assembly and compulsory purchase powers, subject to the agreement of the North East Mayoral Combined Authority, the local authority constituent member where the relevant land is located, and to the consent of the Secretary of State for Levelling Up, Housing and Communities.
86. The mayor will have the power to designate mayoral development areas and to create mayoral development corporations, which will support delivery on strategic sites in the North East. This power may be exercised only with the consent of the combined authority member(s) who represent the area in which the development corporation is to be established, and the consent of the National Park Authority, if relevant, is also required.
87. This is intended to support bold and creative use of development corporations for key places and corridors. It is also intended to support the government's commitment to levelling up, urban recovery and 'Building Back Better High Streets.'
88. The North East Mayoral Combined Authority seeks to work with government to build on the North of Tyne High Streets and Town Centre investment and the government's High Street Fund and Town Deals. This deal seeks to set the basis for levelling up our towns, market towns, high streets and coastal communities in areas like Ashington, Gateshead, Houghton le Spring, Hebburn, Jarrow, North Shields and Wallsend in line with the constituent authorities' priorities. Housing delivery will also be the catalyst for the levelling up and regeneration of a number of former mining villages in East Durham including Horden and Easington Colliery
89. The North East Mayoral Combined Authority and Homes England will build upon the existing, successful North of Tyne Combined Authority Housing and Land Board to work together to identify and develop key opportunities for housing delivery, building a pipeline of housing and regeneration sites across the region. This will be overseen through the establishment of a formalised Strategic Place Partnership with Homes England at a combined authority level. The government will consider potential investment into housing propositions that emerge from development of this partnership; which could include the Brownfield Infrastructure and Land (BIL) Fund; options to unlock the Forth Yards site (Newcastle); an accelerated delivery of Sunderland's Partnerships for People and Place pilot and flagship schemes in each constituent authority area. For example, sites along the Northumberland Line, North Shields and Wallsend, Horden in County

Durham, or work in South Shields riverside and town centre, across Sunderland and related to Gateshead Quays.

90. The North East Mayoral Combined Authority will be eligible for Brownfield Housing Fund investment. This funding will support the combined authority in bringing in more land into development for delivery of housing on brownfield sites. Current NTCA funding is valued at £32m. To account for the opportunity that comes with the additional constituent authorities, the North East MCA will receive an additional £17.4 million of devolved capital funding across 2023/24 and 2024/25 to support the building of new homes on brownfield land, subject to sufficient eligible projects for funding being identified. In addition, Government commits to working with the North East MCA through the strategic place partnership with its housing delivery agency Homes England referenced in this deal to identify early opportunities to invest in the acceleration of green and affordable housing as part of the wider package of place-based regeneration enabled by this deal.
91. To support the North East Mayoral Combined Authority to identify and bring forward a pipeline of housing projects, the Government will also provide the North East Mayoral Combined Authority with £475,000 in capacity funding across 2023/2024 and 2024/2025.
92. In recognition of the economic opportunities presented by County Durham joining the North East Mayoral Combined Authority, Government will make a further investment in the North East area to drive place-based economic regeneration through a £20 million capital funding pot to be allocated over the current spending review period. Priority schemes for County Durham include the Netpark and Aykley Heads developments.
93. The pipeline will support the North East's ambition for a low carbon economy enabling a new market in offsite construction, with a new construction workforce being trained in specialist centres such as Housing and Innovation Construction Skills Academy and employed in offsite manufacturing hubs servicing the region.
94. Government has confirmed its intention to establish heat network zoning in England. Under the zoning proposals Zoning Coordinators within local government will be able to designate areas as heat network zones where heat networks are going to be the most cost-effective way to decarbonise heating and hot water within the zone. Local councils will have powers to require certain buildings to connect to heat networks within the zones. This will enable the North East Mayoral Combined Authority and its constituent councils to play a key role in the delivery of heat decarbonisation infrastructure. Government is committed to have heat network zoning in place by 2025.
95. Recognising the North East Mayoral Combined Authority's ambitions to accelerate progress towards net zero, the government commits to explore

the potential benefits of and design options for a place-based approach to delivering retrofit measures, as part of HMG's commitment in the Net Zero Strategy to explore how we could simplify and consolidate funds which target net zero initiatives at the local level where this provides the best approach to tackling climate change. This work will involve inviting the North East Mayoral Combined Authority to work with government through the relevant representative organisations to consider if such an approach could accelerate the meeting of net zero goals and provide better value for money.

96. The North East Mayoral Combined Authority will work together with government, Homes England and social housing providers to create a strategic plan and funding alignment to co-commission affordable housing delivery in the region. This will include specific work to explore the potential for a combined authority-level partnership to enable the building of more social and council housing, utilising existing development vehicles where possible.
97. The expectation is that, over the lifetime of this Devolution Deal, this Strategic Place Partnership will oversee a programme based on a long-term pipeline of strategic sites across the region. This will include Brownfield and Affordable Housing funding, investment in tackling homelessness and Housing First, and exemplar sites to demonstrate Modern Methods of Construction. In addition, based on current stock and condition, the North East Mayoral Combined Authority and its constituent authorities will seek to work with Homes England to ensure that the pipeline tackles weaknesses in the private rented market, to improve the quality of stock and housing management as well as bringing empty homes back into use. Work is expected with global investors to explore suitable partnerships for institutional quality private rented sector investment supporting the transition to low carbon living.

Planning

98. The North East Mayoral Combined Authority commits to a collaborative approach to spatial planning, underpinned by local consent. It will therefore support the development of key economic and job creation sites aligned to opportunities such as the Metro Extension and IAMP, the Northumberland Line, and Gateshead Quays.
99. This work will clearly denote rural and biodiversity infrastructure amplifying existing commitments but also aligning this planning work to the rural economy of the area.
100. To that end, the North East Mayoral Combined Authority will develop a Strategic Infrastructure Plan. In doing so, this will include significant innovation in including consideration of rural infrastructure to support food security and the work underway on becoming a Rural Exemplar. As well as considering transport infrastructure this means consideration of major

surface water drainage, costal protection and management and the physical assets that underpin food production in the area.

Transport

101. A new, directly elected North East Mayor and the North East Mayoral Combined Authority will exercise the following powers and functions devolved from central government in order to deliver the ambitions set out in the North East Transport Plan and associated policy and strategy documents.

Local Transport Plan

102. Responsibility for an area-wide local transport plan will be conferred onto the mayor and North East Mayoral Combined Authority.
103. In line with best practice as set out in new local transport plan guidance planned for early 2023, the constituent authorities will review and refresh the existing North East Transport Plan by March 2024, to be finalised by the mayor and combined authority once it is established. It is expected that the Local Transport Plan will implement quantifiable carbon reductions to the higher standard recommended in related guidance.
104. DfT will support the North East Mayoral Combined Authority in the delivery of its local transport plan, through collaboration between DfT ministers, officials and the North East Mayoral Combined Authority, and where necessary assisting the North East Mayoral Combined Authority in securing the support and collaboration of agencies such as National Highways, Network Rail, and Great British Railways Transition Team to play their part in delivery.
105. The local transport plan and business cases for investment will reflect the characteristics of the North East Mayoral Combined Authority area including the significant rural footprint of the area.

Devolved transport funding

106. The North East Mayoral Combined Authority will be responsible for significant local transport funding from Government. Over the next five years this will be worth up to £732.3 million and will include:
 - A City Region Sustainable Transport Settlement of up to £563 million capital funding, with £5.68 million resource funding for 2022/23 and further funding to be confirmed in line with other eligible areas;
 - Indicative allocation of £73.8 million of capital funding and £89.8 million resource funding to deliver the combined Bus Service Improvement Plan for the North East Mayoral Combined Authority;
 - In addition, there may be further funds relating to transport for which the North East Mayoral Combined Authority is eligible.

City Region Sustainable Transport Settlement

107. The government will commit to making available a five-year City Region Sustainable Transport Settlement (CRSTS) of up to £563 million of capital funds to the North East Mayoral Combined Authority until 2026/27. The

funding available consolidates existing funds including Regional Highways Maintenance, Pothole Funding, Integrated Transport Block (ITB), 2022/23 Transforming Cities Fund, with additional funding for local transport enhancements. Maintenance funding has been consolidated on the basis of current annual funding and CRSTS proposals should include the effective management and maintenance of existing assets and meet existing obligations which the ITB and other funds currently individually address.

Funding that has already been committed to from this pot includes:

Highways Maintenance 2022/2023	£66.4m
Transforming Cities Fund 2022/2023	£86.2m

108. The CRSTS will be determined in line with plans put forward by the mayor on behalf of the combined authority and agreed with HMG. The process for other eligible areas will apply to the North East Mayoral Combined Authority. As part of the process of agreeing this settlement, the government also commits to working with the North East Mayoral Combined Authority to reach agreement on interim options to even the profile of capital funding over the period before a mayor is elected. In the event that this includes changes to their TCF programme, these will be considered through the established TCF Change Control governance and processes.
109. Resource funding for the North East Mayoral Combined Authority to support and prepare for CRSTS will be provided from funding already set aside by government. The government commits to providing £5.68 million of resource funding in 2022/23, payable when the devolution deal is signed. This will allow for CRSTS scheme preparation, prioritisation and delivery planning to take place. As per the 2021 spending review settlement, revenue grant funding in both 2023/24 and 2024/25 is half the levels of 22/23, and the North East Mayoral Combined Authority should plan on the basis that this falls proportionately. Further resource grant funding beyond 2024/25 will be subject to future Spending Reviews.
110. Prior to County Durham joining the North East Devolution Deal, the LA6 had negotiated a CRSTS settlement of £475 million capital funding until 2026/27, alongside the resource funding outlined above. Decisions pertaining to the allocation and investment of the City Region Sustainable Transport Settlement (CRSTS) will be taken by the new Mayor and MCA in line with its agreed governance arrangements, ensuring that each member will receive appropriate highways maintenance funding, Integrated Transport Block funding and potholes funding. Beyond this, the region intends to invest the settlement in a manner which reflects the development of the deal prior to County Durham joining, for the current funding period to 2026/27. The Government acknowledges this intention.

111. The government intends, subject to future spending reviews and the success of the CRSTS programme, that this could be the first of a series of 5-year transport settlements for the city regions. Decisions taken in future Spending Reviews will consider the membership and geography of the new mayoral combined authority at that time.
112. All constituent authorities, or the North East Mayoral Combined Authority on their behalf, may continue to approach the Department for Transport directly to consider funding for local transport enhancement schemes. Any funding requests will be considered in line with wider departmental priorities and would be subject to ministerial decision and the broader fiscal context.

Tyne and Wear Metro funding

113. The government acknowledges the significant economic and social benefits provided by the Tyne and Wear Metro to the North East, and that as well as being essential to local connectivity the Metro features some of the complex legal, operating, safety and infrastructure characteristics and liabilities of the national rail system. The government also recognises the significant safety responsibilities that Nexus has in relation to the Tyne and Wear Metro, including the various regulatory obligations arising from sharing track with freight (including dangerous goods) and other train operators.
114. The government agrees to provide Nexus with the following funding to support the safe operation, maintenance and renewal of the Tyne and Wear Metro:
 - £57 million of capital funding in 2023/24 and 2024/25, which includes £23.8 million of capital funding already confirmed by government for operationally essential and safety critical maintenance work. The government acknowledges that Nexus is seeking a higher allocation of capital funding than has been provided in 2023/24 and 2024/25.
 - Resource funding will be provided to support operations in 2023/24 and 2024/25 using the 2022/23 allocation of £27.8 million as the base figure for each year. The government will continue to work with Nexus to assess revenue funding asks in light of inflationary pressures.
 - Funding for Metro's Essential Renewals programme and operational support will be paid direct to Nexus as Metropolitan Rail Grant, outwith the CRSTS mechanism. However, £57 million of capital funding has been deducted from the North East's nominal CRSTS allocation to take account of the additional Metropolitan Rail Grant capital payments in 2023/24 and 2024/25.
 - Funding for Metro Essential Renewals and operational support for 2025/26 and 2026/27 will be considered as part of the next Comprehensive Spending Review following the production of a business case and discussion between the government, the North East Mayoral Combined Authority, and Nexus.

115. The government is currently providing £337 million of funding to Nexus to support the £362 million introduction of a new Metro train fleet and maintenance depot, expected to be fully implemented by the end of 2024. The government is also providing £94.7 million through the Transforming Cities Fund to deliver the Metro Flow project which will significantly enhance the frequency and capacity of the existing Metro system. The government has also provided £50 million in revenue funding to Nexus during the pandemic and recovery period and has allocated a further £7.3 million until October 2022.
116. The North East Mayoral Combined Authority may continue to approach the Department for Transport directly to consider funding for future enhancement work on the Metro. Funding for enhancements would be considered in line with wider departmental priorities, and would be subject to ministerial decision and the broader fiscal context

Roads

117. The North East Mayoral Combined Authority will agree a Key Route Network (KRN) of local authority roads. The strategy for the KRN will be developed, agreed and coordinated by the mayor and North East Mayoral Combined Authority. To support this, all local roads maintenance funding will be placed under the control of the combined authority as part of the CRSTS settlement to enable the development and delivery of a single asset management plan for the North East road network in its entirety.
118. The mayor and combined authority will take any necessary highways powers to undertake this, to be exercised concurrently with the highway authorities, as agreed locally and set out in the required scheme and consultation.
119. The government intends to legislate to give the mayor, with their agreement, a power of direction allowing them to direct highway authorities on exercising their highways powers on the KRN, for example to construct, maintain and operate bus priority measures and cycling infrastructure. Use of this power should follow consultation with highway authorities and take account of highway authorities' statutory duties.
120. The North East Mayoral Combined Authority will also be able to enter into agreements with government, other local authorities and National Highways, including to determine shared priorities for its strategic and key road networks.
121. The North East has ambitious plans to introduce a region-wide electric vehicle charging network and has recently introduced a Zero Emission Vehicle policy, an outline of the region's aim to lead the country in boosting the up-take of electric vehicles by developing and expanding charging facilities. The government recognises the aspirations of the North East Mayoral Combined Authority to improve public electric vehicle charging infrastructure across the region, which would increase the uptake of electric vehicles in the region and reduce carbon emissions by supporting all motorists in making the switch. Government is introducing a new £450 million local electric vehicle

infrastructure (LEVI) scheme for local authorities to support local EV infrastructure delivery and will work with the North East Mayoral Combined Authority to ensure the area is well placed to respond once funding arrangements are announced.

122. The government recognises the importance of good links to the Strategic Road Network to the economy of the North East, and the modernisation of key routes to facilitate economic growth, job creation and net zero transition (providing the enabling infrastructure for electric buses and an expanding EV network). National Highways will work with the North East Mayoral Combined Authority and local highways authorities on the delivery of Road Investment Strategy 2 (RIS2) and the development of Road Investment Strategy 3 (RIS3).
123. The North East Mayoral Combined Authority will make the case for the upgrading of A19 junctions North of Newcastle (particularly Moor Farm roundabout and associated work at Seaton Burn and White Mare Pool); and will feed into any business case development work for A1 dualling related to the multi-modal study recommended in the Union Connectivity Review and will press for further work to improve the safety, capacity and speed of the A69. The Government will fully consider these schemes in the round as part of decisions on Roads Investment Strategy 3, taking into account economic benefits balanced against wider factors. The North East Mayoral Combined Authority will also explore whether an agreement with National Highways on assisting local authorities to achieve timely planning application decisions is possible, as the region continues to grow and sees investment in housing and employment sites, and over the use of “designated funds” to mitigate local impacts of major highways developments.

Buses

124. The government is committed to delivering improved bus services across the country and has published a National Bus Strategy committing to £3 billion of expenditure nationally over the course of this parliament. The North East has ambitious plans for the improvement of bus services as set out in its Bus Service Improvement Plan (BSIP).
125. The government has given an indicative funding allocation of up to £163.5 million of funding (£89.8 million resource funding and £73.8 million of capital funding) to support the introduction of measures outlined in the North East Bus Service Improvement Plan.
126. The North East mayor will have access to bus franchising powers under the Transport Act 2000. This will provide the opportunity to further develop high-quality bus services as part of an integrated local transport system and help to facilitate the delivery of smart, simple integrated ticketing across all local modes of transport in the city region.
127. The government is reforming the Bus Service Operators Grant (BSOG), as per the National Bus Strategy. Following BSOG reform, if North East Mayoral

Combined Authority request BSOG be devolved to them the Department for Transport will work with the combined authority to devolve it in line with the consultation outcome.

Smart and Integrated ticketing: “Pop”

128. The North East has widespread smart and integrated ticketing on offer through the “Pop” brand and the established back-office systems managed by Nexus to support its use on bus and Metro, alongside single-operator products, as either a smart card or phone-based payment option. It also has a long-standing commercial multi-modal, multi-operator ticketing scheme (Network One Ticketing Ltd).
129. The North East Mayoral Combined Authority and Nexus plan to develop the “Pop” brand so that it can deliver smart, capped, simple integrated ticketing across all local modes of transport in the city region as set out in the North East Transport Plan, Bus Service Improvement Plan and Local Rail and Metro Strategy. The government recognises this is a priority project for the North East Mayoral Combined Authority which they will prioritise in their CRSTS plans. As technical solutions to facilitate multi-operator bus ticketing are developed, the government will seek to work with North East Mayoral Combined Authority and any other parties to facilitate their swift deployment in the North East region.
130. The North East Mayoral Combined Authority and Nexus will work with the Department for Transport, Great British Railways Transition Team and Northern Rail to develop proposals to introduce integrated ticketing using the “Pop” brand and functionality onto the Northumberland Line when it opens for passenger service (target December 2023). This will allow seamless integrated journeys to take place on the Northumberland Line and the Tyne and Wear Metro, with fares subject to a daily cap and discounted fares for young people. The North East Mayoral Combined Authority will develop a business case for its wider deployment on other local rail services in the North East. The government will support the North East Mayoral Combined Authority in discussions with Great British Railways Transition Team and Northern Rail to achieve this.

Smart and Integrated ticketing: contactless bank card / mobile phone bank payment

131. The government recognises that the North East Mayoral Combined Authority and Nexus wish to build upon the “Pop” brand by introducing capped contactless bank card and mobile phone bank payment options on the Tyne and Wear Metro.
132. The government is currently engaging with Great British Railways Transition Team, bus operators and Combined Authorities to develop proposals for contactless capped bank-card transactions across the services of different operators and travel modes. The government commits to working with Great British Railways Transition Team, the North East Mayoral Combined Authority, and Nexus with a view to the North East being actively involved in this work.

Rail

133. The government will support the North East Mayoral Combined Authority in seeking a new rail partnership with Great British Railways Transition Team, once established, so that their priorities can be taken into consideration in future decisions regarding their local network. The North East Mayoral Combined Authority, alongside existing Level 3 authorities, will be considered a priority for these agreements which will provide the ability to influence the local rail offer. Local priorities will need to be coordinated and compatible with surrounding areas and the needs of the national network.
134. The government recognises the North East Mayoral Combined Authority's ambitions for further devolved powers and will work with the region, Great British Railways Transition Team, and Transport for the North to develop a suitable partnership that facilitate the improvements to services, stations, and fares and ticketing that are set out in the North East Transport Plan and Metro and Local Rail Strategy.
135. The government acknowledges the major capacity constraint on the East Coast Main Line that affects the performance and future growth of rail services in the North East. As part of its Integrated Rail Plan the government commits to upgrading and improving line speeds and capacity along the route and has asked Network Rail to begin consideration of how these ambitious plans can be delivered as efficiently as possible, engaging closely with local stakeholders as these progress, ensuring integration where appropriate with local development, regeneration, and rail expansion plans.
136. The government is considering the recommendations of the Union Connectivity Review, including on the road and rail transport corridor between North East England and South East Scotland. The government will continue to work with stakeholders as required including the North East Mayoral Combined Authority on how the recommendations can be taken forward to strengthen transport connectivity for the benefit of all parts of the UK.
137. The government recognises the aspirations of the region for the reopening of the Leamside Line and will work closely with the North East Mayoral Combined Authority to develop the business case for the introduction of Metro services along the line to South Hylton via Washington; and the reintroduction of local rail services to Ferryhill and Sedgfield, and the use of the line by freight services. The government commits to supporting the North East Mayoral Combined Authority and Nexus to generate proposals, develop business cases and identify funding routes for these enhancements, where it is shown that the proposed schemes would deliver appropriate value for money to the taxpayer and subject to funding availability.
138. The North East Mayoral Combined Authority has ambitions to expand and improve rail services as set out in the North East Rail and Metro Strategy. These include Metro services to West Newcastle and Metrocentre, Cobalt Business Park and Team Valley; heavy rail services to Newcastle Airport;

upgrades to the Tyne Valley and Durham Coast lines; local passenger services and new stations on the East Coast Main Line, and major investments in Sunderland and Newcastle Central stations. The government commits to working with the North East Mayoral Combined Authority and Nexus to develop business cases for these enhancements and to assist in finding suitable funding mechanisms where it is shown that the proposed schemes would deliver appropriate value for money to the taxpayer and subject to funding availability.

139. The North East Mayoral Combined Authority's plans for zero-carbon economic growth will see an increased demand for rail freight services. In recognition of this the government supports the North East Mayoral Combined Authority in developing a freight strategy taking into account new technologies, sustainable traction, and where required new and improved rail freight terminals and distribution centres.

Active Travel

140. The region is developing a transport pipeline and a key part of this will be to include how the region can meet its carbon targets. A major component of this will be a focus on sustainable transport schemes. The North East Mayoral Combined Authority commits to: prioritising investment in the cycling and walking networks identified through relevant Local Cycling and Walking Infrastructure Plans (LCWIPs) and partner council's own cycling and walking strategies, and to follow the latest Department for Transport cycle infrastructure design guidance [LTN1/20] and other relevant guidance/standards for all future cycling and walking schemes to deliver a step-change in high-quality active travel provision in the city region.
141. The North East Mayoral Combined Authority seeks to work in partnership with government and Active Travel England. The North East Transport Plan emphasizes the region's aspiration to make sustainable travel the first choice for short trips, or as part of a longer journey. Devolution will allow the mayor to consider appointing a Commissioner and to publish an ambitious active travel plan. This will take the region's LCWIPs and bind them together to form a regional network of LTN 1/20 compliant routes, connecting active neighbourhoods to local hubs. The government recognises the North East Mayoral Combined Authority's role leading innovation in highways and street design and will work with the North East Mayoral Combined Authority and Active Travel England on innovative local schemes. This will help lock in resilience to our local businesses and help us make more healthy communities. With the help of devolved funding, we will be able to sequence and deliver a smoother pipeline of active travel infrastructure.

Institute of Future Mobility

142. The North East Mayoral Combined Authority seeks to establish an "Institute of Future Mobility", which will bring together North East universities and colleges together with the region's transport sector to exploit physical and digital assets

for innovation and research and development. The government will work with the North East Mayoral Combined Authority and key stakeholders in the future of transport sector to support innovation and research and development in transport in the region. This will help the North East to be seen as a candidate for tests, trials, and pilot schemes of future transport technologies.

Digital and Connectivity

143. Significant progress has been made in developing the digital sector in the North East with the area being nationally identified as a hot spot for digital growth. There are significant private sector assets; Ubisoft, Accenture, DXC are international businesses but there are also local major success stories including Perfect Image and Sage.
144. In parallel there are major pieces of infrastructure connecting the North East to Europe and the East Coast of the USA and significant public sector digital capabilities, particularly belonging to Her Majesty's Revenue and Customs and the Department for Work and Pensions.
145. In both the public and private parts of the digital sector, building on work already done across the North East, the North East Mayoral Combined Authority and the government commit to growing the digital sector and helping to enrich the local element of the supply chain with access to the right infrastructure, skills and data analytics capability to enable our businesses to achieve greater scale, adoption and growth.
146. The government recognises that high quality digital connectivity is crucial for future economic growth and productivity in the region. While rollout of broadband and mobile infrastructure will be delivered nationally through the Department of Digital, Culture, Media and Sport, the Government will engage with the North East Mayoral Combined Authority on a regular basis on delivery plans in the region, particularly where they involve hard to reach areas such as rural parts of Northumberland and County Durham. The government is committed to achieving nationwide coverage of gigabit capable broadband by 2030 and to ensuring that rural areas in the region are not left behind including in the North East. Procurements covering the North East commenced in 2022, and regular Project Gigabit programme updates will be provided demonstrating progress in delivering for communities across the area.

Tackling the Digital Divide

147. Notwithstanding the assets noted above, the region sees major digital disparities and exclusion. Residents and communities need skills and connectivity to take advantage of an increasingly digital world and the right support in place for the region to take advantage of new roles with significant digital content and in the growing digital sector.
148. The North East Mayoral Combined Authority will develop a Local Digital Skills Partnership in the region, with DCMS committing to providing strategic support and guidance to the combined authority, to assisting it in effectively navigating its initial focus for the partnership, and to bringing it together with other existing Local Digital Skills Partnerships to facilitate shared learning and to support the identification of areas of potential collaboration.

Building capabilities for digitally-enabled economy

149. The North East Mayoral Combined Authority will establish a specific Digital Connectivity Fund which will support the smart adoption and scale-up of advanced digital service and technologies within our industries and public services, building on the North of Tyne digital investment of £25 million, major 5G investments and the successful public/private digital partnership in Sunderland, the region's recent successful Digital Connectivity Infrastructure Accelerator bid and ongoing full-fibre roll-out across the region.
150. This will help establish the North East as a 'digital adoption accelerator' - a national centre of excellence for 5G use-case development and adoption – accelerating the economic, social and wellbeing impact of enhanced digital connectivity through focusing on rapid adoption and scale-up across our key sectors. The government is committed to supporting the region's digital connectivity ambitions, including through the upcoming Wireless Infrastructure Strategy which will set out a strategic framework for the development, deployment and adoption of 5G and future networks. This includes working closely with places to encourage investment in advanced wireless connectivity and increase its adoption across the local economy and public services.
151. Based on a combination of academic and industry capacity and capability, the North East Mayoral Combined Authority will work with government to explore the potential for a nationally significant Centre for AI Ethics building on the industry leading work done by the National Innovation Centre for Data and growing links with national centres of excellence such as the Alan Turing Institute.
152. The North East could also play a key role supporting levelling up at a national level through bringing its regional assets to bear on the monitoring and evaluation of the levelling up missions. The North East Mayoral Combined Authority will explore with the government options to mobilise the strength of the National Innovation Centre for Data for this purpose.

Arts, Culture Heritage and Sport

153. The government recognises local plans which use cultural, creative and visitor economy sectors to drive inclusive and sustainable growth, and will work with the North East Mayoral Combined Authority to support an ambitious local cultural framework that makes the most of the region's distinctive natural, cultural and heritage assets. This will help enhance pride and wellbeing, develop the local visitor economy, and develop skills and investment to increase access and opportunities for local young people to live and work in the area.
154. Government will work with the North East Mayoral Combined Authority and DCMS Arm's Length Bodies (for example Arts Council England, Historic England and Sport England) to support greater funding alignment, joint investment and strategic collaboration in the region. This will include increased alignment around programmes such as Culture and Creative Zones and the Borderlands Growth Deal, to better harness the cultural, economic, social and educational capital of the region. Investment decisions should take into account strategic priorities, such as the UNESCO World Heritage Site of Hadrian's Wall, which is receiving significant investment in its visitor offer from the Borderlands Growth Deal, and the roll-out of Historic England's High Streets Heritage Action Zone programme to settlements where there is a perceived need, as with the successful projects in Hexham, North Shields and Sunderland. This builds on existing DCMS work with the region, as exemplified through the North East Visitor Economy policy sprint in Newcastle, attended by public and private sector partners including DCMS ALBs.
155. It will also include joint work on a potential vehicle to support and promote grassroots sport and physical activity as a key opportunity to tackle post-pandemic disparities.
156. The Football Foundation, funded in partnership by the government, the FA and the Premier League, has already invested £12.1 million in 2021-2022 for grassroots football facilities, which successfully delivered three hubs in Sunderland. There are a further two currently under construction in Newcastle and the government also announced a £205m investment into grassroots facilities across the UK over the next three years at the 2021 Spending Review.
157. The government recognises the importance of the film and media sector to the region. As the lead department, DCMS will, through its Arms Length Body for film and the moving image, the British Film Institute (BFI), continue to work with the North East Mayoral Combined Authority alongside relevant partners to explore options to strengthen the sector.

158. To create a co-ordinated approach across city, coast and countryside that supports the growth of the domestic and international visitor economy, DCMS will work with North East Mayoral Combined Authority to explore the best structures and geographies and governance for future Destination Management and Marketing interventions. This will be informed by the £2.25 million pilot DMO accreditation scheme in the region, which will see a North East-wide partnership to develop and market the North East as a must-visit destination, building on the DCMS response to the De Bois review of Destination Management Organisations in England
159. The North East has a track record of delivering world class events and there is room to do more. Government will consider the role the North East and all regions can play in future national and international events, recognising these are important opportunities for levelling up across the country. Government is committed to maintaining our strong reputation of hosting major and mega sporting events, and with the forthcoming Rugby World Cup 2025 and the 2028 UEFA European Football Championship bid, and hopes and expects that independent selection processes will look to showcase towns and cities across the country.
160. The government recognises the region's ambition for the Gateshead Quays to drive place-based economic and social regeneration through cultural, exhibition, and conference public realm facilities to transform the south Tyne riverside – rapidly delivering jobs, a social value return and leverage significant income into the region.

Public Service Reform

161. Government supports the North East Mayoral Combined Authority in its ambition for public service reform. Government commits to working with the region to explore initiatives to improve delivery of public services jointly with its constituent authorities, such as how best to support residents with multiple complex needs. Where appropriate, and as part of its Levelling Up agenda, government will also consider devolving further powers to the North East Mayoral Combined Authority to support public service reform, in relation to the statutory duties held by its constituent authorities. Building on the correlation between strong institutions and strong productivity this could include joint work in three areas:
- **Place-based Health and Care** - building on the establishment of statutory Integrated Care Boards and Integrated Care Partnerships and the government's Social Care White Paper, government sees the benefits of a region-wide approach to social care collaboration, the health and social care workforce, and market shaping – focusing on skills, career pathways, collaborative recruitment and retention and innovation in commissioning and delivery (including potential use of relevant funding streams) and appreciates the need for collaboration between the North East and North Cumbria ICS and its Combined Authorities.
 - **Healthy Ageing** – continued government recognition of the importance of the Campus for Ageing and Vitality and ongoing post-pandemic innovation for example, Northumbria PPE Innovation Hub. The North East will continue to explore, with partners, potential for a new “Golden Triangle” to develop stronger partnerships between the North East, Edinburgh and Glasgow.
 - **Population Health and Prevention** – commitment by the Department for Health and Social Care and NHS England to work alongside North East and North Cumbria Integrated Care Board to develop a Radical Prevention Fund reshaping existing funding away from acute services and into preventative action. Building on regional population-based prevention work this would aim to develop new models of prevention to tackle long-standing health disparities to improve quality of life and reduce health and care costs. There is potential to use the Dormant Assets Act 2022 to support community and voluntary sector organisations to make a difference in their places.
162. The North East Mayoral Combined Authority will work with government as a pathfinder area considering the potential implementation of novel recommendations arising from the McAllister review and the recent national child safeguarding practice review - with particular emphasis on measures that could be taken to strengthen workforce resilience.

163. Building on the Social Care White Papers and the NHS changes, the Government commits to working closely with local councils and leaders from the North East to ensure the region maximises the opportunities offered by new investment from social care reform and wider changes to the health and social care system. In return, the North East Mayoral Combined Authority will work with North East and North Cumbria Integrated Care Board to align priorities and make a difference to health outcomes at a population level.
164. Building on the digital and connectivity facets of this deal it would create the ability to commission better joined-up local services and embed neighbourhood policing alongside other place-based services including better use of data to problem solve and prevent crime. In addition, there will be a particular emphasis on transport and safety of the transport networks as well as work in local Youth Justice Partnerships and alongside the Probation Service. This is particularly important to the North East Mayoral Combined Authority, the Northumbria and Durham constabularies and their respective PCCs as they work not just to prevent violence against women and girls but as they act positively to make women and girls believe they are safe.

Resilience and Public Safety

165. The North East will have a clear role in local resilience following governments full consideration of the role and responsibilities of Local Resilience Forums. This may include an opportunity for the North East MCA to participate in future testing and piloting of potential new roles and responsibilities prior to any fuller national roll out.
166. The North East Mayoral Combined Authority, in partnership with the Government, will work with the Northumbria and Durham Police and Crime Commissioners to agree an appropriate arrangement to ensure close collaboration and productive joint working on public safety.

Rural

167. This devolution deal also acknowledges the unique and complex rural environment in the North East. Acting as a rural exemplar is already at the heart of the North of Tyne Devolution Deal and the North East would expect to work with the government on opportunities to expand this into a wider area. This could include: focusing on innovation in rural communities and the rural economy; potential support to the unique physical infrastructure which is a critical part of rural communities; consideration of the remaining Northumberland Line rail scheme funding; and proactive work with the region to stimulate housing and economic development along the Northumberland Line economic corridor and in rural parts of County Durham and Gateshead.
168. To compliment this, the North East Mayoral Combined Authority will build on work commissioned by North of Tyne, the Scotland Office and the Union Connectivity Review to understand further opportunities for collaboration, connectivity, innovation partnership and shared growth along the North East Coast Corridor.
169. The government and the North East Mayoral Combined Authority commit to the development of a clear joint plan for rural growth, stewardship and net zero, which recognises the opportunities and challenges to the rural economy and the major role the North East can play in addressing them.
170. The North East Mayoral Combined Authority will establish a Rural Growth and Stewardship Board chaired by a Northumberland County Council Cabinet member and driven by Northumberland, Gateshead and County Durham Councils, with government committing to senior level engagement and strong collaboration with DEFRA and its arms-length agencies – supporting the Government’s Places for Growth programme. This Board will oversee a long-term Rural Economic Investment Programme for the region which builds on the LEADER programme.
171. DEFRA has set out plans to replace EU LEADER funding and growth programme elements of the Rural Development Programme, including the funding allocations for the North East Mayoral Combined Authority. This will allow the North East to deliver small scale capital grants for rural community infrastructure and grants for businesses, including for farm diversification.
172. Building on the Local Nature Recovery Strategy pilots, including in Northumberland, formal appointment of responsible authorities for Local Nature Recovery Strategies (LNRS) will be made following publication of relevant regulations and guidance and confirmation of funding. LNRSs will: map the most valuable existing habitat for nature; map proposals for creating or improving habitat for nature and wider environmental goals; and agree priorities for nature’s recovery. DEFRA agrees to consider the role of the North East MCA in the LNRS including a review of relevant LNRS geographies once the combined authority is in operation.

173. In line with commitments made in the Borderlands Inclusive Growth Deal, the government, which is committed to increasing private investment in nature's recovery across England, will support the North East MCA to capture the economic benefits of its natural capital and attract private investment including to deliver priorities identified in LNRSs. This support may include: a proportion of revenue funding; specialist expertise; co-ordination of peer support and networking; and/or local partnership working with DEFRA's Arm's Length Bodies (Environment Agency, Natural England, Forestry Commission). Any funding provided remains subject to further agreement and approvals and will be conditional on participation in a programme of evaluation and shared learning.

North East's commitments underpinning the deal

174. The North East Mayoral Combined Authority will work with government to develop a full implementation plan, covering each policy agreed in this deal, to be completed ahead of implementation. This plan must be approved by government prior to delivery. Any issues of concern with the subsequent delivery of this deal will be escalated to ministers and leaders to resolve, in keeping with the letter and spirit of devolution.
175. The North East Mayoral Combined Authority will be required to evaluate the impact of the North East Investment Fund. The North East Mayoral Combined Authority and government will jointly commission an independent assessment of the economic benefits and economic impact of the investments made under the scheme, including whether the projects have been delivered on time and to budget. This assessment will be funded by the North East Mayoral Combined Authority, but agreed at the outset with DLUHC and HM Treasury, and will take place every five years. The next five-year tranche of funding will be unlocked if government is satisfied that the independent assessment shows the investment to have met the objectives and contributed to economic growth. The gateway assessment should be consistent with the HM Treasury Green Book, which sets out the framework for evaluation of all policies and programmes. The assessment should also take into account the latest developments in economic evaluation methodology. Government would expect the assessment to show that the activity funded through the scheme represents better value for money than comparable projects, defined in terms of a benefit to cost ratio and considered in the strategic context of local ambitions for inclusive growth across the whole geography.
176. As part of the implementation of the deal, the North East Mayoral Combined Authority and government will agree a process to manage local financial risk relating to the deal provisions.
177. Prior to the first mayoral election, government will work with the North East to give the public and stakeholders – including Parliament – a clear understanding of the powers and funding that are being devolved to the North East, where accountability sits as a result of this deal and how decisions are made.
178. The North East Mayoral Combined Authority and its members will continue to adhere to their public sector equality duties, for both existing and newly devolved responsibilities.

North East Authorities

Governance Review

Undertaken in accordance with Section 111 of the Local Democracy
Economic Development and Construction Act 2009

Contents

Executive summary.....	76
Purpose of review.....	79
Methodology for the Governance Review	80
North East Devolution Ambitions	81
North East context	83
A functional economic market area	84
North East Economy.....	86
Understanding current governance arrangements	96
Case for change	100
Criteria	105
Governance options	107
Conclusions.....	111
The “Minded To” Deal.....(attached at Appendix 3 of Cabinet Report)	
The Draft Scheme for Publication	(attached at Appendix 5 of the Cabinet Report)

Executive summary

On 28 December a “minded-to” devolution deal was agreed between government and the local authority leaders of Durham County, Gateshead, Newcastle City, North Tyneside, Northumberland County, South Tyneside and Sunderland City Councils. The deal agrees a significant shift in powers, funding and responsibility from Whitehall to the region in return for establishing the role of a directly elected Mayor for the area of the North East.

The additional powers and funding within the deal include a £1.4bn investment fund, alongside funding for skills, transport, education and skills, housing and regeneration. We estimate that the overall value of the deal will be £4.2bn. This will enable investment into projects which reflect local needs and opportunities, making a real difference for our residents, communities, and the local economy.

The purpose of this governance review, undertaken in accordance with Section 111 of the Local Democracy, Economic Development and Construction Act 2009 [the 2009 Act] is to look at the exercise of statutory functions in the North East with a view to deciding whether to prepare and publish a scheme with new functions and changed constitutional arrangements, including a directly elected mayor for a combined authority across the whole area. A public consultation would then be carried out on the proposals set out in the scheme. The Secretary of State would then be provided with a summary of consultation responses and would need to consider whether an order should be made under the 2009 Act to establish a Mayoral Combined Authority [MCA] for the area.

Under Section 112 of the 2009 Act, the review needs to conclude that the exercise of the power to make an order to establish an MCA for the North East area would be likely to: improve the exercise of statutory functions in relation to the North East area; help secure more effective and convenient local government; and reflect the interests and identities of local communities.

The review has found that the economic evidence provides a rationale to build on existing collaboration, delivery and success by creating a new Mayoral Combined Authority to exercise powers to grow the whole North East economy. In doing this, it would have responsibility to develop the people, communities and businesses it serves across the whole region. The new Mayoral Combined Authority would replace the existing North East Combined Authority [NECA], which covers Durham County, Gateshead, South Tyneside and Sunderland, and the North of Tyne Combined Authority [NTCA], which covers Newcastle City, North Tyneside and Northumberland County. Together with the North East Local Enterprise Partnership [North East LEP] and Transport North East, these organisations have significant existing capabilities and technical expertise which can be utilised by the new MCA.

The NTCA, NECA, North East LEP and Transport North East have overseen programmes of investment which have secured thousands more jobs, supported hundreds of residents into employment and seen major investment in infrastructure. Nevertheless, by working at a wider geography there is the opportunity to not just deliver more for the region but to also better-meet the needs of the regional economy, where supply chains and commuting patterns stretch out over a wide geography.

Despite significant economic successes and assets, the North East is still a net spender of UK tax revenues and there are ongoing challenges in relation to securing the region's ambition to promote faster and more inclusive growth, tackle the climate emergency and deliver an integrated transport system fit for the 21st Century. And there is not enough local control over the policies that affect our economy.

The North East deal will unlock significant long-term funding and give local leaders greater freedom to decide how best to meet local needs and create new opportunities for the people who live and work here. The government recognises that devolution is a journey, not a one-off event. The agreement is the next step in a process of further devolution. As institutions mature, they can gain greater responsibility, and the North East will be able to deepen the devolution arrangements over time, subject to government agreement. The government will continue to work with the North East on important areas of public service reform and infrastructure investment, to support inclusive economic growth in towns, cities and rural areas whilst tackling climate change, on our journey to a net zero green economy.

The review concludes that:

- Current regional governance arrangements – based on a combination of a Mayoral and a non-Mayoral Combined Authority and a Joint Transport Committee (through which the combined authorities exercise transport functions) – do not represent the best model in terms of delivering the long-term ambitions of the local authorities within the area for economic growth and delivery of public services. Currently, the Combined Authorities have responsibilities for creating the conditions for economic growth and new investment in the area, with the NTCA also having additional powers and funding to support inclusive growth, housing and skills. The Joint Transport Committee was established to provide policy direction and governance to transport matters across the whole of the North East area.
- The new Authority would extend the benefits of devolved funding for investment, skills and housing, previously secured by the North of Tyne MCA, over the full regional geography. In addition, it would unlock new funding and powers, including over transport, across the whole region.
- There is limited practical scope for the existing governance arrangements to be meaningfully strengthened, short of adopting the Mayoral Combined Authority (MCA) model of governance.
- A change is required to enable the North East authorities to pursue their economic and social policy agenda at greater pace, while continuing to collaborate with Tees Valley, Cumbria and southern Scotland.
- The statutory criteria for preparing and publishing a scheme are met, i.e. the making of an order under the 2009 Act, to enable the adoption of an MCA model of governance for the area of the North East, will likely **improve the exercise of statutory functions in that area.**
- In addition, with regard to the criteria which the Secretary of State would need to consider before making such an order, it is considered that establishing a MCA model of governance for the North East will:

- **Have a positive impact on the interests and identities of local communities** – these proposals build on established regional governance arrangements, longstanding and productive collaboration over a functional economic area and which represent the views and interests of the local community; and
- **Secure more effective and convenient local government** by reducing complexity and streamlining the delivery of public services within the area.

It is therefore proposed that a scheme is published (a draft scheme is included at Appendix B) that confirms:

- A new MCA should be created to cover the area of the North East, replacing the existing NTCA and NECA organisations;
- A North East Mayor would be elected in May 2024;
- The Mayor would be a member of the Combined Authority and chair meetings of the authority;
- Each Council will appoint a member to the new MCA, alongside non-voting members representing business and the community and voluntary sector; and
- The Mayor and MCA will exercise statutory functions, and hold some powers concurrently with the North East local authorities. No functions are being removed from those councils. Where existing functions currently held by North East local authorities are to be shared with the Mayor or the MCA, this must be agreed by the constituent councils.

Upon establishment, the initial objectives for the new MCA will include:

- Creating an additional 24,000 jobs;
- Building an additional 3,100 homes;
- Helping 6000 people to get “work ready” each year;
- Commissioning 70,000 courses each yet to get people good jobs;
- Taking major steps to Net Zero; and
- Leveraging £5.0bn of private sector investment.

Purpose of review

North East Leaders and Mayor have agreed with Government that fulfilling the local economic priorities and drawing down significant additional powers and funding through the North East Devolution Deal would create new opportunities for the area. However, seeking to maximise these opportunities for the area raises questions about the on-going appropriateness of regional governance arrangements which are currently based on the North East Combined Authority (non-Mayoral), the North of Tyne Mayoral Combined Authority, the North East LEP, and the Joint Transport Committee. As part of the deal, Leaders and Mayor have committed to consider the creation of a new, directly elected North East Mayor, acting as Chair to the North East Mayoral Combined Authority by May 2024.

The seven councils, along with the two combined authorities, have therefore commissioned this review to look at whether strengthening existing collaboration arrangements by adopting a single MCA model of governance would be the best way of creating more inclusive and cleaner growth and improving delivery of transport functions.

To ensure compliance with the relevant legislation contained in the 2009 Act, the Review considers whether an MCA is the best governance model that would be likely to

- Improve the **exercise of statutory functions** in the area of the North East
- Secure **more effective and convenient local government for the area**; and
- Have a positive impact on the **identities and interests of our local communities**.

Methodology for the Governance Review

The Governance Review has comprised the following:

- The North East's ambition and context, covering the area's devolution journey and devolution deal
- An economic assessment of
 - The existence of a Functional Economic Market Area across the North East; and
 - The region's economic strengths, challenges and opportunities
- An assessment of the current governance arrangements across the North East
- The case for change
- The devolved functions in scope
- An options appraisal that considers the alternative governance structures which could be pursued in the light of the above evidence
- Consideration of whether the preferred option meets the statutory tests; and
- The conclusions drawn from all the above.

North East Devolution Ambitions

The proposal for a devolution deal emerges from serious and passionate cross-party, cross-regional, leadership during the pandemic. As well as providing policy leadership in the response to COVID19, the leaders and mayors of the North East worked together on substantive recovery plans. They worked with partners across business, academia, the community and voluntary sector and with the people of the North East to set out what a North East, built back better and fairer, would look like.

These plans were submitted to government as part of the 2020 and 2021 Comprehensive Spending Rounds and underpinned the North East Transport Plan. They informed and linked collaboration and collective action to lead the North East to a stronger future.

The ambition is for a deal which is:

- **Bigger and better** – demonstrably adding value in relation to the existing North of Tyne deal and bringing new resources and powers – and significant private sector leverage – into the region. It recognises the huge value of integrating economy, skills, transport, housing and public sector reform.
- **Reduced carbon, reduced inequality** – with the green agenda clearly woven through the deal, and shared principles of inclusive growth, addressing disparities and bringing communities together in a smart, skilled and sustainable region.
- **Bold on the rural economy** – setting out clear intentions to accelerate rural growth and looking at the opportunities such as the Northumberland Line, rural housing, rural stewardship and net zero transition – including through a Rural Growth and Stewardship Board.
- **Amplifying the North East's global assets** – through a clear focus on the region's growth corridors, three ports, gigafactories, an international airport, and globally-facing cities and historic town centres. A world-leading '*Arc of Green and Blue Energy Innovation*' from OREC to Nissan and home of the next-generation electric vehicle industry and the only science park nationally, NETPark in Sedgefield County Durham, to host two centres from different Catapults.
- **Balancing growth and prevention** – by bringing forward fiscal innovation, working on a public service reform programme, greater influence within the integrated care system.
- **Transforming connectivity** – using a full package of devolved transport investment and powers to create an integrated transport system, including the potential unlocking of visionary schemes; such as, the Northumberland Line, Leamside Line and Washington Metro Loop, Cobalt Loop, Team Valley, Newcastle City Mobility plans and a region-wide EV charging network.
- **Attacking the opportunities of digital and 5G** – providing strong incentives for investment in digital connectivity, 5G-ready infrastructure, digital skills and unlocking the huge potential of digital-enabled manufacturing.

- **Connecting our coastal areas** – using devolved funding and powers to better link our unique coastal communities and economic assets – through skills, jobs and accelerating development on our housing and economic sites.
- **Building on strong collaborative governance** – ensuring each of the partners can see the benefits of cross-regional investment, and that decisions are made in a way that reflects our diverse geography, assets and needs.

With a population of 2.0 million, the North East offers enormous potential. It is a coherent economic area and has a number of significant growth sectors including automotive and advanced manufacturing, offshore and renewable energy, and life sciences, as well as four universities.

Sizeable parts of the North East enjoy access to exciting new opportunities for growth. Car manufacturer Nissan is building a £1 billion electric vehicle hub near to its existing plant in Sunderland, which will create 6,000 new jobs at the firm and associated supply chain. While the adjacent International Advanced Manufacturing Park will be the location for advanced manufacturing and European-scale supply chain industries - this will see an estimated 5,200 jobs created in the long term. Hitachi Rail have invested £110m in Newton Aycliffe, pioneering the next generation of high-speed rail in the UK.

Blyth in Northumberland is seeing potential investment of £2.6 billion by battery manufacturer Britishvolt into a new 95-hectare Gigaplant. But the North East also faces challenges which impact on productivity levels and the ability to grow. These include: addressing skills issues, replacing an ageing workforce and ensuring skills for existing and new sectors; developing more indigenous SMEs; attracting more foreign direct investment; increasing innovation investment and exploitation; and reducing unemployment.

Greater local powers are needed to level up, to tackle the challenges facing the North East, and to harness its huge economic opportunity for the benefit of people in the North East and for the whole UK.

This approach builds on the existing strong track record of the North East Local Enterprise Partnership and the North of Tyne MCA, as well as new levelling up funds already allocated.

The local councils of the North East and government aim for a mayoral devolution deal which will provide powers and funding to enable the North East to unleash its full economic potential, and in doing so level up, raise living standards for its communities and make a full contribution to the UK economy. It will build upon the area's history of collaboration to maximise this investment.

North East context

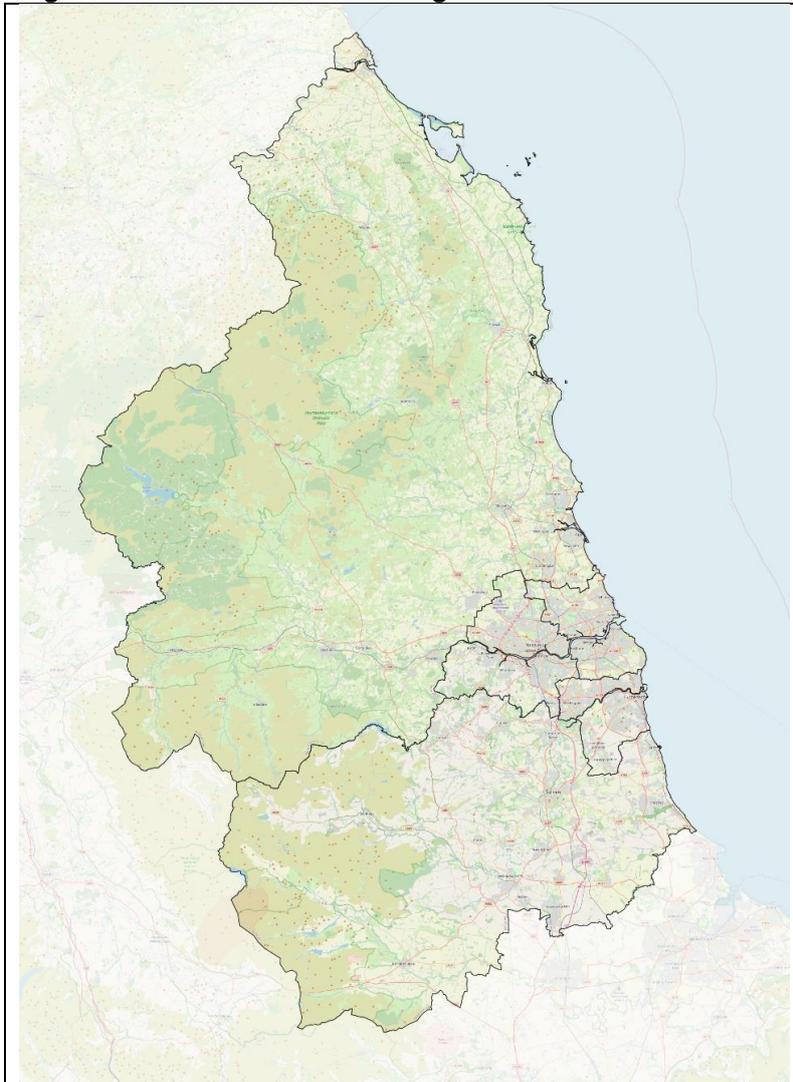
The area covered by the local authorities of County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland is extensive, varied and beautiful. It is a large geography spanning from Berwick upon Tweed in the north to Newton Aycliffe in the south and Haltwhistle in the west to South Shields in the east. A significant portion of the area is north of parts of Scotland.

A population of 2.0 million live across a wide variety of settlements with both high and very low population density. For example, 5 people per square kilometre in Bellingham in Northumberland to over 9 000 people per square kilometre in the hearts of Newcastle and Sunderland.

We have 3 cities, vibrant towns and extensive rural and coastal communities with a unique combination of city, coast and country that provides a high quality of life.

The North East is home to 68,850 businesses who provide 887,000 jobs.

Figure 1: The North East MCA region



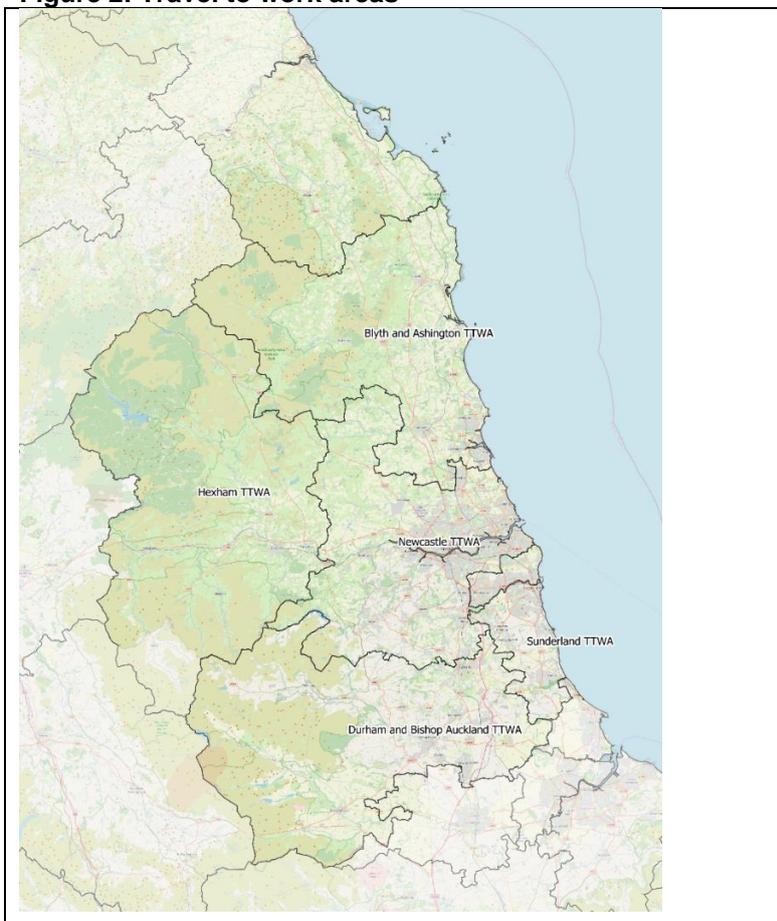
A functional economic market area

A well-developed evidence base highlights the importance of connecting residents with key employment centres, reducing journey times to improve economic and labour market outcomes. The ONS identifies four 'travel to work' areas which are contained within the North East area – the Newcastle/Tyneside area is the largest by number of journeys, followed by Sunderland, Durham/Bishop Auckland and then Blyth/Ashington. In addition, the travel to work areas for North Northumberland extends into Scotland.

There are strong commuting dependencies within the North East area, with over 90% of residents working in the area – making it a coherent geography to consider skills, access to employment and other labour force issues. These links are comparable to those in West Yorkshire but greater than other MCAs for example Greater Manchester (87%), South Yorkshire (85%), Tees Valley (86%), Liverpool (76%).

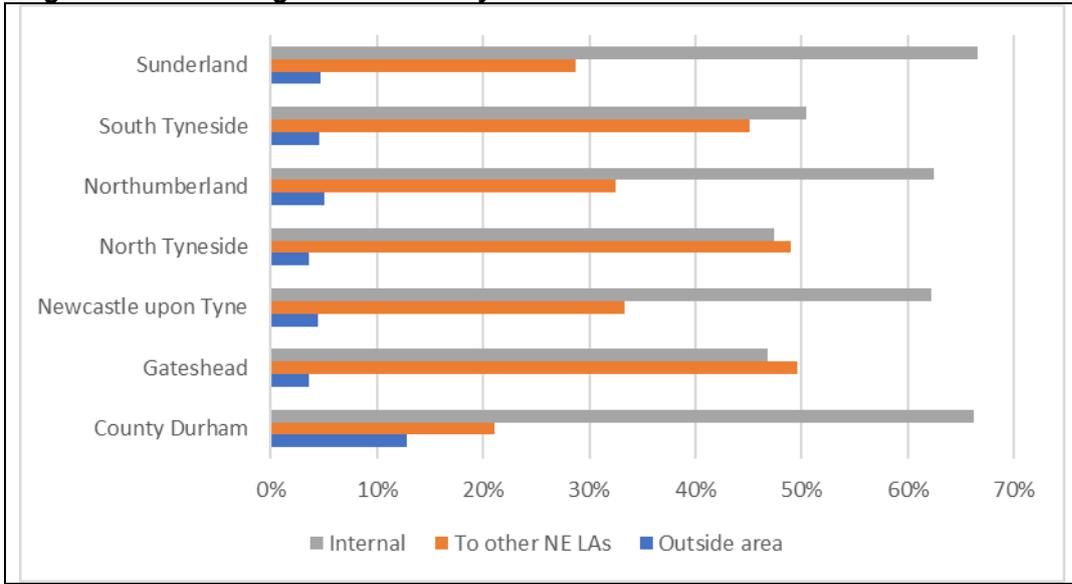
There are strong business relationships across the area, including a regional professional services role and supply chain clusters around key sectors, including automotive, offshore technology and health and life sciences. These strong commuting and business links make the area a natural functional geography for economic interventions.

Figure 2: Travel to work areas



Source: ONS

Figure 3: Commuting destinations by location of residence



Source: ONS

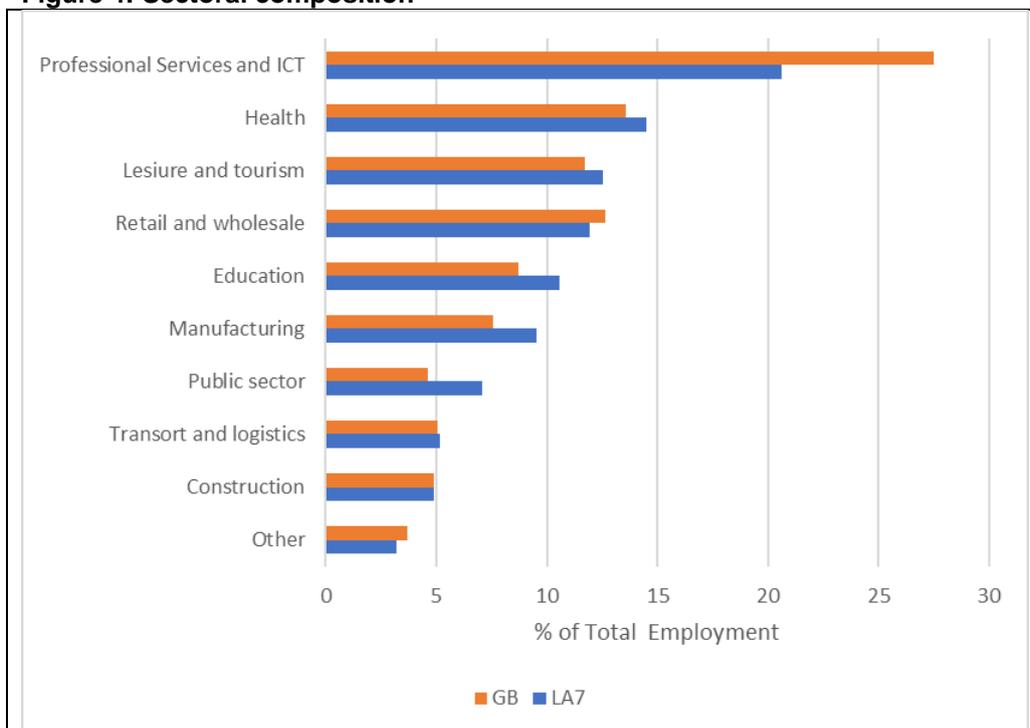
North East Economy

Economic profile

Although the composition of the North East's economy has many similarities to the national sectoral profile, there are also important differences including:

- A large, advanced manufacturing sector – including the nationally-significant automotive cluster centered around Nissan;
- An increasingly important low-carbon economy, including offshore wind technologies on the Tyne, Blyth and Wear and electrification/batteries around Blyth, Newcastle and Sunderland, and onshore wind and geothermal energy in County Durham;
- A thriving tech sector, with Sage the largest software company in the UK, Atom Bank a Unicorn Fintech company and other expertise running from consultancy to games production;
- An important leisure and tourism sector, including urban and rural assets;
- A professional services sector which is a large employer, despite accounting for a smaller proportion of employment than across the UK as a whole;
- Internationally-recognised healthcare and education assets;
- A longstanding national hub for public services, including significant HMRC and DWP assets and teams;
- Important rural and coastal economy; and
- Tourism, leisure and retail with the North East providing a diverse offer based on cities, coast and countryside.

Figure 4: Sectoral composition



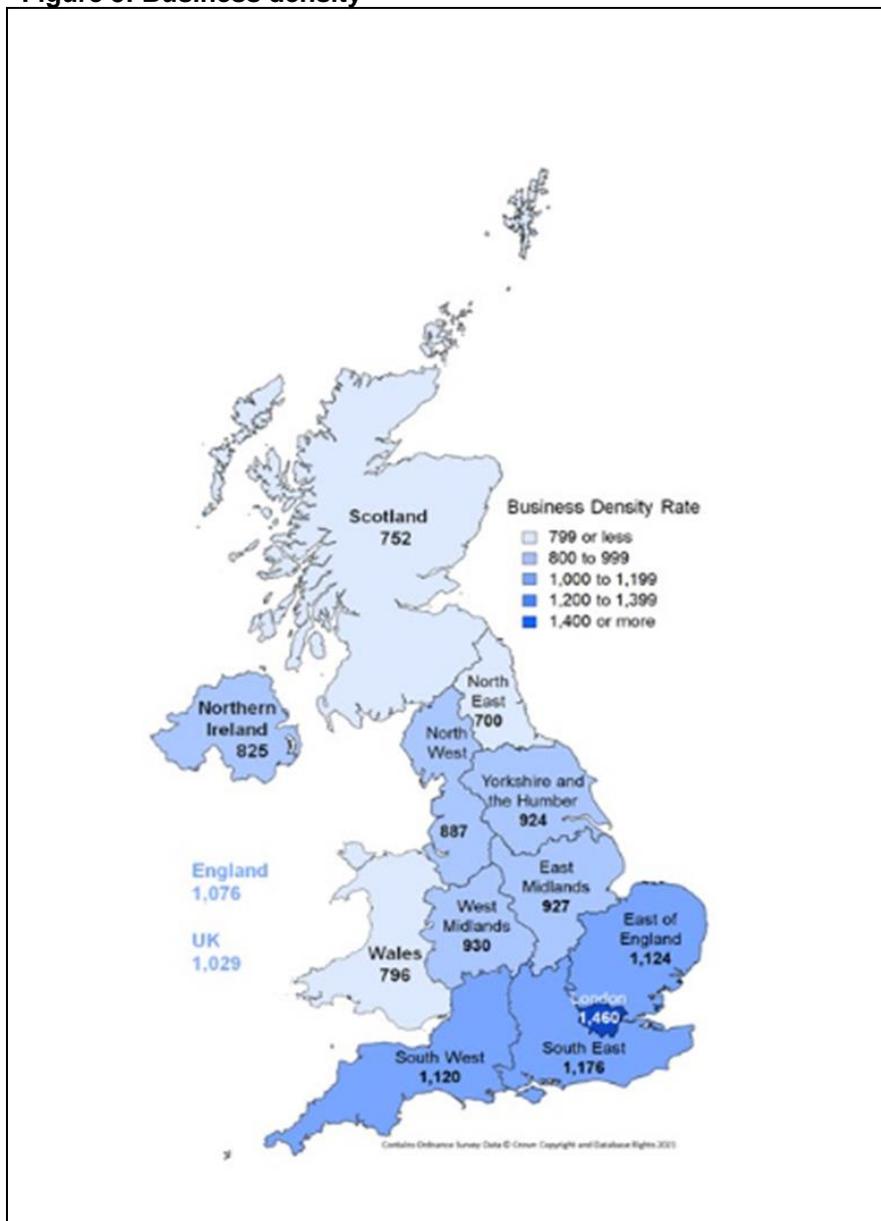
Source: ONS

Despite its strengths, the North East has a relatively small business base, with the wider NE region having the lowest business density in the country. Micro and small businesses with under 50 employees account for 97.8% of businesses (UK, 98.1%).

A slightly greater proportion of residents are employed in large businesses of more than 250 employees, including in a number of our major manufacturing companies. And the rate of new business formation is only about three-quarters of the national average, but business scale-up rates are better. The North East has strong export performance, particularly including automotives and pharmaceuticals.

Challenges identified by our businesses include: skills shortages, replacing an ageing workforce, skills for new sectors, increasing energy and input costs, attracting more foreign direct investment and increasing innovation – where levels of private sector research and development are much lower than the national average.

Figure 5: Business density



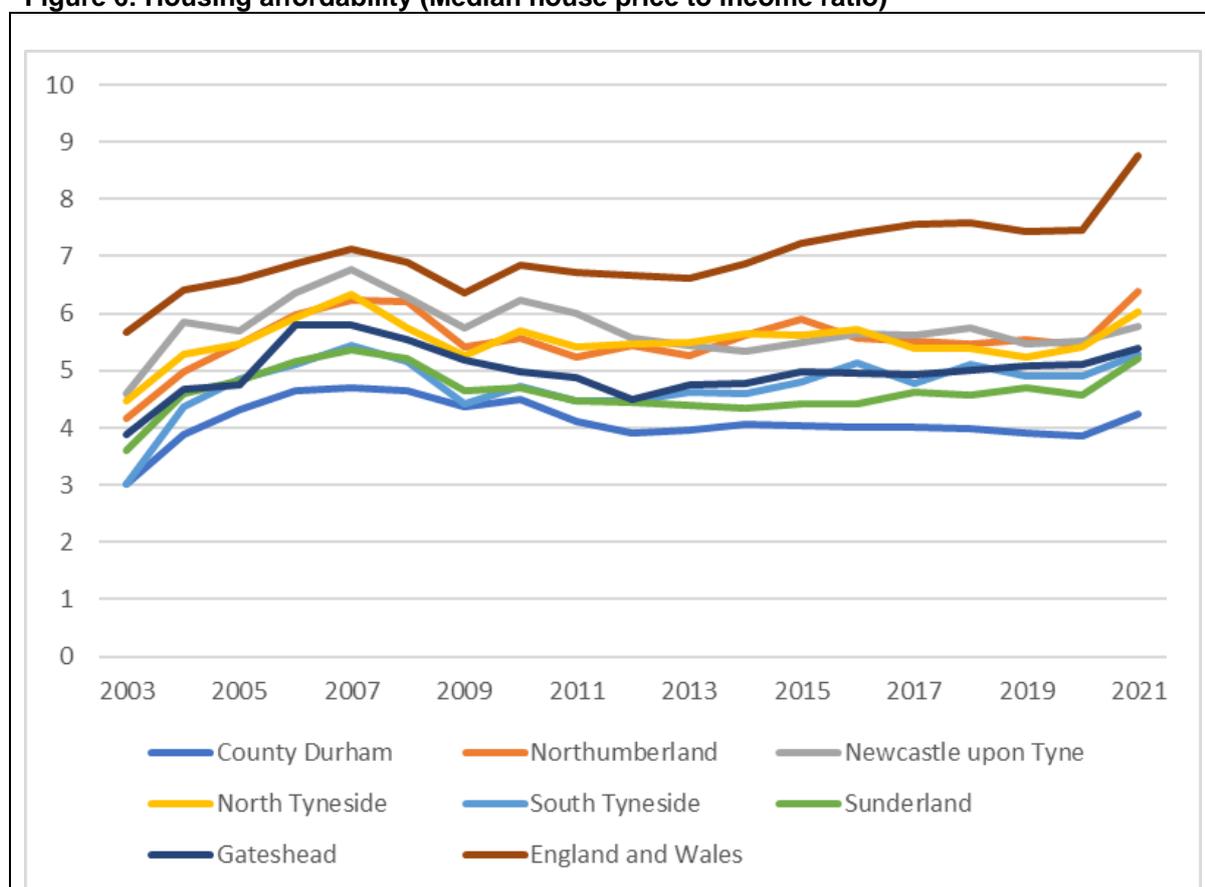
Source: ONS

In terms of housing, on average house prices are more affordable in the region than the country as a whole. However, affordability measures have deteriorated and in several communities housing remains out of reach of many, including key workers.

Other housing challenges include:

- Tackling the increasing challenge of homelessness
- Weaknesses in the private rented market
- Improving the quality of stock
- Bringing empty homes back into use; and
- Accelerating housing delivery on a number of brownfield sites.

Figure 6: Housing affordability (Median house price to income ratio)



Source: ONS

Car usage continues to dominate, accounting for 60% of all journeys across the region. The North East Transport Plan sets out how the transport network can evolve in a series of lasting improvements that will shape our region in the decades to come.

The Transport Plan identifies a range of policy initiatives and investments – including a major increase in the levels of active travel through improvements to pedestrian and cycling infrastructure, improving bus travel, a region-wide electric vehicle charging network, investment in metro and local rail, and improving connections outside the region. In addition, rurality provides an opportunity for innovative transport solutions and behavioural change initiatives.

Digital connectivity varies significantly across the area. While superfast coverage in Tyne and Wear and County Durham exceeds or is in line with the national average, Northumberland is lagging with 95% superfast and 36% full fibre, compared with UK averages of 97% and 42%

There are fast rail connections to London and Scotland via the East Coast Mainline; mass rapid transit in Tyne and Wear is delivered by the Metro system which is owned and operated by Nexus (the Passenger Transport Executive) which is a public sector body that works on behalf of the Tyne and Wear councils; and the Tyne Tunnels are also a locally-owned asset linking North and South Tyneside, and making the A19 highway a long-distance strategic connection. The local authorities have a significant stake in the North's 2nd largest airport, with links to international hubs including Heathrow and Dubai. The area has important ports – at Blyth, Tyne and Sunderland – supporting trade and industry.

There are four leading universities – Durham, Newcastle, Northumbria and Sunderland – and a strong further education network, with Newcastle College Group one of the biggest providers in the country and Tyne Coast College delivering unique maritime education and the North East Institute of Technology provides specialist training in construction, engineering, manufacturing and digital sectors.

Significant progress has been made by the North East in reducing carbon emissions, specifically from industrial and commercial sources. Overall, there has been a 56% decrease in emissions, which are now 23% lower on a per head basis than the national average. Nevertheless, further progress needs to be made on the transition to net zero, especially around transport where (with the exception of the impact of the pandemic) emissions have remained relatively little changed over the past 15 years.

The area is known for its outstanding historic, cultural and leisure assets, with the Hadrian's Wall World Heritage site (which includes assets in Northumberland, Newcastle, North Tyneside and South Tyneside) complemented by the Durham World Heritage Site.

There are also diverse rural and coastal assets – from the Kielder Forest with its Observatory and Dark Sky status to the UK's Beach of the Year at South Shields and the North Pennines Area of Outstanding Natural Beauty. These are backed by a strong sporting heritage, contributing to the region's identity.



Marsden Beach, South Tyneside

Challenges

Despite these strengths, economic outcomes in the area underperform the national average. On many measures, recent improvements were reversed during the pandemic. However, in contrast to our experience with previous recessions, outcomes during the pandemic did not diverge further from the national averages.

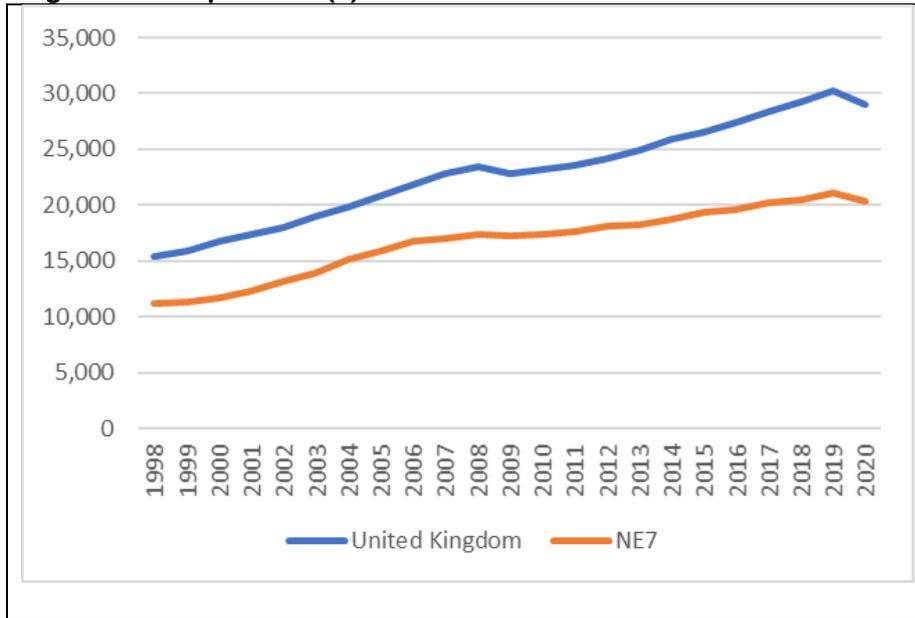
In addition to the need to tackle climate change, we have identified five key inter-related challenges which are particularly related to the region. First, low growth and productivity, which has also held back wages. Second, average qualification levels well below national average. Third, levels of unemployment and inactivity are significantly above the national average, with outcomes notably worse for those with lower-skill levels. Fourth, lower income and higher rates of worklessness has led to significant deprivation. And this has been accompanied by our fifth challenge: poorer health outcomes.

i. Lower growth, productivity and wages

Trends in the North East's economy over the past two years have been dominated by global forces; the onset and recovery from the pandemic, and then the cost-of-living crisis, with sharp increases in energy and other costs resulting from the war in Ukraine.

But comparisons with the national picture show that the level of economic output – as measured by GVA per head which is an indicator of productivity – is significantly lower in the North East than the UK average. The gap with the 'median' across the country is smaller, although economic growth in the North East has been weaker over the past 15 years.

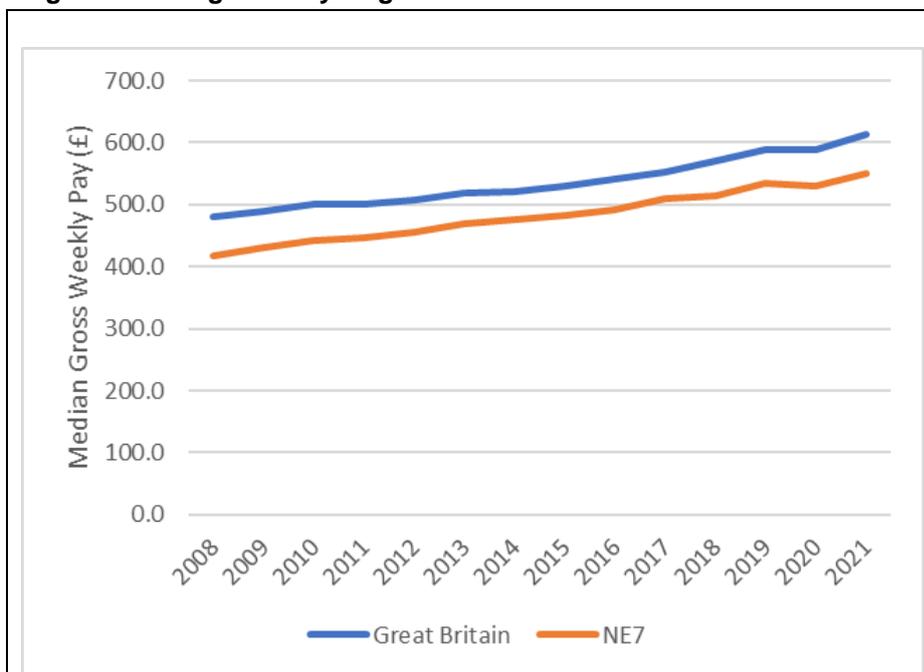
Figure 7: GVA per head (£)



Source: ONS

Lower economic growth has also been accompanied by lower average wages, which are currently around 10% below the national average. Of the seven local authority areas, only in Newcastle are average wages close to the national average.

Figure 8 Average weekly wages



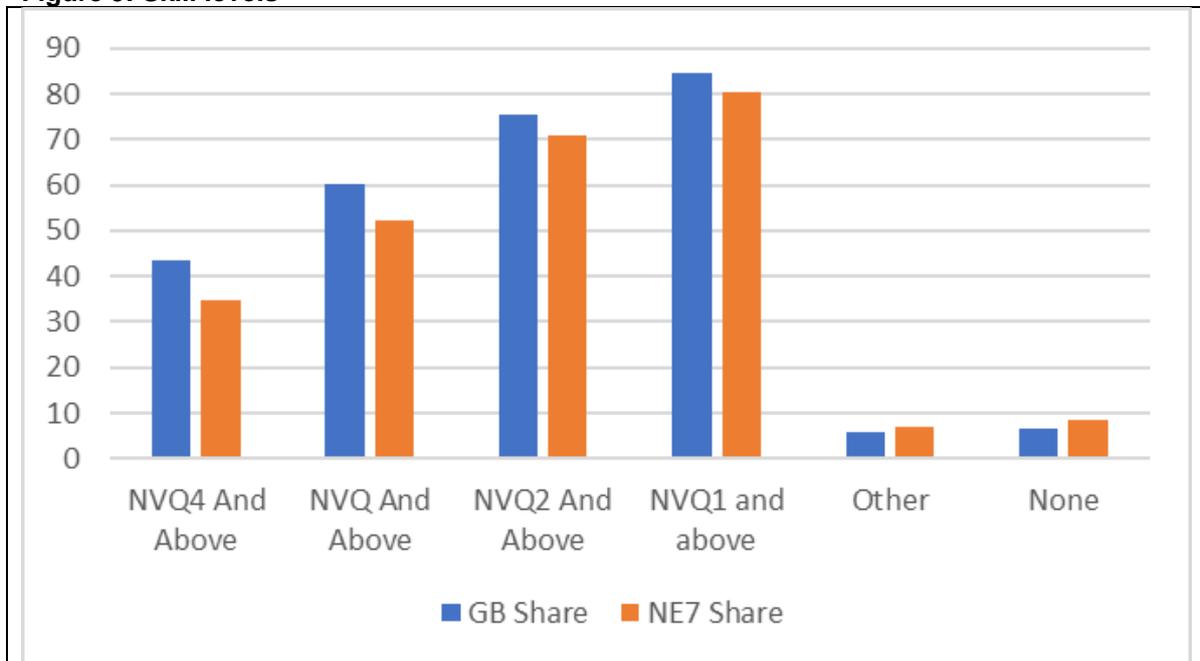
Source: ONS

ii. Skill levels well below national average

The North East generally performs poorly in terms of skills supply. Average qualification levels are lower than national average, with more residents with no qualifications.

This gap in qualifications is particularly pronounced at higher levels, with the number of people in the NE region with qualifications at degree level (NVQ4) or above only 80% of the national average.

Figure 9: Skill levels



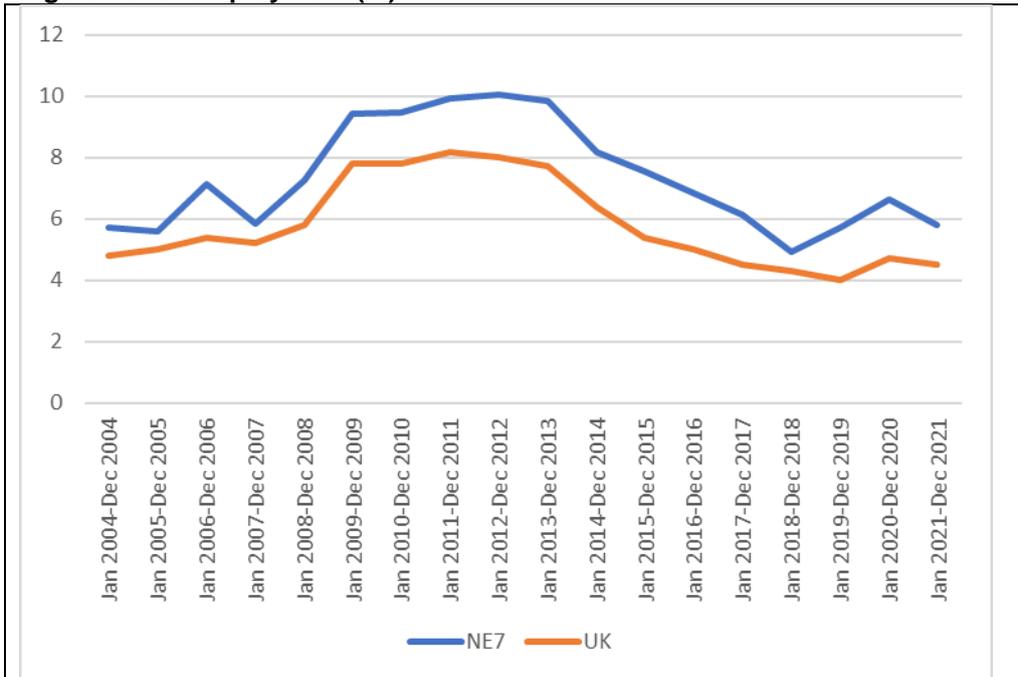
Source: ONS

iii. Higher unemployment and inactivity

The area has seen a strong reduction in unemployment since the height of the pandemic, with the unemployment rate falling to 5.0% in the 12 months to June 2022 from a peak of 6.9%. Nevertheless, this remains significantly above the national average.

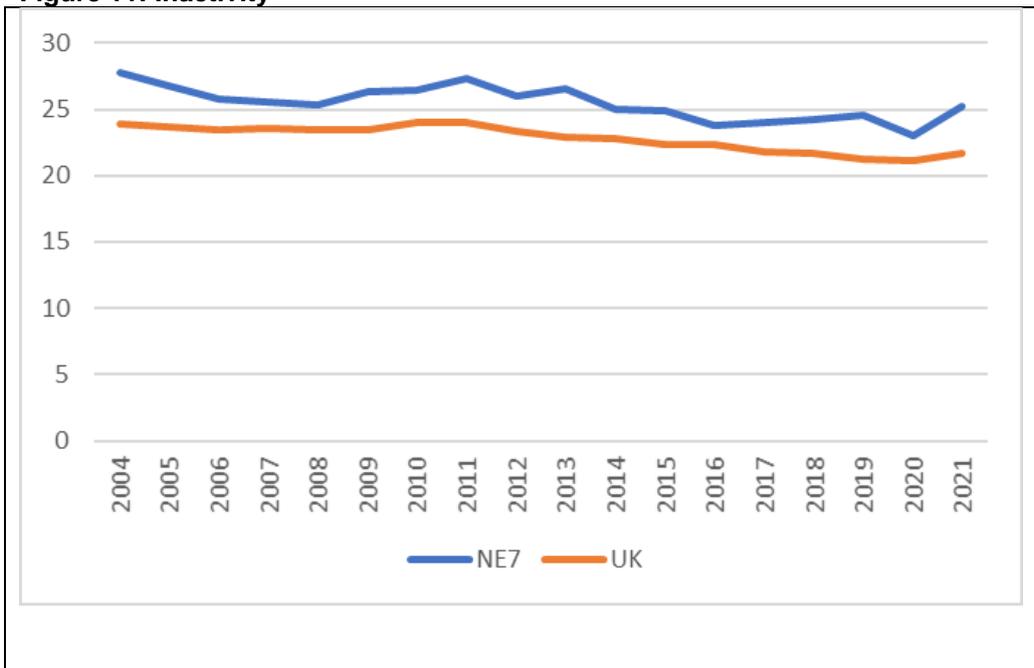
The number of people classified as 'economically inactive' has increased significantly in the past two years. This category includes those who are not working and are not currently seeking a job – and includes those who are sick, students, the retired and those with caring responsibilities. The big increase in inactivity which we have seen mainly reflects people who are long-term sick.

Figure 10: Unemployment (%)



Source: ONS

Figure 11: Inactivity

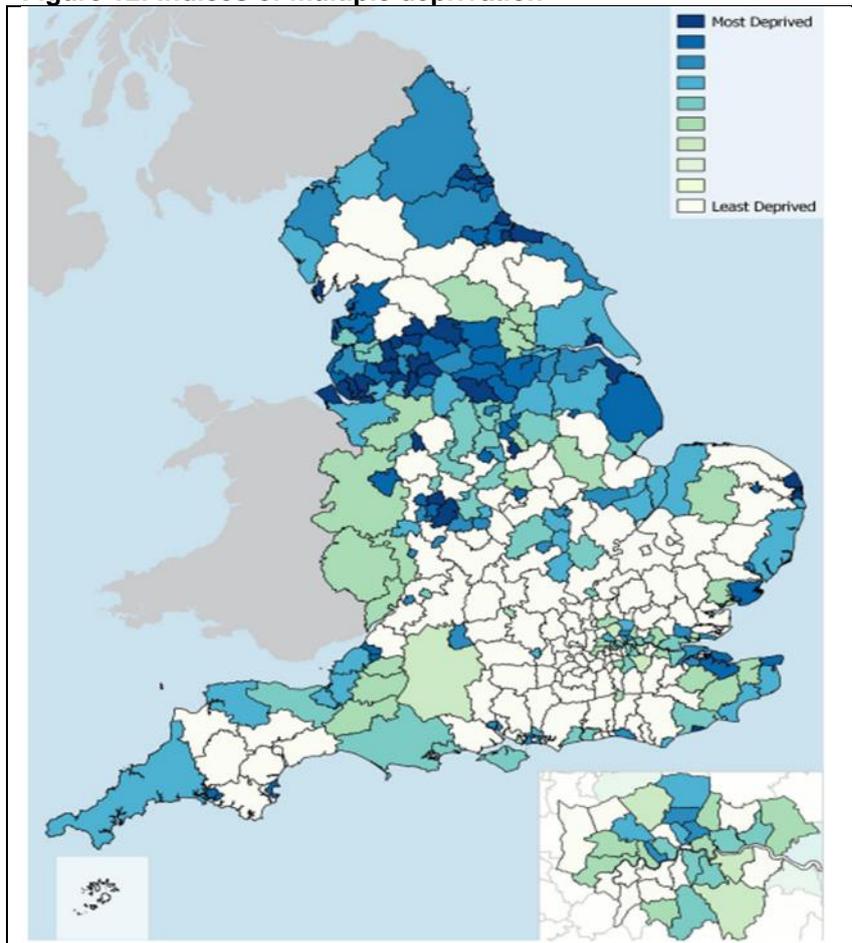


Source: ONS

iv. Higher levels of deprivation

Higher rates of unemployment and lower average pay result in higher levels of deprivation in the North East. In particular, there are clusters of deprivation along the banks of the Tyne and the Wear, in SE Northumberland and the Eastern towns of County Durham. This is captured in Government's 'Indices of Multiple' deprivation, which are based on a weighted average of a number of different outcome measures. On this index, the North East scores worse than the national averages around measures of employment and income, but better on measures of the quality of 'living environment' and around the accessibility of 'housing and local services'.

Figure 12: Indices of multiple deprivation



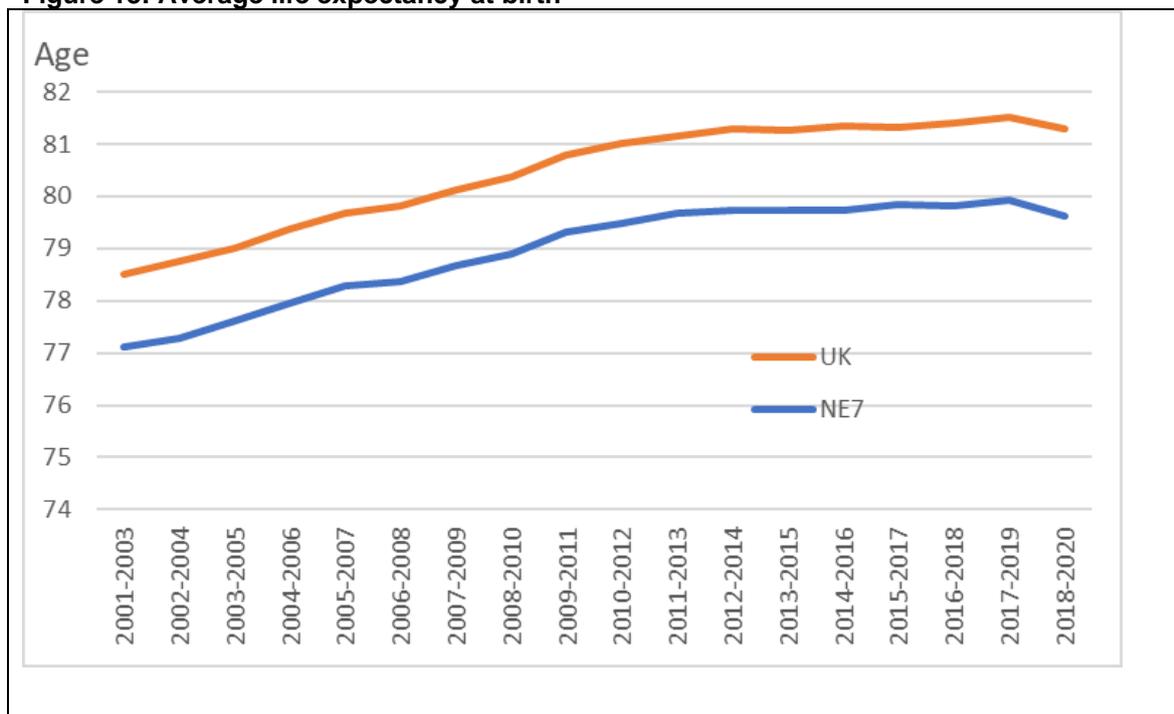
Source: ONS

v. Poorer health outcomes

The North East has poorer health outcomes than the UK overall. At 79.6, the average life expectancy at birth in the North East is 1.7 years lower than the median across the UK. And this gap has increased in recent years: at the turn of the millennium the gap was 1.4 years.

In addition to being more likely to have a shorter lifespan, those in the North East spend a larger proportion of their lives in poor health. Within the region, there is substantial variation between outcomes in more deprived and more affluent areas.

Figure 13: Average life expectancy at birth



Source: ONS

Opportunities to improve outcomes

Despite the challenges, there are opportunities to improve outcomes including:

- To better-connect people to employment – taking advantage of high levels of vacancies in region by historic standards
- To improve longer-term outcomes for residents (and support the economy) through improvements to education, skills and entrepreneurship and by increasing the focus on ‘good work’
- To lead the low-carbon revolution – especially around offshore wind, geothermal energy and electrification – and to continue to attract record investment
- To improve business growth and productivity through high value-added industrial clusters, including by strengthening innovation and R&D outcomes
- To transform perceptions of region: From a relatively peripheral region with a relatively weak economy... to one which is connected nationally and internationally by strong digital and transport links ... with a strengthening economy ... and which can offer outstanding quality of life – building on strength of communities, affordable housing, a resilient climate and access to outstanding rural, coastal and heritage assets.

This Governance Review is focused on how best to tackle the challenges and use those opportunities.

Understanding current governance arrangements

The proposals set out in this document are based on a strong track-record of working together across local authority boundaries in the North East. In recent years this has included through the work of the NECA and the NTCA, together with collaboration through other structures, including the Association of North East Councils, the North East Local LEP and the North East Joint Transport Committee. These organisations have had responsibility for issues spanning from the pandemic response to overseeing improvements to transport infrastructure, and from unlocking house building to the introduction of new skills programmes.

Devolution in the North East

This is a third iteration of devolution in the North East.

- The first saw the creation in 2014 of a North East Combined Authority comprising Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. This was established to bring together decision taking and collaboration on integrated transport and local economic development. A similar approach was taken in other places, including South Yorkshire, West Yorkshire and Liverpool City Region.

- In 2016, discussions in the North East on a 'minded to' devolution deal ended when it became clear that the deal could not command the constituent authority consent of all 7 local authorities involved at the time.

- The consequences were the adjustment of the North East Combined Authority to cover Durham, Gateshead, South Tyneside and Sunderland to continue to collaborate but without an elected mayor. And, the creation of a new Mayoral Combined Authority in November 2018, the North of Tyne Combined Authority, to cover Newcastle, North Tyneside and Northumberland. Collaboration around transport would be led through a Joint Transport Committee across the wider area.

- The two Combined Authorities have been responsible for creating the conditions for economic growth and new investment in the area, with the NTCA also having additional powers and funding to support inclusive growth, housing and skills. To date, the NTCA has secured investments which will create almost 5000 jobs, half the NTCA's 30-year target. At the same time, there has been strong collaboration between NECA and NTCA on a range of issues including:

- - Development of a joint North East Transport Plan
 - Management of strategic transport funding including prioritisation of the Transforming Cities Fund
 - Delivery of the North East Strategic Economic Plan (2014-2024)
 - Access to finance
 - NE Screen Industries Partnership
 - Oversight of North East LEP activities

A new Mayoral Combined Authority for the North East would be able to build on this work, overseeing over £4billion of new investment into economic growth, skills, transport and housing & regeneration.

In addition to the creation of NECA and NTCA, a Joint Transport Committee was established through which both Combined Authorities agreed to jointly exercise their transport functions. The Joint Transport Committee has developed policies, funding bids, projects, contract management, delivery programmes and partnerships covering all aspects of transport covering the whole of the North East area – that is the LA7 authorities.

Coterminous with this arrangement is the North East LEP whose board, which was established in 2011, includes political representation from across both combined authorities, together with private sector leadership and the education and voluntary sectors.

On 2nd February 2022, the Secretary of State for Levelling Up, Homes and Communities published “Levelling Up The United Kingdom” a White Paper that describes the Government’s policy intent in tackling regional disparities and inequalities. The White Paper and announcement make reference to a “County Deal” for Durham and negotiations to agree a Mayoral Combined Authority deal for the North East.

Collaboration across the North East

The “North East” can mean many things to many people. Sometimes it is the 12 local authorities which come together as the Association of North East Councils. Those local authorities work together on health and social care as part of the North East and North Cumbria Integrated Care Board (which actually covers 13, soon to be 14 local authorities) and through the North East branches of the Association of Directors of Children’s Services, the Association of Directors of Adult Social Services and the Association of Directors of Public Health. The same 12 currently host the North East Cultural Partnership and collaborate to provide elected member representation on a range of bodies who cover the entire North East from Redcar and Cleveland to Northumberland.

During the pandemic, for almost two years, 8 Leaders and Mayors (7 local authorities and the Mayor of North of Tyne) have collaborated to provide policy leadership to the response. Meeting at least weekly, they worked hard to provide a coordinated, cross-party voice to the communities they serve and on behalf of those communities into government. That leadership made a difference to the strength of the North East’s response and is now focussed on the region’s recovery.

In parallel, for the last 4 years, the same leadership group, working through a Joint Transport Committee have provided policy leadership to a Transport Plan for the North East and secured significant investment which is currently making a practical difference on the ground in the region. That group have also created a common voice to government on integrated rail planning, bus services and government support to local public transport. In particular, they have worked together to make the case for the use of the Leamside Line, upgrading the East Coast Main Line,

developing the Northumberland Line and a stronger partnership to deliver better bus services.

All of that work has created a sense of common purpose that Leaders and Mayors have sought to continue for the good of the North East.

Local Enterprise Partnerships

From 2011, local enterprise partnerships (LEPs) were established as a public-private sector partnership. There are 38 LEPs across England. They are business-led partnerships between local authorities, local private sector business leaders and education and voluntary sector senior leaders. Each is tasked with playing a central role in determining local economic priorities and undertaking activities to drive economic growth and job creation, improve infrastructure and raise workforce skills within the local area.

The wider North East served by the 12 local authorities is covered by two Local Enterprise Partnerships. One for the 5 Tees Valley authorities and one for the other 7 – the North East LEP.

The North East LEP board is led by a private sector Chair and has board members from local leaders of industry, educational institutions, the voluntary sector and local authorities. It manages multi-million-pound investment programmes designed to improve and support the North East's economy. These include the North East Investment Fund, North East Enterprise Zones, the Local Growth Fund and the Getting Building Fund. The North East LEP leads significant programmes covering the skills and enterprise agendas, business and sectors' growth and innovation, as well as economic data and evidence work on behalf of the region.

In March 2022, Government announced its response to a review of LEPs. That includes the intention to integrate LEP functions and roles into Mayoral Combined Authorities or upper-tier local authorities. Following discussion locally and nationally, the "Minded-To" deal includes integration of the functions and roles of the North East LEP into the North East Mayoral Combined Authority.

Transport Governance and Funding

As described earlier, the transport powers of both current combined authorities are currently exercised through the North East Joint Transport Committee. Political representatives from across the area come together to provide policy direction and governance for transport matters in line with the agreed North East Transport Plan. There are specific delegations in place to allow for Durham, Northumberland and Nexus to deliver services on behalf of the Joint Transport Committee, and a sub committee for Tyne and Wear to oversee Nexus' delivery of services (Metro, bus and Ferry) and the Tyne Tunnels.

The North East Joint Transport Committee is responsible for overseeing over £200m of capital investment, including funding from the Transforming Cities Fund. This includes investments in active travel corridors, bus priority schemes, Park & Ride improvements and city centre public realm improvements. In addition, the £94m Metro Flow scheme will provide extra Metro track capacity in Jarrow and Hebburn,

which when combined with the introduction of a £360m new fleet of Metro trains will enable the whole system to operate at six trains per hour on each line, compared to five trains per hour at present, and to reduce delays by improving operating efficiency and resilience.

Leaders and Mayors have recently turned their attention to longer term transport funding and the Government's City Region Sustainable Transport Settlements. This funding is designed to support integrated transport at a regional level. In 2021, Leaders and Mayors spent time with Government Ministers making the case for delegation of £563m of transport funding to the North East via the Joint Transport Committee. Towards the end of 2021, the Government made it clear that it would only consider such a delegation through a Mayoral Combined Authority for the North East.

Case for change

As explained above, the current governance arrangements for the LA7 authorities and the different powers between parts of the area constrain access to funding. The authorities have therefore undertaken an assessment of the opportunities and challenges existing across the region, demonstrating that access to a broader range of powers and devolved funding is needed to achieve the area's full growth potential.

The “Minded-To” North East Devolution Deal

Government and the North East local authorities have agreed an ambitious “minded-to” devolution deal that will provide the area with significant new powers and funding to increase opportunities and living standards through inclusive growth and productivity improvements. The content of the deal (included here in Annex A) has a clear focus on making a difference for people, communities and business in the North East.

The deal is described as “minded-to” as the proposals are subject to consultation with stakeholders, formal consent from each constituent council and parliamentary approval of the relevant legislation to implement the proposal over the coming months.

Governance

The economic and social challenges facing the region need to be addressed and opportunities maximised if the area is to grow and prosper. Collaboration via the North East LEP, the North East Joint Transport Committee and the example of the North of Tyne Mayoral Combined Authority have demonstrated the ability to make a difference with the right relationships, powers and investment. However, in the current governance environment that ability is limited in scope and geography.

As a consequence, there is strong evidence that strengthened governance arrangements across the North East with additional powers and funding, will deliver significant economic outcomes locally and improve the contribution of the area to the national economy.

Through the “minded-to” devolution deal, North East local authorities have the opportunity to take on greater control and responsibility for a number of key drivers of economic growth with a strong range of additional powers and funding. Government have made it clear this opportunity does not exist within the existing arrangements.

Under the terms of the deal a North East Mayoral Combined Authority with a new directly elected mayor for the area will provide a stable and directly accountable platform for devolution of resources and a wider range of powers from central government. The MCA will exercise a broader range of functions which are contained in the deal and summarised below. However, it is important to note that no constituent authority powers are removed or replaced.

The Mayor will Chair the Combined Authority meetings while each of the 7 authorities will appoint one member to make up the Cabinet of the Combined

Authority. The Cabinet will be supported by a representative of the business community and a representative of the community and voluntary sector.

The MCA will be able to explore building upon existing collaboration to further strengthen partnership working with Tees Valley, Cumbria and south east Scotland (particularly relevant to the Borderlands work involving Northumberland County Council.) The constituent authorities will also work hard to ensure that the Mayor and Cabinet receive inclusive advice from the wider community of partners and stakeholders to shape policy and understand how action can lead to impact and outcome.

The relationship with business will be integral to the proposed arrangements. The new North East Mayoral Combined Authority will be supported to take on all of the functions and roles carried out by the North East LEP, consistent with section 10 of the guidance on LEP integration. This includes all relevant LEP assets and receipts, and the ongoing management of current and legacy local growth funding streams for the benefit of the whole region. The region shall benefit from strategic economic planning across a clear, consistent economic geography that builds on the established evidence based developed by the North East LEP.

- Following the Government’s policy announcement in March 2022 on the Integration of LEPs into local democratic institutions, the Chief Executive of the North East LEP is working with constituent authorities and the current North of Tyne Mayoral Combined Authority (the LEP’s Accountable Body) to design a migration plan to move the functions and roles of the North East LEP into the proposed new MCA.
- As well as carefully supporting the current North East LEP team, the critical policy issue will be the creation of the arrangements for North East businesses to provide advice and challenge to the Mayor and Cabinet. The expectation is that the North East LEP Board will turn into a “Business Board” linked to the Mayor and Cabinet and that the Chair of that Board will represent North East businesses as a non-voting member of Cabinet.

Experience in the North East LEP, the Joint Transport Committee, the North East Combined Authority and the North of Tyne Mayoral Combined Authority shows that decisions are generally made by consensus based on good quality, evidence-based, policy making. The “Minded To” deal builds on that with the Scheme for Publication showing a clear set of voting arrangements which will be enshrined in the order establishing the MCA and its constitution.

In addition, the following decisions will require the unanimous support of all Voting Members (ie the Mayor and all seven Constituent Council Members):

- Approval of, and any amendment to, NEMCA’s annual budget excluding those elements of NEMCA’s annual budget which relate to Mayoral functions;
- Approval of, and any amendment to, the setting of any levy which NEMCA shall apply to any Constituent Council;

The Mayor will be required to consult the Combined Authority on Mayoral strategies and this will be subject to the following specific conditions

- If the new MCA decides that they want to take on a Spatial Development Strategy power at a later date, then the decision to confer a duty on the Mayor to produce such a Strategy will require the consent of the members of the MCA's Cabinet appointed by the constituent councils. Decisions on the adoption and operation of the Strategy will be on the basis of simple majority, including the mayor (5/8).
- The Combined Authority will be able to amend the Mayor's budget if five of the voting members agree to do so; and
- The Combined Authority will be able to amend the Mayor's transport strategy if a majority of members agree to do so.

The following decisions by the Mayor will require the consent of the Combined Authority member, or substitute member acting in that member's place, appointed by the constituent council in whose area the decision will apply

- Designation of any area of land as a Mayoral development area leading to the establishment, by order, of a Corporation (the consent of the relevant national park authority is also required if the land falls within the designated national park area)
- The compulsory purchase of land or building
- Any decision that could lead to a financial liability falling directly upon that constituent council; and
- Such other matters as may be contained in the Combined Authority constitution and agreed with the Mayor.

The Mayor and the Combined Authority will be scrutinised and held to account by the Combined Authority's Overview and Scrutiny and Audit Committees. The existing Joint Transport Committee, North of Tyne Mayoral Combined Authority and the North East Combined Authority have these arrangements and the area is therefore familiar with supporting scrutiny in the context of transport and mayoral combined authority functions. Alongside all institutions with devolved powers, the new mayoral combined authority will be subject to the Devolution Accountability Framework, once it is formally agreed and announced. The Mayor and Combined Authority may also seek to enhance scrutiny and develop wider conference with all elected members in the Combined Authority's area to engage on key issues.

Functions

The deal acknowledges that some of the functions are already exercised within the North East via the Joint Transport Committee, the North East LEP or the North of Tyne Mayoral Combined Authority. However, the "minded to" deal consolidates those functions into one Mayoral Combined Authority; the Scheme for Publication explains the legislative underpinning to that consolidation as well as the devolution of further powers, not currently exercised in the area.

The detail of those functions and associated investment are in the "minded-to" deal at Annex A and can be summarised as:

- Finance and Investment -- providing an opportunity to deliver a programme of transformational long-term investment, including by supporting employment growth at key sites in the region such as: the innovation centres at Newcastle Helix and County Durham NetPark; the International Advanced Manufacturing Park; and port and river-side sites in North Tyneside, Northumberland, South Tyneside and Gateshead. It also seeks to continue the provision of access to finance for SMEs to scale in the region.
- Skills and Education – including by delivering the Adult Education Budget to meet local skills priorities faced by businesses across the whole region, and through a focus on education recovery to address COVID learning loss, addressing disparities and improving life chances for our children throughout their time in education.
- Innovation and Clean Energy – including through a trailblazer deal to grow the private sector at a local level, building the resilience of businesses and households in the North East to cost of living pressures, strengthening the North East’s global competitiveness and empowering local entrepreneurs. While a bespoke ‘inclusive innovation deal’ programme will focus on translating the region’s world class research expertise into jobs, skills and inclusive growth outcomes.
- Housing and Land – with the authority overseeing a major programme of investment in enabling works to bring forward new housing development and having broad powers to acquire and dispose of land to build houses, commercial space and infrastructure - supporting growth and regeneration.
- Transport – including responsibility for producing an area-wide transport plan; the delivery of significant local transport infrastructure through a £563m City Region Sustainable Transport Settlement and other devolved transport funds including Active Travel Fund and Bus Service Improvement Plan funding; service delivery through Durham, Northumberland, Nexus (Metro, bus and Ferry) and the Tyne Tunnels; developing ambitious plans for the improvement of bus services and the development of integrated ticketing schemes; the promotion of active travel; creating partnerships with national agencies including Network Rail / Great British Railways, National Highways and Active Travel England; and developing a region-wide electric vehicle charging network.
- Digital and Connectivity – including a focus on tackling the digital divide; supporting the smart adoption and scale-up of advanced digital service and technologies within our industries and public services; and working with Government to support the rollout of broadband and mobile infrastructure.
- Arts, Culture, Heritage and Sport – using the cultural, creative and visitor economy sectors to drive inclusive and sustainable growth, and making the most of the region's distinctive natural, cultural and heritage assets.
- Public Service Reform – exploring initiatives to improve delivery of public services including around Place-based Health and Care, Healthy Ageing and Population Health and Prevention. In addition, the new MCA will work closely with the Police and Crime Commissioners to develop strong partnership

arrangements, ensuring a joined up approach between community policing and place-based services;

- Resilience and Public Safety – with the Combined Authority having a role in local resilience, building on work of Leaders and Mayors to support the economy through the pandemic;
- Rural – with opportunities to build on the Borderlands Inclusive Growth Deal through the development of a joint plan for rural growth, stewardship and net zero; exploring issues including the rural economy, infrastructure, and rural housing and development.

The Combined Authority will take a joined-up approach to maximising the impact of these functions. One example of how this has previously been done is that the NTCA – working closely with local authority, NECA and North East LEP colleagues – is bringing forward a comprehensive programme to unlock opportunities associated with offshore wind; with simultaneous investment in sites, port-infrastructure, innovation and skills. This has helped unlock significant jobs growth in businesses including JDR Cables, Smulders Projects UK and Equinor.

The Combined Authority will also be able to take a place-based approach to development and inclusive growth – including strategic propositions which straddle multiple local authority areas. This will include building on the work which is using the re-opening of the Northumberland Line as part of a wider strategy around skills, employment, jobs and housing along a corridor running from SE Northumberland, through North Tyneside and into Newcastle. A similar approach is planned around the Leamside Line and Washington Metro Loop, along the A1 and A19 corridors in County Durham, and the Moor Farm / Seaton Burn A19 junctions on the boundary between North Tyneside and Northumberland.

Criteria

This section sets out the local and legislative criteria against which possible regional governance options are then considered.

Local policy objectives and tests

Leaders and Mayors agreed a set of policy objectives and tests at the beginning of the devolution journey which reflected their different positions and the mix of governance.

The policy objectives were

- A proposal which matches the ambition of Leaders and Mayors to make a difference for our residents, communities and economy
- A proposal where each Local Authority and each Combined Authority can see clear benefit for their place
- A proposal which contributes to the recovery of the region following the COVID19 pandemic; and
- A proposal supported by stakeholders and partners.

Those tests were

- Is any proposal at least at the level of the North of Tyne Combined Authority Devolution Deal in terms of powers, cash value and flexibilities?
- Does any proposal contain sufficient additionality that Newcastle City Council, North Tyneside Council and Northumberland County Council can see the benefit of operating across a greater geography?
- Does the proposal avoid unfunded liability?
- Can we communicate the proposal effectively so that our residents, communities and businesses can understand it and make a balanced decision? And
- Do Leaders, Mayors and the Chief Officer team all feel sufficiently involved and recognise their contribution to any proposal?

Statutory tests

Section 112 of the 2009 Act provides that where one or more of the authorities which undertook the Review conclude that the exercise of the power to make an order under sections 104 to 107 of the 2009 Act would be likely to improve the exercise of statutory functions in the North East then they may prepare and publish a scheme relating to the exercise of those functions. The Secretary of State may then only make such an order if they consider that to do so is likely to **improve the exercise of statutory functions** in the Combined Authority's area. In making any such order, the Secretary of State must also have regard to the need:

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

Governance options

This section examines the effectiveness of existing governance structures at the North East level and considers their appropriateness against that of other possible governance models. An assessment of the following three options is provide below

- Option 1 – Do nothing / business as usual
- Option 2 – Strengthen existing arrangements; and
- Option 3 – A Mayoral Combined Authority

Option 1 – Do nothing / business as usual

The existing arrangements have demonstrated several strengths.

The North East LEP has:

- Created a place for regional leadership and collaboration on economic development bringing business, local authorities and education together to coordinate policy;
- Channelled significant public investment into infrastructure, skills and business growth; and
- Provided significant analytical and policy development capability to the area since its inception.

The Joint Transport Committee has:

- Created a stable and representative body to lead the development and delivery of a North East Transport Plan;
- Provided effective governance to the multi-million-pound operation of transport across the area – particularly through the pandemic; and
- Provided leadership and decision taking on a range of significant programmes which are improving local transport, including developments of the Tyne and Wear Metro and delivery of the Transforming Cities Fund.

The North of Tyne Mayoral Combined Authority has:

- Met its targets for job creation, job protection and leveraging private investment;
- Shown policy leadership on Good Work, its Green New Deal and supporting rural growth; and
- Worked collaboratively across the area to support the development of wider devolution.

The North East Combined Authority has:

- Provided an important forum for collaboration and aligning the strategic intent of the four local authorities as a sub-region; and
- Acted in the role of accountable body for the Joint Transport Committee – employing the Transport North East officer team, managing significant grant funding, and providing support services for the transport function.

However there are drawbacks and the potential to miss opportunities by doing nothing / continuing business as usual:

- Foregoes coordination benefits of having strategic powers on skills, planning, housing economic development and transport within a single body over a wide geography;
- Risks only very limited private sector investment in region-wide transport projects, by having an unclear set of arrangements; and
- The powers and funding on offer through the North East “Minded To” Devolution Deal are conditional upon the adoption of a directly elected Mayor.

Option 2 – Strengthen existing arrangements

Following the publication of the Levelling Up White Paper and the introduction of the Bill to Parliament, Government has set out a clear framework for devolution. In addition, in March 2022, Government responded to the national review of LEPs and set out its policy intent to integrate LEP functions into MCAs. Government, via the Home Office, has been clear that only in those instances where a MCA and Police Force are coterminous, can local leaders consider combining the powers of the Mayor and the PCC.

In practical terms, this means there is limited opportunity to strengthen local arrangements.

In a national context, the North of Tyne Mayoral Combined Authority is likely to continue to be asked to take powers and investment in line with the Government’s work with all MCAs. (The devolution of Brownfield Housing and Skills Boot Camp funding are good examples.) However, this is only applicable to Newcastle, North Tyneside and Northumberland.

Locally, there are some policy opportunities. For example, Leaders and Mayors recently asked the PCC to Chair the Northumbria Combatting Drugs Partnership on their collective behalf. There are some opportunities to apply some managerial changes; creating shared spaces for the teams involved, examining the potential to share functions and teams. It is clear, these changes are not commensurate with the challenges faced by the area.

In July 2021, the then Prime Minister proposed the potential for devolution County Deals. Subsequently, some counties have pursued this model of additional powers and investment in line with the Levelling Up White Paper and committed to a directly elected mayor or leader.

In the North East, Northumberland and Durham considered County Deals. Northumberland County Council ruled this out as an option based on their commitment to, and satisfaction with, their participation in the North of Tyne Combined Authority. Durham County Council agreed to explore the possibility. However, after significant local and national discussion the leadership of Durham County Council felt the additional powers and investment on offer from government were insufficient and too conditional to prove successful in delivering local policy priorities. Following this analysis, and discussion with Ministers, Durham County Council formally sought to join the emerging Minded To Deal for the North East.

Option 3 – Establishing a North East Mayoral Combined Authority

This option requires the existing governance arrangements to convert to a North East Mayoral Combined Authority.

The adoption of an MCA model of governance for the North East will enable the whole area to unlock the additional benefits of the “minded-to” devolution deal through the additional powers and funding from government. This will both extend and enhance the powers/functions currently exercised within the NTCA area.

In addition to the current arrangements, and over and above any strengthening of those arrangements, the following value is added by the whole North East region moving to a mayoral combined authority model of governance:

- The 30-year gainshare funding mechanism agreed in the deal provides a strong basis for the long-term approach needed to address the long-standing economic challenges facing the region. In this Governance Review we have identified challenges around a) low growth and productivity, (b) below average qualification levels, (c) levels of unemployment and inactivity above the national average, (d) lower income and higher rates of worklessness and significant deprivation, and (e) poorer health outcomes. Working at a regional level (including by providing a coherent framework for more localised interventions) provides the opportunity to develop approaches jointly with businesses, residents and communities at geographies which reflect business cluster, supply-chain and travel-to-work patterns. In addition, the Authority would have access to a wide range of assets and strengths over this geography – including within FE colleges, universities, catapult centres, transport hubs and business clusters.
- Access to £563m of new transport funding through a City Region Sustainable Transport Settlement, along with other transport funds agreed through the “minded-to” devolution deal with a total value of over £900m.
- An opportunity to draw together a range of other funding sources into one place under consolidated policy direction.
- Greater local accountability and decision-making power working in partnership with government and the constituent councils.
- A unified and influential voice to strengthen conversations with government, national agencies and business leaders in the development of local inclusive

growth policy, strategic interventions, securing a greater share of national resources and influencing national decision making.

- Greater visibility and influence as one of the group of mayoral combined authorities with access to the initiatives and funding opportunities only available to the MCAs.
- Alignment at a strategic level across a broader range of statutory functions, including skills, planning, housing, economic development, transport and under a coherent strategy, appraisal framework and investment programme.
- Opportunity to use devolved skills funding to ensure greater alignment between educational provision and business needs.
- Closer working across the wider public sector on integrating functions and services.
- A stable and accountable platform underpinned by statutory powers to access greater devolved powers and funding delegated from government as part of future deals to enable locally devised interventions; and finally
- Making a difference for people, places and business by:
 - Serving a population of 2,003,593
 - Creating an additional 24,000 jobs
 - Building an additional 3,100 homes
 - Helping 6000 people to get “work ready” each year
 - Commissioning 70,000 courses each yet to get people good jobs
 - Taking major steps to Net Zero; and
 - Leveraging £5.0bn of private sector investment

Conclusions

To ensure the improved exercise of statutory functions across the area of the North East, adopting a Mayoral Combined Authority model of governance for the area (Option 3) is considered the best approach. An MCA for the area offers greater flexibility and accountability and, moreover, devolved powers and funding than can be provided through either continuing with the existing arrangements (Option 1) or strengthening existing arrangements (Option 2.)

The new MCA governance model, along with the additional devolved powers and funding resulting from the “minded-to” deal, would better enable the area to pursue its objectives of promoting faster, more inclusive and cleaner growth and delivering transport system suitable for the 21st Century.

It is therefore concluded that:

- Current governance arrangements for the North East – based on two combined authorities (one Mayoral and one not) – do not represent the best model in terms of delivering the long-term ambitions of the authorities within the area for economic growth and the delivery of public services.
- There is limited practical scope for the existing governance arrangements to be meaningfully strengthened, short of adopting a mayoral combined authority model.
- A change is required to enable North East authorities to pursue their economic agenda a greater pace while continuing to collaborate with Tees Valley, Cumbria and south east Scotland in pursuit of shared economic and social objectives.
- The statutory criteria for preparing and publishing a scheme are met, i.e. the making of an order under S104 and S105 to enable the adoption of an MCA model of governance for the North East area is the best option and will be likely to **improve the exercise of statutory functions in that area.**
- In addition, establishing an MCA model for the North East will
 - **Have a positive impact on the interests and identities of local communities** – these proposals build on established regional governance arrangements and relationships, and will cover a coherent functional economic area and which represent the views and interests of local communities; and
 - **Secure more effective and convenient local government** by reducing complexity and streamlining the delivery of public services within the area. Where appropriate, initiatives to support businesses, residents and communities will be developed and delivered at wider geographic footprint, also enabling better alignment with the geographical coverage of other partner organisations.

It is therefore proposed that a governance scheme is published (a draft scheme is included at Appendix B) that confirms:

- A mayoral combined authority should cover the area of the North East;
- A mayor for the new north east combined authority should be elected in May 2024;
- The mayor would be a member of the Combined Authority and chair meetings of the authority;
- Each Council will appoint a member to the new Combined Authority, alongside non-voting members representing business and the community and voluntary sector; and

The Mayor and MCA will exercise statutory functions, and hold some powers concurrently with the North East local authorities. No functions are being removed from those councils. Where existing functions currently held by North East local authorities are to be shared with the Mayor or the MCA, this must be agreed by the constituent councils.

Appendix 5 : The ‘Scheme’

Scheme setting out proposals for the creation of a new mayoral combined authority for the North East area

Sections 109 and 112 of the Local Democracy, Economic Development and Construction Act 2009

Draft as at 13 January 2023

This scheme has been jointly prepared by:

- Durham County Council
- Gateshead Metropolitan Borough Council
- Newcastle City Council
- Northumberland County Council
- North Tyneside Council
- South Tyneside Metropolitan Borough Council,
- Sunderland City Council.

This scheme sets out proposals to change the governance arrangements for the area of the seven councils set out above by:

- i. the abolition of the two combined authorities which currently exist in the area of the seven councils; and
- ii. the creation of a single new mayoral combined authority to cover the area of all seven councils.

Interpretation

In this Scheme:

“the 2008 Act” means the Housing and Regeneration Act 2008,

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

“the 2011 Act” means the Police Reform and Social Responsibility Act 2011,

“the 2014 Order” means The Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Order 2014 ;

“the 2018 Order” means The Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018;

“the Combined Area” means the area of the Constituent Councils

“the Constituent Councils” means

- Durham County Council
- Gateshead Metropolitan Borough Council
- Newcastle City Council
- Northumberland County Council
- North Tyneside Council
- South Tyneside Metropolitan Borough Council, and
- Sunderland City Council

and a reference to a “Constituent Council” or “Constituent Councils” shall mean any one or more of the above

“Constituent Council Member” shall mean a member appointed to NEMCA by a Constituent Council

“Deputy Mayor” means a Constituent Council Member who is appointed by the Mayor to act as Mayor when the Mayor is unavailable or unable to act

“Mayor” means the mayor for the Combined Area,

“Mayoral Function” means any function which is the responsibility of the Mayor

“NEMCA” means the new mayoral combined authority which is to be established for the Combined Area,

“NECA” means the Durham, Gateshead, South Tyneside and Sunderland Combined Authority which is also known as the North East Combined Authority

“Non-Mayoral Function” means any function of the MCA which is not a Mayoral Function,

“NTCA” means the Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority which is also known as the North of Tyne Combined Authority

“[PCC” means a police and crime commissioner as defined in the 2011 Act],

1. Introduction

- 1.1 On 28th December 2022, the 7 North East Authorities (ie Durham County Council, Gateshead Council, Newcastle City Council, North Tyneside Council, Northumberland County Council, South Tyneside Council and Sunderland City Council) agreed a “minded to” devolution deal with HM Government.
- 1.2 The devolution deal sets out £4.2bn of government investment, which will be subject to local influence and decision making, enabling spend on local priorities, together with a range of devolved functions. The devolution deal can be found at: [insert link]
- 1.3 The devolution deal is subject to the 7 North East Authorities adopting the model of a directly elected mayor over the whole of their area.
- 1.4 This will require the abolition of the two combined authorities which currently exist in the area of the North East Authorities, namely:
 - 1.4.1 NECA which is the combined authority covering the local government areas of Durham, Gateshead, South Tyneside and Sunderland; and
 - 1.4.2 NTCA which is the mayoral combined authority covering the local government areas of Newcastle upon Tyne, North Tyneside and Northumberland
- 1.5 A new mayoral combined authority will then be established across the area of all 7 North East Authorities.
- 1.6 In order to deliver these changes, the North East Authorities must follow the statutory process in the 2009 Act.
- 1.7 As the first part of the statutory process, the North East Authorities have conducted a governance review under sections 108 and 111 of the 2009 Act in relation to the changes set out above. Having considered the findings of the review, the North East Authorities have concluded that the proposed changes would be likely to improve the exercise of statutory functions in relation to their area. They have therefore resolved to publish this scheme under sections 109 and 112 of the 2009 Act regarding the proposed creation of a new mayoral combined authority for their area. The scheme sets out the statutory functions which the new mayoral combined authority would have and how it would make decisions on the use of its statutory functions.
- 1.8 The proposals contained in this Scheme will be subject to public consultation from [] January 2023 to [] March 2023. At the end of that period, the 7 North East Authorities, the existing combined authorities and the Mayor of NTCA will consider the responses to the consultation and whether they wish to pursue the proposed creation of a mayoral combined authority for their area. If they do, they will then submit the consultation responses to the Secretary of State who will consider whether the statutory requirements in the 2009 Act have been met. If satisfied that the statutory tests have been met, the Secretary of State will prepare a draft of the necessary legal order to give effect to the changes, ie to (i) abolish NECA and NTCA, and (ii) create the new mayoral combined authority for the area. Subject to necessary consents from authorities locally, the

Secretary of State will lay the draft order before Parliament and seek Parliament's approval to make the order.

2. Proposed Mayoral Combined Authority for the North East

2.1 Geography

2.1.1 The area of the new mayoral combined authority shall be the Combined Area, ie the area consisting of the areas of the 7 North East Authorities (which are referred to in the remainder of this scheme as “the Constituent Councils”).

2.2 Name

2.2.1 It is proposed that the name of the new mayoral combined authority shall be the **North East Mayoral Combined Authority (“NEMCA”)**.

2.3 Election of Mayor

2.3.1 It is proposed that the first Mayor will be elected in May 2024. The Mayor will be elected by the local government electors for the Combined Area.

2.3.2 As set out in the 2009 Act, the Mayor is to be returned under the simple majority system (‘first past the post’).

2.3.3 It is proposed that the initial term of the Mayor will be 4 years and each subsequent mayoral term will also be 4 years.

2.3.4 The 2009 Act provides that the Mayor will be entitled to the style of “Mayor” and the title of the Mayor will be the North East Mayor.

2.4 Membership

2.4.1 It is proposed that the membership of NEMCA will comprise 10 members as set out below.

2.4.2 The following members will be voting members for the purposes of making decisions on the exercise of Non-Mayoral Functions (see also section 2.6 below):

- the Mayor; and
- seven elected members, ie one appointed by each of the seven Constituent Councils (and these members are referred to as “Constituent Council Members”)

The above Members are collectively referred to as “the Voting Members”.

2.4.3 In addition to the above Voting Members, the following individuals shall be non-voting members of NEMCA (unless NEMCA resolves to give these members a vote on any issues):

- the Chair of the Business Board [see section 3.7 below]
- a representative of the Community and Voluntary Sector.

2.4.4 Where the members of NEMCA meet to make decisions on the exercise of the functions of the NEMCA, these meetings will be referred to as Cabinet meetings.

2.4.5 Each Constituent Council shall be entitled to appoint a substitute member to act in the absence of its Constituent Council Member at a Cabinet meeting.

2.5 Role of the Mayor

2.5.1 As provided by the 2009 Act, the Mayor by virtue of their office will be the Chair of NEMCA and chair Cabinet meetings.

2.5.2 The Mayor will be responsible for the exercise of those functions of NEMCA which are Mayoral Functions, as set out at section 3.1.4 below.

Deputy Mayor

2.5.3 The 2009 Act requires the Mayor to appoint one of the Constituent Council Members of NEMCA as a Deputy Mayor, who will act in place of the Mayor if for any reason the Mayor is unable to act or the office of Mayor is vacant. The Deputy Mayor will chair meetings of the Cabinet in the absence of the Mayor.

2.6 Decision-making arrangements

2.6.1 As set out in section 3 of this scheme, certain functions of NEMCA are Mayoral Functions. Decisions on the exercise of any Mayoral Function are to be made by the Mayor in accordance with the requirements set out at para 2.6.8. to 2.6.12 below.

Decision-making on non-mayoral functions

2.6.2 All the other functions of NEMCA are Non-Mayoral Functions. Decisions on the exercise of Non-Mayoral Functions shall generally be made by the Cabinet. Cabinet may also delegate authority so that decisions on Non-Mayoral Functions can be made:

- by a committee or subcommittee of NEMCA;
- by an officer of NEMCA; or
- under joint arrangements with another local authority.

2.6.3 No business of the Cabinet will be transacted at a meeting unless the Mayor (or Deputy Mayor) and at least five Constituent Council members are present. It is proposed that the Cabinet will aim to reach decisions by consensus but, if it is not possible to reach a consensus on a matter that requires a decision, the matter will be put to the vote.

2.6.4 The Mayor and each Constituent Council Member will have one vote. The Mayor will not have a second or casting vote. Decisions of Cabinet will be decided by way of a simple majority of the Voting Members present except for those decisions outlined in paragraphs 2.6.6 and 2.6.7 below.

2.6.5 If the Mayor does not vote with the majority of Cabinet the Mayor may seek a review of the decision taken by the Cabinet (a “Mayoral Review”). Such a review will cause the Cabinet decision to be re-considered by the Cabinet and the Cabinet may confirm or change its original decision. The reasons for the Cabinet’s decision will be published. (The opportunity for the Overview and Scrutiny Committee of the NEMCA to call in a Key Strategic Decision will commence after the expiry of the deadline for a Mayoral Review or conclusion of a Mayoral Review process.) For the avoidance of

doubt decisions on Non Mayoral Functions identified in paragraphs 2.6.6 and 2.6.7 shall not be subject to a Mayoral Review.

2.6.6 Decisions at any meeting of the Cabinet on the following Non-Mayoral Functions will require the unanimous support of all Voting Members (ie the Mayor and all seven Constituent Council Members):

- Approval of, and any amendment to, NEMCA's annual budget excluding those elements of NEMCA's annual budget which relate to Mayoral functions;
- Approval of, and any amendment to, the setting of any levy which NEMCA shall apply to any Constituent Council;
- Agreement to confer upon the Mayor a duty to produce a Spatial Development Strategy

2.6.7 Decisions at any meeting of the Cabinet on non-mayoral transport functions (as set out in Part 3 of this Scheme) [and other functions TBC] will by way of a simple majority of the Voting Members present at the meeting provided that the Mayor must also have voted in favour of the proposal for it to be approved

Decision-making on Mayoral Functions

2.6.8 In accordance with the 2009 Act, any Mayoral Function will be exercisable only by the Mayor. The Mayor may delegate such a function:

- to the Deputy Mayor,
- to another Constituent Council Member of NEMCA,
- to an officer of NEMCA, or
- under joint arrangements.

2.6.9 It is proposed that any member or officer of NEMCA may assist the Mayor in the exercise of Mayoral Functions, but that the Mayor cannot delegate a decision on a Mayoral Function to their political advisor.

2.6.10 The Mayor will be required to consult the Cabinet on any policy or strategy relating to the exercise of a Mayoral Function. The Mayor's exercise of Mayoral Functions will be subject to the following specific conditions:

- a) The adoption by the Mayor of any Spatial Development Strategy (or amendment thereto) will require the consent of at least four Constituent Council Members at a Cabinet meeting;
- b) Cabinet will be able to amend the Mayor's budget if at least five Constituent Council Members agree to do so at a Cabinet meeting;
- c) Cabinet will be able to amend the Mayor's transport strategy (including but not limited to the Local Transport Plan) if a simple majority of Constituent Council Members at a Cabinet meeting agree to do so.

2.6.11 It is also proposed that some decisions in respect of Mayoral Functions will require the consent of the Constituent Council Member appointed by a Constituent Council directly affected by the decision. This consent requirement applies to the following:

- a) The designation of any area of land as a Mayoral Development Area and/or the establishment of a Mayoral Development Corporation (NB: the consent of the relevant

national park authority is also required if the land falls within the designated national park area) (see section 3.4.1 below);

b) The compulsory purchase of land or buildings by the Mayor (see section 3.4.2 below);

c) The use of the highway powers listed in section 3.2.6 below;

d) Any decision that could lead to a financial liability falling directly upon that Constituent Council; and

e) Such other matters as may be contained in NEMCA's constitution and agreed with the Mayor.

2.6.12 It is proposed that in relation to the Mayoral Functions, joint arrangements under section 101(5) of the Local Government Act 1972 are provided for by Order, in accordance with section 107E of the 2009 Act.

2.7 Scrutiny Arrangements

2.7.1 The Mayor and the Cabinet will be scrutinised and held to account by NEMCA's Overview and Scrutiny Committee.

2.7.2 In accordance with the 2009 Act, NEMCA will ensure that the Overview and Scrutiny Committee has power to:

(a) review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are the responsibility of NEMCA;

(b) make reports or recommendations to NEMCA with respect to the functions that are the responsibility of NEMCA;

(c) make reports or recommendations to NEMCA on matters that affect the Combined Area or the inhabitants of the Combined Area.

2.7.3 NEMCA's arrangements must also ensure that the Overview and Scrutiny Committee has power to:

(a) review or scrutinise decisions made, or other action taken, in connection with the discharge by the Mayor of any Mayoral Functions,

(b) make reports or recommendations to the Mayor with respect to the discharge of any Mayoral Functions,

(c) make reports or recommendations to the Mayor on matters that affect the Combined Area or the inhabitants of the Combined Area.

2.7.4 The Committee shall have the power to "call-in" certain decisions taken by the Mayor or NEMCA (in which event the Committee can direct that (a) a decision is not to be implemented while it is under review by the Committee, and (b) recommend that the decision be reconsidered by the decision-maker).

2.7.5 Membership of the Overview and Scrutiny Committee shall consist of an equal number of members from each Constituent Council and such other independent persons as may be appointed by NEMCA. The appointment of members to the Overview and Scrutiny Committee shall reflect political balance across the whole of NEMCA's area at the time of their appointment.

2.7.6 The Chair of the Overview and Scrutiny Committee will be an “Appropriate Person” within the meaning of sub-paragraph (5)(a) of Schedule 5A of the 2009 Act and will be an elected member of a Constituent Council but not a person who is a member of a registered political party of which the Mayor is a member. The Chair of the Overview and Scrutiny Committee will be appointed by the Committee as the first item of business of the Committee in any municipal year.

2.7.7 The Overview and Scrutiny Committee may appoint such Sub-Committees as it deems necessary to fulfil its functions.

2.8 Audit

2.8.1 NEMCA will appoint an Audit Committee, which will carry out the statutory functions of an audit committee in accordance with the 2009 Act, which include:

- reviewing and scrutinising NEMCA's financial affairs
- reviewing and assessing NEMCA's risk management, internal control and corporate governance arrangements,
- reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging NEMCA's functions, and
- making reports and recommendations to NEMCA in relation to reviews the Committee has conducted.

2.8.2 Membership of the Audit Committee shall consist of an equal number of members from each Constituent Council and at least one independent person appointed by NEMCA who shall chair the Audit Committee. The appointment of members to the Overview and Scrutiny Committee shall reflect political balance across the whole of NEMCA's area at the time of their appointment.

2.9 Appointments - political advisors

2.9.1 It is proposed that the Mayor may appoint one person as the Mayor's political adviser.

2.10 Standing Orders

2.10.1 It is proposed that NEMCA will make standing orders for the regulation of its proceedings and business and may vary or revoke any such orders.

2.11 Remuneration

2.11.1 NEMCA shall approve a scheme for allowances for Members, following consideration of a report from an Independent Remuneration Panel.

2.11.2 The Mayor shall be paid an allowance as agreed by the Constituent Council Members of Cabinet, following consideration of a report from an Independent Remuneration Panel.

2.12.3 The Independent Remuneration Panel for these purposes may be a Panel appointed by NEMCA for this purpose or a Panel already established by one of the Constituent Councils).

3 Functions of the Mayoral Combined Authority

3.1 General

3.1.1 The prime purpose of NEMCA is to improve the exercise of statutory functions in relation to the Combined Area. In pursuit of this prime purpose, NEMCA will take on those functions set out in the “minded to” Devolution Deal (and retain those functions which were previously exercised by NECA and NTCA in respect of their areas).

3.1.2 Mayoral Functions will be the responsibility of the Mayor, and are exercisable only by the Mayor, unless delegated by the Mayor.

3.1.3 Where any Mayoral or Non-Mayoral Function is concurrent (ie shared) with any Constituent Council, then NEMCA and the Constituent Council shall agree arrangements for their exercise. NEMCA and the Constituent Councils will agree operating protocols for the exercise of these concurrent functions by NEMCA where considered appropriate. These protocols will recognise the strategic role of NEMCA and safeguard the role of the Constituent Councils in local decision making and delivery.

3.1.4 The following are Mayoral Functions [:

Transport

- i. Power to draw up a Local Transport Plan and strategies
- ii. Bus franchising powers
- iii. Ability to pay grants to bus service operators.
- iv. Ability to pay grants to the Constituent Councils for exercising transport functions.

Housing and planning

- i. Power to designate Mayoral Development Areas and establish Mayoral Development Corporations
- ii. Housing and land acquisition powers [including compulsory purchase] to support housing, regeneration, infrastructure and community development and wellbeing
- iii. Power to draw up a Spatial Development Strategy (subject to NEMCA agreeing to allocate the power to the Mayor)

Finance

- i. Power to set a precept on council tax to fund Mayoral Functions
- ii. Power to charge business rate supplement (subject to ballot)

3.1.5 For the purposes of the discharge of Mayoral functions the Mayor may do anything that NEMCA may do under section 113A of the 2009 Act (functional power of competence) other than borrow money.

3.1.6 All other functions of the Combined Authority will be Non-Mayoral Functions.

3.1.7 In addition to the above, the Constituent Councils and NEMCA may enter into arrangements under section 101 of the Local Government Act 1972 and/or section 9EA of the Local Government Act 2000 and the Local Authorities (Arrangements for Discharge of Functions) (England) Regulations 2012 to allow the delegation of functions from a Constituent Council to NEMCA or vice versa. Any such delegation arrangement will require the agreement of NEMCA and the relevant Constituent Council.

3.1.9 NEMCA may also enter into joint arrangements with any Constituent Council or other local authority, in respect of Non-Mayoral Functions, in accordance with section 101(5) of the Local Government Act 1972

3.2 Transport

Local Transport Authority and Local Transport Plan

3.2.1 At present NECA is the Local Transport Authority for its area and NTCA is the Local Transport Authority for its area. Therefore, NECA and NTCA currently have transport functions for their respective areas. However, NECA and NTCA jointly exercise their transport functions through the Joint Transport Committee which comprises elected members from both NECA and NTCA.

3.2.2 If NEMCA is created it will be the Local Transport Authority for the Combined Area under the Transport Act 2000. As NECA and NTCA will be abolished, the Joint Transport Committee will also cease to exist. NEMCA will exercise the transport functions for the Combined Area which were previously held by NECA and NTCA.

3.2.3 The Mayor will be given the functions in Part 2 of the Transport Act 2000 to produce a Local Transport Plan and associated strategies. As set out at para 2.6.10 above, the Cabinet of NEMCA will be able to amend the Local Transport Plan and strategies if a majority of members agree to do so. All other transport functions of NEMCA will be Non-Mayoral Functions unless explicitly identified in this scheme as Mayoral Functions (see para 3.1.4 above).

3.2.4 It is proposed that the Mayor will be able to exercise the functions of a minister of the Crown contained in section 31 of the Local Government Act 2003 to pay grants to the Constituent Councils for exercising transport functions. This power would be devolved from government to enable funding from government to be paid to Constituent Councils.

Roads

3.2.5 NEMCA will agree a Key Route Network (KRN) of those roads across the Combined Area which are maintained by the Constituent Councils as highway authorities for their respective areas. NEMCA will develop and agree a strategy for the Key Route Network. To support this, the allocation of all local roads maintenance funding will be determined by NEMCA within the context of its City Region Sustainable Transport Settlement (CRSTS).

3.2.6 NEMCA will also hold concurrently with the constituent authorities the following powers:

- section 6 of the Highways Act 1980 (enabling the Secretary of State or Highways England to delegate or enter into an agreement with NEMCA in relation to the construction, improvement or maintenance of trunk roads);
- section 8 of the Highways Act 1980 (enabling NEMCA to enter into agreements with other such authorities in relation to the construction, improvement, maintenance etc. of a highway within the Combined Area);
- sections 33, 33A and 36 of the Traffic Management Act 2004 (which would allow NEMCA to operate a permit scheme for the carrying out of specified works in specified streets);
- section 39 of the Road Traffic Act 1988 (promotion of road safety)

- Bus Lane Contraventions (Penalty Charges, Adjudication and Enforcement)(England) Regulations 2005 (enforcement of bus lane contraventions)

The exercise of any of these powers by NEMCA will require the consent of the Constituent Council Member appointed by a Constituent Council directly affected by the decision.

3.2.7 Central government intends to legislate to give the mayor of each mayoral combined authority a power of direction (if the mayor agrees) to allow them to direct local authorities on exercising their powers in respect of the KRN.

Buses

3.2.8 Following government reform of Bus Service Operator Grants, NEMCA will be granted powers under section 154 of the Transport Act 2000 to make grants to bus service operators.

3.2.9 NEMCA will become a franchising authority under the Transport Act 2000. This Act provides for the Mayor to carry out functions in relation to making, varying or revoking a bus franchising scheme.

Membership of Transport for the North

3.2.10 It is proposed that NEMCA shall become a Constituent Authority of Transport for the North ("TfN"), which is the Sub-National Transport Body for the North of England

Nexus

3.2.11 Nexus is the passenger transport executive for the Tyne and Wear area for the purposes of the Transport Act 1968 and an Executive Body of NECA and NTCA for the purposes of Part 5 of the Local Transport Act 2008 and Part 6 of the Local Democracy, Economic Development and Construction Act 2009. Nexus will continue in these roles in respect of NEMCA. Subject to the agreement of Nexus, NEMCA and the relevant County Council, the remit of Nexus may be extended to include Northumberland and/or Durham

3.2.12 Nexus will be treated as if it is an officer of NEMCA in the application of section 101 of the Local Government Act 1972.

Tyne Tunnels

3.2.13 The Tyne Tunnels (consisting of the vehicular, cycle and pedestrian tunnels and associated landholdings) will be transferred from the joint ownership of NECA and NTCA to the MCA, as will all property, rights and liabilities held by NECA and NTCA.

3.3 Adult Education / Skills and Employment

3.3.1 It is proposed that NEMCA will be given devolved functions in respect of Adult Education and will control the Adult Education Budget (AEB) from the academic year 2024/2025. (These arrangements will not cover apprenticeships training or persons subject to adult detention.)

3.3.2 These functions include those set out in the following sections of the Apprenticeships, Skills, Children and Learning Act 2009:

- a) section 86 (education and training for persons aged 19 or over and others subject to adult detention);
- b) section 87 (learning aims for persons aged 19 or over: provision of facilities);
- c) section 88 (learning aims for persons aged 19 or over: payment of tuition fees);
- d) section 90 (encouragement of education and training for persons aged 19 or over and others subject to adult detention);
- e) section 100 (provision of financial resources)

Sections 86 to 88, 90, 100, 101, 103, 115 and 121 of the Apprenticeships, Skills, Children and Learning Act 2009 will be modified to enable NEMCA to exercise the Adult Education/Skills and employment functions set out above.

3.3.3 In addition, NEMCA will also have the following authority functions to be held concurrently with the Constituent Councils:

- a) section 15ZA, 15ZB, 15ZC, 18A(1)(b), 514A and 560A of the Education Act 1996 (functions related to the provision of work experience)
- b) sections 10 and 12 of the Education and Skills Act 2008 to ensure that its functions are exercised so as to promote the effective participation in education and training of relevant persons in its area aged 16 and 17, and to make arrangements to enable it to establish (so far as possible) the identities of such relevant persons.
- c) sections 68, 70, 71 and 85 of the Education and Skills Act 2008 to make available to young persons and relevant young adults such support services as it considers appropriate to encourage, enable and assist the effective participation of such persons in education and training, and functions relating to co-operation with other authorities.
- d) section 13A of the Education Act 1996 to ensure that their education and training functions are exercised with a view to promoting high standards, fair access to opportunity for education and training, and the fulfilment of learning potential.
- e) section 51A of the Further and Higher Education Act 1992 to require relevant institutions in the further education sector to provide appropriate education to specified individuals aged between 16 and 18 years.

3.3.4 It is proposed that NEMCA and DWP will establish an Inclusive Economy Board for the Combined Area to promote local employment and sustainable supply chains.

3.4 Housing and Planning Functions

3.4.1 Housing

3.4.1.1 In order to exercise the functions outlined in the “minded to” Devolution Deal, it is proposed that NEMCA will be granted the following powers concurrently with the Constituent Councils or Homes England as appropriate.

3.4.1.2 It is proposed that NEMCA will be granted devolution of the objectives and functions of Homes England under section 2(1) of the Housing and Regeneration Act 2008 (to be exercised only in respect of the Combined Area) and the following powers contained in the 2008 Act will be exercised by NEMCA concurrently with Homes England (“HE”):

- a) section 3 (principal power)
- b) section 4 (general powers)
- c) section 5 (powers to provide housing or other land)
- d) section 6 (powers for regeneration, development or effective use of land);
- e) section 7 (powers in relation to infrastructure)
- f) section 8 (powers to deal with land etc)
- g) section 9 (acquisition of land)
- h) section 10 (restriction on disposal of land)
- i) section 11 (main powers in relation to, and for, statutory undertakers)
- j) section 12 (powers in relation to, and for, statutory undertakers);
- k) section 19 (power to give financial assistance);
- l) paragraphs 19 and 20 of Schedule 3 (powers in relation to burial grounds and consecrated land etc.)
- m) paragraphs 1,2,3,4,6,10 and 20 of Schedule 4 (extinguishment or removal powers for HE)

3.4.1.3 These functions will be Non-Mayoral with the exception of the specific HE compulsory purchase powers in section 9 of the 2008 Act (see below).

3.4.1.4 The objectives in section 2(1) of the 2008 Act are to provide NEMCA with the necessary powers:

- a. to improve the supply and quality of housing;
- b. to secure the regeneration or development of land or infrastructure;
- c. to support in other ways the creation, regeneration and development of communities or their continued well-being; and
- d. to contribute to the achievement of sustainable development and good design.

3.4.1.5 The functions in this section include powers enabling the achievement of the above objectives. Such powers include the power of compulsory purchase contained in section 9 of the 2008 Act (subject to the authorisation of the Secretary of State). In order to achieve the objectives above, it is proposed that NEMCA should also have the benefit of exemption from section 23 of the Land Compensation Act 1961, which is enjoyed by the HE under section 23(3)(d) of that Act.

3.4.1.6 As set out above, it is proposed that the exercise of the compulsory purchase power contained in section 9 of the 2008 Act, will only be exercisable by the Mayor

with the consent of the Constituent Council Member(s) for the area(s) of land to be compulsorily acquired and the Secretary of State.

3.4.1.7 It is proposed that NEMCA should be granted the power to acquire land for the development of housing under section 17 of the Housing Act 1985 and the associated section 11, 12 and 18. It is proposed that the power to acquire land compulsorily under section 17(3) of the Housing Act 1985 will be a Mayoral function but will require the consent of the Constituent Council Member for the Constituent Council for the area(s) of land to be compulsorily acquired and the Secretary of State. The conferral of such powers on NEMCA will be entirely without prejudice to the exercise of those powers by the Constituent Councils which will exercise those powers as before

3.4.2 Mayoral Development Corporation

3.4.2.1 It is proposed that the Mayor will have the power to designate an area a Mayoral Development Area (“MDA”) and so create a Mayoral Development Corporation (“MDC”) to help drive regeneration and expedite housing delivery on complex schemes in the area. The advantage of MDCs is that they have most of the powers of an Urban Development Corporation but are controlled locally rather than by the Secretary of State.

3.4.2.2 It is proposed that Part 8, Chapter 2 of the Localism Act 2011 be modified so that references to the GLA, Greater London and the London Mayor would include NEMCA and the Mayor. This would enable NEMCA to have functions for the Combined Area corresponding to the following functions contained in the Localism Act 2011 that the Mayor of London has:-

- (a) Section 197 (designation of Mayoral Development Areas);
- (b) Section 199 (exclusion of land from Mayoral Development Areas);
- (c) Section 200 (transfers of property etc to a Mayoral Development Corporation);
- (d) Section 202 (functions in relation to town and country planning);
- (e) Section 204 (removal or restriction of planning functions);
- (f) Section 214 (powers in relation to discretionary relief from non-domestic rates);
- (g) Section 215 (reviews);
- (h) Section 216 (transfers of property, rights and liabilities);
- (i) Section 217 (dissolution: final steps);
- (j) Section 219 (guidance by the Mayor);
- (k) Section 220 (directions by the Mayor);
- (l) Section 221 (consents);
- (m) Paragraph 1 of Schedule 21 (membership);
- (n) Paragraph 2 of Schedule 21 (terms of appointment of members);
- (o) Paragraph 3 of Schedule 21 (staff);
- (p) Paragraph 4 of Schedule 21 (remuneration etc: members and staff);
- (q) Paragraph 6 of Schedule 21 (committees); and
- (r) Paragraph 8 of Schedule 21 (proceedings and meetings).

3.4.2.3 It is proposed that the Mayor’s power to designate an area a MDA under section 197 of the Localism Act 2011 will require the consent of the Constituent Council Member(s) whose local government area contains any part of the MDA.

3.4.2.4 It is further proposed that the Mayor's power to exclude land from a MDA under section 199 of the Localism Act 2011 will require the consent of the Constituent Council Member whose local government area contains any part of the area to be excluded from the MDA.

3.4.2.5 It is also proposed that the London Mayor's power under section 202 of the Localism Act 2011 to decide that a MDC should have certain planning functions in relation to the whole or part of a MDA should be modified in relation to the Mayor so that the Mayor can only exercise this power with the consent of the Constituent Council Member(s) for the local government area concerned and (where appropriate) the Northumberland National Park Authority

3.4.3 Economic Development and Regeneration (specific provisions TBC)

3.4.3.1 It is proposed that NEMCA shall have the functions of the Constituent Councils under section 1 of the Localism Act 2011 (local authority's general power of competence) so far as those functions are exercisable for the purpose of economic development and regeneration. This general power of competence, which will be a non-mayoral function, will be in addition to the powers given to NEMCA under Section 113A of the Local Democracy, Economic Development and Construction Act 2009.

It is proposed that NEMCA will 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 (research and collection of information) whether or not a scheme is made under that section. For the purposes of section 88(1) of the Local Government Act 1985 references to "that area" are to be taken as a reference to the Combined Area.

3.4.3.2 It is proposed that NEMCA will be granted the power to exercise concurrently with the Constituent Councils the functions of the Constituent Councils to compulsorily acquire land for development and other planning purposes under section 226 of the Town and Country Planning Act 1990 and the associated powers under sections 227, 229, 230, 232, 233, 235-241 of the Town and Country Planning Act 1990. NEMCA's exercise of such powers will in each instance be subject to the consent of the Constituent Council Member in whose area the property is located. *[TBC]*

3.4.3.3 The conferral of such powers on NEMCA will be entirely without prejudice to the exercise of those powers by the Constituent Councils who will be able to exercise those powers as they did previously.

3.4.4 Strategic Place Partnership

3.4.4.1 It is proposed that NEMCA and Homes England will establish a Strategic Place Partnership to work together to identify and develop key opportunities for housing delivery.

3.4.5 Planning

3.4.5.1 It is proposed that, subject to Cabinet agreeing by way of a unanimous decision of all Voting Members (ie the Mayor and all seven Constituent Council Members), the Mayor will have the power to create a statutory Spatial Development Strategy for the Combined Area. If agreed, this will coordinate strategic land-use planning with strategic transport planning providing a framework to achieve a strategic level change in environmental planning policy to reduce carbon emissions and tackle the climate emergency.

3.4.5.2 The development of the scope and preferred approach to a Spatial Development Strategy will require an inclusive and collaborative approach to be taken by the Mayor together with other members of the NEMCA and the Constituent Authorities.

3.4.5.3 It is proposed that the Mayor will have the functions for the Combined Area corresponding to the following functions contained in the Greater London Authority Act 1999 (“the 1999 Act”) which the Mayor of London exercises in relation to Greater London or where appropriate such sections will apply subject to appropriate modifications:

- a) Section 334 (the spatial development strategy);
- b) Section 335 (public participation);
- c) Section 336 (withdrawal);
- d) Section 337 (publication);
- e) Section 338 (examination in public);
- f) Section 339 (review of matters affecting the strategy);
- g) Section 340 (review of the strategy);
- h) Section 341 (alteration or replacement);
- i) Section 342 (matters to which the Mayor is to have regard);
- j) Section 343 (ability of the Secretary of State to make regulations);
- k) Section 344 (amendments to the Town & Country Planning Act 1990);
- l) Section 346 (monitoring and data collection);
- m) Section 347 (constituent councils to have regard to the strategy); and
- n) Section 348 (Mayor’s functions as to planning around Greater London)

3.4.5.4 The exercise of any of the functions corresponding to the functions in sections 33(public participation), 336 (withdrawal), 337 (publication) and 341 (alteration or replacement) of the 1999 Act by the Mayor will require the consent of the Constituent Council Members of NEMCA.

3.5 VAT

3.5.1 For the avoidance of doubt, NEMCA will be a body specified for the purposes of Section 33 of the Value Added Tax Act 1994. This will entitle NEMCA to claim refunds of Value Added Tax charged on supplies to, and acquisitions or importations by NEMCA.

3.6 Information Sharing

3.6.1 It is proposed that sections 17A and 115 of the Crime and Disorder Act 1998 should be amended to give the NEMCA the same standing as a Local or Public Authority for the purpose of information sharing.

3.7 LEP Integration

3.7.1 In accordance with government policy on the integration of Local Enterprise Partnerships (“LEPs”), it is proposed that NEMCA will take on the functions and responsibilities of the North East LEP, including its staffing, assets and ongoing local growth funding streams. The relationship with business will be integral to the proposed arrangements. In order to carry on the work of the North East LEP’s Board, NEMCA will establish a business board comprising representatives from the business community and other relevant stakeholders to provide advice and challenge to the Mayor and Cabinet. The Chair of the Business Board will be a non-voting member of NTCA’s Cabinet.

3.8 Partnership Arrangements with the Police and Crime Commissioners

3.8.1 The Mayor and NEMCA will work closely with the Police and Crime Commissioners for Durham and Northumbria to develop strong partnership arrangements, ensuring a joined-up approach between community policing and place-based services.

3.9 Continuity

3.9.1 The staffing, assets, rights and liabilities of NTCA and NECA will transfer on their abolition to NEMCA.

3.10 Incidental Provisions

3.10.1 NEMCA will be treated as a local authority for the purposes of

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

4. Finance and Investment

4.1 Levies

4.1.1 NEMCA will have the power to issue to the Constituent Councils levies under section 74 of the Local Government Finance Act 1988 to meet the expenditure that is reasonably attributable to the exercise of its functions. It is proposed that NEMCA will be able to issue three transport levies (in accordance with the Transport Levying Bodies Regulations 1992) as is currently the case across the Combined Area, ie a levy for Durham, a levy for Northumberland and levy for the Tyne and Wear area.

4.2 Precept

4.2.1 It is proposed that the Mayor will have the power under section 40 of the Local Government Finance Act 1992 to issue a Council Tax Precept on behalf of NEMCA to provide for the costs of the Mayor that are incurred in, or in connection with, the exercise of Mayoral Functions.

4.2.2 Any precept in relation to Mayoral Functions will be subject to scrutiny and amendment under the procedure relating to the Mayor's budget.

4.3 Mayor's budget

4.3.1 NEMCA will follow the procedure set out in the Combined Authorities (Finance) Order 2017 to approve the Mayor's budget. This provides that the Mayor must prepare a draft budget in respect of Mayoral Functions by 1 February each year, setting out the Mayor's spending plans for the forthcoming year and how the Mayor intends to meet the costs of Mayoral Functions, and including the relevant amounts and calculations to be used for the purpose of determining the precept. The Cabinet will be able to amend the Mayor's Budget on a vote passed by a majority comprising at least 5 [ie 2/3] of the Constituent Council Members.

4.4 Borrowing

4.4.1 It is proposed that the Secretary of State make regulations pursuant to section 23(5) of the Local Government Act 2003 to provide NEMCA with borrowing powers for its Mayoral and Non-Mayoral Functions.

4.5 Business Rate Supplement

4.5.1 It is proposed that the Mayor will have the power, with the agreement of NEMCA and in consultation with the business community, to raise a Business Rate Supplement to fund infrastructure investment. NEMCA will be a levying authority for the purposes of the Business Rates Supplement Act 2009 and the Constituent Councils shall be deemed to be acting jointly through the MCA in accordance with section 2(3) of the Business Rates Supplement Act 2009.

4.6 Constituent Councils' funding of NEMCA

4.6.1 Provision shall also be made for the Constituent Councils to meet the costs of NEMCA and how the costs are to be apportioned between the Constituent Councils.

This page is intentionally left blank