

Cabinet

4 June 2024

**North East Devolution – Combined
Authority Borrowing Powers**



KEY DECISION NO: CEO/2024/001

Report of Corporate Management Team

John Hewitt, Chief Executive

Councillor Amanda Hopgood, Leader of the Council

Electoral division(s) affected:

None

Purpose of the Report

1. To seek consent to the making of regulations by central government to provide the new mayoral combined authority, NECA, with borrowing powers in line with the devolution deal and the scheme which was subject to public consultation.

Executive summary

2. Further to The North East Mayoral Combined Authority (Establishment and Functions) Order 2024 being made on 20 March 2024, the new combined authority, NECA, came into existence on 7 May 2024.
3. In order for NECA to be able to support its functions, it was envisaged that the combined authority would have borrowing powers. The above Order makes provision for borrowing powers in relation to NECA's transport functions. However, borrowing powers for other functions must be dealt with by separate Regulations.
4. This report seeks in principle agreement to consent to the making of the Regulations and delegated authority for the Chief Executive to provide that consent when requested to do so by the Secretary of State.

Recommendation(s)

5. Cabinet is recommended to:
 - (a) agree in principle that the Council should consent to the making of the Regulations; and
 - (b) authorise the Chief Executive, in consultation with the Leader of the Council, to issue the Council's formal consent to the Secretary of State when requested.

Background

6. In December 2022 HM Government announced a minded to devolution deal with the seven local authorities across the North East. To implement the deal, the Councils needed to establish a new mayoral combined authority for the region.
7. Following the making of the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 (referred to below as “the 2024 Order”) and the election of the Mayor, the new combined authority – NECA – came into existence on 7 May 2024.
8. As part of the devolution deal, it was envisaged that NECA would have borrowing powers to support its functions. This was set out in the scheme which was published by the seven local authorities for consultation as part of the process of making the 2024 Order. Borrowing powers for NECA’s transport functions were included in the 2024 Order. However, central government’s legislative procedures mean that the borrowing powers for other functions must be conferred on NECA by a separate statutory instrument (referred to in this report as “the Regulations”). NECA and the constituent councils must provide their consent before the Regulations can be made.
9. Securing borrowing powers will help NECA to properly discharge its functions and assist in delivering the combined authority’s vision, policies and priorities.
10. Central government had indicated that they intended to lay the Regulations before Parliament before the summer recess, providing that NECA and its constituent authorities give their consent. However, the announcement of the Parliamentary General Election means that the Regulations are unlikely to be laid within that timeframe.
11. The provision of borrowing powers to NECA will support the Council to deliver across its key priorities. It is therefore important that the constituent authorities provide consent so that the Regulations can be progressed at the earliest opportunity following the general election. It is therefore recommended that the Chief Executive, in consultation with the Leader of the Council, is authorised to give formal consent to the making of the Regulations when requested by central government.
12. It is anticipated that the Secretary of State will issue his request for the Councils’ and NECA’s consent to the making of the Regulations in early July so that they can be laid in Parliament ahead of the summer recess. The Regulations will state the date on which they will come into effect.

Background papers

- None

Other useful documents

- None

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Appendix 1: Implications

Legal Implications

The Regulations will be made under section 23(6) of the Local Government Act 2003.

Finance

There are no direct financial implications arising from the proposals in this report. In exercising its borrowing powers, NECA will comply with the Prudential Code which applies to local authorities and will also be subject to a borrowing cap agreed with HM Treasury.

Consultation

The intention for NECA to have borrowing powers was set out in the scheme which was published by the seven local authorities for consultation as part of the process of making the 2024 Order.

Equality and Diversity / Public Sector Equality Duty

In developing the proposals for the new combined authority, the Councils had regard to their obligations under section 149 of the Equality Act 2010 (ie the public sector equality duty). As set out above, these proposals envisaged that the new combined authority would have borrowing powers.

Climate Change

The green agenda is a critical element of the devolution deal and therefore the provision of borrowing powers to NECA would help to deliver those initiatives identified in the deal.

Human Rights

None

Crime and Disorder

None

Staffing

None

Accommodation

None

Risk

If the consent of the Councils and/or NECA is not provided, this will prevent the Regulations from being made and NECA will not have the benefit of the borrowing powers.

Procurement

None