

**TITLE OF REPORT:** North East Devolution

**REPORT OF:** Sheena Ramsey, Chief Executive

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### **Purpose of the Report**

1. This report seeks to update Cabinet on the progress made in securing a devolution deal for the North East and recommends to Cabinet approval of the next steps in progressing the necessary governance arrangements.

### **Background**

2. On 28 December 2022 HM Government announced a “minded to” devolution deal with the seven councils across the North East (i.e. Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland Councils).
3. 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.
4. 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 in the region. This report sets out the findings of a statutory review regarding these proposed governance changes and, if Cabinet is satisfied that the relevant criteria have been met, recommends that the proposals are subject to public consultation

### **Proposal**

5. It is proposed that Cabinet: endorses the “minded to” devolution deal; considers the findings of the governance review regarding the proposed creation a new mayoral combined authority for the North East region; and, if satisfied that the statutory criteria are met, agrees to progress the necessary statutory procedures, including public consultation.

### **Recommendations**

6. It is recommended that Cabinet:
  - (i) endorses in principle the “minded to” devolution deal (attached to this report at Annex A to Appendix 2);

- (ii) agrees with the findings of the governance review (attached at Appendix 2) 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;
- (iii) agrees that the North East Councils shall publish a scheme for the delivery of these governance changes (the current draft of which scheme is attached at Annex B to Appendix 2);
- (iv) agrees that the North East Councils shall undertake public consultation in connection with the proposals contained in the scheme as described in paragraphs 12 and 13 of this report;
- (v) agrees that the Chief Executive, in consultation with the Leader of Council, be authorised to take all steps necessary to implement the above proposals, including (but not limited to) making amendments to the scheme prior to its publication for consultation purposes; and
- (vi) notes that a further report will be brought to Cabinet at the end of that consultation exercise.

For the following reason:

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.

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### Policy Context

1. 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. It is expected that the new mayoral combined authority would have a positive economic, social and environmental impact across Gateshead and thereby promote the Council's policy framework as set out in '*Making Gateshead a Place Where Everyone Thrives*', and Gateshead's Health & Wellbeing Strategy '*Good Jobs, Homes, Health and Friends*':
  - 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

2. 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.

#### **The “minded to” devolution deal”**

3. The “minded to” devolution deal sets out the offer of powers and budgets from Government and the reforms and measures that the seven 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 for 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.
4. A copy of the minded to devolution deal can be found at Annex A to Appendix 2 to this report, but the key elements of the deal can be summarised as follows:

- **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.
  - **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, 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.
  - **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.
5. 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.
6. 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 its 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**

7. 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 seven 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**

8. As the first stage in the process of seeking the statutory order to create the new combined authority, the seven 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.
9. A report setting out the findings of the governance review is attached at Appendix 2 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.
10. On the basis of these findings, it is submitted 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**

11. If Cabinet is satisfied that the statutory criteria have been met, 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 as Annex B to the governance report at Appendix 2 to this report. 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.
12. 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 seven 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 seven 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.
13. 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 an on-line and face to face engagement across the region and include a number of questions to seek views on the proposals.
14. 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.

### **How will success be measured?**

15. If the recommendations in this report are accepted, then success will be measured in terms of the willingness of the Secretary of State to make the necessary order to establish the new mayoral combined authority for the region. Subsequently, success will be measured through the evaluation and appraisal frameworks to be agreed by NEMCA before new powers or funding are used.

### **What is the timetable for implementation?**

16. The cabinets of all seven North East councils are considering similar reports regarding the minded to devolution deal, the governance review and the proposed scheme. Subject to approval from each authority’s cabinet, the scheme will be published for public consultation across the region.

17. Following that consultation, the councils will consider views received and, if they wish to proceed with the creation of a new mayoral combined authority, prepare a summary and analysis for submission to the Secretary of State (which will be subject to Cabinet's prior approval).
18. The Secretary of State will then decide if the statutory criteria have been met and whether the relevant authorities have given the necessary consents, before making the statutory order to create the new mayoral combined authority. It is envisaged that the new mayoral combined authority would come into existence in May 2024 at the point at which the mayoral election will take place.

## Consultation

19. The Leader of the Council has been involved in the discussions with the other leaders and elected mayors across the LA7 area regarding the 'minded to' deal and creation of a mayoral combined authority to replace the two current combined authorities.

## Alternative Options

20. To not endorse the 'minded to' deal and progress the statutory process for the creation of a mayoral combined authority for the North East is not recommended as it would mean Gateshead would fail to access the additional funding and benefits outlined in this report.

## Implications of Recommended Option

### 21. Resources:

- a) **Financial Implications** – 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.
- b) **Human Resources Implications** – There are no human resource implications arising directly from the recommendations in this report.
- c) **Property Implications** – There are no property implications arising directly from the recommendations in this report..

- 22. Risk Management Implications** – 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.

**23. Equality and Diversity Implications** – 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.

**24. Crime and Disorder Implications** – There are no crime and disorder implications arising directly from the recommendations in this report; however, the Deal makes reference to the government working with the new combined authority and the two Police & Crime Commissioners to agree arrangements for close collaboration and productive joint working on public safety, as well as embedding neighbourhood policing alongside other place-based services including better use of data to problem solve and prevent crime.

**25. Health Implications** – There are no health implications arising directly from this report; however, the Deal makes express reference to exploring initiatives to improve delivery of public services in the areas of Place-based Health & Care, Healthy Aging, and Population Health & Prevention within the section on Public Service Reform.

**26. Climate Emergency and Sustainability Implications** - There are no climate emergency and sustainability implications arising directly from this report; however, as set out above, the green agenda is a critical element of the minded to devolution deal and therefore the governance changes proposed in this report, if implemented, would help to deliver those initiatives identified in the minded to deal.

**27. Human Rights Implications** - There are no human rights implications arising from this report.

**28. Ward Implications** – There are no specific ward implications arising from this report.

### **Background Information**

None