

CABINET MEETING – 20 June 2024

EXECUTIVE SUMMARY SHEET – PART I

Title of Report: North East Devolution – Combined Authority Borrowing Powers

Author(s): Chief Executive

Purpose of Report:

This report asks Cabinet to consent to the making of Regulations by central government to provide the new North East Mayoral Combined Authority (NECA) with borrowing powers in line with the devolution deal and the scheme which was subject to public consultation.

Description of Decision:

Cabinet is recommended to:

1. agree in principle that the Council should consent to the making of Regulations to confer borrowing powers upon NECA; and
2. 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.

Is the decision consistent with the Budget/Policy Framework? *Yes

If not, Council approval is required to change the Budget/Policy Framework

Suggested reason(s) for Decision:

Central government's legislative procedures meant that the borrowing powers for non-transport functions could not be included in the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 (the 2024 Order) which created NECA and a separate statutory instrument (referred to in this report as the Regulations) must be made. NECA and the Constituent Councils must provide their consent before the Regulations can be made.

Alternative options to be considered and recommended to be rejected:

Not to give consent - If the consent of the Councils and/or NECA is not provided, that will prevent the Regulations from being made and NECA will not have the benefit of the relevant borrowing powers.

Impacts analysed;

Equality Privacy Sustainability Crime and Disorder

Is the Decision consistent with the Council's co-operative values? Yes

Is this a "Key Decision" as defined in the Constitution? Yes

Is it included in the 28 day Notice of Decisions?

Yes

CABINET – 20 JUNE 2024

NORTH EAST DEVOLUTION – COMBINED AUTHORITY BORROWING POWERS

Report of the Chief Executive

1. Purpose of the Report

- 1.1 This report asks Cabinet to consent to the making of Regulations by central government to provide the new North East Mayoral Combined Authority with borrowing powers in line with the devolution deal and the scheme which was subject to public consultation.

2. Description of Decision (Recommendations)

Cabinet is recommended to:

1. agree in principle that the Council should consent to the making of Regulations to confer borrowing powers upon NECA; and
2. 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.

3. Current Position

- 3.1 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.
 - 3.2 Following the making of the 2024 Order and the election of the Mayor, the new combined authority – NECA – came into existence on 7 May 2024.
 - 3.3 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. NECA and the Constituent Councils must provide their consent before the Regulations can be made.
 - 3.4 Central government had indicated that they intended to lay the Regulations before Parliament ahead of the summer recess, provided the necessary consents were received. However, the announcement of the Parliamentary General Election means that the Regulations are unlikely to be made in that timeframe. 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.
- #### **4. Reasons for the Decision**
- 4.1 Central government's legislative procedures meant that the borrowing powers for non-transport functions could not be included in the 2024 Order and a separate statutory instrument must be made. NECA and the Constituent Councils must provide their consent before the Regulations can be made.

5. **Alternative Options**

- 5.1 Not to give consent - 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 relevant borrowing powers.

6. **Impact Analysis**

- (a) **Equalities** – 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.

7. **Other Relevant Considerations / Consultations**

- (a) **Financial Implications** – 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.
- (b) **Legal Implications** – The Assistant Director of Law and Governance has been consulted on this report. The Regulations will be made under section 23(6) of the Local Government Act 2003.