

CABINET MEETING – 9th NOVEMBER 2023

EXECUTIVE SUMMARY SHEET – PART I

Title of Report: NORTH EAST DEVOLUTION

Author(s): Chief Executive

Purpose of Report:

To seek consent to the making of the statutory order to abolish the existing combined authorities in the region (ie North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA)) and replace them with a single mayoral combined authority which encompasses the areas of the seven Councils, which is to be known legally as the North East Mayoral Combined Authority (NEMCA).

Description of Decision:

Cabinet is recommended to:

1. consider the content of this report;
2. agree in principle that the Council should consent to the making of the order;
3. 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;
4. authorise the Chief Executive, in consultation with the Leader of the Council, to finalise the terms of the side agreement regarding the support arrangements associated with these proposals; and
5. authorise the Chief Executive to take all other steps necessary to implement these proposals.

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:

It is considered that the creation of a new mayoral combined authority for the North East would unlock the benefits of the "minded to" devolution deal and improve the exercise of statutory functions across the region.

It is a matter for the Secretary of State to decide whether to make the necessary statutory order but it is considered that the evidence demonstrates that the relevant statutory criteria have been met.

Alternative options to be considered and recommended to be rejected:

Not to consent to the making of the order – that is recommended to be rejected as the provision of the Council's consent to the making of the order will enable it to be laid before

Parliament and thereby establish the mayoral combined authority for the region, which will in turn provide access to the benefits of devolution across the region.

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 – 9th NOVEMBER 2023

NORTH EAST DEVOLUTION

Report of the Chief Executive

1. Purpose of the Report

- 1.1 To seek consent to the making of the statutory order to abolish the existing combined authorities in the region (ie North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA)) and replace them with a single mayoral combined authority which encompasses the areas of the seven Councils, which is to be known legally as the North East Mayoral Combined Authority (NEMCA).

2. Description of Decision (Recommendations)

Cabinet is recommended to:

1. consider the content of this report;
2. agree in principle that the Council should consent to the making of the order;
3. 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;
4. authorise the Chief Executive, in consultation with the Leader of the Council, to finalise the terms of the side agreement regarding the support arrangements associated with these proposals; and
5. authorise the Chief Executive to take all other steps necessary to implement these proposals.

3. Introduction/Background

- 3.1 On 28 December 2022 HM Government announced a “minded to” devolution deal with the seven Councils across the North East (ie Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland).
- 3.2 The “minded to” devolution 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 is expected to 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 would enable investment into projects which reflect local needs and opportunities, making a real difference for our residents, communities, and the local economy. It would support every aspect of the delivery of the Council's priorities through the devolution of increased funding and powers.
- 3.3 The deal requires the Councils to establish a new mayoral combined authority. This will be dependent on the Secretary of State making a statutory order under the Local Democracy, Economic Development and Construction Act 2009 to deliver the following proposals:

- a. the abolition of the two existing combined authorities, ie NTCA and NECA; and
- b. the creation of a new mayoral combined authority which covers the area of all 7 Councils, which will be called the North East Mayoral Combined Authority (NEMCA).

(NB: the changes above would also entail the abolition of the Joint Transport Committee as NEMCA would be responsible for the exercise of transport functions across the regions in the future.)

- 3.4 As the first stage of the statutory process, the Councils undertook a governance review regarding the proposals set out in paragraph 3.3 above. The results of the governance review were reported to Cabinet on 19 January 2023. On the basis of the governance review, Cabinet concluded that the proposals were likely to improve the exercise of statutory functions in accordance with sections 108 and 111 of the 2009 Act. Cabinet therefore agreed that the Councils should progress to the next stage of the statutory process by publishing a scheme relating to the proposals and then carrying out a public consultation exercise.
- 3.5 The public consultation began on 26 January 2023 and closed on 23 March 2023. A report on the consultation process was considered by Cabinet at its meeting on 2 June 2023. As set out in that report, the public consultation was considered to be extensive, and overall the responses to the consultation were supportive. On this basis, Cabinet was satisfied that the consultation had been sufficient for the purposes of the legislation and that the statutory criteria above had been met. Cabinet therefore agreed to submit to the Secretary of State a summary of consultation responses together with a formal request that the Secretary of State make the necessary statutory order to abolish NECA and NTCA and establish the new mayoral combined authority, NEMCA.
- 3.6 Similar decisions were made by the other Councils in the area and so on 23 June all 7 Councils jointly submitted the consultation summary and formal request to the Secretary of State to make the order.

4. Current Position

- 4.1 Discussions have taken place with DLUHC officials over a number of months regarding the content of the statutory order. The order will provide for the election of a mayor for the new combined authority in May 2024 and for the new combined authority to come into existence when the mayor is due to take office on 7 May 2024 (with the existing combined authorities being abolished at that point). The statutory order will also identify the powers and duties that the new mayoral combined authority will have. It will set out how the new combined authority will operate and make decisions, including where decisions are to be made by the Cabinet or the Mayor. It will also deal with the transitional arrangements which are required to ensure continuity when the existing combined authorities are abolished and the new combined authority comes into being. This will include the transfer of existing staff from the affected organisations to the new combined authority, so protecting their employment rights.
- 4.2 Whilst the order is still a draft at present and subject to some finalisation, the content of the order reflects what was agreed in the “minded to” devolution deal and the scheme which was agreed by the seven Councils and included as part of the public consultation documents. A brief overview of the content of the order is attached as Appendix 1 and the scheme is listed as a background paper to this report.

- 4.3 As set out in previous reports to Cabinet, the Secretary of State must be satisfied that the relevant statutory criteria in the Local Democracy, Economic Development and Construction Act 2009 are met before making the statutory order. Furthermore, the Secretary of State can only make the order if the seven Councils (as well as NECA and NTCA, including its Mayor) consent to the order.
- 4.4 The Secretary of State has considered the Councils' submission (referred to at paragraph 3.6 above) and has taken the view that the relevant statutory tests are met.
- 4.5 As was the case in 2018 when NTCA was created, it is also proposed that a side agreement is put in place between the seven Councils to address certain operational arrangements.
- 4.6 It is anticipated that the Secretary of State will issue his request for the Councils and Combined Authorities to consent to the making of the order in December 2023 or January 2024. This will allow the Secretary of State to lay the order before Parliament and for it be made (ie take effect) by March 2024. This will then allow for the mayoral election to be held in May 2024 and NEMCA to come into existence on 7 May 2024.

5. Reasons for the Decision

- 5.1 It is considered that the creation of a new mayoral combined authority for the North East would unlock the benefits of the "minded to" devolution deal and improve the exercise of statutory functions across the region.
- 5.2 It is a matter for the Secretary of State to decide whether to make the necessary statutory order but it is considered that the evidence demonstrates that the relevant statutory criteria have been met.

6. Alternative Options

- 6.1 Not to consent to the making of the order – that is recommended to be rejected as the provision of the Council's consent to the making of the order will enable it to be laid before Parliament and thereby establish the mayoral combined authority for the region, which will in turn provide access to the benefits of devolution across the region.

7. Impact Analysis

Equalities –

In developing these proposals, the Councils have taken account of their obligations under section 149 of the Equality Act 2010 (ie 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 the Councils to advance equality of opportunity and foster good relations between different groups. Throughout the public consultation, the Councils collected data on those who responded, including those who identified as having a protected characteristic and an equality impact was undertaken.

8. Other Relevant Considerations / Consultations

- (i) **Financial Implications** – Implementing the devolution deal will 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 will 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 will 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 Councils regarding the financial arrangements associated with the transition to the new arrangements.
- (ii) **Risk Analysis** - As reported to Cabinet in January, it is considered that failure to establish the mayoral combined authority would risk the region falling behind other major city regions such as Greater Manchester, Liverpool and Tees Valley, which have received new powers and funding.
- (iii) **Legal Implications** – The Assistant Director of Law and Governance has been consulted and the legal implications are set out within this report.

9. List of Appendices

Appendix 1 – Overview of the statutory order

10. Background Papers

Scheme issued as part of the public consultation