

North Tyneside Council

Report to Cabinet

Date: 11 December 2017

ITEM 6(g)

Title: Devolution to North of Tyne: Governance Review

Portfolio(s): Elected Mayor

Cabinet Member(s): Mrs N Redfearn,
Elected Mayor

Responsible Officer: Patrick Melia, Chief Executive

Tel: (0191) 6432001

Wards affected: All

PART 1

1.1 Executive Summary:

North Tyneside, Newcastle and Northumberland Councils have agreed a minded to Devolution Deal with the Government. To implement the Deal, the Authorities will need to withdraw from the existing North East Combined Authority ("NECA") and establish a new North of Tyne mayoral combined authority.

This report sets out the findings of a Governance Review regarding these proposals. If Cabinet is satisfied that the relevant statutory criteria have been met, Cabinet is then recommended to undertake public consultation on these proposals.

Cabinet is asked to consider the findings of the Governance Review regarding the proposals for the North of Tyne authorities to withdraw from NECA and establish a new mayoral combined authority; and, if satisfied that the statutory criteria are met, to progress the necessary statutory procedures, including public consultation.

1.2 Recommendation(s):

It is recommended that Cabinet:-

- (1) Consider the content of this report and the attached Governance Review report (Appendix 2);
- (2) Agree with the findings of that report, namely:
 - (under section 109 of the 2009 Act) the proposed creation of a new mayoral combined authority for the North of Tyne area will improve the exercise of statutory functions in that area; and
 - (under section 112 of the 2009 Act) the proposed amendment of the boundaries of NECA will improve the exercise of statutory functions across the existing NECA area.

- (3) Agree that the NT authorities shall publish a composite scheme for the proposed amendment of the boundaries of NECA and the proposed creation of a new mayoral combined authority for the North of Tyne area (the current draft of which Scheme is attached at Appendix 1 to the Governance Review);
- (4) Agree that the NT authorities shall undertake public consultation in connection with the proposals contained in the composite Scheme beginning on Thursday 14 December 2017 and ending on Monday 5 February 2017;
- (5) Agree that engagement with NECA and the other constituent authorities within NECA should progress as described in the report;
- (6) Note that this matter will be reported to Council in January and that further reports will be brought to Cabinet on the progress of these proposals in due course; and
- (7) Agree that the Chief Executive, in consultation with the Elected Mayor, and Monitoring Officer, shall 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.

1.3 Forward Plan:

It has not been practicable to give twenty eight days notice of this report. However, it is required to be considered without the twenty eight day notice being given because of the timescales to which the NT authorities are working. The Devolution Deal was only announced on 22 November 2017 and the as the consultation on the scheme has to be commenced in December 2017 to meet the timetable set out by the Department for Communities and Local Government and the parliamentary timetable.

1.4 Council Plan and Policy Framework

This report relates to the following priority(ies) in the 2014/18 Our North Tyneside Plan

Our People, our places, our economy and our partners

1.5 Information:

Background

- 1.5.1 North Tyneside, Newcastle and Northumberland County Councils (“the NT authorities”) have an ambitious vision for enhancing social and economic prosperity, and increasing the wellbeing of our communities. Building upon the North of Tyne area’s significant economic, educational and cultural assets the authorities’ want to increase their contribution to both the North East and national economies and to improve the area’s productivity through enhanced business growth, innovation delivery, skills and infrastructure. At the same time the authorities will work together to ensure that all residents have the ability and opportunity to benefit from and contribute to future growth.
- 1.5.2 On 24 November 2017 the NT authorities agreed a ‘minded to’ Devolution Deal with Government for a significant shift of powers, funding and responsibility. The proposed Deal will enable the three authorities to pursue their ambitions for inclusive growth, providing £600M of additional investment for the region over 30 years and a range of

opportunities to invest in skills development and labour market access across the NT area.

- 1.5.3 The minded to Devolution Deal represents a significant step forward in delivering more and better jobs to the area. It delivers significant new responsibilities and investment that will benefit our communities across the NT area and the North East region as a whole. It means that decisions previously taken centrally would now be taken closer to the people affected and gives the area greater financial freedom to manage the impact of austerity. It will ensure that Newcastle and the NT area are not disadvantaged as other Northern city regions, such as Liverpool, Manchester and Tees Valley, acquire new powers and funding from Government.
- 1.5.4 The minded-to Devolution Deal can be found at: <https://northoftynedevelopment.com/wp-content/uploads/2017/11/North-of-Tyne-minded-to-devolution-deal.pdf>
- 1.5.5 A summary of the minded-to Deal is included at Appendix 1 of this report.
- 1.5.6 The Deal requires the NT authorities to establish a new mayoral combined authority. First elections for the North of Tyne Mayor are expected in May 2019. To establish the new North of Tyne mayoral combined authority the Secretary of State will need to make a statutory Order (or Orders) under the Local Democracy, Economic Development and Construction Act 2009 (“the 2009 Act”) to deliver the following proposals:-
- an amendment to the boundaries of NECA to remove the areas of the three NT authorities; and
 - the creation of a new mayoral combined authority for the NT area comprising the 3 NT authorities, which will include provision for an elected mayor.
- 1.5.7 Strictly speaking, each proposal is subject to a separate statutory process. The first stage in each process is for the NT authorities to undertake a Governance Review. Given that these 2 proposals are so closely-linked, a joint Governance Review has been undertaken which considers both proposals together. A report setting out the findings of that Governance Review is attached at Appendix 2 and considered in more detail below.
- 1.5.8 The NT authorities must then decide whether the criteria in the 2009 Act have been met for each proposal. The criteria are as follows:
- a. whether the proposed creation of the mayoral combined authority in the North of Tyne area would be likely to improve the exercise of statutory functions in that area - section 109 of the 2009 Act; and
 - b. whether the proposed amendment of NECA’s boundaries would be likely to improve the exercise of statutory functions in relation to the existing area of NECA – section 112 of the 2009 Act.
- 1.5.9 If they are satisfied that the criteria have been met, the next stage of the process is for the NT authorities to publish a Scheme setting out how it is intended to implement these proposals. The NT authorities must then carry out public consultation on these proposals. At the end of that consultation period, the NT authorities must submit a summary of the responses received to the Secretary of State. He or she will then decide whether he is satisfied that the statutory criteria to allow him/her to make the necessary Orders have been met, and whether the relevant bodies have provided their consent to the making of the Orders.

1.5.10 As stated above, a Governance Review has been undertaken regarding both of the proposals set out in paragraph 1.5.8 and a report setting out the findings of that Governance Review is attached at Appendix 2.

1.5.11 It is important that Members consider the full Governance Review report but the executive summary of the report is set out below.

to pursue their ambitions for inclusive growth, providing £600M of additional investment for the region over 30 years and a range of opportunities to invest in skills development and labour market access across the NT area.

Governance Review Executive Summary

On 24 November the three North of Tyne (NT) authorities of Newcastle, North Tyneside Council and Northumberland County Council together with the North East Local Enterprise Partnership agreed a 'minded-to' devolution deal with Government for a significant shift of powers, funding and responsibility. The deal will enable the three authorities to pursue their ambitions for inclusive growth, providing £600M of additional investment for the region over 30 years and a range of opportunities to invest in skills development and labour market access across the NT area.

The deal requires the NT authorities to establish a new mayoral combined authority covering the geography of Newcastle upon Tyne, North Tyneside and Northumberland. To establish the new combined authority the Secretary of State will need to make orders under the Local Democracy Economic Development and Construction Act 2009 to withdraw the NT councils from the North East Combined Authority (NECA) through an amendment to NECA's boundaries, then create the new authority. The purpose of this Governance Review has been to review the exercise of statutory functions in the North East with a view to deciding whether to publish a scheme which sets out how these changes will be made and then to undertake public consultation.

The Governance Review has found that the economic evidence provides a rationale to work across the North of Tyne area, recognising that it operates as a strong and coherent functional geography. It boasts a strong and diverse sectoral mix with significant growth potential, underpinned by significant economic assets and infrastructure of national strategic importance. The area is well connected nationally and internationally through excellent transport links, and is home to world-class educational institutions, outstanding cultural and rural assets and offers extensive leisure and tourism opportunities.

Despite its significant assets and opportunities the area is yet to reach its economic potential, but the review identifies real opportunities for coordination and integration across different policy themes where a joint approach will enable a place based approach to growth based on the area's key sectors.

Looking beyond the North of Tyne area there are strong linkages with the wider NECA area, particularly in terms of commuter flows and sector and supply chain operations. This will enable the benefits of the devolution deal to be distributed beyond the North of Tyne. Independent analysis predicts that 25% of new jobs created by the evolution deal will be taken up by residents South of the Tyne generating a positive impact for both businesses and individuals based in South Tyneside, Gateshead, Sunderland and County Durham, and making a positive and accelerated contribution to the achievement of the NELEP's targets as set out in the Strategic Economic Plan.

Considering the existing governance arrangements, the review also identifies that there is a significant divergence of views within the NECA membership between the authorities North and South of the Tyne on both their respective policy objectives and the approach to achieving them. The review notes the limitations of the current governance arrangements and concludes that a change is required to enable the authorities North and South of Tyne to pursue their own diverse policy agenda at greater pace, while continuing to collaborate through joint arrangements on transport delivery and through membership of the North East LEP and delivery of the Strategic Economic Plan.

The minded-to devolution deal represents a significant step forward in delivering more and better jobs to the area. It delivers significant new responsibilities and investment that will benefit our communities across the North East. It means that decisions previously taken centrally can now be taken closer to the people affected and gives the area greater financial freedom and flexibility to manage our investment choices according to local priorities. The proposed Mayoral combined authority will promote local democracy through direct democratic accountability in exercising locally more of the levers of change that will drive economic growth. The review notes that the devolution deal is dependent on the establishment of a Mayoral combined authority and concludes that this is the appropriate mechanism by which the powers and funding proposed can be devolved to the North of Tyne.

Furthermore, the Governance Review concludes that the current governance arrangements do not represent the best model for the ambitions of the authorities within the NECA area in terms of delivering their long-term ambitions for economic growth. Amending the NECA boundaries to remove the three North of Tyne authorities from NECA would allow both the North of Tyne authorities and the other authorities within NECA more scope to pursue their respective policy objectives, whilst continuing to collaborate on key economic development and transport issues through the NELEP and the proposed joint transport committee.

In short, the review concludes that the statutory criteria for both proposals are met, i.e.:

- a. the creation of a mayoral combined authority for the North of Tyne area will improve the exercise of statutory functions in that area; and
- b. the amendment of NECA's boundaries to remove the North of Tyne authorities will also improve the exercise of statutory functions in the existing NECA area.

On this basis, it is recommended that the NT authorities progress these proposals by publishing the requisite scheme and undertaking public consultation.

1.6 The Scheme

1.6.1 If Cabinet are satisfied that the statutory criteria have been met, then the next stage is for the NT authorities to publish a scheme in respect of the proposals. A draft of the scheme is attached as Appendix 1 to the Governance Review. In brief, the scheme explains the following:

- a. how NECA's boundaries will be amended and how it will continue as a combined authority comprising four local authorities (see section 1 of the Scheme);
- b. how the new mayoral combined authority for the North of Tyne will be created with the 3 NT authorities as members, and how it will make decisions (see section 2), and the powers which it will have (see sections 3 to 10); and

- c. how transport will continue to be dealt with on an integrated basis across the whole of the existing NECA region by means of a joint committee between NECA and NTCA (see section 11).

1.6.2 As set out in the Scheme, NTCA will be a mayoral combined authority and it is expected that the first election for the Mayor will take place in May 2019. However, it is expected that NTCA will be established as a legal body in mid-2018 and so, in the period leading up to the mayoral election, NTCA will appoint an Interim Mayor.

1.6.3 As a mayoral combined authority, the Mayor will make decisions on certain functions – see section 3.2 of the Scheme. NTCA's Cabinet will make decisions on all other matters. The Cabinet will comprise the Mayor (or Interim Mayor), the Leader/Elected Mayor and Deputy Leader/Elected Mayor from each of the NT authorities, and a representative of the LEP Board. Only the Mayor and one member from each NT authority will have a vote on Cabinet decisions. Most decisions will be made by way of a simple majority vote, although certain key strategic decisions require the support of all 3 NT appointed Cabinet members. An overview of the decision-making arrangements within NTCA is attached as Appendix 3.

1.7 Consultation

1.7.1 Subject to Cabinet's agreement, the Scheme will be published for the purposes of public consultation. The consultation period will begin on Thursday 14 December and close on 5 February 2017. The consultation process will include an on-line questionnaire from 14 December and face to face consultation events for residents and key stakeholders in January. Paper copies of the questionnaire will also be made available at libraries and customer service centres.

1.7.1 At the end of the consultation period, the NT authorities 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 NT authorities' 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 NT authorities are sent to the Secretary of State.

1.7.2 Clearly, NECA and the other constituent authorities within NECA are key stakeholders in this process of consultation and there will be active engagement during the consultation period with NECA and the other constituent authorities regarding the detailed operational and financial implications of the proposals.

1.8 What Impact Will This Proposals Have?

1.8.1 Publishing the Scheme for consultation is the next step needed to establish NTCA and access the benefits of devolution. In addition to the economic and social impacts set out at section 1.5.11, NTCA will 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;
- strengthened capacity through a combined and co-located resource supported with better information and analysis; and
- an improved voice for business decision-making through a close relationship with the North East LEP and the appointment of a Mayor's Ambassador for Business.

1.8.2 However, as set out in the Governance Review, it is important to stress that collaboration across the existing NECA region will continue in certain key areas. The LEP will remain in place across the area of the revised NECA and the new NTCA. Furthermore, the statutory joint committee which will be established between the two combined authorities will replicate and maintain the existing integrated approach to transport across the region.

1.9 How Will Success Be Measured?

1.9.1 Success will be measured through agreement of the Secretary of State to lay the orders needed to create NTMCA; and through the evaluation and appraisal frameworks to be agreed by NTMCA before new powers or funding are used.

1.10 What is the Timetable for Implementation?

1.10.1 Newcastle and Northumberland Councils are considering the governance review in parallel to North Tyneside. Subject to approval from all three authorities, the Scheme will be published for consultation on 14th December with responses due by 5 February 2018. The consultation will be managed jointly by the three NT authorities and will engage stakeholders and partners across the whole NECA area

1.10.2 Following consultation the NT authorities will consider views received and prepare a summary and response for submission to the Secretary of State (which will be subject to Cabinet's prior approval).

1.10.3 The Secretary of State will then decide if the statutory criteria have been met and whether the relevant authorities have given the necessary consents. Subject to these requirements, it is anticipated that the statutory Order(s) would be made in spring 2018 and NTCA created as a legal body in summer 2018 (with the amendment of NECA's boundaries and the creation of the joint transport committee taking place at the same time). An interim mayor would be appointed until mayoral elections take place in May 2019.

1.10.4 It is also proposed to refer this report to Council at its meeting on 18 January 2018.

1.11 **Decision options:**

The following decision options are available for consideration by Cabinet:

Option 1

To agree to the recommendations set out paragraph 1.2

Option 2

To not agree to the recommendations set out in paragraph 1.2

Option 1 is the recommended option.

1.12 Reasons for recommended option:

Option 1 is recommended for the reasons set out in sections 1.5 to 1.10

1.13 Appendices:

Appendix 1: A summary of the minded-to Devolution Deal

Appendix 2: Governance Review report (including the draft Scheme at Appendix 1)

Appendix 3: An overview of the proposed decision-making arrangements within NTCA

1.14 Contact officers:

The names, titles and contact numbers of the key officer who has contributed to the report and other relevant officers should be set out here in the following format:

Patrick Melia	Chief Executive	(0191) 643 2001
Vivienne M Geary	Head of Law and Governance	(0191) 643 5339

1.15 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) The North of Tyne Devolution Deal <https://northoftynedevolution.com/wp-content/uploads/2017/11/North-of-Tyne-minded-to-devolution-deal.pdf>
- (2) The Local Democracy, Economic Development and Construction Act 2009 http://www.legislation.gov.uk/ukpga/2009/20/pdfs/ukpga_20090020_en.pdf
- (3) Equality Impact Assessment http://www.northynteside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=570090

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

Implementing the devolution Deal will enable NTMCA to access £600M of additional funding over 30 years, together with control of the Adult Education Budget of around £23M. 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 NECA and the other constituent authorities regarding the financial arrangements associated with the transition.

The costs associated with the required consultation process will be contained within the existing resources of the NT authorities.

2.2 Legal

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

2.3 Consultation/community engagement

2.3.1 Internal Consultation

The Elected Mayor and Chief Executive, Deputy Chief Executive and relevant Heads of Service are aware of the proposals.

2.3.2 External Consultation/Engagement

The scheme, if agreed, will be subject to extensive public consultation as set out in this report.

2.4 Human rights

There are no human rights implications arising from this report.

2.5 Equalities and diversity

In developing these proposals, the NT authorities 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 North of Tyne area is expected to boost the efforts of its constituent authorities to advance equality of opportunity and foster good relations between different groups. The NT authorities will continue to assess their responsibilities in this regard and ensure that the equality impact assessment will be reviewed throughout the process.

2.6 Risk management

For the reasons set out in the attached Governance Review report and above, it is considered that the failure to establish NTCA risks North Tyneside and the NT region falling behind other major city regions such as Greater Manchester, Liverpool City Region and Tees Valley City Region, which have received new powers and funding.

In terms of establishing NTCA, 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, particularly with regard to NECA and the other constituent authorities within NECA in respect of future collaborative arrangements if NTCA is established.

2.7 Crime and disorder

There are no crime and disorder implications arising from this report.

2.8 Environment and sustainability

There are no environmental and sustainability implications arising from this report.

PART 3 - SIGN OFF

- Deputy Chief Executive ☒
- Head(s) of Service ☒
- Mayor/Cabinet Member(s) ☒
- Chief Finance Officer ☒
- Monitoring Officer ☒
- Head of Corporate Strategy ☒

Appendix 1

Summary of “minded to” Devolution Deal

The minded to devolution deal which has been entered into between the three North of Tyne authorities and government, will support the North of Tyne in delivering its ambitious vision for the social and economic prosperity, and well-being of its communities.

It builds upon the area’s significant economic, educational and cultural assets to increase its contribution to both the North East and national economies and to improve the area’s productivity and innovation. At the same time it will ensure that all residents have the skills and opportunity to benefit from and contribute to future growth.

The deal package, comprising the investment fund of £600 million over 30 years plus new initiatives and new powers, is set to add £1.1bn GVA to the economy, deliver over 10,000 new jobs, and leverage over £2.1bn in private sector investment. The investment fund will support a wide range of economic interventions including a number of transformational projects.

In summary, if implemented, the devolution deal would mean:

- a new, directly elected North of Tyne Mayor, acting as Chair to a new North of Tyne mayoral combined authority
- control of a £20 million per year allocation of revenue funding, over 30 years, to be invested by the North of Tyne Combined Authority to drive growth and take forward its economic priorities
- establishment of an Inclusive Growth Board, with Government participation, to better integrate skills and employment programmes across the area, including a North of Tyne Education Improvement Challenge
- devolution of the Adult Education Budget for the area to allow North of Tyne to shape local skills provision to respond to local needs
- opportunity to secure funding for pilots to help North of Tyne residents with particular barriers to employment into work

- establishment of a Housing and Land Board, with powers to the Combined Authority to acquire and dispose of land, and mayoral powers to take forward compulsory purchases and establish Mayoral Development Corporations, as a foundation for North of Tyne's housing and regeneration ambitions
- driving improvements to rural growth and productivity, and becoming a Rural Business Scale up Champion for England
- more effective joint working with the Department for International Trade to boost trade and investment in the area
- collaborative working with government to support North of Tyne in taking forward its considerable ambitions around digital capability and infrastructure, and low-carbon energy
- a statutory Joint Committee to exercise transport functions jointly on behalf of the North of Tyne and North East Combined Authorities.

Appendix 2

North of Tyne Authorities Newcastle City Council, North Tyneside and Northumberland County Council

Governance Review

**Undertaken in accordance with the Local Democracy,
Economic Development and Construction Act 2009.**

Foreword

On the 24th November 2017 the three North of Tyne authorities of Newcastle City Council, North Tyneside Council and Northumberland County Council together with the North East Local Enterprise Partnership agreed a 'minded-to' devolution deal following negotiations with Government for a significant shift of powers, funding and responsibility. The deal provides the opportunity for our area to begin to take control of decisions that previously have been made in Westminster and provides us with access to a long term investment fund of £600m.

This is a once in a lifetime opportunity to help grow our economy, retain the region's talent and support residents to access new and better jobs. We want to deliver good quality work underpinned by a society that is strong and has confidence in the future.

The North of Tyne area is an economic area in its own right and has a strong record of job creation. It hosts world leading businesses, is connected, and has a number of high growth sectors including digital, life sciences, offshore, subsea and energy technologies, pharmaceuticals and tourism and culture. Devolution provides us with additional tools to build on the success to date.

We will use the new powers and investment fund to help our existing businesses to grow, attract new businesses to the area and deal with the diverse challenges around educational attainment and skills provision for our residents. We want to retain more of our local talent in our region and create the quality of opportunity closer to home.

A £600m investment fund is set to generate an additional £1.1bn to our economy, deliver over 10,000 new jobs and attract over £2.1bn of private sector investment. That growth and access to new jobs will benefit the whole of the North East area.

In order to access the new powers and funding in the deal we need to create a Mayoral Combined Authority for the North of Tyne area. An election for the Mayor will take place in May 2019 and this will give us a seat at the national table and provide a strong voice for the area. It will place us on a level playing field with other major areas such as Greater Manchester, the West Midlands, Liverpool and Tees Valley.

Membership of the North of Tyne Combined Authority will require our three councils to come out of the existing North East Combined Authority and this Governance Review is part of the statutory process that is required to make this happen.

The North of Tyne Combined Authority will be collaborative and will work tirelessly with the private sector and other public bodies the third sector and Councils across the wider North East. By working together across the North East and with the North East LEP we can help deliver the outcomes in the North East Strategic Economic Plan.

Our objective is to raise ambition and opportunity, and to build confidence in the future. We want to retain and attract talented young people and create an economy that enables people and businesses to fulfil their potential. Devolution is for the long term and the actions we take today will support our children to be the business leaders and skilled workers of tomorrow.

We hope that you support our ambition and agree that devolution deal for the North of Tyne is an opportunity not to be missed.

 ·  

Councillor Nick Forbes
Leader

Newcastle City Council

Norma Redfearn
Elected Mayor

North Tyneside Council

Councillor Peter Jackson
Leader

Northumberland County Council

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Appendix 1 – The North of Tyne Scheme (draft)

Appendix 2 – The North Tyne Devolution Deal: Economic and Social Impact Assessment, Ekosgen, September 2017

Appendix 3 – The North of Tyne ‘minded-to’ Devolution Deal

EXECUTIVE SUMMARY

On 24 November the three North of Tyne (NT) authorities of Newcastle, North Tyneside Council and Northumberland County Council together with the North East Local Enterprise Partnership agreed a 'minded-to' devolution deal with Government for a significant shift of powers, funding and responsibility. The deal will enable the three authorities to pursue their ambitions for inclusive growth, providing £600M of additional investment for the region over 30 years and a range of opportunities to invest in skills development and labour market access across the NT area.

The deal requires the NT authorities to establish a new mayoral combined authority covering the geography of Newcastle upon Tyne, North Tyneside and Northumberland. To establish the new combined authority the Secretary of State will need to make orders under the Local Democracy Economic Development and Construction Act 2009 to withdraw the NT councils from the North East Combined Authority (NECA) through an amendment to NECA's boundaries, then create the new authority. The purpose of this Governance Review has been to review the exercise of statutory functions in the North East with a view to deciding whether to publish a scheme which sets out how these changes will be made and then to undertake public consultation.

The Governance Review has found that the economic evidence provides a rationale to work across the North of Tyne area, recognising that it operates as a strong and coherent functional geography. It boasts a strong and diverse sectoral mix with significant growth potential, underpinned by significant economic assets and infrastructure of national strategic importance. The area is well connected nationally and internationally through excellent transport links, and is home to world-class educational institutions, outstanding cultural and rural assets and offers extensive leisure and tourism opportunities.

Despite its significant assets and opportunities the area is yet to reach its economic potential, but the review identifies real opportunities for coordination and integration across different policy themes where a joint approach will enable a place based approach to growth based on the area's key sectors.

Looking beyond the North of Tyne area there are strong linkages with the wider NECA area, particularly in terms of commuter flows and sector and supply chain operations. This will enable the benefits of the devolution deal to be distributed beyond the North of Tyne. Independent analysis predicts that 25% of new jobs created by the evolution deal will be taken up by residents South of the Tyne generating a positive impact for both businesses and individuals based in South Tyneside, Gateshead, Sunderland and County Durham and making a positive and accelerated contribution to the achievement of the NELEP's targets as set out in the Strategic Economic Plan.

Considering the existing governance arrangements, the review also identifies that there is a significant divergence of views within the NECA membership between the authorities North and South of the Tyne on both their respective policy objectives

and the approach to achieving them. The review notes the limitations of the current governance arrangements and concludes that a change is required to enable the authorities North and South of Tyne to pursue their own diverse policy agenda at greater pace, while continuing to collaborate through joint arrangements on transport delivery and through membership of the North East LEP and delivery of the Strategic Economic Plan.

The minded-to devolution deal represents a significant step forward in delivering more and better jobs to the area. It delivers significant new responsibilities and investment that will benefit our communities across the North East. It means that decisions previously taken centrally can now be taken closer to the people affected and gives the area greater financial freedom and flexibility to manage our investment choices according to local priorities. The proposed Mayoral combined authority will promote local democracy through direct democratic accountability in exercising locally more of the levers of change that will drive economic growth. The review notes that the devolution deal is dependent on the establishment of a Mayoral combined authority and concludes that this is the appropriate mechanism by which the powers and funding proposed can be devolved to the North of Tyne.

Furthermore, the Governance Review concludes that the current governance arrangements do not represent the best model for the ambitions of the authorities within the NECA area in terms of delivering their long-term ambitions for economic growth. Amending the NECA boundaries to remove the three North of Tyne authorities from NECA would allow both the North of Tyne authorities and the other authorities within NECA more scope to pursue their respective policy objectives, whilst continuing to collaborate on key economic development and transport issues through the NELEP and the proposed joint transport committee.

In short, the review concludes that the statutory criteria for both proposals are met, i.e.:

- a. the creation of a mayoral combined authority for the North of Tyne area will improve the exercise of statutory functions in that area; and
- b. the amendment of NECA's boundaries to remove the North of Tyne authorities will also improve the exercise of statutory functions in the existing NECA area.

On this basis, it is recommended that the NT authorities progress these proposals by publishing the requisite scheme and undertaking public consultation.

1. INTRODUCTION

1.1 About this Report

Newcastle City Council, North Tyneside Council and Northumberland County Council (the “North of Tyne authorities”) have undertaken a review to assess the effectiveness of current governance arrangements in the delivery of their ambitions for economic growth.

This report has been prepared jointly by the North of Tyne authorities in light of the “minded to” devolution deal agreed with central government. It details the findings of:

- a. a governance review under section 111 of the Local Democracy Economic Development and Construction Act 2009 (“the 2009 Act”) in relation to the proposed amendment of the boundaries of the NECA so as to remove the areas of the North of Tyne Authorities; and
- b. a governance review under section 108 of the 2009 Act in relation to the proposed creation of a new mayoral combined authority for the North of Tyne area, which would comprise the 3 North of Tyne authorities as constituent authorities.

This report sets out the conclusions of those reviews. Whilst these are, in strict terms, two separate processes, they are clearly very closely-linked and so are presented together in one report.

1.2 Methodology for the Governance Review

The governance review has comprised the following:

- 1) A review of the economic evidence to assess:
 - a. the existence of a Functional Economic Market Area across the North of Tyne; and
 - b. the economic challenges and opportunities in the North of Tyne area
- 2) A review of current governance arrangements across the NECA area
- 3) An independent Economic and Social Impact Assessment of the ‘minded-to’ devolution deal
- 4) An option appraisal which considers the alternative governance structures which could be pursued in light of the above evidence

1.3 Our Ambition – the North of Tyne Context

Newcastle City, North Tyneside and Northumberland County Councils have an ambitious vision for enhancing social and economic prosperity, and increasing the wellbeing of our communities. Building upon the North of Tyne area's significant economic, educational and cultural assets we want to increase their contribution to both the North East and national economies and to improve the area's productivity through enhanced business growth, innovation delivery, skills and infrastructure. At the same time we will work together to ensure that all residents have the ability and opportunity to benefit from and contribute to future growth.

The North of Tyne has a population of 815,000; covers over 5,000 km²; is home to 23,000 businesses, and has a total GVA of £17 billion. It includes the core city of Newcastle upon Tyne, a wider urban geography and an extended rural and coastal area across North Tyneside and Northumberland. The Tyne and Blyth Rivers are important economic assets.

The North of Tyne sits within the economic geography supported by the North East LEP and has strategic economic connections to the wider North East, the Northern Powerhouse region, to Scotland, the rest of the UK and internationally.

An initial review of economic evidence detailing the economic structure of the area shows that:

- It is a highly coherent functional economic geography with an extended travel to work area, strong internal commuting and learner flows and a primary functional housing market; and
- It boasts important hubs for a number of key growth sectors which have the potential to deliver enhanced economic growth and productivity in the North East and across wider economic geographies - making a strong contribution to the delivery of the North East SEP and the UK Industrial Strategy. The area is home to two world-class universities and its key growth sectors include digital and technology; offshore, sub-sea and energy technologies; pharmaceutical manufacturing and life sciences. Wider enablers include rural, tourism, leisure and culture; and financial and professional business services sectors. Major public sector, health and education organisations are significant in their own right and also key to driving employment opportunities.

Despite these significant economic assets and opportunities, the North of Tyne has yet to reach its economic potential. Like a number of other parts of the UK, the North of Tyne continues to suffer from the legacy of industrial change – with relatively low business density, above average unemployment, challenges of rural sustainability and concentrations of poverty.

The North of Tyne authorities are of the view that a radical devolution of powers and funding to local areas is needed to respond to our opportunities and address these challenges. Greater local control of the levers of growth, productivity and inclusion would enable us to better serve our residents and businesses.

1.4 The North East Context

In April 2014, the seven North East local authorities formed NECA to promote the economic regeneration and prosperity of the area. The membership of NECA comprises Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland councils working closely with the North East Local Enterprise Partnership.

NECA evolved from established joint working arrangements that existed previously between the North East local authorities at different geographies across the area and formalised its arrangements in order to provide the statutory basis to take on devolved functions from Government and public authorities and enhance local delivery.

In January 2015, NECA agreed and consulted on a set of outline proposals to assess support for devolution of powers and resources from Government. The initial process of engagement with the public, local and regional stakeholders generated significant interest and the principle of devolution to the North East attracted support¹.

Following consultation, NECA published a Statement of Intent and commenced a process of detailed negotiation with Treasury. A proposed devolution agreement was signed by the NECA Leadership Board, the Chancellor and Commercial Secretary to the Treasury on 23 October 2015. The agreement covered a range of new powers and funding including: guaranteed new funding of £900m to invest in new infrastructure for the area; a multi-year transport budget; new powers to improve bus services across the region; strategic planning powers; the creation of a North East Land Board; and the devolution of skills funding for training.

A further consultation exercise on the content of the proposed devolution agreement was carried out together with a governance review considering the functions and governance arrangements of NECA. The governance review was completed in June 2016 and concluded that the making of an order conferring additional powers and functions on NECA together with associated revisions to the governance arrangements would be likely to improve the exercise of statutory functions in the NECA area.

The NECA Leadership Board met on 6 September 2016 to consider the outcome of the governance review and whether to progress with the publication of and consultation on the scheme proposing that NECA become a Mayoral combined authority with additional powers and functions. The NECA Leadership Board decided by a 4:3 majority not to progress with publication and consultation as the next stage in implementing the devolution deal.

The three authorities of Newcastle, North Tyneside and Northumberland (i.e. the NT authorities) voted in favour of progressing the proposals to implement the deal while Durham, Gateshead, South Tyneside and Sunderland voted against. In notifying its decision to the Secretary of State the Leadership Board confirmed its commitment to

¹[Report to the North East Leadership Board 24 March 2016 – Item 8 – The Devolution Agreement](#)

the principle of devolution to the North East; however, the discussions leading up to and culminating in the Leadership Board vote established there was a clear divergence in views on how this should be taken forward within the NECA area. Following the decision by the Leadership Board, the Secretary of State withdrew the devolution deal.

Subsequent discussions between the authorities confirmed that the North of Tyne authorities would be unable to achieve their ambitions for growth through a devolution settlement by means of their membership of NECA. Whilst respecting the position of the other authorities within NECA, the three NT authorities consequently sought to explore alternative options for governance, including the potential to pursue a separate devolution deal led by the North of Tyne area but with a view to bringing the benefits to the wider North East.

This report considers the case for a new governance model operating across the North East as a pragmatic solution to provide the flexibility to meet the area's unique circumstances. This requires arrangements that will enable the North and South of Tyne areas to pursue their own diverse policy objectives while continuing to work together on transport delivery and as part of the NELEP, and on other areas where appropriate, so that the whole area will operate more efficiently and effectively in the shared pursuit of greater productivity and economic growth.

As will be set out later in this report, it is considered that the improved governance arrangements of establishing a mayoral combined authority for the North of Tyne area, together with the benefits of the devolution deal that this will bring, will improve the exercise of statutory functions. Furthermore, as set out in section 6 of this report, it is also considered that the amendment to the existing boundaries of NECA so as to remove the North of Tyne authorities will also serve the long term interests of all the authorities within the existing NECA area.

As the North East moves forward, the seven councils will maintain their shared commitment to creating the conditions for economic growth and working collaboratively across the wider North East geography where it makes sense to do so on areas of common interest. Effective engagement with the NELEP and the wider business community is also critical to delivering our ambitions for the area. The NELEP arrangements have delivered a significant number of development and growth projects which have begun to transform the North East area, and provide an effective framework to manage and commission the multi-million-pound investment programmes designed to improve and support the North East's economy. The seven authorities will continue to work closely with and through the NELEP in delivery of the Strategic Economic Plan.

2. REVIEW OF ECONOMIC EVIDENCE

Given the issues highlighted in the previous section, the governance review process commenced with an assessment of the economic evidence to consider how the economy operates across the North of Tyne geography. The findings draw upon published economic statistics and an independent economic and social impact assessment. As set out below, the evidence demonstrates that the North of Tyne area represents a coherent functional economic area operating in its own right within the broader NECA functional economic area. Whilst working at a wider geography has the advantage of capturing more community and supply-chain interactions, this comes at the expense of economic linkages between some parts of the area being weak, making it difficult to have shared priorities.

The key messages from the review of economic evidence are as follows:

2.1 Functional Economic Market Area (FEMA)

Economic Overview

North of Tyne²:

- stretches from the southern boundary of Northumberland to the Scottish borders, bounded by the Pennines and the North Sea.
- covers over 5000 km²
- is home to over 815,000 residents, 415,000 jobs and 23,000 businesses, generating almost £17bn of Gross Value Added (GVA)

A Coherent, Integrated Region.

The North of Tyne area has a strong identity based upon a common history and a network of interconnected communities. In 1888, government established the 'North of Tyne' region known then as 'Northumberland' as a single administrative geography which operated for nearly 100 years. The region's economy is founded on a strong tradition in manufacturing and engineering excellence as well as a strong rural and land economy.

Although there has been a transition to a predominantly service-based economy over recent decades, with strong growth in the digital economy and professional services, advanced manufacturing in areas including energy and pharmaceuticals plays a strong role particularly along the Tyne and in South East Northumberland combined with a number of major companies based in rural towns. The similarities and shared history across the region mean that the North of Tyne presents as a coherent and integrated region socially and culturally.

A 'functional economic market area'

Functional economic market areas are areas over which the local economy and its key markets operate. They can vary in size and boundary and reflect the world in which the economy operates, rather than the boundaries of administrative areas.

² For the purpose of this review, the term 'North of Tyne' is used to describe the combined area of Newcastle, North Tyneside and Northumberland however part of Northumberland is located south of the River Tyne and is included within this description

Collaboration across these borders is therefore essential to deliver economic functions, such as transport, economic development, and skills, in the most effective way.

A review of the available economic evidence establishes that, although the NECA area as a whole forms a functional economic area, the North of Tyne area represents a coherent and powerful economic geography in its own right. It is diverse, extending from Newcastle, its major core city, through to a network of suburban and market towns such as Hexham to remote and high-quality countryside and coastal areas such as Tynemouth and Whitley Bay. There are exceptional educational assets, excellent transport links and diverse, natural heritage, a thriving rural economy, and cultural and leisure opportunities, which all contribute to making it an attractive place to live and work.

The North of Tyne is a coherent functional economic geography with strong internal commuting and learning flows and a primary functional housing market. The area has an 85% self-containment rate with a wider range of options for living and working in the city centre, urban and rural areas.

The largest learning and commuting flows are between Newcastle and North Tyneside (in both directions); and from Northumberland into both Newcastle and North Tyneside. Flows from Newcastle and North Tyneside into Northumberland are also substantial. The 'travel-to-learn' area is largely self-contained, with 90% of North of Tyne learners aged over 16 living within the North of Tyne, also educated in the North of Tyne. In terms of housing, there is evidence that lifetime housing moves of residents are largely contained within the North of Tyne area. The Strategic Housing Market assessment for North Tyneside highlighted that 82% of moves in the preceding five years had been from the North of Tyne area.

The percentage of North of Tyne workers who are working within the North of Tyne area (84%) is similar to that of other comparable Northern City Regions. For example, it is a little below Tees Valley and Sheffield City Regions (both 86%) but higher than Liverpool (76%). It is therefore reasonable to describe the North of Tyne area as a 'self-contained labour market', a key component of describing a functional economic area.

At a wider geography, a number of independent studies have examined the economic geography of the Tyne and Wear area and have concluded that Tyne and Wear is polycentric or bipolar (duo-centric) with two major economic centres: Newcastle and Sunderland.

For example, the Centre for Cities reported the following:

"The towns and cities within the Tyne and Wear City Region are operating in an economy in which housing and labour markets coexist. Despite some recent overlaps, the majority of these markets still remain very local. The city region contains two economic centres, Newcastle and Sunderland, but Newcastle is the strongest single concentration of economic activity. This aspect distinguishes the city

region from other city regions...which are monocentric (Manchester) or weakly polycentric (Leeds) rather than bipolar.”³

Strong and Diverse Sectoral Mix

The North of Tyne area has significant growth potential across its sector strengths:

- i. Digital and technology. Anchored by Sage (a member of the FTSE100) and a network of smaller businesses, the NT has one of the fastest growing tech clusters in the country. There are opportunities to invest in skills, premises, infrastructure and developing the innovation offer – including through the National Innovation Centre for Data, and opportunities associated with Cyber Security, 5G and Building Information Modelling.
- ii. Offshore, sub-sea and energy technologies. The NT has an internationally significant cluster, based on existing infrastructure and skills offer. Future opportunities include decommissioning, offshore service/supply chain activities, onshore reception, pipeline and trenching, fabrication as well as operations and maintenance.
- iii. Financial and professional business services. NT is the financial centre for the wider region, with growth opportunities in inward investment of key national and international service centres relying on further investment in skills and sites.
- iv. Pharmaceutical manufacturing and life sciences. The NT has a number of major manufacturers, together with emerging cluster of smaller companies focussing on innovation. It will be important to develop the innovation offer further and provide funding for fast growing companies.
- v. Rural, tourism, leisure and culture. This sector makes an important contribution to the NT area and plays a strong role in underpinning quality of place. Future success is reliant on securing further growth in visitors and spend, requiring investment in new assets and improvements to the existing offer.

These sectors are supported by significant economic assets and infrastructure of national strategic importance, including the North's second largest international airport, a future HS2 Hub; two significant universities and a number of major business anchors and strong business hubs in key growth industrial sectors. Supporting the NT's sectors are a number of important public sector assets including:

- The National Renewable Energy Centre (NAREC) in Blyth is part of the Catapult network and is the UK's flagship technology innovation and R&D centre for offshore wind, wave and tidal energy.
- The Neptune National Centre for Subsea and Offshore Engineering on the north banks of the river Tyne is the first of its kind in the UK facilitating industry and academia world-class engineering research.
- The NT has a particularly strong offer for organisations with big data requirements, benefitting from a number of nationally significant data centres and world-leading academic expertise in cloud computing and big data.

³ 'City Relationships: Economic Linkages in Northern city regions Tyne and Wear City Region' by Centre for Cities, November 2009

- The forthcoming National Innovation Centre for Data (NICD) and the further development of HMRC's new digital centre at Longbenton will support the NT's fastest growing tech clusters in the country.
- The Newcastle upon Tyne Hospitals NHS Foundation Trust which became the first clinical research organisation in the UK (one of only 3) to be awarded INSPIRE site status by Pfizer supporting world-class and internationally recognised healthcare and life sciences research;
- The National Innovation Centre for Aging (NICA) works with research specialists, businesses and the public to facilitate the commercialisation of key products, services and technologies to help people live better, longer lives.

Education Assets

North of Tyne has two world-class universities – Newcastle University and Northumbria University – as well as three major colleges – Newcastle College, Tyne Coast College and Northumberland College. These universities and colleges are anchor institutions for the economy with strong links with the area's sector strengths, providing excellence in innovation and collaborative research with a global impact. They create significant new economic opportunities in the context of the Industrial Strategy. For example, Northumbria University has world-renowned expertise in Architecture and Design, and its collaboration with Ryder Architecture around Digital Construction was recently recognised as the leading innovative collaboration between a business and a university in the [Times Higher Education](#) Awards; Newcastle University hosts National Innovation Centres in Ageing and Data, together with national research centres in energy systems, rail, cyber security, sub-sea engineering, biomedicine and digital technologies.

Within the regional context, there are historic and continuing links between Newcastle and Durham Universities and cooperation between colleges.

Excellent Transport Links

The North of Tyne economy is well connected nationally and internationally. Newcastle International Airport, Newcastle Central Station on the East Coast Mainline, the Port of Tyne (which has operations on both sides of the River Tyne) and the Port of Blyth are all located in the North of Tyne area and support national and international links, including the area's exporting strengths. The road network also enables the North of Tyne area to provide an important strategic link between England and Scotland with the A1 playing a crucial role in facilitating the movement of freight, people and goods from London to Edinburgh.

Within the regional economy, the Tyne & Wear Metro serves Newcastle and North Tyneside and offers transport links to the rest of Tyne & Wear as well as being integrated into other public transport services. The Metro carries over 38 million passengers a year as the largest metro system outside of London and has recently been awarded £337m government funding for a new train fleet to enter service from 2021.

Cultural, Heritage and Leisure Opportunities

The area has extensive cultural and leisure opportunities, together with outstanding rural and heritage assets, including the country's wildest National Park, an

unsurpassed coastline and the Hadrian's Wall World Heritage Site. Tourism has grown to around 6 million overnight stays per annum and the area has hosted major events, including the Rugby World Cup, the Tour of Britain, Olympic Football and the Tall Ships Regatta.

2.2 Economic Challenges and Opportunities

Since 2000, North of Tyne's economy has grown, with jobs increasing in all three local authority areas. The economy has rebounded well from the financial and economic crisis, with jobs now 11.4% higher than in 2000 – a bigger increase than the national average excluding London. It compares with growth of 9.9% in Greater Manchester and 9.4% in the Leeds City Region, however unemployment remains high.

Labour market

Despite significant jobs growth, the North of Tyne also faces many economic and social inclusion challenges. The labour market continues to suffer from the legacy of industrial change, with significant pockets of worklessness across the North of Tyne region in both inner city and more outlying areas.

Overall, at 7.4%, the North of Tyne unemployment rate remains significantly higher than the national average (5.1%), while there is a disproportionate number of young people not in education, employment or training (NEET). In contrast to the picture across the UK, the unemployment rate remains above pre-recession levels; reducing worklessness remains a key challenge.

The employment rate for the North of Tyne (71%) has increased significantly since the start of the decade. Nevertheless, it remains considerably lower than the Great Britain average (73.7%), with the latest data pointing towards uncertainty about whether the gap is closing.

Deprivation and inequality

The North of Tyne has an unusual income distribution, with significant concentrations of both deprivation and affluence. A polarised income distribution exists between communities living in the NT, with some of the most affluent areas in England together with neighbourhoods of income deprivation.

The most deprived communities include many along the North Bank of the Tyne – from Benwell/Scotswood to North Shields – and a number of communities along the SE Northumberland coast. The pattern of deprivation tends to follow the natural economic geography and socio-economic fortunes of different communities, some still affected by the ending of shipbuilding and mining, rather than administrative boundaries.

Deprivation is a persistent and underlying cause of low productivity. In the North of Tyne, areas of high deprivation also demonstrate high levels of unemployment and demand on many public services, including social care, health and welfare.

Life Expectancy

Within the North of Tyne area, life expectancy varies for men from 71.4 years to 83.9 years which is a gap of 12.5 years. For women life expectancy varies from 78.3 years to 87.2 years which is a gap of 8.9 years. The causes and consequences of this gap can be seen in a range of separate issues that ultimately reduce the productivity of the North of Tyne area.

Housing and Affordability

The Independent Economic and Social Impact Assessment summarises the current state of housing as follows:

- Demand for housing will increase by the population and housing forecasts. This increase will be below the national average but it could increase further if employment growth is accelerated.
- Despite lower house prices and better affordability ratio, home ownership continues to be below average in the North of Tyne and many households will continue to face changes in accessing home ownership and affordable housing.
- There will need to be a significant and sustained increase in housebuilding in the next ten to twenty years to meet targets in Core Strategies and Local Plans.
- With an ageing population, there will be an increasing demand for assisted living and sheltered housing for elderly residents.

The SEP Targets and Scale of the Challenge

For its part, the North of Tyne area has a significant task ahead to deliver its proportionate contribution to achieving the objectives of the North East Strategic Economic Plan.

NELEP Targets from March 2014 to 2024 (all gaps relate to England minus London)	More Jobs	- Create 100,000 jobs
	Better Jobs	- Reduce the gap in private sector employment density by 50%
	Inclusive growth	- 70% of jobs created to be better jobs
		- Reduce the gap in GVA per FTE by 50%
		- Reduce the gap in the employment rate by 100%
		- Reduce the gap in economic activity rate by 50%

Since 2014, strong progress has been made against these targets and North Tyne has made an important contribution. Specifically, North Tyne created an above average share of the new jobs in the LEP area, and outperformed the progress made to reduce the employment rate and economic activity gap.

3. UNDERSTANDING CURRENT GOVERNANCE ARRANGEMENTS

The introductory section of this report referred to the challenges which had been identified with the current governance arrangements across the north-east region. Current arrangements for joint working on economic development, regeneration and transport have developed through NECA and the North East LEP. This section sets out the current arrangements and considers their effectiveness in the continued delivery of these statutory functions.

3.1 North East Combined Authority (NECA)

The North East Combined Authority (NECA) was established in April 2014 comprising the local authorities of County Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland. NECA evolved from established joint working arrangements and is a framework for collaboration between independent local authorities, pooling their resources, expertise and democratic authority, to make decisions together.

The **North East Leadership Board** is the strategic decision-making body of the North East Combined Authority, responsible for a number of transport functions and economic development and growth. It is comprised of the six Leaders and the Elected Mayor of the seven local authorities, plus the Chair of the North East Local Enterprise Partnership. The Leadership Board exercises statutory functions and general powers relating to economic development and growth, economic conditions and transport.

Transport functions are currently delivered via a three-tiered structure within the combined authority governance arrangements:

- The **Leadership Board** retains the decision-making role for strategic transport matters.
- The **Transport North East Committee (TNEC)** is a joint committee of NECA and the seven individual councils that advises the **Leadership Board** on strategic transport matters and provides oversight of the delivery of transport functions across the area. TNEC exercises relatively few decision-making powers in its own right
- The Transport North East (**Tyne and Wear**) **Sub-Committee** deals with operational transport matters in the Tyne and Wear area and provides oversight in relation to the Tyne Tunnels and in relation to Nexus and its assets (including the Tyne and Wear Metro). **Durham and Northumberland County Councils** also manage delegated operational transport functions within their own areas.

3.2 North East Local Enterprise Partnership (NELEP)

The North East Local Enterprise Partnership (NELEP) was formed in July 2011. It is the local enterprise partnership for the area covering the seven local authority areas within NECA. It is a public-private partnership whose Board includes businesses and Local Authority Leaders and Elected Mayor, along with senior leaders from higher and further education.

NELEP provides strategic economic leadership to the area, driving the delivery of the Strategic Economic Plan which sets out the North East's vision to strengthen the

area's economy and provide more opportunities for businesses and communities. The NELEP arrangements have delivered a significant number of development and growth projects which have begun to transform the North East area, and provide an effective framework to manage and commission the multi-million-pound investment programmes designed to improve and support the North East's economy. The North East Combined Authority provides the formal accountability arrangements for the North East LEP.

3.3 – Limitations of the current governance arrangements

The North East has a distinct and complex geography and a wide range of issues must therefore be addressed across the area, recognising that activities and interventions need to respond to the specific characteristics and functional linkages within the economy.

The proposed NECA Devolution Agreement in 2015 sought to confer on NECA devolution of a broader set of powers, responsibilities and resources in relation to transport, economic growth, human capital, housing and planning and rural growth. The NECA Leadership Board could not reach a majority decision to progress the next stages in the devolution process to implement this deal and it was subsequently withdrawn.

As a result the existing framework of devolved powers and responsibilities available to NECA remains focused on the authority's original functions around economic development and transport. It does not provide the broader scope to tackle the key long-term, entrenched issues facing the North of Tyne area in relation to: human capital, housing and rural growth.

The three North of Tyne authorities have negotiated a "minded-to" deal with Government for the devolution of additional powers and resources to address the challenges and opportunities specific to their area and to drive an ambitious agenda for growth. The proposals are dependent on establishing new governance arrangements including the direct accountability of an Elected Mayor. The key proposals of the 'minded-to deal' are summarised in section 4.

The seven North East local authorities are committed to driving growth and prosperity across the region; however, the current arrangements rely on all seven local authorities having shared views on both their policy objectives and how they will be achieved. Having established that there is a clear divergence of views and policy aspirations between the authorities North and South of the Tyne, there is a need for a flexibility that is not available under existing governance arrangements to pursue a diverse policy agenda within the NECA area.

The current governance arrangements do not, therefore, represent the best model for any of the seven North East local authorities to deliver their long-term ambitions for both their individual local areas and the region's collective growth.

4. THE CASE FOR CHANGE

The arrangements within NECA provide a framework for collaboration that is currently limited to economic development and transport. The NT authorities have undertaken an assessment of the opportunities and challenges existing across Newcastle, North Tyneside and Northumberland demonstrating that access to a broader range of powers and devolved funding is needed to achieve the area's full growth potential.

4.1 The 'minded-to' devolution deal

The Government and NT authorities have agreed an ambitious 'minded-to' devolution deal which 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 this deal expands on the model seen in other areas with a clear focus on people and inclusive growth. The proposals are focused in the following areas:

The deal is described as 'minded-to' as the proposals are subject to formal ratification by the individual councils and parliamentary approval of the relevant legislation to implement the proposals over the coming months.

Governance

The economic and social challenges facing the North of Tyne area need to be addressed and opportunities maximised if the area is to grow and prosper. The powers available through existing membership of NECA do not provide sufficient scope to tackle the key long-term, entrenched issues facing the North of Tyne area in relation to: human capital, housing, and rural growth. There is strong evidence that strategic interventions in the North of Tyne area will deliver significant economic outcomes locally and improve the contribution of the area to the North East and national economy.

The NT authorities have an opportunity through the 'minded-to' devolution deal to take on a greater level of local control and responsibility for a number of key drivers of economic growth with an unprecedented range of additional powers and funding. This opportunity does not exist within the existing NECA arrangements as Government has been clear that strong, accountable governance exercised through a Mayoral combined authority is an essential prerequisite of any devolution of powers and functions to a city region.

A new North of Tyne Combined Authority with a 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 combined authorities will exercise a broader range of functions as outlined above with the Mayor exercising certain powers with personal accountability to the electorate, devolved from central Government and set out in legislation.

The Mayor will chair the combined authority Cabinet within which each constituent authority will appoint two members. Each Cabinet member will have responsibility

for a clear portfolio to ensure appropriate capacity to take forward the combined authority's policy agenda.

The relationship with business is integral to the proposed arrangements, with the North East LEP represented on the Cabinet through a non-voting member, and the Mayor represented on the LEP Board as one of the three representatives for the North of Tyne area. The Mayor may also appoint an Ambassador for Business to strengthen the working arrangements between the Combined Authority, NELEP and the private sector.

Decision making will be by way of consensus with clear voting arrangements set out in the constitution for the occasions where it is not possible for all Cabinet members to agree. The Mayor will be required to consult the NTCA Cabinet on his/her statutory plans and strategies, the Cabinet will also examine the Mayor's draft annual budget and will be able to amend his/her budget and statutory plans, again if two-thirds of the members appointed by the constituent councils agree to do so. The Mayor will not have a power of veto over Cabinet decision-making but may require a 'mayoral review' of a decision on which they have not voted with the majority of Cabinet, requiring the Cabinet to reconsider its decision which may then be confirmed or changed.

Decisions of the NTCA will be scrutinised and will be held to account by the North of Tyne overview and scrutiny and audit committees.

In recognition of the long-standing arrangements for integrated transport delivery across the North East the current transport arrangements across the existing NECA area will be maintained and the governance replicated through the establishment of a statutory joint committee between the new mayoral combined authority for the North of Tyne area ("NTCA") and NECA (which will then comprise the 4 remaining authorities of Durham, Gateshead, South Tyneside and Sunderland Councils). The committee will exercise all of the local transport functions and powers of the two combined authorities. Nexus will remain as the Passenger Transport Executive and will serve the two combined authorities. It will continue with the work to maintain and improve strategic transport connectivity across the region and to international markets.

The minded-to deal represents a first step in a progressive process of devolution of funding, powers and responsibilities to the NTCA and the NTCA and Government will continue to consider further opportunities for devolution.

The detailed proposals for the amendment of NECA's boundaries, the operation of the NTCA and the arrangements for the joint transport committee are set out in the draft scheme at Appendix 1.

Finance and Investment

With fewer public sector resources available, the need to coordinate and align public sector activities, collaborative working and resources around shared outcomes and economic and social priorities within an area becomes ever more important.

Devolution provides the freedom and flexibility to invest resources according to locally determined priorities, based on local knowledge, expertise and experience of what works.

With new funding opportunities and Industrial Strategy policies on the horizon, including the future UK Shared Prosperity Fund, there is an added impetus to ensure the North of Tyne is maximising the use of these new funds alongside existing resources.

Delivering long term inclusive economic growth is a fundamental ambition of the North of Tyne area and the area needs to have the confidence that it is able to provide the necessary strategic interventions that will benefit local people.

With a 30 year time horizon the Single Investment Fund will have the potential to address some long standing structural issues and deep seated problems that have affected residents and communities for some time. The 30 year timeframe will enable the Combined Authority to set out a long term vision that provides much greater certainty and confidence to the private sector to invest. It would also allow the Combined Authority to bring forward infrastructure projects over several years, where the full impact may be seen over a longer time period. Such investments in infrastructure north of the Tyne would also benefit people in the area south of the Tyne by providing more opportunities for better jobs and better transport links to them.

The devolution deal provides the North of Tyne with the assurance that it will have the financial ability to make long term strategic interventions necessary to support its economic growth ambitions.

A North of Tyne Investment Fund will be established and at its core will be an allocation of £20m revenue per annum for 30 years. This multi-year revenue funding provides the flexibility for the NTCA to direct funding to changing priorities, support transformational projects and secure substantial private and public sector leverage.

In addition the NTCA will be given powers to borrow in order to undertake its new functions which will allow it to invest in infrastructure projects.

Economic modelling estimates that the £600m investment provided by the deal will be able to generate an additional £1.1bn to the local economy, deliver over 10,000 new jobs and leverage over £2.1bn private sector investment.

Whilst significant economic benefits will be realised in the North of Tyne area as a result of the growth produced through these financial opportunities there will also be benefits in local authority areas in the South of Tyne area, with residents able to access new jobs and businesses benefitting from new supply chain opportunities.

Promoting Inclusive Growth

The North of Tyne has made considerable progress over the last 15 years with educational achievement steadily rising since 2000 and the employment rate increasing significantly since the start of the decade. This has helped the local

economy to rebound well from the financial and economic crisis, with jobs now 15% higher than in 2000 – a bigger increase than the national average excluding London.

Nonetheless, the North of Tyne faces a number of significant shared challenges – including relatively high worklessness and lower than national average skill levels, whilst at the same time exhibiting significant skill shortages in key growth sectors. As the Northern Powerhouse Independent Economic Review acknowledges, without bold action to address long-standing skills challenges, the residents and the economy of the North will not reach their potential.

There are 4 particular challenges facing the North of Tyne:

1. School performance remains extremely variable – the proportion of secondary schools judged as good or outstanding for teaching in the most deprived areas is 29%, compared with a national average of 65%. In addition, there are long-standing issues with attainment in STEM subjects.
2. Higher level skills in the NT area are below the national average and there are some signs that the gap is widening. However, there are significant skill imbalances in the region, including a workforce which does not meet all the current and future needs of the business community who are demanding both different areas of skills and a higher level of skills. There are particular challenges in the digital sector, where the Dynamo network of influential IT companies conclude that employment could increase by 10% if skill shortages were overcome, and there are parallel challenges in engineering disciplines.
3. Overall, at 7.4%, the NT unemployment rate remains significantly higher than the national average (5.1%), while there is a disproportionate number of young people not in education, employment or training (NEET). In contrast to the picture across the UK as a whole, the unemployment rate remains above pre-recession levels; reducing worklessness remains a key challenge.
4. Despite significant jobs growth, the NT also faces a number of economic and social inclusion challenges. The labour market continues to suffer from the legacy of industrial change, with significant pockets of worklessness across the NT region in both inner city and more outlying areas.

The RSA Inclusive Growth Commission concluded that, without growth, inclusion will not result in prosperity, and without tackling deprivation, productivity will struggle to make gains. Progress therefore relies upon a closer connection between economic and social policy at the level of place. There is also a need to strengthen the skills advice system across all levels to ensure that people prepare for the jobs that are needed and retained.

Policy to date has been too disjointed. Interventions to connect areas of deprivation with employment opportunities alone have tended not to help those lower-skilled, lower-paid workers who are less mobile. Interventions aimed to help individuals have shown to result in them leaving the area because the place no longer reflected their aspirations.

Powers from the minded to Devolution Deal will enable the North of Tyne to develop a truly integrated approach to promoting inclusive growth, taking a longer term approach that transforms the physical fabric of deprived communities, raises aspirations, builds an effective labour force to meet business demand and skills needs and connects communities with employment and learning opportunities. These powers are summarised below.

Governance

At the heart of the Inclusive Growth elements of North of Tyne devolution is the creation of a single unified “Inclusive Growth Board”. This Board will bring together senior representatives from those organisations responsible for the most significant socially focused interventions within the North of Tyne and will be chaired by the Mayor.

The Board will work together to better integrate and strengthen education, skills and employment support interventions in order to improve workforce and productivity outcomes. Wherever appropriate, this framework will seek to complement interventions that are already being delivered across the broader North East geography.

The Board’s work will be underpinned by an operational and performance framework, consistent with the priorities of the recently refreshed North East Strategic Economic Plan (SEP), and aligned with the Industrial Strategy and associated Northern Powerhouse Strategy.

School improvement

The NTCA will introduce a pioneering North of Tyne Education Improvement Challenge aimed at improving the marked disparities in educational attainment that exist within the area. This will particularly focus on:

- increasing attainment in STEM subjects;
- deepening the approach to careers, information, advice and guidance through the adoption of the Good Career Guidance benchmarks; and
- achieving excellence in teaching, leadership and school governance.

The constituent local authorities of the NTCA will complement the Challenge by exploring the scope for adopting a unified approach to school improvement for the schools they maintain. The Challenge will also build on the existing pilot programmes run by the NELEP’s Employment and Skills Board.

The DfE, including the Regional Schools Commissioner for the North of England, will support the Combined Authority’s work on school improvement; particularly in aligning the North of Tyne approach with that of the Government to raising educational standards in the North.

In addition, the NT authorities will explore opportunities for greater collaboration across services for children, young people and families.

Adult Education Budget

The 19+ Adult Education Budget (AEB) will be fully devolved to the NTCA, subject to meeting the readiness conditions applied by DfE for the devolution of this funding stream.

This will allow the NTCA to engage adults and provide the skills and learning they need to equip them for work, an apprenticeship or other learning. It enables more flexible tailored programmes of learning to be made available, which may not require a qualification, and as such helps those furthest from learning or the workplace. Within it, learners with a legal entitlement have the ability to access a specified qualification offer relating to English, Maths, and Digital Skills.

In addition, the Inclusive Growth Board will explore how the delivery of 16-18 education and 19+ skills can be more effectively aligned within North of Tyne.

Higher Skills

The Government will consider a business case for the establishment of an Institute of Technology within the North of Tyne area that is supported by the current NECA and NELEP.

The Inclusive Growth Board will also explore the potential for developing innovative proposals for retaining and attracting graduates and skilled workers.

Employment

The Government and the NTCA will jointly develop and adopt an Employment Support Framework Agreement to drive the better coordination of employment, skills and health services across the North of Tyne in order to increase the number of residents moving into work.

The Government will also fully engage the Inclusive Growth Board in the design, commissioning and performance management of future local DWP-led employment support initiatives, pilots and trials that will affect the delivery of employment support services in the North of Tyne.

For its part, the Inclusive Growth Board will seek to improve the progression of employees from low-paid jobs via a labour market pilot that develops an advancement service for employees and employers in low wage sectors. It will also present a business case to Government for a project aimed at improving employment behaviour in the recruitment, retention and progression of people with disabilities or long term health conditions.

Government and the NTCA will explore ways to support those returning to the labour market after time out of paid employment to care for children or other family members.

Energy and low carbon

The North of Tyne has an internationally significant Energy sector, with particular expertise in oil & gas and offshore wind. There are clusters of companies along the Tyne and at Blyth, combined with innovation and research expertise at the National Centre for Energy Systems Integration (CESI) at Newcastle University and NAREC, part of the Offshore Renewables Catapult. The North of Tyne also has strong ambitions to reduce carbon emissions, tackle the impact of unavoidable climate change and to improve air quality in areas suffering from high levels of pollution.

Through the 'minded-to' devolution deal, Government has agreed to work with North of Tyne to help us meet our objectives around both economic growth and lowering carbon emissions. We will establish close working relationships with officials from Government to consider opportunities to align and integrate local ambitions with national policies and funding, using the framework of the UK's Industrial Strategy and [the NELEP's energy strategy](#). Quarterly strategic meetings will review progress, unblock barriers, identify future opportunities and enhance cooperation between national and local government. This work will have a particular focus on maximising the opportunities arising from nationally leading innovation assets within the North of Tyne – including at NAREC and Newcastle University.

Internationalisation and competitiveness

The North of Tyne has an ambitious vision for social and economic prosperity, and to support the wellbeing of its communities. Through the Investment Fund, we will be seeking to significantly increase GVA, jobs, employment and productivity. We will ensure that the North of Tyne continues to be an important exporting region whilst attracting world class people and globally mobile inward investment.

The North of Tyne already benefits from strong international trading links and is an economy with strong growth potential. Global companies include Accenture, Nestle, Piramal, Draeger, GE, Procter and Gamble and Sage. The area is also home to world-leading research and expertise strengths in its universities and hospitals. Newcastle International Airport is the second largest airport in the North of England and of strategic importance to the UK, while the region has important port facilities, which support our exporting strengths.

Through the 'minded-to' Devolution Deal, the North of Tyne will be seeking to maximise opportunities to increase internationalisation and competitiveness. In fulfilling these ambitions, we will continue to work in collaboration with the NELEP and partners over a wider Northern Powerhouse Geography.

Through the 'minded-to' devolution deal, Government recognises the opportunities to maximise the trade and investment opportunities arising from The Great Exhibition of the North, taking place in Newcastle and Gateshead in 2018. It will showcase to the world how the North of England's great art and culture, design and innovation has shaped all our lives and is building the economy of tomorrow. Government has agreed to:

- Explore trade and investment opportunities arising from the Great Exhibition of the North;
- Work with the GREAT Britain Campaign to develop a marketing campaign that maximises the impact of the Great Exhibition of the North; and
- Support the development and delivery of a Great Exhibition of the North programme and legacy events.

In addition, the NTCA will work with DIT to ensure local and national arrangements continue to deliver the most efficient and effective support to businesses. This will include:

- An integrated approach to planning for exports & investment.
- DIT seeking input from the NTCA in their annual trade mission planning process.
- Full engagement in trade fairs where appropriate for the NTCA.
- Developing a collaborative approach to inward investment and account management in the North of Tyne area, again, within the context of the Northern Powerhouse.

This approach will be supported through close working between NTCA and DIT, supported by senior strategic input and operational support from DIT.

The Deal also provides an agreement that the NTCA and the British Business Bank will work together to increase access to finance for SMEs.

Housing and land

The ambition for the North of Tyne is to retain and grow its population whilst creating a sustainable network of communities that are regarded as attractive and quality places to live.

Housing is an essential part of driving the economy with the attraction and retention of high skilled talent being critical to our economic future, as is the quality of homes for our current residents.

The supply of net new homes is hugely important, with the range of housing offered, the quality of the homes and neighbourhoods, the surrounding transport infrastructure and the value for money offered to both current and future residents being integral to the challenges.

- Range – the area needs a range of house types from inner city living, family and ‘executive’ homes in a range of tenures from private rented, owner occupied, shared ownership and affordable for rent – both in urban and rural areas.
- Quality – the area needs quality new homes and neighbourhoods that are well connected, but in some cases, the quality of existing homes and neighbourhoods requires improvement. In particular, we are proposing a focus on bringing empty homes back into use.

- Value for Money – the area needs a range of price points from high end properties, mid-range properties, starter homes and affordable homes for rent.

At the same time the area is faced with the poor viability of many housing sites and is acutely aware of the importance that housing makes to tackling social and health issues, supporting improved productivity.

The powers contained in the deal will enable NTCA and its constituent authorities to support the accelerated delivery of an ambitious target for new homes within the strategic context of product range, quality and value for money.

The deal also provides a powerful partnership structure (Housing and Land Board) that will be advisory to the NTCA and will oversee an integrated programme of housing delivery across the area and advise on the best use of public sector land and available funding. It will help deal with a range of blockages to development.

In addition to the Housing and Land Board the deal provides the NTCA with broad powers to acquire and dispose of land to accelerate the delivery of planned new homes across the area. Subject to the approval of the individual local authority the Mayor will also have the power of compulsory purchase.

The Mayor may, again with the relevant local authority(s), create a Mayoral Development Corporation to assist with the successful development of major strategic sites within the combined authority area.

Looking to the next few months the Deal commits the Government to explore the potential for a specific housing deal for the North of Tyne that will further increase the ability to deliver accelerated housing numbers in the area.

Rural growth and stewardship

Rural parts of the North of Tyne area account for a significant share of total employment, providing above average levels of new business starts, and contributing disproportionately to the region's visitor economy. However, there is a productivity gap between rural and urban areas, with GVA growth in 2014 3.3% for the North East as a whole, compared to only 2.6% in Northumberland, the most rural part of the area.

Enterprise and entrepreneurial activity in rural areas is more likely to be inhibited by the lack of the necessary infrastructure to develop sufficient scale - rural businesses are often at the bottom of the supply-chain and unable to locate a new customer-base for their products, selling mostly to the larger organisations.

In addition, rural communities are more likely to be unaware of the opportunities to scale-up their endeavours. This is on the basis that access to the right advice; to readily available investment funding and modern accommodation; as well as to a workforce with the appropriate skills and capacity to operate in a small business context; is more challenging.

The prevalence of high growth businesses within rural settings is therefore generally lower than those operating in a more urbanised context - and does not reflect the ability of rural areas to initiate and maintain new businesses start-ups.

The North of Tyne aspires to be a national exemplar for rural growth and stewardship.

The NTCA will facilitate this through the development of a comprehensive Rural Productivity Plan that delivers an integrated and place-based approach to maximising rural productivity. This plan will support the NELEP's Rural Growth Network and other relevant activity across the wider North East, as well as aligning with the emerging Borderlands Growth Deal, which aims to release additional investment to drive the economic potential of the strategic area that spans the England-Scotland Border.

The Government is fully committed to supporting this approach and accordingly will fully engage with the Combined Authority on relevant national policy; the successor arrangements for the EU Rural Development Programme; and the potential development of projects and programmes that test or adopt a place-based approach.

As part of this role, the NTCA will act as a Rural Business Scale-Up Champion for England. This will involve, with Government endorsement, the development of a national network which will facilitate peer to peer collaboration between businesses, local authorities, local enterprise partnerships and Growth Hubs operating in a rural context who share our commitment to scaling up small businesses. The focus of the network will be on fostering innovation in removing barriers to high growth in rural-based businesses, particularly in examining the ways in which digital technologies can enhance the inter-connection between rural economies.

Digital Infrastructure and “smart data

World-class digital infrastructure and innovation, together with smart utilisation of data, are key elements of our ambition to make the North of Tyne a leading digital location. Anchored by Sage (a member of the FTSE100) and a network of smaller businesses, the North of Tyne has one of the fastest growing tech clusters in the country.

In addition to the potential for the Investment Fund to help support these ambitions, the Deal sets out that Government will:

- Seek to maximise access to superfast connectivity to as many residential properties as possible – including through continuing existing support for broadband intervention in rural areas and by seeking new opportunities to invest in dense urban areas
- Support the use of the planning system to require the provision of fibre optic cable and smart metering as standard in any new development.
- Recognise the strategic significance of a new fibre optic cable to Europe.
- Encourage commercial providers to improve cellular coverage along key transport routes.

The North of Tyne will also use devolution as an opportunity to harness its digital strengths to develop expertise in areas such as cyber security, whilst Government has agreed to review business cases to strengthen existing national or regionally significant innovation assets and research – including in Data, 5G and Building Information Modelling.

4.2 The Industrial Strategy and Future Opportunities

On 27th November 2017, the Government published the Industrial Strategy, which set out the key policies and long term ambitions for the UK economy as well as how Government will work with industries and help to create the conditions for businesses to grow and invest. The North of Tyne 'minded to' devolution deal was included in the Industrial Strategy, demonstrating the Government's commitment to work in partnership with local areas to drive growth.

The North of Tyne and wider region has world-class sector and research strengths and expertise that have the potential to make a significant contribution to the Government's four Grand Challenges (Growing the Artificial Intelligence and Data Driven Economy, Clean Growth, Future of Mobility and an Ageing Society) and future Sector Deals. The Industrial Strategy sets out how new ways of working will be established between national and local leaders in both the public and private sectors. As set out earlier in this document, the North of Tyne's education assets provide particular opportunities to promote growth at both a local and national level.

By having a Mayoral Combined Authority and devolution deal, the North of Tyne will be in a stronger position to take advantage of the opportunities outlined in the Industrial Strategy, through a stronger voice with Government and enhanced local leadership. The North of Tyne will work with the NELEP to develop its Local Industrial Strategy and to establish a Skills Advisory Panel to drive productivity, investment and skills that meet local needs.

The opportunity to move away from time consuming competitive bidding for some national funding pots (such as the Transforming Cities Fund announced in the Industrial Strategy) is available to those combined authorities that have elected metro mayors. Securing such a flexibility for the North of Tyne would be a significant benefit for the area.

As part of our devolution deal, the Government has committed to review business cases brought forward for further investment in areas where the North of Tyne hosts nationally or regionally significant strengths including in the cultural and creative industries, offshore and energy and digital. The North of Tyne will develop business cases in these areas for assessment by Government.

The North of Tyne is committed to devolution and to further and deeper devolution deals with Government in the future. We hope that this will be the start of a devolution process between the Government and the North of Tyne to further increase our ability to deliver improved economic and social outcomes for local people and businesses.

4.3 The Impact of the ‘minded-to’ deal - Independent North of Tyne Economic and Social Impact Assessment

To support the governance review process, the North Tyne Local Authorities commissioned Ekosgen to undertake a study into the potential economic and social impacts of a North of Tyne Devolution Deal. As outlined above, the minded to devolution deal sets out a series of proposals that relate to both economic and inclusive growth, driving demand in the North Tyne economy and ensuring that residents are able to access and benefit from opportunities.

Summary of key findings:

Underpinned by an investment fund of £20m per year for 30 years, devolution to the North of Tyne would:

- Add £1.1 billion GVA to the economy
- Create 10,000 additional jobs
- Support over 22,000 people who are unemployed or inactive, helping over 9,500 people into employment
- Develop 333 ha of employment land, creating over 27,000 employment capacity opportunity
- Build 10,000 new houses
- Leverage over £2.1bn in private investment.

The minded-to North of Tyne devolution deal represents value for money to Government and a cost effective contribution to rebalancing the national economy by:

- Generating almost three quarters of a billion pounds⁴ (£734m) in income tax and NI contributions to HM Treasury
- Saving £93.9m in welfare payments as more people move into employment
- Increasing business rates by approximately £298m⁵

When additional local and national resources are aligned or pooled, the potential economic and social impact of devolution in the North Tyne and wider region will be even greater.

The 30-year time horizon of the ‘minded-to-approve’ devolution deal provides the mechanism to develop the long-term approach needed to address some of the long standing structural issues, deep-seated problems and market failures which have affected many residents and communities in the North Tyne for some time.

Businesses across the whole of the NECA area will benefit from additional supply chain expenditure and the increased spending from the wages of additional employment.

If the of North Tyne targeted investment into creating higher value jobs in the prime northern capabilities⁶, the North Tyne has the potential to increase GVA by 10% higher to £1.2bn.

⁴ This represents an approximate impact given the variability in how income tax and NI contributions build up over a 30-year period.

⁵ This represents an approximate impact given potential changes to business rates over time.

The North of Tyne has strong linkages with the wider North East LEP area, particularly in terms of commuter flows and sector and supply chain operations. This will enable the benefits of the devolution deal to be distributed beyond the North of Tyne, generating a positive impact for both businesses and individuals based in South Tyneside, Gateshead, Sunderland and County Durham.

The latest Census travel to work data shows that 18% of jobs in the North of Tyne are filled by residents from Gateshead, South Tyneside, County Durham and Sunderland. It is therefore expected that 18% of all direct employment generated by the devolution deal will be taken up by residents of other NELEP districts. But, given that residents are more likely to travel further distances for higher skilled and higher paid jobs, placing a greater focus on creating a higher proportion of 'better jobs' may further increase this share of new jobs filled by residents from the wider NELEP area over the longer term.

Businesses will also benefit from additional supply chain opportunities and the multiplier impact of increased economic activity and wages. This will create additional jobs which will be shared across the North of Tyne and wider North East LEP area, reflecting the sub-regional sectoral geography and linkages.

When the direct and multiplier effects are combined, independent analysis by Ekosgen predicts that 25% of all new employment generated by the devolution deal will be taken up by residents of South Tyneside, Gateshead, Sunderland and County Durham.

In short, devolution in the North Tyne will bring positive benefits to residents and businesses over a wide geographic area. Devolution will therefore make a positive and accelerated contribution to the achievement of the NELEP's targets as set out in the Revised Strategic Economic Plan, creating more and better jobs and helping to close/reduce gaps in productivity, employment and inactivity.

⁶ Analysis commissioned by Transport for the North looked at the implications of Independent Economic Review scenarios based on each local area's economic strengths and ability to grow.

5. OPTIONS FOR CHANGE

The review of existing governance arrangements for the NECA area has demonstrated the limitations of current arrangements in their ability to accommodate and deliver the diverging aspirations of the seven constituent authorities. Furthermore, the decision of the three North of the Tyne authorities to progress towards devolution for the North of Tyne area requires a review of the alternative options for governance arrangements moving forwards.

This section considers the potential options to determine the most appropriate model of governance to meet the diverse needs that the governance review has identified within the NECA area.

Option 1 – Status Quo – NECA continues in current form

Divergent views exist between the existing North East Combined Authority membership, limiting progress of both NECA and the individual areas in pursuing their diverse policy objectives.

The current governance arrangements and statutory functions of NECA are focused on economic development and transport, preventing the North of Tyne from pursuing its ambitions in relation to a broader range of policy functions and powers.

The ‘minded-to’ devolution deal has been negotiated with the North of Tyne local authorities and is not available to NECA under the existing governance arrangements. Maintaining the status quo would fail to realise the opportunities available through the ‘minded to’ devolution deal that would bring benefits to the whole of the NECA area.

Option 2 – Establish an Economic Prosperity Board (EPB) for the North of Tyne area

This option would require an amendment to the current NECA boundaries to enable the establishment of an Economic Prosperity Board (EPB) for the North of Tyne area.

An EPB would enable the North and South of Tyne authorities to pursue diverse policy agendas, however the functions and powers of EPBs are restricted to economic development and regeneration and do not include transport powers or the broader range of functions now available to combined authorities and included in the ‘minded-to’ devolution deal.

Option 3 – Establish a Combined Authority for the North of Tyne area

This option would require an amendment to the current NECA boundaries to enable the establishment of a combined authority for the North of Tyne area.

Having two separate combined authorities for the areas North and South of Tyne would ensure more closely aligned policy objectives in each authority than exist within NECA at the current time, enabling each to pursue a more diverse policy agenda and to make and implement decisions more efficiently and effectively. Although this option would improve the exercise of statutory functions across the NECA area, greater benefits to the area would be achieved through implementation

of the 'minded-to' devolution deal, which requires the establishment of a Mayoral Combined Authority.

Option 4 – Preferred Option - Establish a Mayoral North Tyne Combined Authority

This option would require an amendment to the current NECA boundaries to enable the establishment of a combined authority for the North of Tyne area.

Having two separate combined authorities for the areas North and South of Tyne would ensure more closely aligned policy objectives in each authority than exist within NECA at the current time, enabling each to pursue a more diverse policy agenda and to make and implement decisions more efficiently and effectively. Each authority would be able to seek a broader range of functions than are currently exercised by NECA according to their respective priorities and ambitions.

The creation of a combined authority with an elected mayor for the North of Tyne will enable the area to unlock the additional benefits of the 'minded-to' devolution deal through devolved powers and funding from government. The 'minded-to' deal is dependent on establishing a mayoral combined authority as the government's preferred mechanism for a greater transfer of powers and funding on a par with other Mayoral combined authorities and set out in the deal.

The 30-year period of the devolution deal provides the mechanism to develop the long-term approach needed to address some of the long-standing structural issues and market failures which have affected many residents and communities in the North of Tyne for some time.

A new Mayoral Combined Authority for the North of Tyne area would also provide:

- strong and visible collective leadership of the Area recognised by government with direct democratic accountability and transparency
- a unified and influential voice to strengthen conversations with government, national agencies and business leaders in the development of local growth policy, strategic interventions, securing a greater share of national resources and influencing national decision making
- greater visibility and influence as part of the group of Mayoral combined authorities with an increasing level of national influence and access to important initiatives only available to these authorities
- alignment of decision-making at a strategic level across a broad range of statutory functions and under a coherent strategy and investment programme
- consistency in the governance arrangements for strategic transport assets that span across a wider geography
- a stable and accountable platform underpinned by statutory powers to access greater devolved powers and funding delegated from government as part of further deals to enable locally devised interventions
- an opportunity to draw together a range of funding sources and a Single Investment Fund programme to enable a holistic approach to tackling shared priorities and driving growth

- a long-term vision and strategy for the North of Tyne underpinned by a long-term strategic investment framework to bring greater certainty and confidence to businesses to invest
- closer working across the wider public sector on integrating functions and services and providing innovative solutions to the challenges of reducing financial resources
- strengthened capacity through a combined and co-located resource supported with better information and analysis
- improved voice of business in decision making through a close relationship with the North East LEP and the appointment of a Mayor's Ambassador for Business
- future opportunities for further devolution.

Conclusion

To ensure the effective exercise of statutory functions across the NECA area, a new governance model is required that offers greater flexibility than the existing arrangements. This would enable the North and South of Tyne authorities to pursue more diverse policies across the North East, addressing the specific needs of the local area, including those resulting from the minded to deal.

Changing the boundaries of NECA to enable a new Mayoral Combined Authority for the North of Tyne to be established is the only governance arrangement that will achieve this outcome as well as enabling implementation of the 'minded-to' devolution deal and further deals that can be agreed in future. Each of the alternative options falls short of this outcome as they would prevent access to the significant benefits of the devolution deal that will accrue across the North of Tyne area and the wider area of the existing North East Combined Authority.

6. CREATING THE GOVERNANCE FOR GROWTH

This governance review has identified that the establishment of a Mayoral Combined Authority covering the local areas of Newcastle, North Tyneside and Northumberland is the optimal arrangement to drive growth across the North of Tyne and NECA area, and to access the benefits of the minded to devolution deal.

6.1 The Proposals for Change

The review of existing governance arrangements for the NECA area has demonstrated the limitations of current arrangements in their ability to accommodate and deliver the diverging aspirations of the seven constituent authorities. Introducing new governance arrangements across the NECA area will offer greater flexibility than is currently possible to enable the pursuit of more diverse policies across the North East but more closely linked to the needs, objectives and priorities of individual areas.

To create governance arrangements that will enable the exercise of statutory functions to best effect across the NECA area, the following changes are proposed:

- to change the existing boundaries of NECA so that the areas of Newcastle, North Tyneside and Northumberland are removed from the combined authority area
- to create a new Mayoral combined authority comprising the areas of Newcastle, North Tyneside and Northumberland (the North of Tyne Combined Authority (NTCA)) with the powers and functions described in the 'minded-to' devolution deal and summarised in section 4.

6.2 Continued Collaborative Framework

Notwithstanding the changes proposed above, it is recognised that collaboration across the wider regional area should continue in some key respects.

The joint working arrangements across the North East have existed in various forms over time and at different geographical footprints appropriate to the policy or initiative under consideration. Indeed one of the strengths of the North East area is its ability to flex and address its constituent spatial areas in different ways in recognition of local economic geography and economic or socio-economic conditions. From cross-sector partnerships within local areas to thematic or spatial joint initiatives between authorities, good practice exists at all levels.

Underpinned by the strength of these historical arrangements, the existing close relationship between the seven North East authorities will continue and be preserved through a number of proposed arrangements. The authorities remain committed to working collaboratively through a wide range of joint projects and initiatives where this creates added value.

Effective ongoing engagement with the NELEP and the wider business community remains a central feature of our proposals moving forwards and we will continue to work closely with and through the NELEP in delivery of the Strategic Economic Plan. In practice this will mean working through how the accountable body arrangements will operate in future and exploring practical ways that will enhance streamlined delivery arrangements and a seamless approach across all seven local authorities

and the NELEP, underpinned by a clear set of targets designed to improve and support the North East's economy.

Most importantly, it is proposed that transport functions should continue to be delivered at the current geographical level, particularly with regard to the long-standing integrated transport arrangements that existed across Tyne and Wear for many years prior to the establishment of NECA. In order to achieve this, it is therefore proposed to replicate the existing transport governance arrangements through the establishment of a joint committee between the new mayoral combined authority and NECA that will exercise all of the local transport functions and powers currently exercised by the North East Leadership Board, the Transport North East Committee, and the Tyne and Wear Sub-Committee on behalf of the two combined authorities in a more streamlined way, that continues to ensure that transport decisions are made at the most appropriate level (as set out in section 4). The joint committee will continue to be supported by appropriate joint capacity, building on the current support provided by Regional Transport Team.

6.3 The statutory tests for seeking the necessary legal orders

The statutory processes required to deliver the proposals for change are set out in the Local Democracy, Economic Development and Construction Act 2009 ("the 2009 Act"). In short, these will depend on the Secretary of State being willing to make the following legal orders:

- a. an order under section 106 of the 2009 Act to amend the boundaries of NECA to exclude the areas of the three North of Tyne authorities; and
- b. an order under section 103 of the 2009 Act to establish NTCA, which will include provision for an elected mayor.

(NB: whilst these are described as separate orders, the Secretary of State may choose to make a composite order as the proposals are so closely-linked.)

As the first part of these statutory processes, the North of Tyne Councils must undertake:

- a. a governance review under section 111 of the 2009 Act in relation to the proposed amendment of NECA's boundaries; and
- b. a governance review under section 108 of the 2009 Act in relation to the proposed creation of NTCA.

As noted at para 1.1 of this report, the rationale for each of these proposals are clearly very closely-linked. Therefore, whilst these are (in strict terms) 2 separate reviews, they have been dealt with together in this composite report.

Having carried out the review of existing governance arrangements, the North of Tyne authorities must then consider whether:

- a. (under section 112 of the 2009 Act) the proposed amendment of NECA's boundaries would be likely to improve the exercise of statutory functions in

relation to the existing areas affected by that order, i.e. the existing area of NECA; and

- b. (under section 109 of the 2009 Act) the proposed creation of NTCA would be likely to improve the exercise of statutory functions in the area of the North of Tyne Councils.

Given that the primary purpose of the North of Tyne authorities seeking to withdraw from NECA is to allow them to establish the new mayoral combined authority, it is proposed to consider first the statutory test for the creation of NTCA.

6.3.1 Is the creation of a new mayoral combined authority comprising the areas of Newcastle, North Tyneside and Northumberland likely to improve the exercise of statutory functions in the area of the North of Tyne?

The North of Tyne wants to take on a greater level of responsibility to determine its own future, with a new investment fund, applied more flexibly according to the area's specific needs and opportunities. This is achievable through the minded to-devolution deal; however, the deal itself is not available under the existing governance arrangements.

The establishment of a new Mayoral Combined Authority for the North of Tyne area will confer new powers and functions to the area as well as enabling access to the benefits of the minded to devolution deal. It will enable greater integration between a broader range of functions such as housing and infrastructure alongside a range of interventions to promote inclusive growth. It will ensure a strategic overview of the deployment of resources and powers and resources to drive economic growth.

A Mayoral Combined Authority in the North of Tyne area would benefit from the already close and positive collaboration that exists between the three authorities and would enable speedy decision making as well as effective governance, scrutiny, transparency and direct democratic accountability.

Swift decision making will enable speedier investments and accelerated growth. Our longer-term commitment will help instil greater confidence in our business base, ensure we attract and retain the right talent in the area and ensure the correct ecosystem is in place to lead to greater sustainable growth and economic prosperity. The close scrutiny and transparent democratic processes that are core features of a Mayoral Combined Authority will ensure that all funding and investment is strategically targeted to local priorities so that the impact of interventions is maximised.

A Mayoral Combined Authority in the North of Tyne area will provide both the levers and the stability that the area requires to grow and prosper and ensure the North of Tyne area is on a par with other Mayoral Combined Authorities. It will enhance local leadership, accountability and relationships with the business community, residents and other key stakeholders in the North of Tyne area and strengthen the area's voice nationally and internationally.

Therefore, it is considered that the creation of a mayoral combined authority will improve the exercise of statutory functions in the North of Tyne area.

6.3.2 Is the proposed amendment of the existing boundaries of NECA (so as to remove the North of Tyne authorities) likely to improve the exercise of statutory functions in the area affected by the amendment, i.e. the existing NECA area?

As noted above, the amendment of the boundaries of NECA will facilitate the establishment of the new mayoral combined authority for the North of Tyne area and, for the reasons outlined above, this will lead to an improvement in the exercise of statutory functions in that part of the existing NECA area.

NECA would then comprise the local authority areas of Durham, Gateshead, South Tyneside and Sunderland. It would remain a contiguous area, with a population of more than 1 million residents. It would have two city centres, two universities, strong businesses (including Nissan and Hitachi), a number of innovation centres (including Sunderland Software City, the Satellite Applications Centre of Excellence and the Northern Design Centre) and with growth opportunities including the International Advanced Manufacturing Park. It is our view that NECA would remain a coherent and functional economic geography, and could therefore operate effectively.

As has already been noted at section 4 the creation of a new mayoral combined authority in the North of Tyne and the implementation of the devolution deal will also bring benefits which extend beyond the North of Tyne area and into the rest of the existing NECA area. The Independent Economic and Social Impact Assessment considered the impact of the deal on the wider North East LEP/NECA area. The economic evidence demonstrates that the benefits of the devolution deal will be distributed beyond the North of Tyne, generating a positive impact for both businesses and individuals based in South Tyneside, Gateshead, Sunderland and County Durham.

Furthermore, as set out above, it is considered that the proposed amendment of NECA's boundaries will also bring wider benefits in terms of the exercise of statutory functions in the existing NECA as a whole.

As a starting point, there will continue to be close collaboration across the region in certain key areas. For example, the North East LEP will continue on the same footprint as present and the proposed statutory joint committee for transport will maintain the integrated approach to transport which currently exists across the region, whilst providing clearer and more streamlined governance of integrated transport delivery and key assets, including the Tyne and Wear Metro and the Tyne Tunnels.

At the same time, having two separate combined authorities within the existing NECA area will ensure more closely aligned policy objectives in each authority than exist within NECA at the current time, enabling each to pursue a more diverse policy agenda and to make and implement decisions more efficiently and effectively. Each authority will be able to seek a broader range of functions than are currently exercised by NECA according to their respective priorities and ambitions.

It is anticipated that a revised NECA and new Mayoral NTCA will mean that the issue of diverging views and policy approaches are alleviated and decision-making improved in both authorities to enable further and faster progress in delivering functions in their respective areas.

Each combined authority would have more effective and targeted control over the delivery of objectives and priorities within their areas and the freedom to pursue diverse policy approaches relevant to their own needs and ambitions. In turn the benefit of a greater diversity in policy, powers and approaches would be experienced across the North East as a whole.

Therefore, it is considered that the proposed amendment of the existing boundaries of NECA (so as to remove the North of Tyne authorities) will be likely to improve the exercise of statutory functions in the area affected by the amendment, i.e. the existing NECA area.

6.4 Conclusion

The current governance arrangements do not represent the best model for the ambitions of the authorities within the NECA area in terms of delivering their long-term ambitions for economic growth. Amending the NECA boundaries to remove the three North of Tyne authorities from NECA and the subsequent formation of a Mayoral North of Tyne Combined Authority along with supplementary arrangements for establishing a Joint Committee for Transport would create a clear and effective platform for the improved delivery of statutory functions across the North East delivered through two combined authorities and the Transport Joint Committee. In summary, it will improve the exercise of statutory functions across both the North of Tyne area and the whole of the existing area of NECA.

6.5 Next Steps

As set out above, the conclusions of this report are that these tests have been met in each case. However, this will be a matter for each of the North of Tyne authorities' Cabinet members to consider. If they are satisfied that the tests have been met, then the North of Tyne authorities will publish the necessary scheme which explains how the legal changes will be made. The proposed scheme is attached as Appendix 1.

The North of Tyne authorities will then undertake public consultation on the scheme and the results of that consultation will be reported to the Secretary of State who must then decide whether to make the legal order(s) described above to amend the boundaries of NECA and create a new combined authority for the North of Tyne area.

**Scheme for (a) the proposed amendment of the boundaries of the
North East Combined Authority and (b) the creation of a new mayoral
combined authority for the North of Tyne area
(Draft)**

Introduction

- i. This composite scheme (“the Scheme”) has been prepared jointly by Newcastle City Council, North Tyneside Council and Northumberland County Council (collectively referred to as “the North of Tyne Councils”) under the Local Democracy, Economic Development and Construction Act 2009 (as amended), which is referred to below as “the 2009 Act”. (NB: it is a composite scheme because it deals with 2 linked schemes under the 2009 Act as set out below.)
- ii. On 22 November 2017 HM Government announced that it was minded to enter into a devolution deal with the North of Tyne Councils under which they will benefit from £600 million of new government investment to spend on local priorities to boost growth, together with a range of devolved powers. This devolution deal is subject to the creation of a combined authority for the area of the North of Tyne Councils with an elected mayor.
- iii. The North of Tyne Councils are currently members of the Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority, which is referred to as the “North East Combined Authority” and “NECA” in this Scheme. The North East Combined Authority was created by a statutory order made on 14 April 2014 (which is referred to as “the NECA Order”).
- iv. In order to establish a mayoral combined authority for their area, the North of Tyne Councils will first need to withdraw from NECA. This will be dependent on the Secretary of State making an order under section 106 of the 2009 Act to amend the existing boundaries of NECA. The creation of a new mayoral combined authority for the North of Tyne area will also be dependent on the Secretary of State making an order under sections 103 and 107A of the 2009 Act. (NB: whilst these are described as separate orders, the Secretary of State may choose to make a composite order as the proposals are so closely-linked.)
- v. The North of Tyne Councils have therefore conducted:
 - a. a governance review under section 111 of the 2009 Act in relation to the proposed amendment of the boundaries of NECA so as to remove the local government areas of the North of Tyne Councils from the combined area of NECA; and
 - b. a governance review under section 108 of the 2009 Act in relation to the proposed creation of a new mayoral combined authority for the local government areas of the North of Tyne Councils, which is referred to in this Scheme as “the North of Tyne Area”.
- vi. Having considered the findings of each review, the North of Tyne Councils have decided that these proposals (ie the amendment of NECA’s boundaries and the creation of a new mayoral combined authority for the North of Tyne area) would

improve the exercise of statutory functions as required by the relevant provisions. They have therefore prepared this Scheme

- a. under section 112 of the 2009 Act in respect of the proposed amendment of NECA's boundaries; and
- b. under section 109 of the 2009 Act in respect of the proposed creation of a new mayoral combined authority for the North of Tyne Area.

Given that the proposals are closely-linked, the North of Tyne Councils have prepared this Scheme as a composite scheme to deal with both proposals.

- vii. It is intended that the proposals contained in the Scheme will be subject to public consultation from Thursday 14 December 2017 to Monday 5 February 2018.

1. Proposed amendment of the boundaries of NECA and consequential changes

- 1.1 It is proposed that the boundaries of NECA are amended to remove the local government areas of the City of Newcastle, the Borough of North Tyneside and the County of Northumberland. This would mean that the combined area of NECA would comprise the local government areas of the County of Durham, the Borough of Gateshead, the Borough of South Tyneside and the City of Sunderland. The constituent authorities of NECA would therefore be the County Council of Durham, the Council Borough of Gateshead, the Council of the Borough of South Tyneside and the Council of the City of Sunderland.
- 1.2 It is proposed that NECA shall continue to exercise its current statutory functions but only in respect of its amended area as described above. Accordingly, it is proposed that the Secretary of State should exercise the powers under sections 106 and 114 of the Act to amend the NECA Order and make consequential amendments to the name, membership and governance (including scrutiny) arrangements of NECA to reflect its revised area and membership.
- 1.3 As set out later in this Scheme, it is proposed that the new mayoral combined authority (referred to as "the MCA") which is established for the North of Tyne Area shall have the statutory functions which NECA currently exercises for the North of Tyne Area, together with the additional statutory functions as described in this Scheme.
- 1.4 Whilst both NECA and the MCA shall be at liberty to decide how to exercise their non-transport statutory functions in their respective areas¹, it is proposed that those transport functions which are currently vested in NECA shall continue to be dealt with on an integrated basis across both the amended area of NECA and the North of Tyne Area. To this end, it is proposed that the Secretary of State should require both NECA and the MCA to make decisions on such functions through a joint committee (as described at section 11 of this Scheme). It is considered that these decision-making arrangements for transport are supplemental to the proposed amendment of NECA's boundaries and the creation of the MCA, and therefore within the scope of section 114 of the 2009 Act.

¹ This is subject to the fact that certain functions of the MCA must be exercised by the Mayor, as set out later in this Scheme.

- 1.5 It is proposed that the orders which are made to give effect to the above proposals shall also make provision to address the apportionment of the assets, rights and liabilities of NECA between NECA (as amended) and the MCA and also to ensure the continuing validity of any action taken by NECA prior to the amendment of its boundaries.

2. Proposed creation of a mayoral combined authority for the North of Tyne Area

- 2.1 The following part of the Scheme sets out how it is proposed that the MCA will operate and discharge its functions. Subject to the making of the requisite statutory orders, it is anticipated that the MCA will be established as soon as practicable in the 2018/19 financial year.

2.2 Geography, name and election of Mayor

- 2.2.1 It is proposed that the combined area of the MCA should comprise the whole of the following local government areas:
- the City of Newcastle upon Tyne
 - the Borough of North Tyneside; and
 - the County of Northumberland
- 2.2.2 It is proposed that the Council of the City of Newcastle, the Council of the Borough of North Tyneside and Northumberland County Council will be the MCA's Constituent Authorities (and "Constituent Authority" and "Constituent Authorities" will be construed accordingly).
- 2.2.3 It is proposed that the name of the MCA shall be the North of Tyne Combined Authority. The title of the MCA's elected mayor will be the North of Tyne Combined Authority Mayor and the elected mayor is referred to below as "the Mayor".
- 2.2.4 It is proposed that the first Mayor shall be elected in May 2019. The Mayor will be elected by the local government electors for the areas of the Constituent Authorities of the MCA. As set out in the Cities and Local Government Devolution Act 2016, the Mayor is to be returned under the simple majority system ('first past the post'), unless there are three or more candidates. If there are three or more candidates, the Mayor is to be returned under the supplementary vote system.
- 2.2.5 It is proposed that the initial term of the Mayor will be 5 years. Each subsequent mayoral term shall be 4 years.
- 2.2.6 The creation of the MCA will need to be reflected in the existing arrangements relating to the North East Local Enterprise Partnership ("the LEP"). It is also proposed that the Mayor shall be a member of the LEP Board to ensure continued recognition of the LEP's importance in the design and delivery of local economic strategies.

2.3. Membership

- 2.3.1 It is proposed that each Constituent Authority shall appoint two elected members to the MCA. It is expected that one member will be the leader or elected mayor of that Constituent Authority and will be a "Voting Member" of the MCA. It is expected that

the second member will be the deputy leader or deputy elected mayor of that Constituent Authority. The second member will ordinarily be a non-voting member of the MCA, save for when the leader or elected mayor of the Constituent Authority is not present and voting. In those circumstances the second member appointed by the Constituent Authority will be a "Voting Member" of the MCA.

- 2.3.2 It is proposed that each Constituent Authority will also appoint two elected members ("Substitute Members") to act as members of the MCA in the absence of the Members appointed under 2.3.1 above.
- 2.3.3 For the purposes of this Scheme, any reference to a Member of the MCA is to be treated as including a reference to a person who is acting as a substitute for that Member pursuant to this Scheme.
- 2.3.4 For the purposes of this paragraph, an elected mayor of a Constituent Authority is to be treated as a member of the Constituent Authority.
- 2.3.5 It is proposed that each Member must act in accordance with the Order establishing the MCA, its Constitution and standing orders, and also observe its Code of Conduct for Members.
- 2.3.6 Where a Member of the MCA ceases (for whatever reason) to be a member of the Constituent Authority which appointed them, it is proposed that the Member will cease to be a member of the MCA, and the Constituent Authority will appoint a replacement member as soon as possible. This shall not apply where the Mayor is a member of a Constituent Authority, in which case ceasing to be a member of that Constituent Authority shall not debar them from continuing as Mayor and a Member of the MCA.
- 2.3.7 Each Constituent Authority may at any time terminate the appointment of a Member appointed by it to the MCA.
- 2.3.8 It is proposed that the Mayor of the MCA will be a Member and the Chair of the MCA. The Mayor shall appoint one of the Constituent Authority Members as a Deputy Mayor. The Deputy Mayor will chair meetings of the MCA in the absence of the Mayor.
- 2.3.9 It is proposed that the LEP shall nominate one of its members to be a Member of the MCA. It is expected that the member nominated will be the Chair of the LEP. The MCA shall appoint the person nominated by the LEP and that person shall be a non-voting Member of the MCA ("the LEP Member").
- 2.3.10 It is proposed that the LEP shall also nominate one of its members to act as a Member of the MCA in the absence of the LEP Member. The MCA shall appoint the person nominated by the LEP to act as a Member of the MCA ("the LEP Substitute Member") in the absence of the LEP Member.
- 2.3.11 Where the LEP Member or the LEP Substitute Member ceases to be a member of the LEP, he or she will cease to be a Member of the MCA, and the LEP will nominate a replacement Member as soon as possible.

- 2.3.12 The Members of the MCA (namely the Mayor or Interim Mayor, the Constituent Authority Members and the LEP Member) shall collectively be referred to as “the Cabinet” and “Cabinet Member” shall be construed accordingly.
- 2.3.13 It is proposed that the Mayor will nominate a person to be the “Mayor’s Ambassador for Business” and the MCA will appoint such a person to that role if a majority of the Voting Members agree to the appointment, subject to paragraphs 2.3.14 and 2.3.15. The Ambassador will attend Cabinet meetings as an observer.
- 2.3.14 Any person who satisfies the following conditions is eligible to be nominated for appointment as the Mayor’s Ambassador for Business:-
- a) The person is resident, or operates a business in the area of one of the Constituent Authorities; and
 - b) The person is proposed to be the Mayor’s Ambassador for Business by a recognised business organisation.
- 2.3.15 A person may not be appointed as the Mayor’s Ambassador for Business unless they submit an application (in accordance with any application procedure and timetable determined by the MCA) and they satisfy conditions (a) and (b) in paragraph 2.3.14 at the date of their appointment.
- 2.3.16 It is proposed that the Mayor’s Ambassador for Business will hold his/her position for as long as the Mayor holds office or the Mayor, with the support of the majority of the Voting Cabinet Members, terminates the Ambassador’s appointment.
- 2.3.17 To assist and advise the MCA in fulfilling its responsibilities, further Mayoral Ambassadors representing sectors such as the Community and Voluntary Sector may be appointed by a majority of the Voting Members of the Cabinet.

Interim Mayor

- 2.3.18 At its first meeting the Voting Members of the MCA shall appoint one of their number as chair. It is proposed that the MCA will thereafter appoint an Interim Mayor and that appointment will have effect between that date and the election of the Mayor in May 2019.
- 2.3.19 It is proposed that any person who satisfies each of the following conditions is eligible for appointment as Interim Mayor:-
- a) The person is resident in the area of one of the Constituent Authorities;
 - b) The person is –
 - i. An elected member of a Constituent Authority
 - ii. An elected mayor of a Constituent Authority
 - iii. The Northumbria Police and Crime Commissioner
 - iv. A Member of Parliament or Member of the European Parliament with a constituency wholly or partly within the area of the MCA; and
 - c) The person holds such elected office at the date of application for the position of Interim Mayor and on the date of appointment.

2.3.20 A person may not be appointed as Interim Mayor unless:-

- a) The person is eligible to be appointed under paragraph 2.3.19 (a) to (c);
- b) The person has submitted an application in accordance with any application procedure and timetable determined by the MCA;
- c) The person has been nominated by at least one Member in accordance with any application procedure and timetable determined by the MCA following consideration by the MCA of all applications for the office of Interim Mayor; and
- d) The appointment has been approved at a meeting of Cabinet by a simple majority of the Voting Members.

2.3.21 It is proposed that the Interim Mayor may resign by written notice served on the proper officer of the MCA and the resignation shall take effect on receipt of the notice by the proper officer.

2.3.22 The MCA may terminate the appointment of the Interim Mayor provided that a majority of the Voting Members (excluding the Interim Mayor) vote in favour of a resolution to terminate such appointment at a meeting of the MCA.

2.3.23 Where a person ceases to be an Interim Mayor by virtue of paragraph 2.3.21 or 2.3.22 it is proposed that the MCA may appoint a further Interim Mayor whose appointment will have effect until the election of the Mayor of the MCA in May 2019.

2.3.24 On appointment, the Interim Mayor will become a Member and the Chair of the MCA.

2.3.25 It is proposed that the MCA may appoint one or more Vice-Chairs from among the Constituent Authority Members.

2.3.26 If a vacancy arises in the office of Interim Mayor the MCA may appoint a Vice-Chair as Acting Interim Mayor to exercise the functions of the Interim Mayor until an appointment of a permanent Interim Mayor can be made.

2.3.27 It is proposed that the Interim Mayor will not have a vote unless they are a Constituent Authority Member of the MCA. If the Interim Mayor does have a vote, they will have one vote with no casting vote.

2.3.28 If the Interim Mayor is not an elected member of a Constituent Authority of the MCA the Interim Mayor will be a non-voting Member of the MCA.

2.3.29 The MCA may only pay an allowance to the Interim Mayor if it has considered a report published by an Independent Remuneration Panel established by one of the Constituent Authorities of the MCA which contains recommendations for such an allowance, and the allowance paid by the MCA does not exceed the amount recommended by the Independent Remuneration Panel.

2.4. Proceedings & Voting

Decisions of the Mayoral Combined Authority

- 2.4.1 It is proposed that decisions to be made in exercise of the functions of the MCA will be made by the Constituent Authority Members and Mayor working together as the Cabinet. Such decisions will be made by a meeting of the Cabinet except:
- 2.4.1.1. Where responsibility for exercise of the function has been delegated in accordance with the Constitution of the MCA (and which may include delegation of such powers and functions of the MCA to Committees, Sub-Committees or officers as the MCA considers appropriate)
 - 2.4.1.2. Where the matter is to be considered by a Scrutiny Committee or Audit Committee of the MCA
- 2.4.2 No business of the Cabinet will be transacted at a meeting unless four Voting Members of Cabinet consisting of the Mayor and each Constituent Authority's Voting Member are present at the meeting.
- 2.4.3 Each Voting Member of the Cabinet (including the Mayor) will have one vote subject to the arrangements set out in paragraph 2.3.1. The Mayor will not have a second or casting vote.
- 2.4.4 It is proposed that the Cabinet will aim to reach decisions by consensus subject to paragraphs 2.4.5 to 2.4.6 below. If it is not possible to reach a consensus on a matter that requires a decision, the matter will be put to the vote. Any matter that comes before the Cabinet to be decided will be decided by way of a simple majority of the members of the Cabinet present and voting (whether a motion or an amendment), unless the vote is tied in which case the matter shall be deemed not to have been carried.
- 2.4.5 It is proposed that the following matters (known as "Key Strategic Decisions") will require the unanimous support of all voting Constituent Authority Members of the Cabinet to be carried:
- a. Adoption of, and any amendment to or withdrawal of, any strategic growth plan as provided for in the MCA's Constitution;
 - b. Approval of, and any amendment to or withdrawal of, growth schemes set out in any adopted strategic growth plan;
 - c. Approval of, and any amendment to, the MCA's annual budget excluding those elements of the MCA's annual budget which relate to Mayoral functions or to transport functions which are dealt with by the Transport Joint Committee (see section 11 below);
 - d. Approval of, and any amendment to or withdrawal of borrowing limits, any treasury management strategy, including reserves, investment strategy and capital budget, of the MCA;
 - e. Approval of, and any amendment to or withdrawal of, such other plans and strategies as may be determined by the MCA and set out in its Constitution;
 - f. Approval of and any amendment to the MCA Constitution.

- 2.4.6 If the Mayor does not vote with the majority of Voting Members 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 MCA 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.

Decisions of the Mayor

- 2.4.7 It is proposed that decisions on the discharge of a Mayoral function will be exercisable only by the Mayor unless the Mayor delegates such a function to:
- a) The Deputy Mayor,
 - b) Another Member of the Combined Authority, or
 - c) An officer of the Combined Authority
- 2.4.8 As set out later in this Scheme, it is proposed that certain Mayoral decisions will require the consent of the Voting Cabinet Member appointed by the Constituent Authority in whose area the decision will apply, including:
- a) The designation of any area of land as a Mayoral Development Area leading to the establishment, by Order, of a Mayoral Development Corporation (see paragraph 5.3);
 - b) The compulsory purchase of land or buildings by the Mayor (see paragraph 4.4)
 - c) Such other matters as may be contained in the MCA’s Constitution
- 2.4.9 The Mayor will be required to consult the Cabinet on his/her policies and strategies, relating to the exercise of general Mayoral functions, which it may amend if two-thirds of the voting Cabinet Members (excluding the Mayor) agree to do so.
- 2.4.10 It is proposed that the Mayor will prepare a draft annual budget for their areas of responsibility that will be considered by the Cabinet and scrutinised by the MCA’s Overview and Scrutiny Committee. The Mayor may decide to change their budget proposals following the Cabinet’s consideration of the budget or recommendations received from the Overview and Scrutiny Committee.
- 2.4.11 In accordance with the Combined Authorities (Finance) Order 2017 the Cabinet will be able to amend the Mayor’s budget proposals if two-thirds of the Voting Cabinet Members (excluding the Mayor) agree to the amendment.
- 2.4.12 The Mayor will have the power to issue a Council Tax Precept on behalf of the MCA in relation to their areas of responsibility. However such a proposed precept, being part of the Mayor’s budget proposals, will be subject to scrutiny and amendment if the amendment is agreed by a two-thirds majority of the Voting Members of Cabinet (excluding the Mayor).

2.5. Scrutiny

- 2.5.1 The MCA will establish a Committee to exercise responsibility for the Overview and Scrutiny functions applicable to the MCA and the Mayor. This Committee (and the Audit Committee outlined at paragraph 2.6 below) shall be established and function in line with the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2016.
- 2.5.2 Membership of the Overview and Scrutiny Committee shall consist of 3 members from each Constituent Authority, a Chair appointed pursuant to paragraph 2.5.3 below and such other independent persons as may be appointed by the MCA. The appointment of members to the Overview and Scrutiny Committee by the Constituent Authorities shall reflect political balance across the whole of the MCA's area at the time of their appointment.
- 2.5.3 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 Authority 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.
- 2.5.4 The Overview and Scrutiny Committee may appoint such Sub-Committees as it deems necessary to fulfil its functions.

2.6. Audit Committee

- 2.6.1 It is proposed that the MCA shall establish a Committee of not less than 10 Members to exercise responsibility for the Audit functions applicable to the MCA.
- 2.6.2 Membership of the Audit Committee shall consist of 3 members from each Constituent Authority and at least one independent person appointed by the MCA. The appointment of members to the Overview and Scrutiny Committee by the Constituent Authorities shall reflect political balance across the whole of the MCA's area at the time of their appointment.

2.7. Appointments

- 2.7.1 The MCA will appoint to the three statutory positions being:
- a) Head of Paid Service (section 4 Local Government and Housing Act 1989);
 - b) Chief Finance Officer (section 73 Local Government Act 1985);
 - c) Monitoring Officer (section 5 Local Government and Housing Act 1989).
- 2.7.2 Arrangements will be made for the appointment of a person to act as a Scrutiny Officer of the Overview and Scrutiny Committee.
- 2.7.3 These positions may be held by officers already serving in one or more Constituent Authorities save for that of Scrutiny Officer.
- 2.7.4 The Mayor may appoint one person as the Mayor's political adviser

2.8. Standing Orders

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

2.9. Remuneration

- 2.9.1 It is proposed that the Mayor shall be paid an allowance as agreed by the Voting Constituent Authority Members of the Cabinet, following consideration of a report from an Independent Remuneration Panel (which performs a similar function for one of the Constituent Authorities). This panel will also consider allowances payable to the Independent Member(s) of the Overview and Scrutiny and Audit committees.
- 2.9.2 No remuneration shall be payable by the MCA to its Constituent Authority Members (other than allowances for travel and subsistence), provided always that a Constituent Authority may, on the recommendation of an Independent Remuneration Panel, pay a special responsibility allowance to any Member appointed by it to the MCA in respect of duties and responsibilities undertaken as a Member, or Substitute Member, of the MCA.

3. Functions, Powers & Duties of the MCA

- 3.1 The prime purpose of the MCA is to improve the exercise of statutory functions in relation to the MCA area. In pursuit of this prime purpose, the MCA will take on those powers and functions set out in the “minded to” Devolution Deal (and those functions which were previously exercised by NECA in respect of the North of Tyne Area) which will be discharged either by the Mayor, the Cabinet or by the MCA acting jointly with NECA through the Transport Joint Committee as set out in section 11 below.

Mayoral Functions

- 3.2 The MCA functions that will be Mayoral functions are:-
- Designating mayoral development areas (see paragraphs 5.1 to 5.3), which will support delivery of strategic sites in the MCA area subject to the consents of those referred to in paragraph 2.4.8
 - Compulsory purchase powers (see paragraphs 4.2 to 4.6), subject to the consents of those set out in paragraph 2.4.8 and the consent of the Secretary of State for Communities and Local Government
 - Power to set a precept on local Council Tax bills in relation to the funding of Mayoral functions.
- 3.3 For the purposes of the discharge of Mayoral functions the Mayor may do anything that the MCA may do under section 113A of the 2009 Act (functional power of competence).

Cabinet Functions

- 3.4 It is proposed that all functions given or transferred to the MCA that are not exercisable only by the Mayor (which Mayoral functions are listed in paragraphs 3.2

and 3.3) will be discharged by the Cabinet save for the transport functions set out in section 11 of this Scheme which will be discharged through the Transport Joint Committee referred below.

- 3.5 The Cabinet will exercise its powers and duties concurrently with the Constituent Authorities (where Constituent Authorities have the same functions). No Constituent Authority will cede any existing non transport functions to the MCA without its express agreement.
- 3.6 It is proposed that the Constituent Authorities, Public Authorities and the MCA will agree operating protocols for the exercise of concurrent powers and duties by the MCA where considered appropriate. These protocols will recognise the strategic role of the MCA and safeguard the role of Constituent Authorities in local decision making and delivery.
- 3.7 Notwithstanding the above, it is proposed that a Constituent Authority and the MCA 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 Authority to the MCA. In all such cases, acceptance of a delegation will require the agreement of Cabinet.
- 3.8 Under Section 101 of the Local Government Act 1972 it is proposed that the MCA may enter into arrangements with a Constituent Authority to allow for the delegation of Non-Mayoral functions to a Constituent Authority. In all such cases, the decision to delegate any function will require the agreement of Cabinet.

4. Housing and Land Functions

- 4.1 In order to exercise the functions outlined in the “minded to” Devolution Deal, it is proposed that the MCA will be granted the following powers, to run concurrently with the Constituent Authorities or the Homes and Communities Agency (“HCA”) as appropriate.
- 4.2 It is proposed that the MCA will be granted devolution of the objectives and functions of the HCA under section 2(1) of the Housing and Regeneration Act 2008 (with a limitation to the MCA’s area) and the following powers contained in the 2008 Act will be exercised by the MCA concurrently with the HCA:-
 - a) Section 5 (powers to provide housing or other land);
 - b) Section 6 (powers for regeneration, development or effective use of land);
 - c) Section 7 (powers in relation to infrastructure);
 - d) Section 8 (powers to deal with land etc);
 - e) Section 9 (acquisition of land);
 - f) Section 10 (restrictions on disposal of land);
 - g) Section 11 (main powers in relation to acquired land);
 - h) Section 12 (powers in relation to, and for, statutory undertakers);
 - i) Paragraphs 19 and 20 of Schedule 3 (powers in relation to burial grounds and consecrated land etc.)
 - j) Paragraphs 1,2,3,4,6,10 and 20 of Schedule 4 (extinguishment or removal powers for the HCA)

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

- 4.3 The objectives in section 2(1) of the 2008 Act are to provide the MCA with the necessary powers:
- to improve the supply and quality of housing;
 - to secure the regeneration or development of land or infrastructure;
 - to support in other ways the creation, regeneration and development of communities or their continued well-being; and
 - to contribute to the achievement of sustainable development and good design.
- 4.4 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 the MCA should also have the benefit of exemption from section 23 of the Land Compensation Act 1961, which is enjoyed by the HCA under section 23(3)(d) of that Act.
- 4.5 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 Authority for the area(s) of land to be compulsorily acquired and the Secretary of State.
- 4.6 It is proposed that the MCA should be granted the power to exercise, subject in each instance to the agreement of the Constituent Authority (or Authorities) within whose area the land is located, the functions of the Constituent Authorities to acquire land for the development of housing under section 17 of the Housing Act 1985 and the associated sections 11, 12, 15(1) and 18. The conferral of such powers on the MCA will be entirely without prejudice to the exercise of those powers by the Constituent Authorities which will exercise those powers as before. 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 Authority for the area(s) of land to be compulsorily acquired and the Secretary of State.
- 4.7 It is proposed that the MCA will be considered “a local housing authority” for the purposes of Section 8(1) of the Housing Act 1985 (periodical review of housing needs) that will require the MCA as a “local housing authority” to consider housing conditions in the MCA area and the needs of the area with respect to the provision of further housing accommodation.

North of Tyne Housing and Land Board

- 4.8 It is proposed that the MCA and the Government will establish the North of Tyne Housing and Land Board which will oversee an integrated programme of housing delivery across the MCA area and advise on the best use of public sector land.
- 4.9 It is proposed that the Board will be an advisory Board making recommendations to the MCA and its membership will include representatives from Government, the Homes and Communities Agency, the MCA, the MCA Constituent Authorities and other public and private sector bodies as considered appropriate.
- 4.10 The creation of the Land Board does not require any new statutory provision.

5. Mayoral Development Corporation

- 5.1 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.
- 5.2 In order to achieve the objectives set out in Paragraph 5.1 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 the MCA and the Mayor. This would enable the MCA to have functions for its 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).
- 5.3 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 agreement of the Constituent Authority Member(s) of the MCA whose local government area contains any part of the MDA.
- 5.4 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 agreement of the Constituent Authority Member of the MCA whose local government area contains any part of the area to be excluded from the MDA.
- 5.5 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 Authority Member(s) for the local government area concerned and (where appropriate) the Northumberland National Park Authority.

6. Inclusive Growth – Education and Skills

- 6.1 It is proposed that the MCA will be given devolved powers to control the Adult Education Budget from the academic year 2019/20, having been granted the power to vary the block grant allocations made to providers, within an agreed framework, for the academic year 2019/20.
- 6.2 It is proposed that the MCA will have the duties under Sections 15ZA, 15ZB, 15ZC, 17 and 18A(1)(b) of the Education Act 1996 and the powers under section 514A and 560A of that Act that relate to duties and powers concerning the provision of education and training for persons over compulsory school age.
- 6.3 It is proposed that the MCA will have the responsibilities and functions of a “local authority” under 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 years.
- 6.4 It is also proposed that the MCA will have the responsibilities and functions of a “local authority” under 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.
- 6.5 The MCA will have the responsibilities and functions under 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.
- 6.6 The MCA will have the responsibilities and functions under 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.
- 6.7 It is proposed that the MCA should have responsibilities and functions under sections 86 (education and training for persons aged 19 or over and others subject to adult detention), 87 (learning aims for persons aged 19 or over: provision of facilities), 88 (learning aims for persons aged 19 or over: payment of tuition fees), 90 (encouragement of education and training for persons aged 19 or over and others subject to adult detention), 115 (persons with special educational needs) of the Apprenticeships, Skills, Children and Learning Act 2009 .’
- 6.8 Should the MCA be given the functions set out in this Section 6, then it is proposed that, for the purposes of data sharing, the MCA should be treated as a “Local Authority” for the purposes of Section 122 of the Apprenticeships, Skills Children and Learning Act 2009 and Section 72 of the Welfare Reform and Pensions Act 1999 (Supply of information for certain purposes) so that the MCA can supply and receive information related to employment or training of persons in the North of Tyne Area.
- 6.9 The above functions will be exercisable concurrently with the Constituent Authorities and the Secretary of State or both, as applicable.

Inclusive Growth Board

- 6.10 It is proposed that the MCA will establish an Inclusive Growth Board with the aims of:-
- a) Improving the marked disparities in educational attainment that exists within the MCA area;
 - b) Increasing attainment in Science, Technology, Engineering and Mathematics (STEM) subjects;
 - c) Deepening the approach to careers information, advice and guidance through the adoption of the Good Career Guidance benchmarks; and
 - d) Achieving excellence in teaching, leadership and school governance.
- 6.11 The Board will be responsible for advising on the better coordination of employment, skills and health services across the MCA area with the aim of increasing the number of people moving into work.

7. Incidental Provisions

- 7.1 It is proposed that the following provisions shall have effect as if the MCA were a “local authority” for the purposes of the functions therein which the MCA will exercise concurrently with the Constituent Authorities:-
- a) Section 113 of the Local Government Act 1972 (the power to place staff at the disposal of other local authorities);
 - b) Section 142(2) of the Local Government Act 1972 (the power to arrange for publication of information etc relating to the functions of the MCA);
 - c) Section 144 of the Local Government Act 1972 (the power to encourage visitors and provide conference and other facilities);
 - d) Section 145 of the Local Government Act 1972 (the power to provide and support cultural activities and entertainments);
 - e) Section 222 of the Local Government Act 1972 (the power to prosecute and defend legal proceedings); and
 - f) Section 69 of the Local Democracy, Economic Development and Construction Act 2009 (duty to prepare an assessment of economic conditions).
- 7.2 It is proposed that such functions of the Constituent Authorities that are exercisable for the purpose of economic development and regeneration in reliance on the general power of competence under section 1 of the Localism Act 2011 will also apply to the MCA in relation to those functions. This general power of competence, which will be a non-mayoral function, will be in addition to the powers given to the MCA under Section 113A of the Local Democracy, Economic Development and Construction Act 2009.
- 7.3 It is proposed that the MCA 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 MCA area.

- 7.4 Section 13 of the Local Government and Housing Act 1989 (voting rights of members of certain committees) will have effect in relation to the MCA.
- 7.5 It is proposed that the MCA will be included in Part 2 of Schedule 3 (pension funds) to the Local Government Pension Scheme Regulations 2013.

8. Miscellaneous

- 8.1 Any transfer to the MCA, or to the Mayor, of existing powers or resources currently held by the Constituent Authorities must be by agreement with the relevant Constituent Authorities.
- 8.2 It is proposed that on establishment the MCA will be a body specified for the purposes of Section 33 of the Value Added Tax Act 1994. This will entitle the MCA to claim refunds of Value Added Tax charged on supplies to, and acquisitions or importations by the MCA

9. Funding the Mayor and Mayoral Combined Authority

- 9.1 Section 107G of the Local Democracy, Economic Development and Construction Act 2009, allows the Secretary of State to make an Order to make provision for the costs of a Mayor for the area of a Combined Authority that are incurred in, or in connection with, the exercise of Mayoral functions to be met from precepts issued by the MCA under section 40 of the Local Government Finance Act 1992.
- 9.2 Scrutiny of the Mayoral Budget (and any Mayoral Precepts) will fall within the remit of the Overview and Scrutiny Committee of the MCA. The Budget may be amended by a two-third majority of the members of the MCA (excluding the Mayor), as set out in paragraph 2.4.11.
- 9.3 In order to enable the MCA to invest in economically productive infrastructure , Regulations should be made pursuant to section 74 of the Local Government Finance Act 1988 to enable the MCA to issue a levy, or levies, to its Constituent Authorities, to meet the expenditure of the MCA that is reasonably attributable to the exercise of non-mayoral functions. Constituent Authorities will be able to pay an agreed contribution to meet the cost of mayoral functions.
- 9.4 Regulations should be made pursuant to section 23 (5) of the Local Government Act 2003 to give the MCA borrowing powers for priority infrastructure projects, including but not limited to: transport, highways, housing, investment and economic regeneration, as relevant to the exercise of its functions, both Mayoral and non-Mayoral, within agreed limits.
- 9.5 Provision shall also be made for the Constituent Authorities to meet the costs of the MCA and how the costs are to be apportioned between the Constituent Authorities.

10. Information Sharing

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

11. Transport Functions

- 11.1 On the amendment of the existing boundaries of NECA and the establishment of the MCA, each combined authority will become the Local Transport Authority for its respective area under the Transport Act 2000. However, NECA and the MCA shall be obliged to prepare a joint Local Transport Plan for their areas and the requirements of section 108 of the Transport Act 2000 shall be amended accordingly. For the avoidance of doubt, it is not proposed that either NECA or MCA shall acquire any functions which their constituent authorities may have as highway authorities.
- 11.2 All transport functions and responsibilities which are currently held by NECA in respect of the MCA's area will transfer to the MCA. For the avoidance of doubt this shall include (but not be limited to):
- the functions and responsibilities formerly vested in the Tyne and Wear Integrated Transport Authority and which were transferred to NECA by Article 6 of the NECA Order;
 - the transport functions and responsibilities transferred to NECA from Northumberland County Council by Article 8 of the NECA Order (ie the functions of County Councils under Parts 4 and 5 of the Transport Act 1985 and the functions of County Councils as Local Transport Authorities under Part 2 of the Transport Act 2000); and
 - the power to issue 2 separate levies under section 74 of the Local Government Finance Act 1988 in respect of the costs of the MCA's transport functions, namely one levy in relation to the area of Northumberland County Council and one levy in relation to the areas of Newcastle City Council and North Tyneside Council.
- 11.3 All property, rights and liabilities transferred to NECA by Article 6 of the NECA Order on the abolition of the Tyne and Wear Integrated Transport Authority (and any other such property, rights and liabilities which have accrued to NECA since that date in connection with its transport functions) will be held jointly by NECA and the MCA, and will be their joint responsibility. For the avoidance of doubt, the Tyne Tunnels (consisting of the vehicular, cycle and pedestrian tunnels and associated landholdings) will be transferred from the ownership of NECA into the joint ownership of NECA and the MCA. The management of the Tyne Tunnels will be undertaken through the Transport Joint Committee described below.
- 11.4 The Tyne and Wear Passenger Transport Executive ("Nexus") is the passenger transport executive for NECA for the purposes of the Transport Act 1968 and an Executive Body of NECA 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 but shall in addition also be the passenger transport executive and an executive body of the MCA.
- 11.5 Nexus will be treated as if it is an officer of the MCA in the application of Section 101 of the Local Government Act 1972.
- 11.6 It is proposed that the MCA shall become a Constituent Authority of Transport for the North ("TfN") and that the proposed regulations which are to be made under the Local Transport Act 2008 to create TfN as a Sub-National Transport Body for the North of England will be amended accordingly.

- 11.7 Given that transport functions of NECA and the MCA are to be exercised by way of the Transport Joint Committee described below, it is not proposed that the Mayor should be able to exercise the bus franchising powers in the Bus Services Act 2017 which are otherwise exercisable by elected mayors of combined authorities. For these purposes only, the MCA shall be subject to the legislative requirements and processes applicable to non-mayoral combined authorities.
- 11.8 All functions and responsibilities referred to in this Section 11 will be exercisable only by the Transport Joint Committee described below. The property rights and liabilities referred to in paragraph 11.3 will also be managed through the Transport Joint Committee.

Transport Joint Committee

- 11.9 On the amendment of the current boundaries of NECA and the establishment of the MCA, it is proposed that a new Transport Joint Committee ("TJC") will be established by order between NECA and the MCA, and NECA and the MCA will be obliged to discharge all their transport functions described above through the TJC.
- 11.10 The TJC will therefore effectively replicate the decision-making arrangements currently in place within NECA and so ensure that strategic and operational transport responsibilities continue to be closely integrated across the wider North East region. The creation of the TJC will enable and support continuing partnership working on a regional footprint and maintain the status quo in terms of the provision of transport across the Tyne and Wear transport area, particularly in relation to the provision of the Tyne and Wear metro, bus services and the Shields Ferry. In particular, the TJC will maintain the existing approach to transport levies across the current NECA region. The TJC will therefore be responsible for determining:
- a. the transport levy which NECA shall issue to Durham County Council;
 - b. the transport levy which NECA shall issue to Gateshead Council, South Tyneside Council and Sunderland City Council;
 - c. the transport levy which the MCA shall issue to Newcastle City Council and North Tyneside Council; and
 - d. the transport levy which the MCA shall issue to Northumberland County Council.

For the avoidance of doubt, the levies set out at (b) and (c) shall be calculated on the same basis for the whole of the former Tyne and Wear area.

- 11.11 The TJC will have the power to delegate operational transport functions to Durham County Council and Northumberland County Council in relation to their respective areas (as currently exists within NECA) and will have the power to establish Sub-Committees as it considers appropriate for the effective discharge of the transport functions and responsibilities. The TJC will also have the power to delegate to an officer of (i) NECA, (ii) the MCA or (iii) one of their constituent authorities the discharge of its functions.
- 11.12 The TJC's functions will include the responsibilities currently held by NECA for the funding, management, oversight and direction of the transport functions discharged by Nexus.
- 11.13 The TJC will comprise seven members ("TJC Members"). NECA will appoint four TJC Members.

- 11.14 The MCA will appoint three TJC Members. The Mayor of the MCA will be one of these TJC Members unless the Mayor agrees otherwise. The remaining two TJC Members will be appointed by the MCA from the MCA Constituent Authority Members in accordance with the MCA's Constitution. If the Mayor chooses not to be a TJC Member, the MCA will appoint as its TJC Members three of the MCA Constituent Authority Members.
- 11.15 NECA and the MCA shall appoint a substitute member ("Substitute TJC Member") in respect of each of their TJC Members to act in the absence of that TJC Member. A Substitute Member will have the same decision-making authority and voting rights as the person whose place they are taking and references to a TJC Member shall include a TJC Substitute Member acting in that capacity.
- 11.16 No business of the TJC will be transacted at a meeting unless at least one TJC Member appointed by NECA and one TJC Member appointed by the MCA are present.
- 11.17 The TJC will aim to reach decisions by consensus but, subject to paragraph 4.18 below, any matter that comes before the TJC will be decided by way of a simple majority of the members present and voting (whether a motion or an amendment), unless the vote is tied in which case the matter shall be deemed not to have been carried. Each Member of the TJC will have one vote and no TJC Member will have a second or casting vote.
- 11.18 Decisions relating to the following matters will require a unanimous vote in favour by all 7 voting Members of the TJC to be carried:
- adoption of, and any amendment to or withdrawal of, the Local Transport Plan or Strategy;
 - approval of, and any amendment to or withdrawal of; the transport budget;
 - setting of transport levies;
 - allocation of Local Transport Plan funding to an individual authority and Nexus, and the approval of all other capital and revenue matters relating to the transport budget;
 - delegation by the Joint Committee of any of its functions to (i) NECA, (ii) the MCA (iii) one of their constituent authorities, or (iv) an officer of one of these bodies
- 11.19 Joint arrangements between NECA and the MCA will be established to provide for the scrutiny and audit of the responsibilities of the TJC. The joint arrangements will provide for an Overview and Scrutiny Committee and an Audit Committee comprising elected Members from the constituent authorities of both NECA and the MCA.



**The North Tyne Devolution Deal:
Economic and Social Impact Assessment**

September 2017

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Executive Summary

Key Messages

North Tyne – comprising Newcastle City Council, North Tyneside Council, and Northumberland County Council – are negotiating a Devolution Deal with Government. A Governance Review is also being prepared which makes the case for the three Authorities to form a Combined Authority that is able to take advantage of the powers and resources devolved from national government.

The Devolution Deal will, covering a range of policy areas and activities that drive productivity in key sectors; invest in people and boost labour productivity; and create vibrant and connected communities and places.

The initial focus of the Deal will be on securing a Single Investment Fund than can be used flexibly by the North Tyne Combined Authority, and agreeing a number of areas where the Combined Authority and Government Departments will commit to working collaboratively to deliver local priorities. At the outset, these commitments are likely to be based on the co-design of plans and projects, with the devolution of funds and powers to follow as part of later extensions to the North Tyne Devolution Deal. This may lead to additional pilot projects and designated funds that sit outside the Single Investment Fund at a later date.

One of the biggest benefits of devolution is the freedom and flexibility given to local partners to invest resources according to locally determined priorities based on local knowledge, expertise and experience of what works. The freedoms and flexibilities can enable places to make radical step changes in the way local partners work together and deliver, join-up and transform services to better meet local needs.

A Devolution Deal in the North Tyne will also deliver positive social and economic benefits and will provide a positive and accelerated contribution to the achievement of economic targets outlined in the NELEP's refreshed Strategic Economic Plan.

The Single Investment Fund will cover a 30 year period, providing £200m every ten years based on an annual agreement of £20m. This money will be invested in business growth, innovation and inward investment; education, skills and employment; and infrastructure for growth including employment and residential land.

By year ten, over 3,200 jobs and one third of a billion pounds will have been added to the North Tyne economy, generating considerable additional taxes for the Treasury. Over 7,400 people who are unemployed and inactive will have been supported, including over 3,100 people who will have been supported into employment.. Development will also have led to capacity to accommodate a further 9,200 jobs by year 15 and over 3,000 new homes. When the savings in welfare payments are added, as more people are helped to take up employment, the full benefits to the UK Government provide very good value for money for the public purse.

Based on investment over 30 years, the benefits equate to the creation of almost 10,000 jobs, development to accommodate over 27,000 further jobs and 10,000 homes, and £1.1 billion pounds of GVA. Over 22,000 people who are unemployed and inactive will have been supported, including over 9,500 people who will have been supported into employment.

If investment is targeted at creating higher value jobs in the four 'Prime' Northern capabilities, delivering infrastructure, boosting productivity and addressing historical underperformance across the wider economy, there is potential for the GVA impact to be up to 10% higher (i.e. £0.4bn over 10 years or £1.2bn over 30 years).

There will be considerable benefits to the residents and businesses of the other Local Authorities within the NELEP area – Gateshead, South Tyneside, County Durham and Sunderland. This includes residents taking up jobs created within the North Tyne area, as well as jobs created indirectly across the wider NELEP area as a result of the multiplier effect.

Overall, it is expected that 25% of the direct and indirect employment created through the investment and the multiplier effects will be taken up by residents of other NELEP districts, with businesses benefitting from the additional supply chain expenditure and the increased spending from the wages of the additional employment.

Introduction

North Tyne – comprising Newcastle City Council, North Tyneside Council, and Northumberland County Council – are negotiating a Devolution Deal with Government. A Governance Review is also being prepared which makes the case for the three Authorities to form a Combined Authority that is able to take advantage of the powers and resources devolved from national government.

To support the process, the North Tyne Working Group have commissioned ekosgen to undertake a study into the potential economic and social impacts of a North Tyne Devolution Deal.

While the negotiations are ongoing, the current Deal documents set out a series of asks that relate to both economic and inclusive growth, driving demand in the North Tyne economy and ensuring that residents are able to access and benefit from opportunities.

As with all devolution deals, the initial focus will be on securing a Single Investment Fund than can be used flexibly by the North Tyne Combined Authority, and agreeing a number of areas where the Combined Authority and Government Departments will commit to working collaboratively to deliver local priorities. At the outset, these commitments are likely to be based on the co-design of plans and projects, with the devolution of funds and powers to follow as part of later extensions to the North Tyne Devolution Deal. This may lead to additional pilot projects and designated funds that sit outside the Single Investment Fund at a later date.

The impact assessment is based on the latest plans for the Single Investment Fund at September 2017 – the main element of the deal where benefits can be quantified at this stage. A series of assumptions have been made relating to the value of the fund, the areas of investment and how the money is used (e.g. grant versus loans), taking account of the latest discussions with Government and existing Devolution Deals and investment funds in other areas.

North Tyne: An Area of Economic Opportunity and Shared Challenges

North Tyne is a diverse area, extending from its major city through to a network of suburban, market and coastal towns to high-quality countryside and rural towns. North Tyne is a highly coherent functional economic geography with strong internal commuting flows, a primary functional housing market and strong business linkages in key growth sectors.

Across the North Tyne there are exceptional educational assets, excellent transport links and diverse natural, heritage, cultural and leisure opportunities which all contribute to the attractiveness of the North Tyne as a place to live and work. This has supported the development of a diverse economy with varied employment specialisms and opportunities for growth.

In particular, the two world class universities – Newcastle University and Northumbria University – have strong links with the area's sector strengths which include digital and technology; energy, offshore and advanced manufacturing; financial and professional business services; pharmaceuticals and life sciences; and tourism, leisure and culture. These strengths also align with the priority sectors of the North East LEP and the emerging Industrial Strategy.

While North Tyne has experienced strong growth in recent years, it faces a number of challenges. This includes the overarching, long term challenge of low productivity levels, which affects all sectors and reflects the sectoral and occupational structure, low levels of innovation, and labour market participation challenges, including long term sickness.

It is recognised that both investment to create the conditions for growth (including investment in housing and employment land) and new jobs, will need to be complemented with investment in people that ensures that residents are able to enter, maintain and progress in local employment opportunities. This is an increasingly important issue for the North Tyne, who have placed a strong focus on inclusive growth within their Devolution Deal, with the aim to make economic growth work for everyone by enabling as many people as possible to contribute to and benefit from growth.

Across North Tyne, there is a need to tackle unemployment and inactivity to boost the employment rate and close the gap with the national average. This includes addressing attainment, skills and health related issues, as well as pockets of deprivation. There are also wider challenges associated with low levels of population growth and an ageing population.

Taking account of the wider context, and in particular the economic uncertainty which the North Tyne and the rest of the UK are facing in the wake of Brexit, the need for investment which strengthens the economy and increases its resilience to potential future issues and shocks is further emphasised. This includes investment that capitalise of opportunities that new international relationships offer.

Devolution can help North Tyne partners to maximise opportunities and take steps to address these key challenges.

North Tyne: Linkages with the Wider North East LEP Area

North Tyne is a highly coherent functional economic market area (FEMA) with strong internal commuting flows, a primary functional housing market and strong business linkages in key growth sectors. Although it is a functional economic area in its own right, it also has linkages with the wider LEP area, particularly in terms of sector and supply chain operations and commuter flows – 18% of jobs in the North Tyne are filled by residents from the rest of the North East LEP area and companies draw their supply chain from across the LEP area. North Tyne is home to the principal rail and public transport hub and to the international airport, serving all of the North East Region. These linkages will enable the benefits of the Devolution Deal to be distributed beyond North Tyne, generating a positive impact for both businesses and individuals based in South Tyneside, Gateshead, Sunderland and County Durham.

Contributing to SEP Targets: The Scale of the Challenge

The impact of the devolution deal will make a contribution towards the targets set out in the North East LEP Strategic Economic Plan. The targets relate to job creation, the quality of jobs, productivity, labour participation and inclusion, and aim to measure progress towards the ambition for a more competitive economy, delivering more jobs and better opportunities for local people and businesses.

<p>NELEP Targets from March 2014 to 2024</p> <p>(all gaps relate to England minus London)</p>	<p>More Jobs</p> <p>Better Jobs</p> <p>Inclusive growth</p>	<ul style="list-style-type: none"> - Create 100,000 jobs - Reduce the gap in private sector employment density by 50% - 70% of jobs created to be better jobs - Reduce the gap in GVA per FTE by 50% - Reduce the gap in the employment rate by 100% - Reduce the gap in economic activity rate by 50%
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Since 2014, strong progress has been made against these targets and North Tyne has made an important contribution. Specifically, North Tyne created an above average share of the new jobs in the LEP area, and outperformed the progress made to reduce the employment rate and economic activity gap. The proportion of 'better' jobs created was, however, lower than the LEP average. Increasing productivity levels remains an issue across the whole of the NELEP area, with data showing an increase in the productivity gap in the North Tyne and wider LEP area.

To meet these targets by 2024, the current scale of the contribution in North Tyne is as follows:

- Create 24,000 jobs (3,000 per annum), with at least 20,500 of these classed as better jobs (2,600 per annum) to meet 70% target and compensate for shortfall to date, and at least 18,500 in the private sector (2,300 per annum);
- Generate an additional £3,755 GVA per FTE (a 7% increase);
- Support 16,100 working age residents to enter employment (2,000 per annum) and 5,300 to become economically active (660 per annum)

In addition to these targets, the North Tyne needs to deliver employment land and housing to accommodate growth. This includes increasing current house building levels to address the shortfall in completions to date.

The North Tyne Devolution Deal

It is anticipated that the Devolution Deal will be structured around the following broad themes, covering a range of policy areas and activities that drive productivity in key sectors; invest in people and boost labour productivity; and create vibrant and connected communities and places.

North Tyne Devolution Deal

Theme	Strategic Objectives
Business Growth and Inward Investment R&D and Innovation	Driving productivity in key sectors
Education, Skills and Employment	Investing in people and boosting labour productivity
Infrastructure and Development	Creating vibrant and connected communities and places

While, the initial focus of the Deal will be on securing a Single Investment Fund, one of the biggest benefits of devolution is the freedom and flexibility given to local partners to invest resources according to locally determined priorities based on local knowledge, expertise and experience of what works. Although benefits such as these are not quantifiable, they can enable places to make radical step changes in the way local partners work together and deliver, join-up and transform services to better meet local needs. Devolution to local places moves decision-making from central to local government. It can help local partners to tailor nationally developed programmes and initiatives to better meet local circumstances and deliver better outcomes for residents.

Planning Investment and the Single Investment Fund

In order to plan investment, objectives and targets will be set for each theme based on local economic opportunities and challenges.

During both the design and implementation of the Deal and the Single Investment Fund, it is important to take account of existing economic development activities within the North Tyne and across the wider LEP area to determine where additional investment can make a difference. It is also important to acknowledge that some existing activity is underpinned by short to medium term funding sources (such as Local Growth Fund and European Structural Investment Funds) which will need to be replenished from other sources over the longer term.

The Single Investment Fund is a valuable addition to investment resources, although insufficient on its own to fully address the social and economic challenges and opportunities facing the Combined Authority. With a 30 year time horizon the Single Investment Fund has, however, the potential to address some long standing structural issues and deep seated problems which have affected residents and communities for some time. It will also allow the Combined Authority to bring forward infrastructure projects over several years, where the full impact may be seen over a ten and fifteen year period.

Clear multi agency and private sector investment strategy for each policy area

The Combined Authority will continue to work with regional and national agencies to help meet its strategic objectives, distribute benefits and maximise other important investment funding which is supporting sustainable economic growth in the North East LEP area.

This includes the NELEP which has a leading role in business growth, innovation and skills, and the Joint Committee who will continue to work on strategic transport matters. The Combined Authority will also engage with the Borderlands initiative (covering the Scottish Borders, Dumfries and Galloway, Carlisle, Cumbria and Northumberland) to maximise value on the rural agenda.

At the national level, the Combined Authority will work closely with Government Departments and agencies responsible for business growth and innovation; education and skills; and housing and regeneration (including DCLG, DoH, DWP, HCA and SFA).

It is anticipated that a number of these organisations will devolve further funding and programmes to the Combined Authority over the next few years.

Maximising Impact and Minimising Displacement

The Combined Authority will consider all options for maximising the impact of the Single Investment Fund, including the potential for some recycling of funds from infrastructure and development investment.

Investment Approaches

Loan	Allows funds to be recycled. May take several years for full repayment Suitable for some land, housing and commercial development projects, although other sources of commercial loans available
Gap Funding	Essentially a grant and budgets used up quickly. Can help deliver significant private sector investment Suitable for some land, housing and commercial development projects
Equity Investment	Allows funds to be recycled. May take several years for full repayment Suitable for a very few land, housing and commercial development projects although other sources of commercial loans available
Grant Match Funder	Increases investment that CA support can assist with. Encourages project sponsors to secure other funding Suitable for innovation and incubation projects, also cultural projects Suitable for some business growth, skills and employability projects
Grant Sole Funder	Suitable for pilots and innovative actions Suitable for some skills and employability projects

There is a need to ensure that the Single Investment Fund maximises the additionality of its investment, generating significant net impacts in all of the areas of investment.

One of the greatest impacts, and a positive one for neighbouring Local Authorities, is the residents from other North East LEP Local Authorities (Sunderland, Gateshead, South Tyne and County Durham) who will take up some of the additional jobs generated by Single Fund investments and also businesses from other areas which will benefit from considerable new supply chain expenditure.

Proactive policies can be used to maximise additionality and minimise displacement of economic activity both within the Combined Authority area and to neighbouring areas in other parts of the North East Region and the Scottish Borders. For example, by focussing resources on areas of clear market failure can minimise the risk of displacement.

While there is always the potential for companies to relocate from one geography to another, the majority of Local Authorities across the NELEP area have sufficient commercial premises to offer local companies the facility to expand. Given the degree of disruption to a company workforce's travel arrangements from relocating a distance from current premises, it is expected that the majority of new premises take up will be local companies and inward investors.

Investment Scenario

The investment scenario is based on an annual settlement of £20m, taking account of discussions with Government and other settlements to date. This would provide £200m of investment funds over 10 years, or £600m over 30 years. To test the potential impact of the Single Investment Fund, notional thematic allocations based on an equal investment across the three themes have been set. This will allow the Combined Authority to invest in high quality propositions and take account of other investment support provided by national and regional agencies.

Provisional Thematic Allocations ¹

Annual Investment	£20m
Business Growth and Innovation	£66.7m / 33%
Education Skills, and Employment	£66.7m / 33%
Infrastructure and Development	£66.7m / 33%
10 Year Fund	£200m

¹ Note that this paper does not attempt to prejudge any future political decisions of the NT Combined Authority. Provisional allocations are provided as examples.

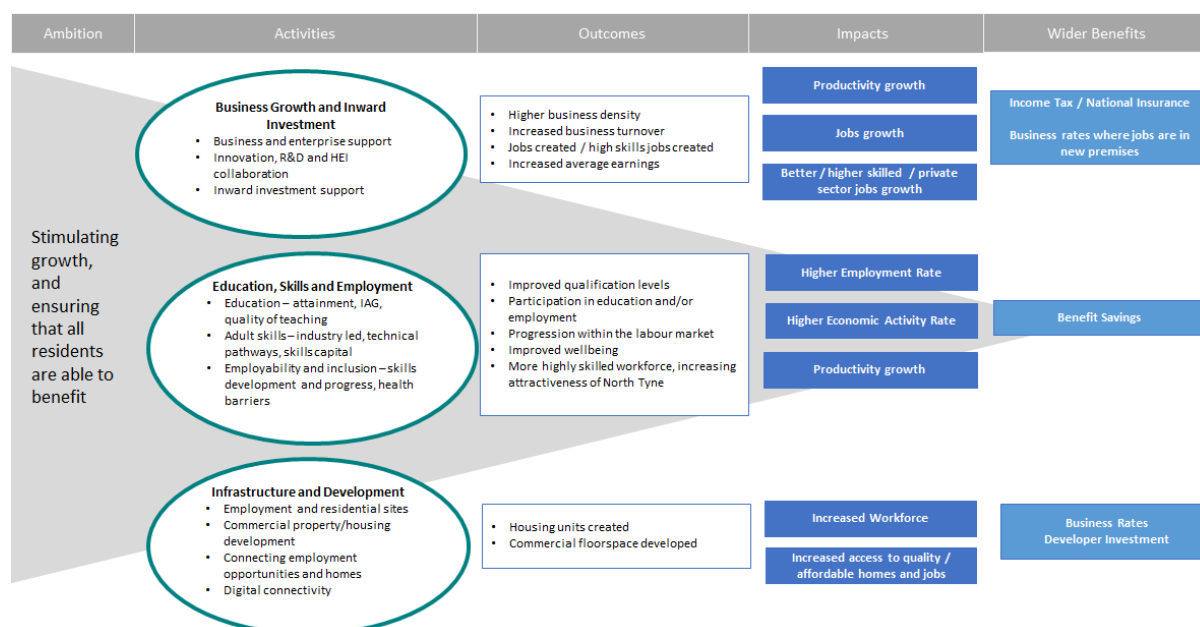
This level of investment would allow the Combined Authority to prioritise investment in a number of the key sectors which are critical to the long term prosperity of the North East LEP, while investment in the Education, Skills and Employment needs to address some of the most challenging issues in delivering inclusive growth.

An increase in employment land supply would have an important impact on providing development ready land in major employment centres, including towns and locations on the strategic and local road networks, while additional housing would make a measurable contribution to addressing the housing shortage.

Increased funding for Infrastructure and Development under higher settlements would allow the Combined Authority to support larger and more strategic investment locations which may need investment support over an extended period.

North Tyne Devolution Impact Framework

The diagram below sets out the key activities which need to be supported over the coming years, the typical outputs arising from investments and how these then translate into impacts that improve performance on a number of the key indicators which reflect the health of the economy and communities. It also sets out the wider (often fiscal related) benefits that will be generated.



NTCA Single Investment Fund: Impact

An annual investment fund of £20m delivers significant benefits for North Tyne, allowing the Combined Authority to bring forward some larger, long term strategic investments and effectively tackle some of the longer term issues, such as inclusive growth, which previous initiatives have failed to address. It also allows the Combined Authority to address both rural and urban disadvantage in a substantive and meaningful way, offering learning opportunities for other Local Authorities facing similar challenges.

The scale of impact is considerable, generating significant new jobs, helping many people into employment, and supporting a considerable number of businesses. The impacts will allow the Single Investment Fund to make a significant contribution to the strategic targets set out in the NELEP refreshed SEP. This includes creating more and better jobs and helping to close/reduce gaps in productivity, employment and inactivity.

NTCA Single Investment Fund : Ten Year Investment Plan Impact

	£20m per annum, 15 year Impact
Additional jobs	3,278
Additional GVA	£365.1m
Unemployed residents supported	4,444
Inactive residents supported	2,963
Unemployed and inactive into employment	3,185
Development land (hectares)	111
<i>Employment capacity</i>	9,222
New Housing	3,333

By year ten, over one third of a billion pounds will have been added to the North Tyne economy, generating considerable additional taxes for the Treasury. When the savings in welfare payments are added, as more people take up employment, the full benefits to the UK Government provide very good value for money for the public purse.

This paper does not consider the likely future rounds of devolution to the North Tyne which has the potential for significant further devolved funding, powers and freedoms, which would have a further positive impact on economic and social benefits in the North Tyne.

Long Term Benefits – 30 Years

The scale of impact of the first ten year investment potential highlights the potential of a 30 year Fund to deliver significant economic benefits for North Tyne and the North East LEP. The flexibility of the Single Investment Fund means that the Combined Authority can adapt the types of investment over time to take account of changing economic conditions.

NTCA Single Investment Fund : Thirty Year Investment Plan Impact

	£20m per annum 35 year Impact
Additional jobs	9,861
Additional GVA	£1,095m
Unemployed residents supported	13,333
Inactive residents supported	8,889
Unemployed and inactive into employment	9,556
Development land (hectares)	333
<i>Employment capacity</i>	27,667
New Housing	10,000

Benefits to the wider NELEP Area

While the Single Investment Fund will generate a considerable economic impact in North Tyne, there will be considerable benefits to the residents and businesses of the other Local Authorities within the NELEP area – Gateshead, South Tyneside, County Durham and Sunderland.

It is expected that 18% of all direct employment generated by the Single Investment Fund (i.e. within North Tyne businesses receiving support and at new employment premises) will be taken up by residents of other NELEP districts. This is based on the latest Census travel to work data which shows that 18% of jobs in North Tyne are filled by residents from Gateshead, South Tyneside, County Durham and Sunderland. This can be considered the minimum impact. Given that residents are more likely to travel further distances for higher skilled and higher paid jobs, the focus on creating a high proportion of 'better jobs' may further increase the share of the new jobs filled by residents from the wider LEP area over the longer term.

Businesses will also benefit from multiplier effects resulting from the supply chain expenditure and the increased spending from the wages of the increased employment. This will create additional jobs

which will be evenly split between the North Tyne and wider North East LEP area, reflecting the sub-regional sectoral geography and linkages.

When the direct and multiplier effects are combined, it is expected that 25% of all new employment generated by the Single Investment Fund will be taken up by residents of other NELEP districts.

Distribution of Employment Benefits – Ten Year Investment Fund

	Jobs ¹	Area of Residence of Workforce		
		NTCA	Other NELEP	Other ²
Direct Employment	3,297	2,597	592	99
Employment Multiplier ³	822	403	403	16
Employment Accommodated	9,222 ⁴	7,286	1,660	277
Employment Multiplier	3,043	1,491	1,491	61

¹ Full Time Equivalent: Year 10

² Predominantly Tees Valley and Scottish Borders

³ Determined by standard HCA sub-regional multipliers

⁴ By Year 15

Value for Money

There is a strong case that the Single Investment Fund will make a cost effective contribution to rebalancing the national economy in line with Government policy. By year 10 the investment will generate significant additional taxation, including Income Tax, National Insurance and Business Rates, while reducing Government welfare expenditure. The business rates impact will also increase by year 15 as commercial development completes.

NTCA Single Investment Fund: Ten Year Investment Plan	Taxation Impact
	£20m per annum 10 year Fund
Income Tax	£9.4m (annual by year 10)
National Insurance	£15.0m (annual by year 10)
Business Rates ¹	£1.10m (annual by year 10)
Reduced Social/Welfare Payments ²	£31.3m (total by year 10)
Business Rates (Potential) ³	£8.81m (annual by year 15)
<i>Developer Investment (Potential)</i>	<i>£361m (total by year 15)</i>
<i>Residential Developer Investment</i>	<i>£333m (total by year 15)</i>

¹ Based on 35% of the new jobs created through business support, R&D and Innovation support being located in new premises

² Based on savings for one year for each person supported into employment

³ Based on the business rates that could be generated by new premises built as a result of Infrastructure and Development investment

There are also substantial additional benefits from further spending on the supply chain and the impact of construction expenditure on new commercial and residential development. These have the potential to add and sustain 500 construction jobs each year to the benefits of Single Fund Investment, with further increases in Income Tax and National Insurance.

While the impact of the Ten Year Investment Fund will be considerable, there will inevitably be a degree of attrition as some businesses falter and new entrants to the labour market find it difficult to secure employment. There is therefore a need to continue investing over the life of the Single Investment Fund to reinforce benefits and successes and to maintain high levels of targeted support to deliver further improvements in productivity, business growth, employment and inclusive growth.

The first 4 cycles of the Investment Fund have the potential to permanently close performance gaps with the national economy, addressing issues which have affected the North Tyne and the North East LEP area for many decades. This takes account of the need for the North Tyne economy to out-perform the national economy, consistently and over many years.

1. Introduction

North Tyne – comprising Newcastle City Council, North Tyneside Council, and Northumberland County Council – is negotiating a Devolution Deal with Government. A Governance Review is also being prepared which makes the case for the three Authorities to form a Combined Authority that is able to take advantage of the powers and resources devolved from national government.

To support the process, the North Tyne Working Group have commissioned ekosgen to undertake a study into the potential economic and social impacts of a North Tyne Devolution Deal.

While the Deal negotiations are ongoing, the current documents set out a series of asks that relate to both economic and inclusive growth, driving demand in the North Tyne economy and ensuring that residents are able to access and benefit from opportunities.

As with all devolution deals, the initial focus will be on securing a Single Investment Fund that can be used flexibly by the North Tyne Combined Authority, and agreeing a number of areas where the Combined Authority and Government Departments will commit to working collaboratively to deliver local priorities. At the outset, these commitments are likely to be based on the co-design of plans and projects, with the devolution of funds and powers to follow as part of later extensions to the North Tyne Devolution Deal. This may lead to additional pilot projects and designated funds that sit outside the Single Investment Fund at a later date.

This report is based on the position of the North Tyne Devolution Deal at September 2017, with the impact assessment focused on the latest plans for the Single Investment Fund - the main element of the deal where benefits can be quantified at this stage. As the scale and nature of the impact will be determined by the value of the fund, the areas of investment and how the money is used (e.g. grant versus loans), a number of assumptions have been made about what the fund will include and how investments will be made. These assumptions are set out in the report and have been agreed with the North Tyne Working Group, taking account of the latest discussions with Government and existing Devolution Deals in other areas.

It is clear from the work that devolution will have a positive impact on the North Tyne economy, and that there will also be benefits for the wider North East Local Enterprise Partnership (LEP) area, including Gateshead, South Tyneside, Sunderland and County Durham, as a result of the existing economic and sector linkages between the areas. Devolution in the North Tyne will also make a positive contribution to the achievement of the NELEP's targets set out in the Revised Strategic Economic Plan, creating more and better jobs and helping to close/reduce gaps in productivity, employment and inactivity.

Report Structure

Multiple strands of analysis have been undertaken to understand the context for the Deal, including local opportunities and the scale of the challenge facing the local economy, and to estimate the potential scale of the impact of the Single Investment Fund for the North Tyne and on the wider North East LEP economy. This report is structured around the analysis as follows:

- **Section Two:** provides an overview of the North Tyne economy, demonstrating important functional economic market area linkages between the three Authorities and links across the wider LEP area.
- **Section Three:** sets out a more detailed baseline analysis of the North Tyne labour supply and economy to set the context for the Devolution Deal.
- **Section Four:** builds upon the baseline profile and looks at the contribution that the North Tyne has made to the North East LEP's targets, and the scale of the local challenge that devolution can help to address.
- **Section Five:** sets out the latest detail that is available on the proposed Devolution Deal and the Single Investment Fund, including the key asks to Government, key principles that will influence how devolved funds are invested; and an investment scenario.

- **Section Six:** sets out the impact framework for the Deal and the scale of the potential impact that could be delivered by the Single Investment Fund in North Tyne and across the wider LEP area.

2. The North Tyne: Economic Overview

Comprising Newcastle, North Tyneside and Northumberland, North Tyne stretches from the River Tyne to the Scottish borders, bounded by the Pennines and the North Sea. It covers an area of 5,210km², and is home to over 815,000 residents, 362,000 jobs and 23,000 businesses, generating almost £17bn of Gross Value Added (GVA). The North Tyne is part of the wider North East LEP and makes an important contribution to the scale and success of the sub-regional economy, particularly with regards to employment, businesses and GVA where the three Local Authorities account for almost half of the overall LEP economy (comprising seven Local Authorities).

North Tyne: Key Statistics

	North Tyne	Contribution to NELEP
Population	815,787	41%
Employment	362,800	45%
Businesses	23,600	47%
GVA	£16,767m	45%

Source: Mid-Year Population Estimates, BRES, Business Demography, Regional Accounts

The North Tyne area is diverse, extending from its major city through to a network of suburban and market towns to remote and high-quality countryside.

Newcastle is located on the north bank of the River Tyne and is one of ten Core Cities' in the UK. It has a vibrant city centre and is the North East Region's major retail centre. The centre provides modern Grade A accommodation for businesses, as well as major strategic sites to the north.

North Tyneside is located to the east of Newcastle, with a number of residential, commercial and retail centres such as Wallsend, Killingworth and North Shields, which reach towards Whitley Bay – a popular seaside town located on the North Sea Coast. North Tyneside is also home to Cobalt – the largest business park in the UK, which has experienced rapid growth and now accommodates major household names Proctor and Gamble, Accenture, Balfour Beatty, Siemens and Santander.

Northumberland borders the north of both Newcastle and North Tyneside, and it is the largest local authority in North Tyne both geographically and in population terms, with a strong rural economy. The main population centres include Alnwick, Blyth, Cramlington, Ashington, Bedlington and Morpeth, with Berwick-upon-Tweed on the Scottish Border, and Prudhoe and Hexham in the south west along the A69. The North West of the County is very sparsely populated and it mostly contained within the Northumberland National Park, while the coastline to the east of the county is an area of outstanding natural beauty.

Across North Tyne, there are exceptional educational assets, excellent transport links and diverse natural, heritage, cultural and leisure opportunities which all contribute to the attractiveness of the North Tyne as a place to live and work. This has supported the development of a diverse economy with varied employment specialisms.

Exceptional Educational Assets

In terms of educational assets, North Tyne has two world-class universities – Newcastle University and Northumbria University, together hosting over 60,000 students. The Universities are anchor institutions for the economy and have strong links with the area's sector strengths, providing innovation facilities, collaborative research and a skilled workforce. North Tyne is also home to four major colleges, including Newcastle College Group, which is one of the largest in the country.

Newcastle University

Newcastle University has 27,750 students and is ranked in the world's top 100 universities in five different subject areas. Leading fields include new and renewable energies, marine science and technology, civil engineering, sustainability, medicine and clinical sciences. The university is one of the top 20 'most targeted' universities by the UK's leading employers (The Times Top 100 Graduate Employers 2015). It is ranked 1st in the UK for Computing Science research impact; 3rd for Civil Engineering research power; and 8th for Medical and Life Sciences research quality (REF 2014). Newcastle Business School is also double-accredited by the AACBS placing it within the top 1% of business schools worldwide.

Northumbria University

Northumbria University is one of the largest universities in the UK with more than 34,000 students enrolled from 132 countries. It is the top university in the UK for graduate start-ups (based on turnover and jobs created) and is ranked in the UK's top 50 universities for research power. It is also recognised amongst the world's top Universities in architecture and design (QS Top universities, 2017). Northumbria's School of Design was named one of Europe's top design schools by US Business Week magazine and has an international reputation for innovation and creativity. The university works with major employers including Nike, IBM, Nissan, Procter & Gamble, the BBC and the NHS.

North Tyne's universities make a major contribution to the North East Regional Economy. Newcastle University is the fourth largest employer in the North East Region, adds an estimated £1.1bn in GVA to the UK economy, £750m of which in the North East Region, and directly and indirectly supports 8,850 FTEs. Newcastle University's full time students' off campus spend in the North East Region is roughly £240m, £175m being contributed by students from outside the region, supporting over 4,000 FTEs. Furthermore, the contribution of students continues post-graduation with approximately a third of student remaining in the North East Region.² When Northumbria University with its larger student population making similar impacts in the region is also considered, the strength of the higher education institutions to North Tyne economy is considerable.

Excellent Transport Links

Newcastle International Airport, Newcastle Central Station, the Port of Tyne and the Port of Blyth are all located in North Tyne and support national and international links, including the area's exporting strengths.

- **Newcastle International Airport** is the second largest airport in the North of England and of strategic importance to the UK as a whole. It offers direct flights to over 85 world-wide destinations and serves 4.6 million passengers annually.
- **Newcastle Central Station** is the mainline station in Newcastle, the largest in the North East Region, and is used by over 8 million passengers each year. It includes the future HS2 hub and is a principal stop on the East Coast Main Line which serves a number of destinations, supporting both commuting flows and providing excellent national connectivity, including to Edinburgh and London.
- **The Port of Tyne** is one of the UK's major deep-sea ports, with significant freight throughput as well as more than 630,000 passengers annually. Last year saw a record number of passengers, comprising 587,000 ferry and 48,000 cruise passengers. In 2016, the Port of Tyne is estimated to have contributed £680m in GVA to the regional economy and directly and indirectly supported 14,000 jobs.
- **The Port of Blyth** is a strategic hub used by many shippers looking to serve northern England and Scotland and capable of handling up to 2 million tonnes of cargo.

The road network also enables North Tyne to provide an important strategic link between England and Scotland. The A1 north of Newcastle plays a crucial role in facilitating the movements of freight, people and goods and provides vital connection from London to Edinburgh. To the South it provides connections to Gateshead and London. Other significant road connections include the A19 and the A68, while the A69 provides connectivity west. The Tyne and Wear Metro services Newcastle and North Tyneside and provides links to the rest of the Tyne and Wear, carrying more than 40 million passengers annually.

Natural, Heritage, Cultural and Leisure Opportunities

One of the most distinctive features of the NT is the diversity of natural, heritage and cultural environments offered within a relatively small geographical area. This provides a contrast between the vibrancy of its core city and the beauty of its rural hinterland, and the ease and speed with which it is possible to move from one to the other.

² Regeneris and Urban Vision (2017), The Economic Impact of Newcastle University

The area has extensive cultural and leisure opportunities, together with outstanding rural assets. These include the country's wildest National Park, an unsurpassed coastline and the Hadrian's Wall World Heritage site, as well as theatres, museums, and historic houses and castles. Tourism has grown significantly to around 6 million overnight stays per year, and the North Tyne area has hosted major events, including the Rugby World Cup, Tour of Britain, Olympic Football and Tall Ships Regatta.

These assets significantly strengthen quality-of-life within the North East LEP area and – alongside job creation and connectivity – are an integral part of the area's strategy to create sustainable communities. There is a need to continue to invest in the regeneration of coastal, urban and rural areas and tourism assets, including investment in town centre regeneration, to continually improve the offer and ensure that it remains attractive and competitive.

A Diverse Economy with Varied Specialisms

North Tyne's economy is founded on a strong tradition in manufacturing and engineering excellence. Although there has been a transition to a predominantly service-based economy, manufacturing continues to play an important role in both employment and defining the ongoing characteristics of communities – particularly along the Tyne and in South East Northumberland combined with a number of major international companies based in rural towns, such as Egger in Hexham. It also makes a strong contribution to GVA, reflecting a number of high productivity specialisms including pharmaceuticals and oil and gas.

Offshore, sub-sea and energy technologies are also significant. The North Tyne hosts the UK Offshore Renewables Catapult Test Centre, one of only six designated Centres for Offshore Renewable Energy. The ICT sector in Newcastle is growing rapidly, with over 1,000 IT companies and second only to London for growth in the number of tech businesses between 2014 and 2015. The area has a particularly strong education as well as health sector, with the Newcastle Hospitals Trust of international significance.

Functional Economic Geographies

The North Tyne is a highly coherent functional economic geography, with strong internal commuting flows, a primary functional housing market and strong business interlinkages in key growth sectors, including the digital and technology sector, energy and offshore, pharmaceuticals and life sciences, tourism, and financial and professional business services sectors. These linkages, combined with the economic strengths, opportunities and shared challenges of the area, mean that it is well placed to generate and maximise the impact of a devolution deal.

The North Tyne also has strong linkages with the wider North East LEP area, particularly in terms of commuter flows and sector and supply chain operations. This will enable the benefits of the devolution deal to be distributed beyond the North Tyne, generating a positive impact for both businesses and individuals based in South Tyneside, Gateshead, Sunderland and County Durham.

Linkages across North Tyne

There are strong commuting flows between all three North Tyne local authority areas, with 85% of working residents commuting living and working within the North Tyne area. These residents account for 79% of the jobs in North Tyne.

The largest flows are between Newcastle and North Tyneside (in both directions); and from Northumberland into both Newcastle and North Tyneside. Flows from Newcastle and North Tyneside into Northumberland are also substantial. The 'travel-to-learn' area is largely self-contained, with 90% of North Tyne learners aged over 16 living within the North Tyne, also educated within North Tyne. In terms of housing, there is evidence that residents' lifetime housing moves frequently traverse the North Tyne area. The Strategic Housing Market assessment for North Tyneside highlighted that 82% of moves in the preceding five years had been from the North Tyne area.

While sectors function across the wider LEP area, the North Tyne geography is also relevant to major business clusters, reflecting their natural location patterns. The digital sector is predominantly based in Newcastle city centre, Cobalt and Quorum (both in North Tyneside); the energy and offshore sector along the north banks of the river Tyne and the SE Northumberland coastline. The pharmaceuticals

sector is strongest in South Northumberland but with important links to companies in Newcastle and North Tyneside, including the universities and Hospital Trust. The financial and business sector (Newcastle and North Tyneside) serves the whole of the area and the wider North East Region.

Linkages with the wider LEP area

There are also strong linkages between North Tyne and the wider North East LEP area. In particular, there are commuter flows between the North Tyne and rest of the North East LEP area. The balance between the two results in a net inflow of commuters to the North Tyne. Approximately, 13% of working residents from the rest of the North East LEP area work in jobs based in North Tyne, accounting for 18% of the jobs in the North Tyne. Residents from across the wider NELEP area will benefit from the new jobs created in the North Tyne through devolution. Jobs in North Tyne tend to be higher paying than the NELEP average, attracting commuters from the South of the Tyne, with wages recirculating in their local economies.

Overall, residents from the North East LEP area account for 97% of the jobs in the North Tyne, demonstrating the extent to which job creation in North Tyne will benefit the overall LEP area.

There are also important sector and supply chain links across the NELEP area, as sectors tend to function at a LEP level when all direct and supply chain activities are considered. This is evident in the concentrations of opportunities sectors spread across the LEP areas, with some primary activities clustered in the North Tyne and secondary activities in South Tyne and vice versa. For example:

- Northumberland has a strong specialism in the primary activities in medical manufacturing, yet very low employment in secondary activities where both County Durham and South Tyneside have specialisms.
- Newcastle has a strong specialism in the secondary activities of the health and life science innovation sector, which support the primary activities which employ relatively high proportions of the North Tyneside and County Durham workforces.
- The majority of the LEP area's employment in primary digital activities is in North Tyneside and Newcastle with specialisms also present in Gateshead and Sunderland.
- In the enabling sector professional, scientific and technical activities, all three North Tyne local authorities have more than their proportionate share of LEP employment.
- The strong cluster of professional business service firms located in the North Tyne provide services for companies over the whole North East Region.

These cross geography links will allow areas in South Tyne to benefit from any sector focused investments in North Tyne.

3. The North Tyne: Labour Supply and the Economy

Population

North Tyne has a population of approximately 815,800 residents, accounting for 41% of the North East LEP population. Between 2004 and 2016, the North Tyne population increased by 6%, a higher growth rate than the LEP area as a whole (4%), although well below the national average of 10%.

Population 2004 – 2016

	2004	2016	Change 2004 – 2016	
	No.	No.	No.	%
North Tyne	770,219	815,787	45,568	6%
North East LEP	1,888,061	1,966,902	78,841	4%
England	50,194,600	55,268,067	5,073,467	10%
England minus London	42,761,870	46,480,175	3,718,305	9%

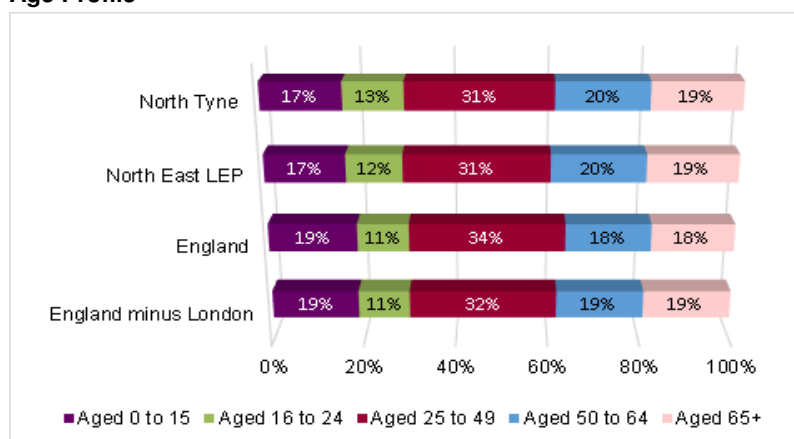
Source: Mid-Year Population Estimates

The North Tyne growth has been driven primarily by Newcastle where the population increased by 11% over the 12 year period, compared to 5% in North Tyneside and 2% in Northumberland.

The age profile of North Tyne broadly follows that of the North East LEP and England. North Tyne's working age population (those aged 16-64) is just under 520,000, accounting for 42% of the North East LEP working age population.

This represents 64% of North Tyne's total population, slightly higher than the LEP and national proportions (both 63%).

Age Profile



Source: Mid-Year Population Estimates

Sub-national population projections suggest the population growth over the next 20 years will be of a similar order to the past 12 years, with 49,300 additional residents between 2017 and 2037 compared to 45,500 between 2004 and 2016. Growth (+6%) is also expected to be below the national average (13%). Over this period, the working age population is projected to contract by 3% (-17,500 residents) compared to growth of 4% nationally.

Population Projections – Total Population

	2017	2022	2027	2032	2037	Change	
						No.	%
North Tyne	819,296	833,003	847,586	860,044	868,586	49,290	6.0%
North East LEP	1,973,294	2,004,217	2,036,418	2,063,878	2,084,638	111,344	5.6%
England	55.6m	57.6m	59.5m	61.2m	62.7m	7.1m	12.7%
England minus London	46.7m	48.1m	49.5m	50.8m	51.9m	5.2m	11.1%

Source: Sub-National Population Projections 2014 based

North Tyne, as with most of the North East LEP, has relatively a low population growth rate and this will have implications for future economic growth and workforce replacement as the population ages. The projected decline in the working age population will be an important issue for the North Tyne to address. It will need to raise activity levels, reduce population outflows and attract workers from outside the area.

Newcastle, along with other Core Cities, is benefiting from a return to urban centres as drivers for population growth, particularly amongst younger people. The very low population growth in the rural areas will have long term implications for employment growth and sustainable local

services.

Key Labour Market Indicators

Just under 400,000 residents in North Tyne are economically active - 76% of the population aged 16-64. This is similar to the North East LEP (75%) although lower than the national average of 78%.

The employment rate in North Tyne is slightly above the North East LEP average but below the rate for England as a whole – 71% compared to 74% in England. A relatively high proportion of the North Tyne population is inactive and the unemployment rate is higher than the national average, although slightly below the North East LEP average.

Labour Market Indicators Sept 2016

	North Tyne		North East LEP	England	England minus London
	No.	%	%	%	%
Employment (16-64) ¹	366,000	71.1	70.4	74.1	74.2
Unemployment (16-64) ²	25,200	6.4	6.7	5.1	4.9
Inactivity (16-64) ¹	123,800	24.0	24.6	21.9	22.0

Source: Annual Population Survey, Oct 15-Sept 2016

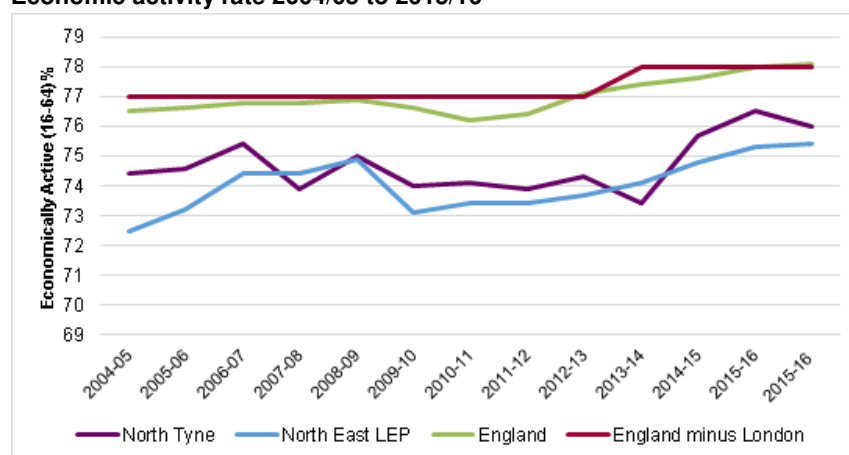
¹ % of working age population; ² % of economically active

Change over time: economic activity

The North Tyne economic activity rate has on the whole been slightly higher than that of the North East LEP, although both areas are consistently below national averages. The rate reached a high of almost 77% in North Tyne in 2015/16 (April – March) and fell slightly to 76% for the year to Sept 2016.

The North East LEP has experienced a steady increase since 2009/10, increasing from 73% to 75%.

Economic activity rate 2004/05 to 2015/16



Source: Annual Population Survey

While the economic activity rate differential widened after the last downturn, it has narrowed in the past three years.

Some 5,000 residents would have to move from economic inactivity into employment or training for the North Tyne to match the national economic activity rate.

Over 16,000 current residents would have to take up employment to allow North Tyne to match the national employment rate.

A reduction of over 5,000 in the number of people unemployed would result in the NT unemployment rate matching the national rate, for the first time in many years.

Employment Rates

Employment rates in North Tyne are lower than the national averages across all age groups. In comparison with the North East LEP, they are lower across the younger age groups, on par in the middle and 65+ groups and slightly higher in the 50-64 age group.

As is the case in England as a whole, the highest levels of employment are found in the 25-34 and 35-49 age groups (80-81% of the population in those age groups). The largest disparity with national averages is in the 20-24 age group where just 60% of the population in that age group is in employment compared to the national average of 67%.

Labour Market Indicator: Employment Rates

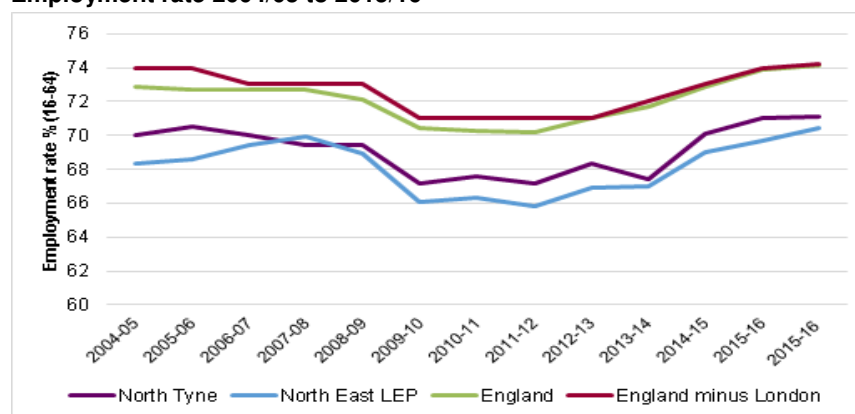
	North Tyne		North East LEP	England	England minus London
Age	No.	%	%	%	%
16-19	12,000	31	37	35	37
20-24	34,500	60	62	67	68
25-34	93,000	81	80	82	81
35-49	120,100	80	81	84	84
50-64	106,300	69	65	71	71
65+	10,700	7	7	11	11

Source: Annual Population Survey, Oct 15-Sept 2016

Changes over time: Employment

Over the last 11 years, North Tyne has largely maintained a slightly higher employment rate than the North East LEP but both have been below the national average. The pattern both locally and nationally has been similar, with a dip during the recessionary period (2009/10 – 2012/13) and recent recovery to just above 2004/05 rates.

Employment rate 2004/05 to 2015/16



Source: Annual Population Survey

While North Tyne is only a few percentage points below the national employment rate, this equates to 16,000 people in employment and the differences are more pronounced when analysed by age group.

North Tyne has a significant shortfall in the number of younger people in employment, and it is particularly marked in the 20-24 year old category where an additional 4,000 people would have to be in employment to reach the national average. The equivalent figure for 16-19 years olds is 2,400.

North Tyne also has much fewer older people (65+) in employment compared to the national average, equating to over 6,000 people, although this could be related to poorer health. North Tyne has a relatively low proportion of part time employment with limited growth in recent years and this maybe impacting on the number of older people (65+) in employment.

Unemployment

Unemployment rates in North Tyne are higher or similar to the national averages across all age groups. In comparison with the North East LEP, they are higher in the 16-19 age group, with 20% unemployed in North Tyne compared to 17% in the North East LEP. As is the case in England as a whole, unemployment rates are highest amongst young people aged 16-24. The largest disparity with national averages is in the 20-24 age group, where 15% are unemployed in the North Tyne compared to 11%.

Labour Market Indicator: Unemployment

	North Tyne		North East LEP	England	England minus London
Age	No.	%	%	%	%
16-19	3,000	20	17	21	20
20-24	6,300	15	14	11	10
25-34	6,500	7	7	5	5
35-49	6,600	5	5	3	3
50-64	2,900	3	4	3	3
65+	-	-	3	2	1

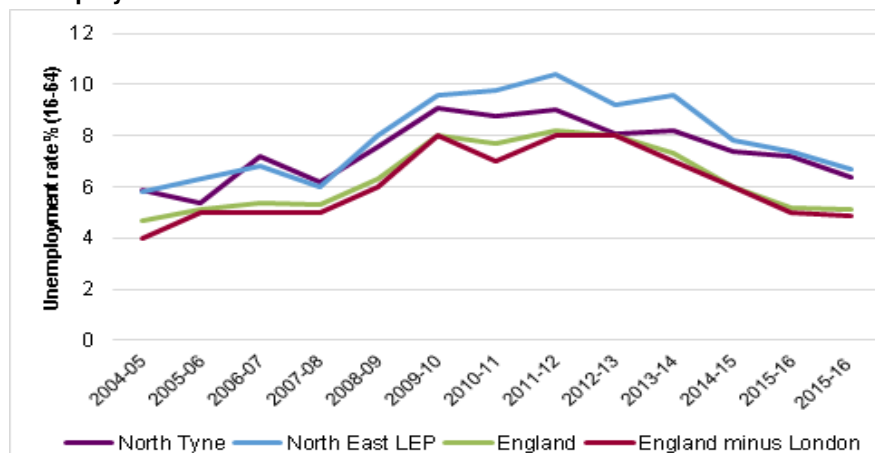
Source: Annual Population Survey, Oct 15-Sept 2016

Changes over time: Unemployment

The unemployment rate for North Tyne and the North East LEP have been quite closely aligned over the last 11 years, with North Tyne tending to have a slightly lower unemployment rate. The greatest divergence occurred during the recession, with the rate for the North East LEP around one percentage point higher than the rate for North Tyne.

The unemployment rates for both have been consistently higher than national averages.

Unemployment rate 2004/05 to 2015/16



Source: Annual Population Survey

Unemployment in North Tyne is typically two full percentage points above the national average and this situation has persisted for some time.

Although similar to the national average, unemployment amongst 16-19 years at circa 20% is very high.

North Tyne has a major issue with regard to the number of younger people unemployed in the 20-24 year old category where a reduction of 1,800 (28%) would be required to reach the national average.

Given the strong employment growth over the past 3 years the unemployment rate of 20-24 year olds can be regarded as exceptionally high³.

³ This does not include students who are not in employment or looking for work. This group is picked up as part of the inactivity population.

Inactivity

Inactivity rates in North Tyne are higher than national averages across most age groups, and particularly younger age groups. They are also higher than the North East LEP in the younger age groups. 61% of those ages 16-19 in North Tyne are inactive, considerably higher than the LEP and national average of 56%. In the 20-24 age group, 29% are inactive, compared to the North East LEP average of 27% and the national average of 25%. In total, just over 40,000 North Tyne residents aged 16-24 are inactive.

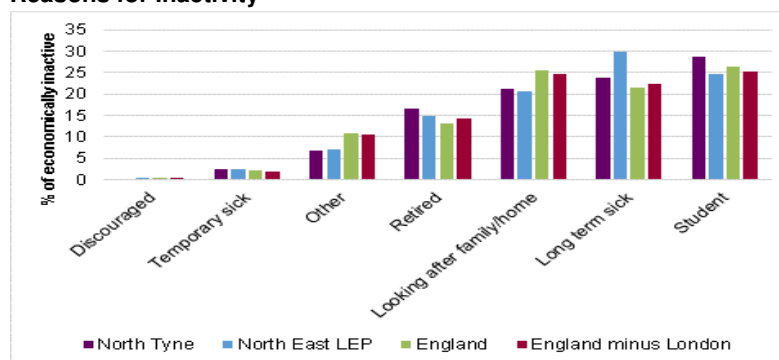
Labour Market Indicator: Inactivity

Age	North Tyne		North East LEP	England	England minus London
	No.	%	%	%	%
16-19	23,700	61	56	56	54
20-24	16,300	29	27	25	25
25-34	16,000	14	14	14	15
35-49	23,100	16	15	14	13
50-64	44,600	29	32	27	27
65+	137,100	93	93	89	89

Source: Annual Population Survey, Oct 15-Sept 2016

The main reason for being classed as economically inactive in North Tyne is being a student (29% of all those inactive), although most are out of the workforce on a temporary basis. Students also have a positive impact on the local economy, generating significant levels of expenditure each year which supports local jobs in a range of sectors, and increasing the supply of higher level skills.

Reasons for Inactivity



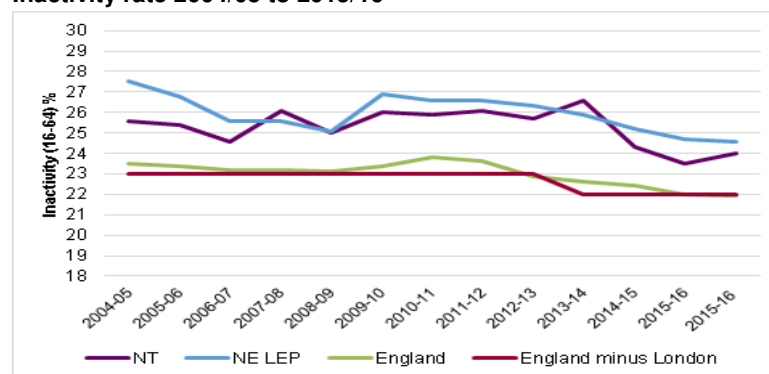
Source: Annual Population Survey

The other main reasons for inactivity are long term sick (24%); looking after family/home (21%); and being retired (17%). Being a student, long term sick and being retired all account for higher proportions in North Tyne compared to national averages, whilst looking after family/home accounts for a lower proportion.

Changes over time: Inactivity

Inactivity rates in North Tyne over the last 11 years have been in the main just below those of the North East LEP. Both North Tyne and the North East LEP have been consistently above national averages. The inactivity rate in North Tyne is now two percentage points below the level in 2004, a similar reduction to both the LEP and national rates.

Inactivity rate 2004/05 to 2015/16



Source: Annual Population Survey

Over the past three years, the inactivity rate in North Tyne has moved closer to the national average and the gap is now a few percentage points. Long term sick is a notable issue, with North Tyne above the national average, and this is the one area where a reduction could move North

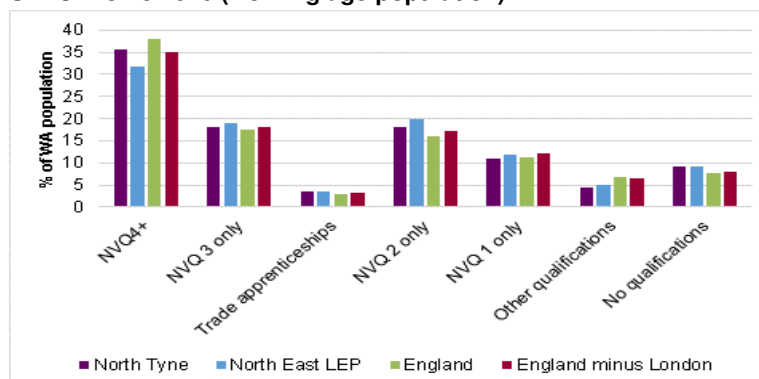
Tyne closer to the national average.

Skills and Education

North Tyne has a relatively strong skills base with a pattern that is close to national averages. 36% of the North Tyne working age population is qualified to NVQ Level 4+, compared to the national average of 38%. This is higher than the North East LEP area (32%).

However, some 9% of the North Tyne working age population has no qualifications, compared to the national average of 8%.

Skills Profile 2016 (working age population)



Source: Annual Population Survey

Analysis of Level 4+ qualifications by district shows that Newcastle has a relatively high proportion of people qualified to Level 4+, 39% of the working age population compared to 34% in North Tyneside and 33% in Northumberland. This is likely to be a reflection of the high number of HE students in the city.

NVQ Level 4+ Qualifications

	% of working age population holding Level 4+ qualifications
North Tyne	36%
Newcastle	39%
North Tyneside	34%
Northumberland	33%
North East LEP	32%
England	38%
England minus London	35%

Source: Annual Population Survey, Jan-Dec 2016

The same analysis by age group shows that, compared to the national average, North Tyne has a much lower proportion of people qualified to NVQ Level 4+ in the 20-24 age group but a higher proportion in the 25-29 age group. This is a likely reflection of the inflow of students to the area and also presents an issue to the North Tyne to improve local resident qualifications at this level. Newcastle stands out particularly in the 25-29 age group, with 59% qualified to level 4+ compared to 49% in North Tyneside, 37% in Northumberland and 46% in England.

NVQ Level 4+ Qualifications by Age

	% holding Level 4+ qualifications				
	Age 20-24	Age 25-29	Age 30-39	Age 40-49	Age 50-64
North Tyne	23%	50%	47%	38%	34%
Newcastle	24%	59%	53%	38%	34%
North Tyneside	19%	49%	44%	40%	33%
Northumberland	22%	37%	42%	36%	34%
North East LEP	23%	44%	41%	37%	29%
England	29%	46%	48%	43%	36%
England minus London	27%	40%	44%	41%	34%

Source: Annual Population Survey, Jan-Dec 2016

The North Tyne has 36% working age population that is qualified to NVQ Level 4+ which is slightly below the national average of 38%, with Newcastle having a particularly higher proportion at 39% as a likely result of its two universities.

Newcastle's universities have a strong regional and international pull with 37% of Newcastle's student population from the region and 17% from Newcastle itself; and 20% of all students are international.

Overall Newcastle gains more domestic university students than it loses. Newcastle has the 7th highest graduate gain of all UK cities and performs comparatively well nationally in terms of retention of graduates who were not originally from the area and came to Newcastle for their education.

More than half of Newcastle's graduate workforce have studied in the city.

Compared with other UK cities, the city had a high proportion of home-grown graduates (10th out of 63 cities), and a reasonably high proportion of retained graduates (14th of 48 university cities)⁴.

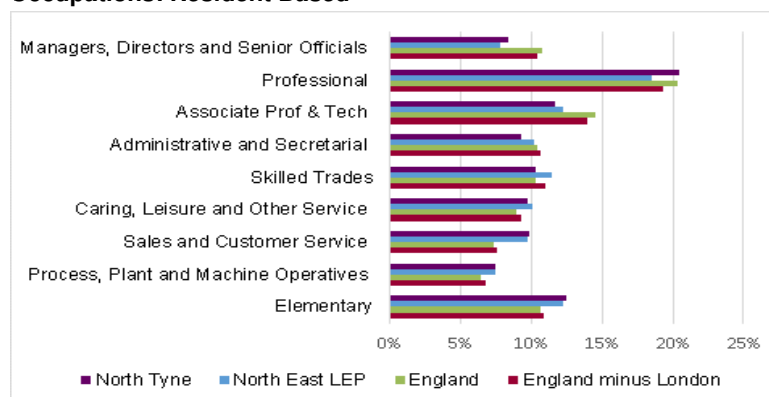
Occupations

The occupational profile of North Tyne is broadly similar to the North East LEP area and to England as a whole. However there are a number of differences that reflect the sectoral structure of the economy, such as the higher representation of process, plant and machine operatives.

Over two fifths of residents (42%) work in highly skilled occupations, which is slightly higher than across the North East LEP area, but lower than the national average (46%).

The workplace based analysis (based on those who work in the area), has a similar occupational profile to the resident based analysis (based on those who live in the area), reflecting the levels of self-containment. The proportions in each occupation are almost identical between the two analyses, with slight differences of around one percentage point.

Occupations: Resident Based



Source: Annual Population Survey

Resident and Workplace Based Wages

Both workplace based and resident based earnings are below the national average and in some sectors, such as the public sector, pay increases over the past five years have been below the rate of inflation, resulting in a decline in real income over the period.

Jobs in the North Tyne economy are generally better paid than in the rest of the LEP area. Of the seven NELEP local authorities, the average worker in Newcastle receives the greatest remuneration, and the average yearly salary of a job in Northumberland and North Tyne is higher than those in County Durham, Gateshead and South Tyneside.

⁴ Source: 'The Great British Brain Drain: An analysis of migration to and from Newcastle' Centre for Cities, May 2017

Commuters from outside North Tyne benefit from many of these higher paying jobs, which is highlighted by the average wage of residents in Newcastle being lower than the workplace average in the local authority.

One in six of the working age population has either NVQ 1 or no qualifications and this will make it difficult to sustain employment over the longer term as employers increasingly require a skilled workforce to service a modern economy. This could result in higher levels of unemployment and inactivity if skills levels are not improved.

North Tyne has large numbers of its workforce in operative and administrative occupations, two groups where employment is forecast to decline significantly as automation and digitisation impacts a broad range of sectors.

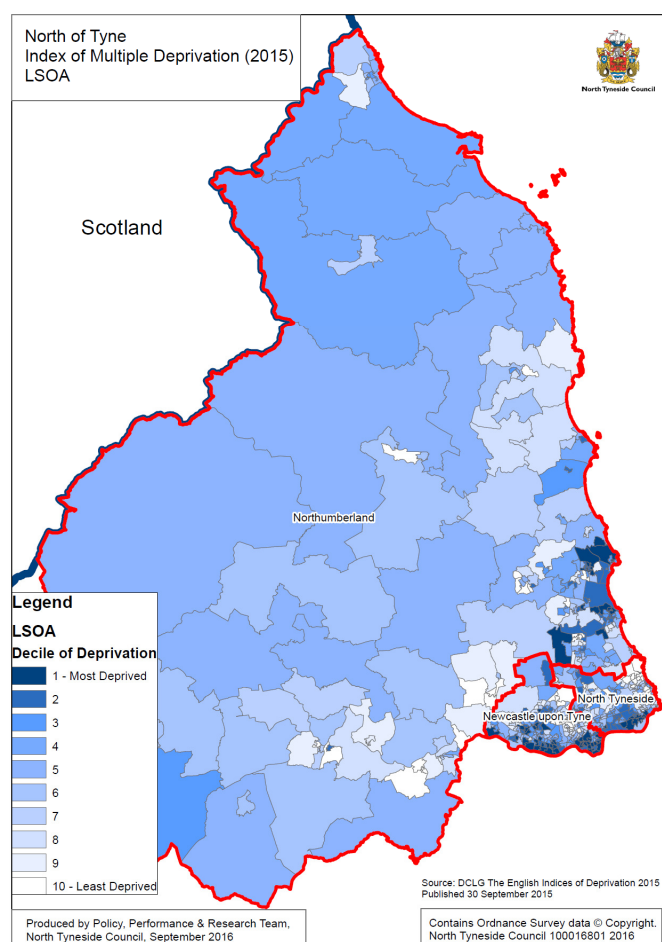
North Tyne already benefits from a well-qualified workforce at the higher levels, and this cohort is forecast to increase significantly over the next ten and twenty years.

Earnings are below the national Average and real earnings have declined over the past five years.

Increasing the earnings, qualification levels and career progression routes of local residents will be an important issue for inclusive growth in the North Tyne to ensure that residents have access to future new higher skilled jobs.

Deprivation

The North Tyne has an unusual income distribution, with significant concentrations of both deprivation and affluence. The map illustrates the spatial distribution of deprivation. The most deprived communities include many along the North Bank of the Tyne and a number of communities along the SE Northumberland coast.



The pattern of deprivation tends to follow the natural economic geography and socio-economic fortunes of different communities, some still affected by the ending of shipbuilding and mining, rather than administrative boundaries.

Beyond the core concentrations, there are a number of smaller but significant pockets of deprivation across rural parts of North Tyne where problems are compounded by sparsity and employment issues including seasonality and low pay.

Deprivation			
	Number of LSOAs in 10% most deprived	Number of LSOAs	
North Tyne	62	503	12%
Newcastle	39	175	22%
North Tyneside	9	131	7%
Northumberland	14	197	7%

Source: IMD, ONS

Across the North Tyne, 12% of Lower Super Output Areas (LSOAs) are within the 10% most deprived in England, although this varies significantly by Authority. Within Newcastle, the proportion is much higher at 22%, with the most deprived LSOAs concentrated along the river in Walker, Byker, Benwell, Scotswood and Elswick. There are also pockets of deprivation in the west of the city in East Denton and Cowgate.

In North Tyneside and Northumberland, just 7% of LSOAs are within the 10% most deprived in England. The highest levels of deprivation in North Tyneside are concentrated in the Chirton and Riverside wards along the bank of the river between Wallsend and North Shields. In Northumberland the most deprived areas are in the South East of the County in Blyth, Ashington, Cramlington, Bedlington and Newbiggin by the Sea.

Deprivation is an important issue for inclusive growth in particular and partners recognise that while issues such as participation in employment reach across the North Tyne, concentrated pockets in some communities have persisted for some time. Identifying areas where deprivation is high and understanding the challenges communities in these areas face, for example relating to health and long term illness, will help to influence the type of support that is required to enable residents to benefit from economic growth.

Young People: Education, Children in Need and Special Education Needs

There are 370 schools with 120,000 pupils (primary, secondary, nursery, special and independent) across the three NT local authority areas. Ofsted reports reveal significant variations in performance between the authorities.

All of the local authority areas, and particularly North Tyneside, have an above average proportion of primary schools which are rated as outstanding.

While the North Tyne primary schools are generally performing well, there are also schools which require improvement or are inadequate in each area, particularly Northumberland where 17% require improvement and 2% are classed as inadequate. When the two categories are combined, Newcastle is also slightly above the national average.

Ofsted Rating (Primary Schools)				
	Outstanding	Good	Requires Improvement	Inadequate
North Tyneside	31%	64%	5%	0%
North East Region ⁵	22%	69%	9%	1%
Newcastle	21%	68%	8%	3%
Northumberland	20%	61%	17%	2%
England	19%	71%	9%	1%

Source: Ofsted (March 2017)

Secondary schools in North Tyneside and Newcastle perform well in terms of outstanding schools, with over a third reaching this standard. This contrasts with Northumberland, where just 5% were rated as outstanding and an above average proportion were rated as good.

Again, across all areas there are secondary schools which require improvement or are inadequate. With the exception of North Tyneside, the proportion which requires improvement is above the national average. The proportion which are inadequate is above the national average in all areas, and particularly Northumberland.

Ofsted Rating (Secondary Schools)				
	Outstanding	Good	Requires Improvement	Inadequate
North Tyneside	38%	44%	13%	6%
Newcastle	36%	36%	21%	7%
England	23%	56%	16%	5%
North East Region ⁵	20%	47%	24%	9%
Northumberland	5%	63%	22%	10%

Source: Ofsted (March 2017)

GCSE & A Level

Educational attainment is above national averages at GCSE level but below national averages at A Level.

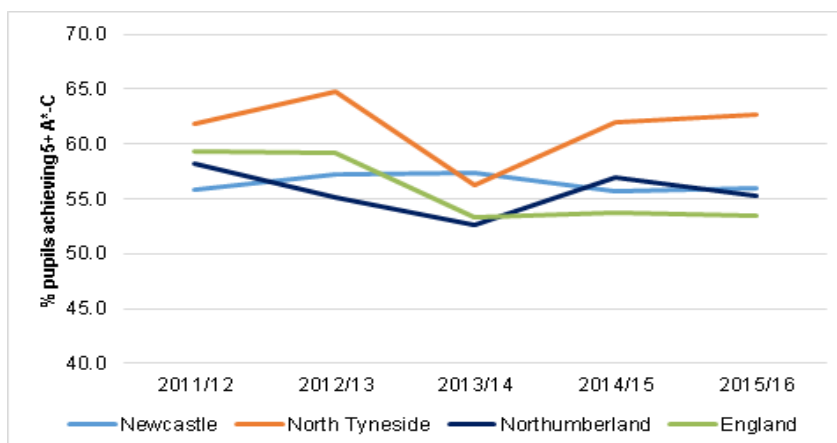
In 2015/16, 63% of pupils in North Tyneside achieved five or more A*-C passes at GCSE. In Newcastle the proportion was 56% and in Northumberland 55%. All were above the national average of

Educational attainment: GCSE

⁵ Wider region comprising 12 local authorities

54%.

Performance has fluctuated in all areas over the last five years, apart from in Newcastle where the trend has been fairly level.

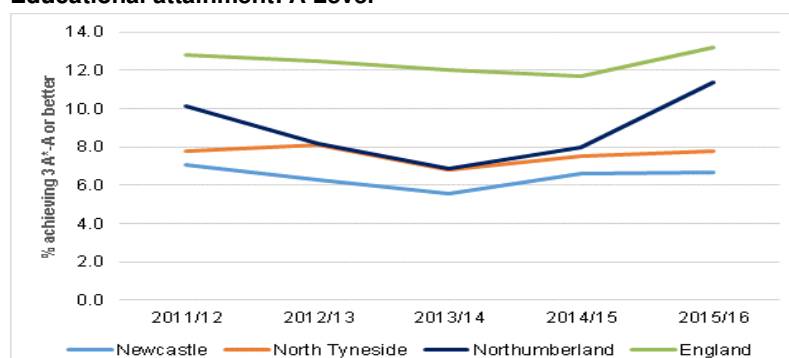


Source: Department for Education: GCSE and Equivalent Results in England 2015/16 (revised)

Data on destinations post KS4 (after year 11, usually aged 16) shows that a slightly lower proportion of pupils sustain education, employment or training destinations when compared to the national average (92-93% across North Tyne, compared to the national average of 94%). While a similar proportion enter employment (3-4%), a slightly lower proportion sustain further education (89-90% compared to 91%).

Attainment at A Level falls significantly short of national averages, particularly in Newcastle and North Tyneside. In 2015/16, 7% of students in Newcastle, 8% of students in North Tyneside and 11% of students in Northumberland achieved three or more A*-A grades at A Level, compared to the national average of 13%.

Educational attainment: A Level

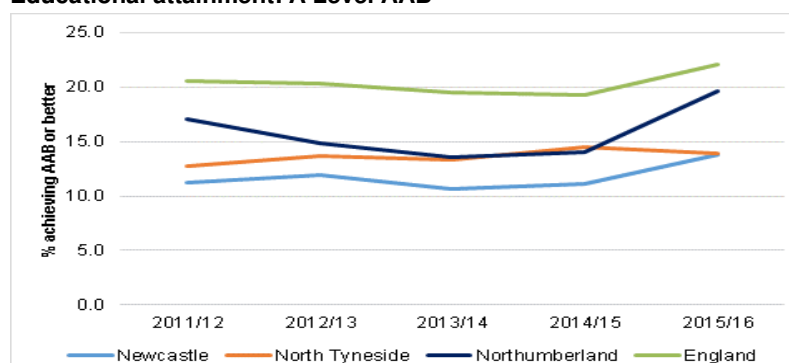


Source: Department for Education: A Level and Other 16-18 Results (revised) 2015/16

The proportions for those achieving AAB or better were 14% in Newcastle and North Tyneside and 20% in Northumberland, compared to the national average of 22%.

All areas experienced a dip in 2013/14 and have since improved.

Educational attainment: A Level AAB



Source: Department for Education: A Level and Other 16-18 Results (revised) 2015/16

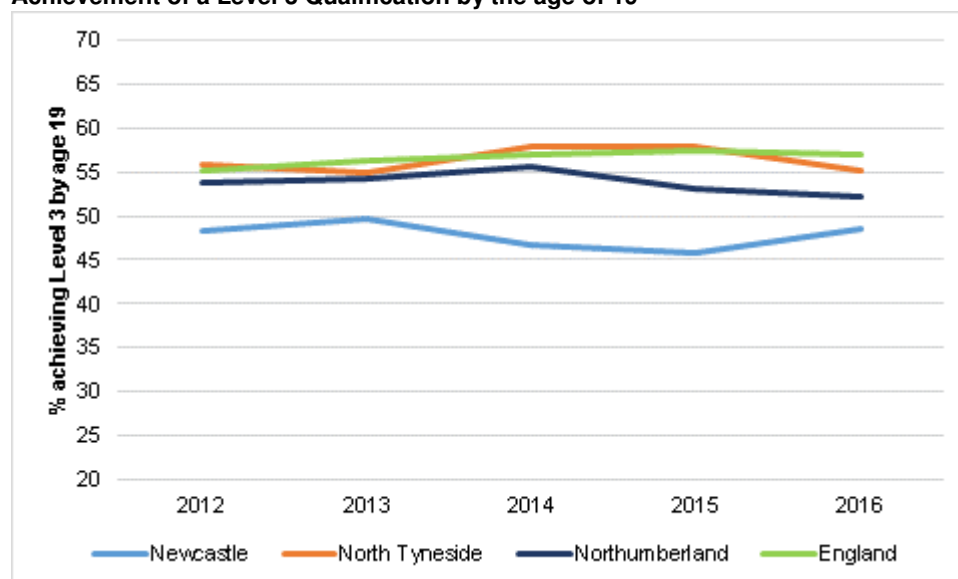
Data on destinations post KS5 (after A levels or other level 3 qualifications, usually aged 18) shows that while a similar proportion of pupils sustain education, employment or training destinations across the North Tyne (88%-91%), a much lower proportion of pupils in Northumberland sustain further or higher education destinations (71% compared to 77-78% in Newcastle and North Tyneside). The figures for Newcastle and North Tyneside do, however, exceed the national average (72%). In all

three authorities the proportion which sustain employment (12%-17%) is below the national average (19%). In both Newcastle and Northumberland, a higher proportion of pupils do not sustain a destination (9% compared to the national average of 7%).

Level 3 Qualifications

Focusing on attainment at Level 3 more widely, in all three North Tyne local authorities, the proportion of young people achieving Level 3 qualifications is lower than the national average. It is lowest in Newcastle at 48.6% (compared to the national average of 57%). Northumberland is slightly higher at 52% and North Tyneside (55%) is closer but still slightly below the national average. These lower achievement levels make it harder for young local residents to progress to Level 4 qualifications.

Achievement of a Level 3 Qualification by the age of 19



Source: Department for Education: Local Authority Interactive Tool; Level 3 Qualification by the Age of 19

Apprenticeships

Programme starts in North Tyne has increased significantly over the last ten years, from 3,500 in 2005/06 to 9,700 in 2015/16 (source: Department for Education). This is in line with the increased national focus on apprenticeships, and continued development will support the furthering of skills and provide essential routes into industry for young people and those within the workforce looking to retrain across the North Tyne.

Children in Need

In addition to attainment and the quality of education, there is also a need to take account of characteristics of the young population across the North Tyne and the challenges which they are facing.

During 2015-16, there were 13,460 children in need⁶ in North Tyne. The rate per 10,000 children varies between local authorities; it is significantly higher in Northumberland – 1,140 compared to the national average of 667. Newcastle is slightly above the national average, while North Tyneside is slightly below. The number and rate of referrals is also relatively high in Northumberland – 844 per 10,000 children compared to 400 in Newcastle, 408 in North Tyneside and the national average of 532.

⁶ A child in need is one who has been referred to children's social care services, and who has been assessed to be in need of social care services. A child can have more than one episode of need throughout the year but episodes should not overlap. If a child has more than one episode, then each is counted in the figures.

During 2015-16, 1,092 children across the three North Tyne local authorities were the subject of a child protection plan. The rate per 10,000 children is highest in Newcastle – 81, compared to the national average of 54.

Children in Need 2016

	Children in Need		Referrals		Protection Plan	
	No.	Rate per 10,000 children	No.	Rate per 10,000 children	No.	Rate per 10,000 children
Newcastle	4,113	726	2,265	400	457	81
North Tyneside	2,596	642	1,650	408	239	59
Northumberland	6,751	1,140	5,002	844	396	67
England	778,980	667	621,470	532	63,310	54

Source: Children in Need and Child Protection, Department for Education

A relatively high proportion of children in need in Newcastle (at 31st March 2016) have a disability recorded – 21% compared to the national average of 13%. North Tyneside and Northumberland have proportions closer to the national average (12% and 13% respectively).

The breakdown by disability shows that, in line with national averages, the major type are Learning, Autism/Asperger syndrome; Behaviour; Communication and Mobility. The breakdown in Newcastle is reasonably similar to England but North Tyneside has particularly high proportions of Learning, Behaviour and Communication disabilities and Northumberland has a very high proportion of children with Autism/Asperger Syndrome amongst those in need.

Children in need with a disability: type of disability

	Newcastle	North Tyneside	Northumberland	England
Learning	40.0%	67.3%	38.3%	44.8%
Autism/Asperger Syndrome	26.4%	14.3%	44.7%	31.7%
Behaviour	17.7%	41.1%	4.5%	22.1%
Communication	16.9%	47.6%	5.6%	22.2%
Mobility	15.4%	27.4%	5.1%	20.2%
Personal care	10.8%	17.3%	-	12.1%
Incontinence	10.0%	8.3%	-	8.3%
Vision	8.3%	9.5%	5.3%	8.5%
Consciousness	5.5%	8.9%	0.0%	5.3%
Hand function	2.2%	-	0.0%	4.3%
Hearing	0.0%	3.6%	4.0%	5.4%
Other Disability	30.5%	5.4%	8.8%	20.1%

Source: Children in Need and Child Protection, Department for Education

Special Education Needs

Focusing on Special Education Needs (SEN), in 2017 (January) there were 17,713 pupils across the three North Tyne local authorities with SEN, representing 15% of all school pupils in Newcastle, 14% in North Tyneside and 14% in Northumberland. This is on par with the national average of 14%.

There were 3,533 pupils with Statements, with North Tyneside having a higher proportion than the other authorities – 3.6% of all school pupils compared to 2.5% in Newcastle, 2.9% in Northumberland and a national average of 2.8%.

Pupils with Special Educational Needs (Jan 2017)

	Total pupils	Pupils with SEN		Pupils with Statements	
		No.	%	No.	%
Newcastle	44,542	6,880	15.4%	1,103	2.5%
North Tyneside	30,913	4,221	13.7%	1,105	3.6%
Northumberland	46,292	6,612	14.3%	1,325	2.9%
England	8,669,080	1,244,253	14.4%	242,184	2.8%

Source: Special Education Needs, Department for Education

The data shows that there has generally been an increase in pupils with emotional, social and behavioural difficulties, and with autism, and that the percentage of all pupils with these characteristics is increasing. This aligns with national trends and highlights the increasing need for support for vulnerable learners.

Pupils with SEN by primary type of need, percentage of all pupils

	2012	2013	2014	2015	2016	2017
Social, Emotional and Mental Health						
Newcastle	1.5%	1.7%	1.6%	1.9%	2.2%	2.2%
North Tyneside	2.2%	2.2%	2.1%	2.0%	1.8%	2.3%
Northumberland	2.7%	2.7%	2.6%	2.8%	3.1%	3.0%
England	1.8%	1.7%	1.7%	2.0%	2.2%	2.2%
Autism Spectrum Disorder						
Newcastle	0.7%	0.8%	0.9%	1.0%	1.1%	1.1%
North Tyneside	0.5%	0.6%	0.6%	0.7%	0.7%	1.0%
Northumberland	0.7%	0.8%	0.9%	1.0%	1.2%	1.2%
England	0.8%	0.9%	0.9%	1.1%	1.2%	1.3%

Source: Special Education Needs, Department for Education

English as a Second Language

A further issue facing schools in Newcastle, is the growing numbers of young people entering schools that do not speak English as their first language. In 2017, nearly a quarter of young people were categorised as not having English as an additional language. This is much less of an issue for North Tyneside and Northumberland.

While primary and secondary schools are generally performing well, improvements are required in all areas to ensure that all residents have access to high quality education. Northumberland in particular has a major challenge to address the significant proportion of primary schools requiring improvement, and the very low proportion of secondary schools rated as outstanding.

In spite of having more than one in three of secondary schools rated at outstanding, Newcastle also has a large group of schools requiring improvement or classed as inadequate.

Both North Tyneside and Newcastle have very low proportions of young people achieving good A level results and this limits the educational and career opportunities open to young people, particularly those seeking to move on to higher education. This is reflected in wider Level 3 attainment. All three local authorities have lower proportions of young people achieving Level 3 qualifications compared to the national average.

The number of apprenticeship starts in North Tyne has increased significantly over the last ten years, as apprenticeships have become an increasingly important route for upskilling the workforce as well as developing skills amongst young people who are new to industry and commerce.

Looking beyond attainment, there is a need to enrich and provide increased access to careers guidance, and to strengthen the links between business and education to ensure that the education system is responding effectively to the skills of the economy.

There is also a need provide improved support for vulnerable learners, including children in need and with SEN.

Housing and Affordability

House Building

North Tyne has experienced very low levels of housing completions for many years reflecting the lasting impact of the economic downturn. Across all authorities, house building increased in 2016/17, reflecting trends in the national economy, although completions have fluctuated year on year. Based on averages between 2011 and 2017, Newcastle have built 553 houses per annum, North Tyneside 349 and Northumberland 794. Both the averages and the peak are below the annual requirements set out in Local and Core Strategies (approximately 1,050 in Newcastle and 790 in North Tyneside).

House Building							
	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Newcastle	250	450	410	470	747*	700	850
North Tyneside	240	460	270	310	340	390	430
Northumberland	550	590	580	530	1,190	920	1,200
North Tyne	1,040	1,500	1,260	1,310	1,530	2,010	2,480

Source: Department for Communities and Local Government, * Newcastle AMR 2014-2015

Between 2010/11 and 2015/16, just over 3,400 affordable new homes were developed in North Tyne (includes new builds and acquisitions) of which 1,400 were in the social rented sector. This is compared to total housebuilding completions in North Tyne of 8,650. Viewed as a proportion of all housebuilding, North Tyne's affordable housing development amounts to 39% of all completions compared to the national average of 43%.

House building and affordable homes, total for period 2010/11 – 2015/16			
	All Completions	Affordable Homes	Affordable Homes (social rented)
Newcastle	2,280	1,000	360
North Tyneside	2,010	930	420
Northumberland	4,360	1,480	600
North Tyne	8,650	3,410	1,380
England	711,170	304,900	122,150

Source :DCLG

Household Projections

National household projections suggest that over the next 20 years, there will be some 42,000 additional households in North Tyne – an increase of almost 12%. While this is slightly higher than the increase across the LEP area, it is much lower than the national projection, reflecting lower levels of population growth across the North East Region.

Household Projections (000s)							
	2017	2022	2027	2032	2037	Change	
						No.	%
North Tyne	362	374	385	396	405	42	11.6%
North East LEP	877	903	926	948	966	89	10.2%
England	23,464	24,586	25,661	26,701	27,650	4,185	17.8%
England minus London	19,812	20,636	21,431	22,205	22,904	3,092	15.6%

Source: 2014 based Household Projections

The household projections suggest that North Tyne will require a maximum of 2,100 new dwellings per annum, although this would only support a relatively low level of household growth, with implications for the workforce. This level of completions has only been achieved in one of the last ten years.

Future housing provision will also need to adjust to the projected growth in older age groups. Over the next 20 years, the number of people aged 65+ is projected to increase by 42% in North Tyne, a slightly lower rate of growth compared to the national average of 48%. By 2037, there will be 44,000 people aged over 85, more than double the current number and with inevitable implications for specialist housing provision.

Population Projections – people aged 65+

	2017	2022	2027	2032	2037	Change	
						No.	%
North Tyne	159,786	175,578	195,600	214,976	227,306	67,520	42%
North East LEP	388,960	424,322	469,669	515,327	544,264	155,304	40%
England	10,063,227	11,014,326	12,278,010	13,729,206	14,891,622	4,828,395	48%
England minus London	9,025,195	9,859,904	10,956,838	12,205,551	13,181,864	4,156,669	46%

Population Projections – people aged 85+

	2017	2022	2027	2032	2037	Change	
						No.	%
North Tyne	21,057	24,164	27,869	36,316	44,257	23,200	110%
North East LEP	48,556	56,005	64,792	83,427	100,846	52,290	108%
England	1,369,747	1,581,359	1,859,888	2,434,431	2,904,031	1,534,284	112%
England minus London	1,226,458	1,416,879	1,671,025	2,200,402	2,623,788	1,397,330	114%

Source: Sub-National Population Projections 2014 based

House Prices and Affordability

Average house prices in the three NT local authority areas are approximately £155,000 (Q4 2016), significantly lower than the national average of £224,000. Over the last ten years, house prices have increased by 10% in Newcastle, 15% in Northumberland and 20% in North Tyneside. This is compared to the average increase across England of 33%

Average house prices

	Median house price (all house types, Q4 2016)
Newcastle	£155,750
North Tyneside	£155,000
Northumberland	£155,502
North East Region ⁷	£131,000
England	£224,000

Source: House Price Statistics for Small Areas, ONS

Housing is more affordable across the North East region than across England as a whole, with houses costing approximately five times average earnings, compared to the national average of 7.7. In the three NT local authority areas, the ratio is higher than the regional average but still significantly below the national average.

Affordability

	Ratio of median house price to median gross annual residence-based earnings (2016)
Newcastle	5.84
North Tyneside	5.86
Northumberland	5.86
North East Region ⁷	5.11
England	7.72

Housing affordability in England and Wales: 1997 to 2016, ONS

⁷ Wider region comprising 12 local authorities

Housing Tenure

Overall, home ownership in North Tyne is slightly lower than the national average – 60% of households are owned compared to 61% in the North East LEP and 63% in England (2011 Census). The social rented sector accounts for a higher proportion of households compared to the national average (23% compared to the national average of 18%)

.Housing Tenure: all households (2011 Census)

	Owned	Social Rented	Private Rented	Living Rent Free
North Tyne	60%	23%	15%	1%
North East LEP	62%	23%	14%	1%
England	63%	18%	17%	1%

Source :Census 2011

Analysis of housing stock is available at local authority level and shows the high proportions of local authority housing in Newcastle and North Tyneside (21% and 16% of all dwellings) compared to the national average (7%), and slightly lower proportions of private registered stock (8% and 6%) compared to the national average of 11%.

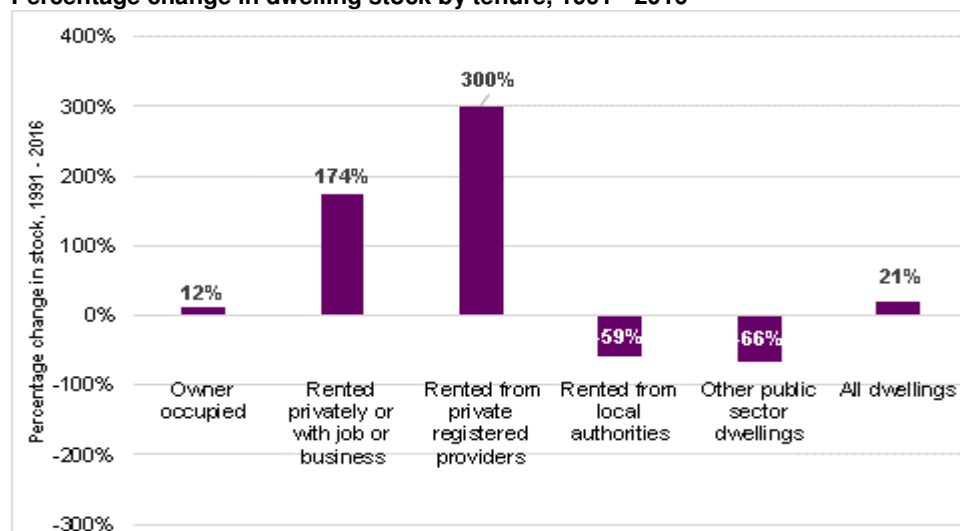
Dwelling Stock by Tenure, 2016

	Local Authority	Private Registered	Other Public Sector	Privately owned
Newcastle	21%	8%	1%	70%
North Tyneside	16%	6%	0%	78%
Northumberland	6%	12%	0%	83%
England	7%	11%	0%	82%

Source :DCLG

The trend over the last 25 years (available at a national level only) shows the huge increase in the private rented sector. The number of dwellings rented from private registered providers has increased by 300% between 1991 and 2016 and now accounts for 10% of all dwellings, compared to just 3% in 1991. The number of privately rented dwellings has increased by 174% and now accounts for 20% of all dwellings, compared to just 9% in 1991.

Percentage change in dwelling stock by tenure, 1991 - 2016



Source: DCLG

Demand for housing will increase as highlighted by the population and household forecasts. While this increase is set to be below the national average, it could increase further if employment growth is accelerated.

Despite lower house prices and a better affordability ratio, home ownership continues to be below average in North Tyne and many households will continue to face changes in accessing home ownership and affordable housing

Nationally, there has been a huge increase in the private rented sector, particularly rentals from private registered providers

Housing completions have fluctuated over the past seven years, and reached peak levels in 2016/17. There will need to be a significant and sustained increase in housebuilding over the next ten to twenty years to meet targets in Core Strategies and Local Plans, particularly given the shortfall in completions over the past ten years

With an ageing population there will be an increasing demand for assisted living and sheltered housing for elderly residents.

The Economy

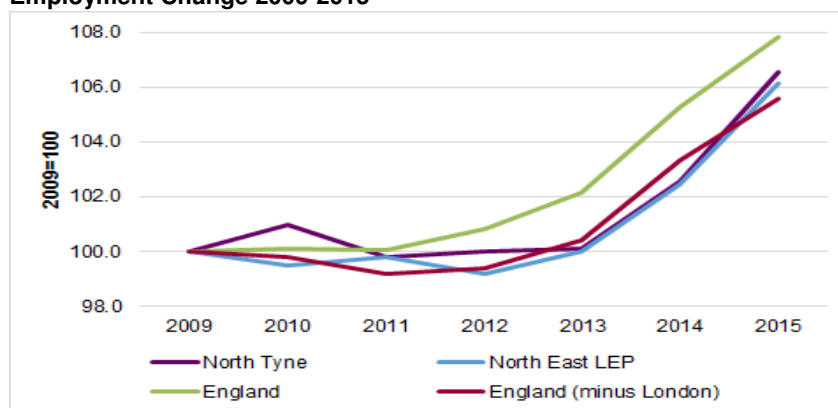
Employment Change

Since 2000, North Tyne's employment has increased in all three local authority areas, with a growth rate exceeding the national average (excluding London) and outperforming many comparators like the Leeds City Region and Greater Manchester.

Between 2009 and 2015, the employment growth in North Tyne (a 6.5% increase) was greater than the North East LEP and national (excluding London) averages (6.1% and 5.6% respectively).

This expansion in jobs in North Tyne happened after 2013. Prior to this employment numbers were relatively static.

Employment Change 2009-2015



Source: BRES

In 2015, there were 362,800 employees, accounting for 45% of employees across the North East LEP area. Recently, North Tyne has led full time employment growth in the LEP area. Between 2009 and 2015, North Tyne experienced a 10% increase in full time employment (+22,500), which accounted for 57% of the change across the LEP area, and was in line with the national average. This increase in full time jobs and a fall in part time jobs in North Tyne increased the proportion of full time workers in employment from 65.1% in 2009 to 67.3% in 2015. However, despite this shift, the North Tyne economy still has a higher proportion of part-time workers than the LEP and national averages.

Full Time / Part Time Employment 2009 & 2015

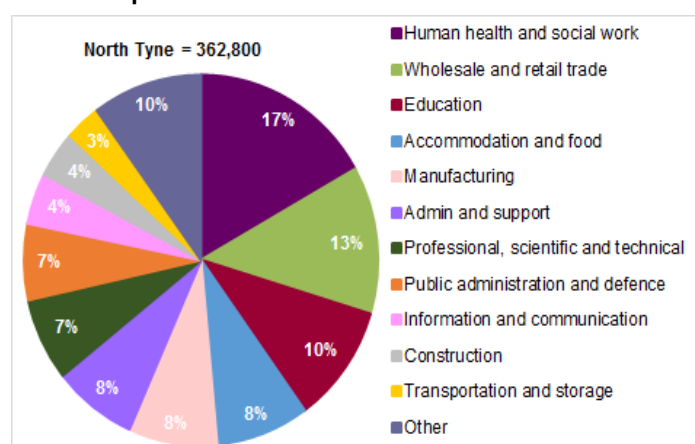
		Full-time	Part-Time	% Full time
North Tyne	2009	221,700	118,800	65.1%
	2015	244,200	118,600	67.3%
	Change	10.1%	-0.2%	100.9%
North East LEP	Change	7.8%	2.7%	85.6%
England	Change	10.0%	3.1%	87.3%

Source: BRES

Health and social work activities is the largest employment sector accounting for over one in six (61,000) of jobs. Wholesale and retail trade, the largest employment sector nationally, employs 46,800 people, followed by education with 37,500 employees.

Other major sectors include: accommodation and food services; manufacturing; administrative and support service activities; and professional, scientific and technical activities, all of which employ over 26,000 people.

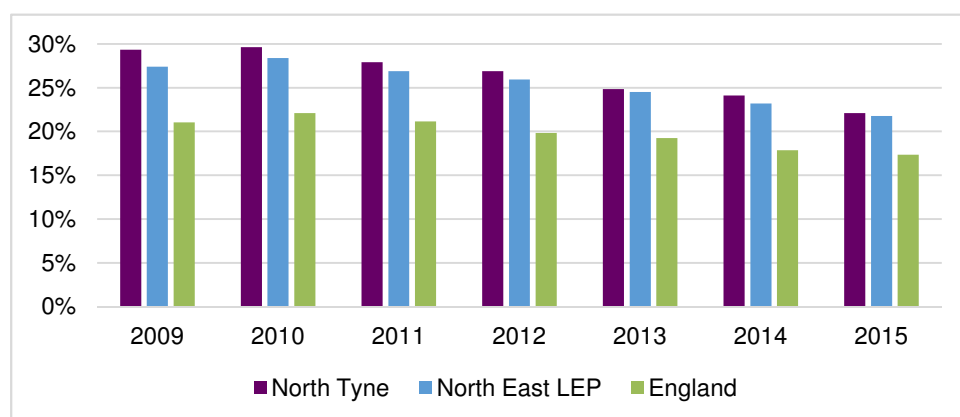
Sector Composition 2015



Source: BRES

Public/Private Sector Split

In 2015, public sector jobs accounted for a larger proportion of employment in North Tyne (22.1%), than in the LEP and national economies (21.8% and 17.4% respectively). Over recent years the public sector's share of employment has been falling across the country and especially in North Tyne. In 2009 the gap between the public sector's share of employment in North Tyne and England was over eight percentage points, whereas by 2015, the gap was under five. This fall in share was caused by an increase of over 40,000 private sector jobs and the loss of nearly 20,000 public sector jobs in the period.

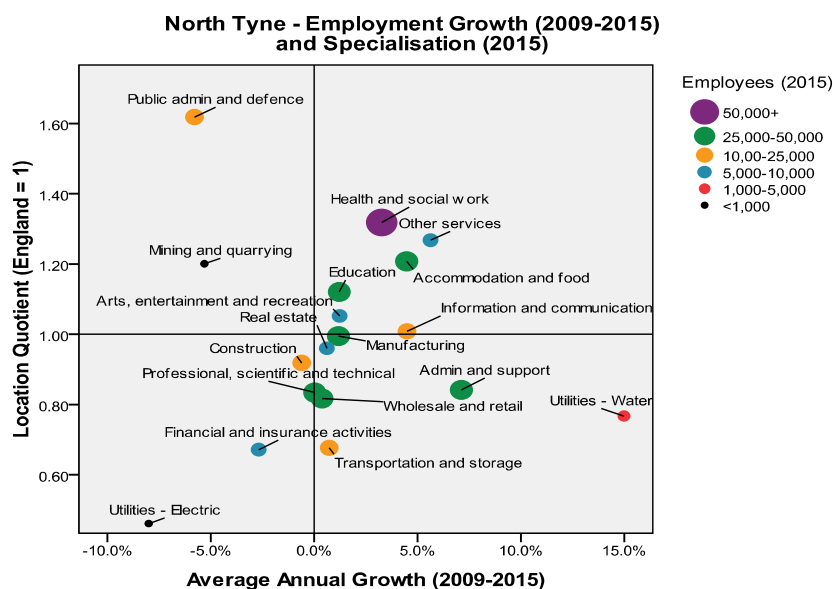


Percentage of total employment in the Public Sector

Source: BRES

Employment Specialisms and Recent Trends

Despite the loss of over 12,000 jobs in the sector since 2009, public administration and defence remains a sector of high specialism in North Tyne, particularly concentrated in Newcastle, where the location quotient of the sector is 2.22. Of the four other sectors where the North Tyne has an employment specialisation three have grown since 2009 (health and social work; accommodation and food services; and other services).

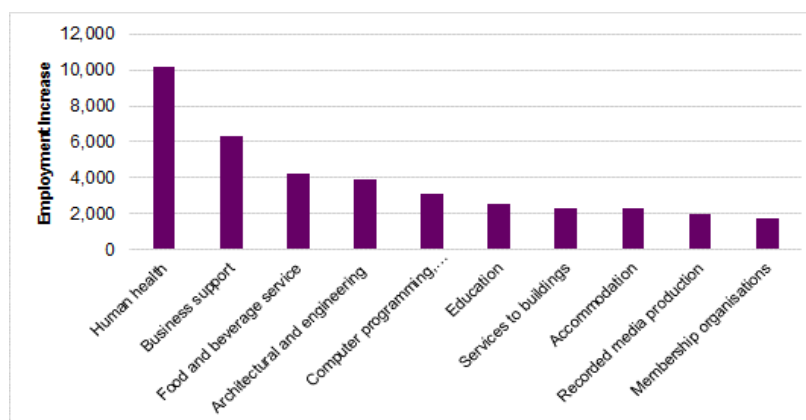


The manufacturing and information and communication sectors have average representation in North Tyne, with location quotients of 0.99 and 1.01 respectively, and have experienced employment increases since 2009. Professional and business services however are notably underrepresented in the North Tyne economy.

Examining the data at the two digit level provides a further indication of the underlying dynamics of employment at a broad sector level.

Manufacturing: Overall employment has grown, the strongest growth was in printing and reproduction of recorded media (+2,000) and the manufacture of fabricated metal products (+1,300). However many other manufacturing sub-sectors' employment has fallen. Despite the broad sector's average representation, North Tyne has specialisms in 2 digit manufacturing sectors including pharmaceuticals, paper and paper products, electricals and the printing and reproduction of recorded media.

2 Digit Sectors with the Largest Increase in Employees 2009-2015



Source: BRES

Health care and social work: Employment growth in the sector is dominated by the employment growth in human health.

Information and Communications: Picking up large parts of digital employment, the broad sector grew by just over 3,400 jobs, this positive increase has been predominantly driven by a net increase of 3,100 jobs in computer programming, consultancy and related activities in North Tyne. This sector has significant future potential for growth at the LEP level and is highly concentrated to the north of the river.

Professional, scientific and technical services: While overall employment levels remained stable there have been notable shifts in employment within the sector. Architectural and engineering activities employment has risen by nearly 4,000 jobs in 6 years. However this rise has been offset by losses in other sub-sectors, in particular legal and accounting employment fell by over 2,200, and other professional, scientific and technical service jobs fell by over 1,000. North Tyne dominates the LEP's employment in the sector.

Visitor economy: The accommodation and food service and art, entertainment and recreation sectors in North Tyne have experienced a combined employment increase of over 7,000 jobs since 2009 and have an above average representation in the economy. Particular strong performing subsectors over the period have been food and beverage services (+4,000 jobs) and accommodation (+2,000 jobs).

Agriculture: The methods of data collection used by economy wide datasets such as BRES do not transfer particularly well to agriculture, making the analysis of specific agricultural datasets necessary. Due to the geography of North Tyne, unsurprisingly Northumberland is only one of the three local authorities with a significant agricultural economy. In Northumberland in 2016 around 5,300 people worked on a farm, up from 4,900 in 2009, whilst the number of farm holdings has remained stable at just under 2,000 since the same year. Of these farms, the majority solely focus on livestock grazing, with over 800 holdings classified as less favourable area (hill farming) farms. This dominance of hill farming meant in 2016 Northumberland's sheep flock was over 1.3 million and cattle herd over 140,000 strong. Of the nearly 400,000 hectares of farmed land in Northumberland only a quarter was arable, the vast majority of which was used in the production of cereal crops.

Public administration and defence is the only two digit sub-sector to feature in both the ten largest and the most highly represented sub-sectors. However, North Tyne has a clear specialisms in three other large sub sectors: human health; architecture and engineering; and office administration and support

services (which each have an LQ of over 1.4). The list of sub-sectors with the highest location quotients in North Tyne is dominated by manufacturing sub-sectors employing less than 3,000 people, including the manufacture of pharmaceutical products.

North Tyne's Largest and Most Highly Represented 2 Digit Sub-Sectors 2015					
Largest	number	LQ	Most highly represented	number	LQ
Human health	40,100	1.52	Pharmaceutical manufacturing	1,000	2.26
Education	37,600	1.12	Paper manufacturing	1,500	2.23
Retail (exc. motor vehicles)	34,200	0.96	Other manufacturing	1,800	2.03
Public admin and defence	24,100	1.62	Printing and reproduction of recorded media	2,600	1.84
Food and beverage service	23,300	1.14	Membership organisations	5,800	1.81
Social work without accom	11,800	1.08	Telecommunications	4,900	1.74
Architecture and engineering	9,900	1.56	Libraries, archives, museums and other cultural	2,000	1.73
Employment activities	9,600	0.77	Electrical equipment manufacturing	1,800	1.65
Residential care	9,100	1.02	Air transport	1,700	1.62
Office admin and support activities	8,300	1.41	Public administration and defence	24,100	1.62

Source: BRES

North East LEP Areas of Opportunity

Tech North East – Driving a Digital Surge

North Tyne's digital and technology businesses, with an estimated worth of £1.25 billion and capacity for growth of 40% over the next three years,⁸ is in strong a position to drive growth in the economy. North Tyne strengths include: the presence of major employers Sage, HP and Accenture; the Campus North digital incubator; and fast-growing firms with great potential such as Performance Horizon. The development of the city centre as a hub for research in digitally enabled urban sustainability, the National Institute for Smart Data Innovation and of HMRC's new digital centre are all important assets. However, lack of collaboration and specific skills have been identified as obstacles to reaching this obvious potential.

Making the North East's Future – Automotive and medicines advanced manufacturing

North Tyne is home to a growing cluster of major medical manufacturing firms, including SM Pharma, MSD, P&G, Shasun and Intas Accord. MSD's facilities are some of the most advanced pharmaceutical manufacturing and packaging facilities in the world. North Tyne is also home to: Aesica, who supply active ingredients, formulations and custom synthesis solutions; and Piramal Healthcare who run clinical trials, and produce formulations and packaging of active pharmaceutical ingredients.

Health Quest North East – innovation in health and life sciences

North Tyne's health and life sciences expertise is world renowned, with specialisms in ageing, age-related diseases and rare and debilitating genetic conditions. The Newcastle upon Tyne Hospitals Trust is the first UK clinical research organisation to be awarded INSIRE site status by Pfizer (one of only three such sites in the UK) for expert knowledge and experience in medical innovation. As well as medical institutions, North Tyne's Universities and firms such Thermofisher, Leica Biosystems, Quantum DX and OJ-Bio also produce research into innovations in medical technology, clinical diagnostics, and drug delivery and custom synthetic areas. Future growth in the sector will be supported by facilities including the National Centre for Ageing Science and Innovation, the Science Central Site and the International Centre for Life science village.

Energy North East – Excellence in subsea, offshore and energy technologies

The energy and offshore sector has seen 60% growth in the North East Region (a government designated Centre for Offshore Renewable Energy and home to a Low Carbon Enterprise Zone) in the last four years, and is a significant area of strength for North Tyne. Manufacturers are clustered along the North Bank of the Tyne and in Blyth, including multinationals GE Oil and GAS, and Siemens. The sector is supported by a significant training offer from providers including Maersk, Siemens at their Energy Service Training Centre and AIS, and UK leading R&D facilities such as the National Renewable Energy Centre and the Neptune National centre for Subsea and Offshore Engineering. These strengths open up future opportunities in: subsea technology; offshore engineering, pipeline and trenching services; fabrication; decommissioning; and training, which will require: world-class manufacturing processes and wider infrastructure; new sites; skills; innovation; strong supply chain and attracting further investment.

Enabling opportunities

The North Tyne has one the country's largest financial and professional business clusters. "North Shoring" has led to North Tyne securing firms' higher-value back-office functions like IT and finance, which provides them with cost savings and improved workforce stability. Employers such as Tesco Bank, Virgin Money and Grainger Plc help make North Tyne the centre for the wider North East Region's financial sector which employs over 45,000 people.⁹

Tourism

North Tyne has witnessed strong growth in tourism numbers in recent years. The industry is now worth £1.7bn to the economy and overnight visitors reached about 6 million last year. There is a fantastic variety of very successful attractions in the area. There are the beautiful landscapes, in particular the Northumberland National Park and the Northumberland Coast area of outstanding natural beauty, and popular beaches at Whitley Bay and Tynemouth. North Tyne has numerous well visited Historical sites including: Holy Island; Hadrian's Wall (which runs through all three local authorities), Alnwick and Bamburgh Castles; and the George Stephenson Railway Museum. Newcastle's Great North Museum and Centre for Life consistently attract visitors, and along with the city's shopping, nightlife and sporting offer mean 9 out of 10 of the city's hotel beds are filled

⁸ Auxin (2016), Report for Newcastle Council

⁹ Source: <https://www.gov.uk/government/news/north-east-contribution-to-the-uks-financial-services-industry-hailed-by-economic-secretary>

every weekend¹⁰.

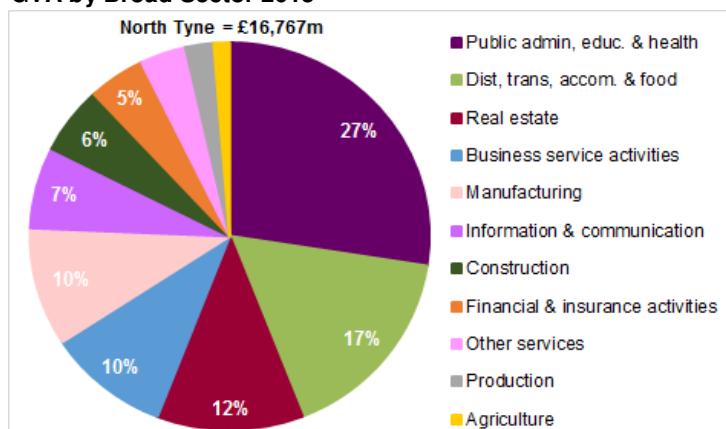
Gross Value Added

The North Tyne economy generated almost £17 billion of GVA in 2015, accounting for 45% of GVA generated by the North East LEP area. Public administration, education and health; distribution, transport, accommodation and food; and business services, all account for a smaller proportion of GVA than employment, while the reverse is true in the case of manufacturing, information & communication, real estate and construction. This reflects varying sectoral productivity levels.

In terms of overall productivity, North Tyne's GVA generated per FTE is in line with the North East LEP average, but is well below the national average.

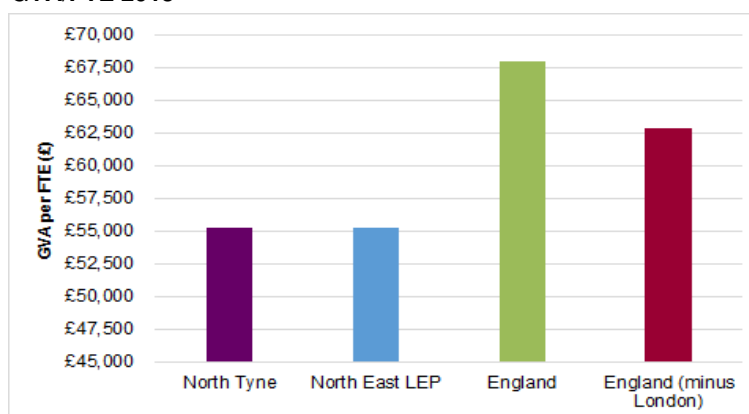
In 2015, the area generated just over £55,000 per FTE, equivalent to 81% of the national figure, although if London is removed the figure increases to 88%.

GVA by Broad Sector 2015



Source: Regional Accounts

GVA/FTE 2015



Source: Regional Accounts and BRES

When broken down by sector the highest productivity levels in North Tyne are in real estate activities and production. The four lowest productivity sectors are all in service industries. The lowest of these business service activities generates less than two thirds the North Tyne average GVA per FTE.

Broad Sectors' GVA/FTE in North Tyne 2015

Sector	GVA per FTE
Real estate activities	£ 378,110
Production other than manufacturing	£ 139,722
Financial and insurance activities	£ 98,203
Information and communication	£ 74,842
Construction	£ 66,007
Manufacturing	£ 58,244
North Tyne	£ 55,241
Public administration; education; health	£ 45,278
Other services and household activities	£ 44,794
Distribution; transport; accommodation and food	£ 41,678

¹⁰ <http://www.ngi.org.uk/resources/tourism-stats-reporting/>

Business service activities	£	35,263
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Source: Regional Accounts and BRES

Other than production all North Tyne's sectors do not reach national productivity levels. Although, when London is removed from the national picture, the productivity of financial and insurance activities in North Tyne rises above the amended national average. Information and communication, business service activities, manufacturing, real estate and other services stand out as having particularly low productivity even when London is excluded.

Broad Sectors' GVA/FTE relative to national average 2015

Sector	% England	% England minus London
Production other than manufacturing	104%	107%
Financial and insurance activities	75%	101%
Public administration; education; health	92%	94%
Distribution; transport; accommodation and food	85%	90%
Construction	82%	88%
North Tyne	81%	88%
Information and communication	77%	84%
Business service activities	74%	83%
Manufacturing	82%	82%
Real estate activities	77%	74%
Other services and household activities	66%	70%

Source: Regional Accounts and BRES

The North Tyne has clear employment specialisms and sector strengths which are closely aligned with the research strengths of the Universities and the emerging Industrial Strategy, offering opportunities for growth.

While there is a high representation of jobs in lower value sectors, these jobs are valuable to the local economy and provide important entry points into employment. Continuing to grow and improve the quality and productivity of jobs will be a priority and will help to tackle unemployment and inactivity.

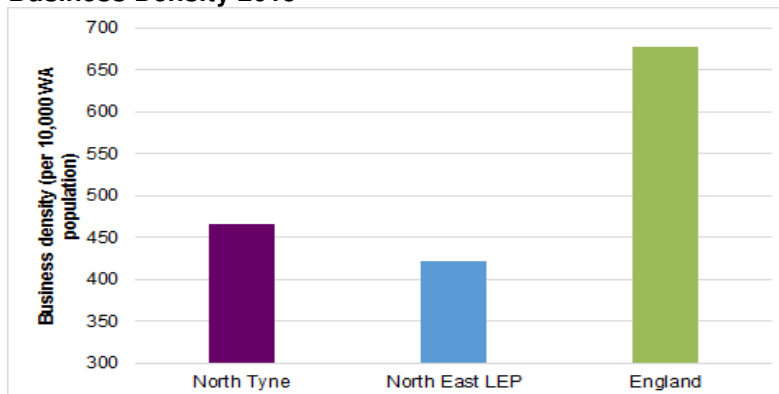
The North Tyne has been successful in creating jobs, including full time jobs and jobs in the private sector. While part time jobs are required to boost participation in employment, recent trends nationally relating to the rise of insecure jobs, zero hour contracts and the need to work multiple jobs emphasises the importance of stimulating growth in high quality, full time jobs.

Productivity is one of the greatest challenges for the North Tyne and wider North East Region's economy. It has been a long term challenge and increasing challenge. The issue applies across all sectors, including those which are higher value, and also reflects the sector and occupational structure and labour market participation challenges.

The Business Base

In 2016, North Tyne was home to approximately 23,600 businesses, accounting for 47% of the businesses in the North East LEP area. North Tyne has more businesses per working age resident than is typical for the LEP, however its business density is still well below the national average. North Tyne would require an additional 8,400 businesses to reach the average business density in England excluding London.

Business Density 2015



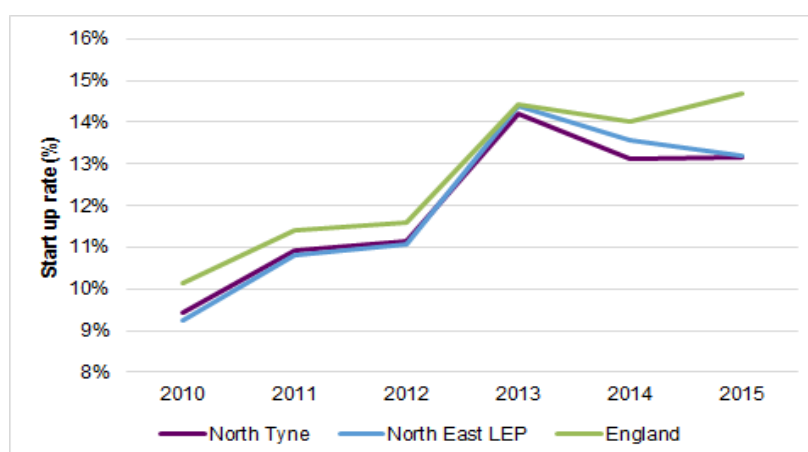
Source: Business Demography and Mid-Year Population Estimates

Business Start Up Rates

Between 2010 and 2015, there were over 16,000 business start-ups in North Tyne, accounting for 46% of the start-ups in the North East LEP area. Throughout the period the number of start-ups per annum grew reaching nearly 3,200 in 2015.

Since 2010, the North Tyne business start-up rate has followed a very similar course to that of the LEP and national rates accelerating every year until 2013 before slowing in 2014.

Business Start Up Rate 2010-2015



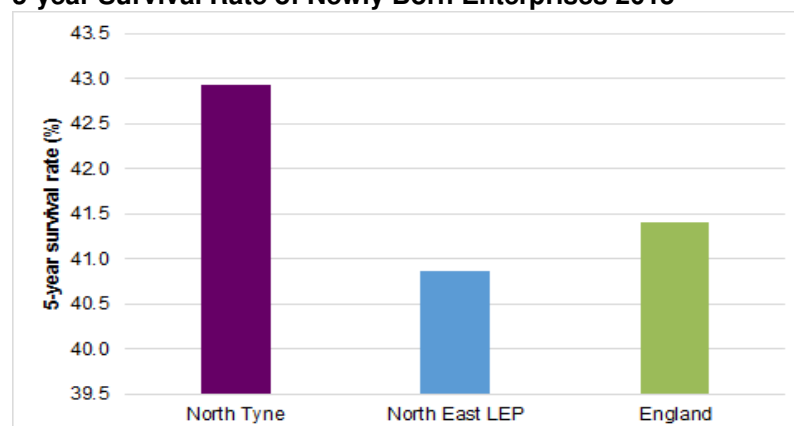
Source: Business Demography and Mid-Year Population Estimates

Business Survival Rates

Of the just over 3,000 new business that started in North Tyne in 2014 less than three hundred did not survive one year, giving a survival rate of 91.2%. This one-year survival rate is largely in line with the national and North East LEP averages (92.2% and 91.9% respectively).

The 5 year survival rate of North Tyne businesses is one and half percentage points higher than the national rate and two percentage points higher than the LEP rate.

5-year Survival Rate of Newly Born Enterprises 2015



Source: Business Demography and Mid-Year Population Estimates

Innovation

The innovation section largely draws on data for the North East Region level due to data limitations.

Patents

In 2015, 314 applications were filed in the North East Region resulting in 51 Patents. The number of patent applications filed in the North East¹¹ Region has ranged between 300 and 400 per year in recent years showing no obvious trend. The number of patents applied for per 100,000 population is 19 in the North East Region, compared to 36 per 100,000 nationally.

Patents Applications Filed and Granted						
	Applications Filed		Patents Granted		% Granted	
	NE ¹¹	UK	NE ¹¹	UK	NE ¹¹	UK
2012	358	15,370	58	2,974	16.2%	19.3%
2013	314	14,971	52	2,464	16.6%	16.5%
2014	363	15,187	44	2,315	12.1%	15.2%
2015	314	14,870	51	2,838	16.2%	19.1%

Source: Intellectual Property Office

The North East Region also has a lower success rate in relation to patent applications than is the case for the UK as a whole. The ratio of patents granted and relative to the number applied for in 2015 rose to 16%, after a dip in 2014.

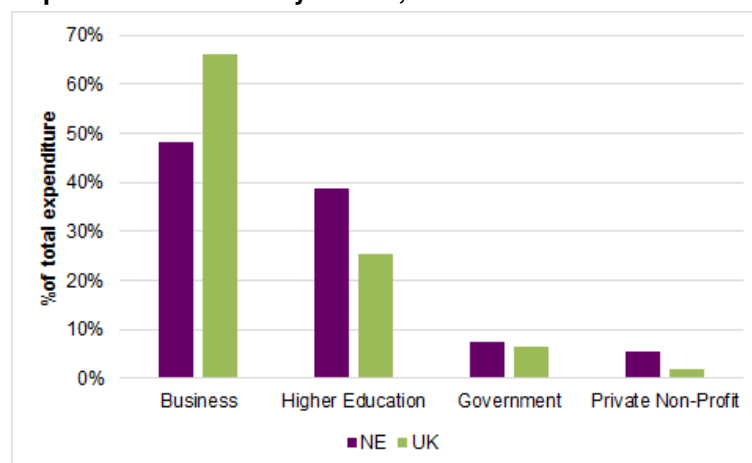
Research and Development

Over half a billion pounds (£633m) was spent on R&D in the North East Region in 2015, equivalent to 1.3% of regional GVA. This was the second lowest of all the English regions.

Just under half of this (48%) was spent by businesses and 39% by higher education institutions. The remainder of the R&D spend came from Government or private non-profit organisations.

Nationally two-thirds of R&D expenditure is made by businesses (66%) and only one-quarter by higher education institutions (25%), with 7% from Government and 2% from private non-profit organisations.

Expenditure on R&D by Sector, 2015



Source: UK gross domestic expenditure on research and development

The traditional data sets on innovation do not always fully capture the full range of innovation. Datasets available from the CBI provide a broader range of rankings with regard to business R&D investment, design investment and collaboration, and focus on capturing activity which is closer to market delivery. These indicate that the North East Region has made some recent progress on such metrics and has strengths to build on (for example, linked to process innovation). Further detail on the CBI data is set out in the following section.

¹¹ Wider region comprising 12 local authorities

Business Level Innovation

The recently published report *Benchmarking local innovation – the innovation geography of England: 2017*¹² draws on available data from the Enterprise Research Centre's analysis of the UK Innovation Survey 2015, and provides further insight into innovation activities at the company level within the LEP geography.

During 2012-2014, 21% of firms in the North East LEP reported that they were engaged in R&D and/or undertook product and service innovation. This is equivalent to approximately 9,400 businesses in the North East LEP and results in a ranking of 14th out of 39 for R&D engagement and 23rd out of 39 for product and service innovation. Of these, approximately a third were engaged in product and services innovations that were new to market, a lower proportion than compared to the majority of other LEPs.

On the majority of other innovation benchmarks the North East LEP ranks in between the second and third quartile. The only indicator where the LEP reaches the top quarter is the proportion of firms undertaking process innovation.

Innovation Benchmarks 2012-2014		
	North East LEP	Ranking against other LEPs
% of all firms		
Engaged in R&D	21	14 th /39
Undertook product and service innovation	21	23 rd /39
Undertook process innovation	19	6 th /39
Undertook marketing innovation	15	34 th /39
Undertook design investment for innovation	13	15 th /35*
New to market innovation	7	26 th /28*
% of innovating firms		
Collaborated as part of innovation activity	27	15 th /39
Source: UK Innovation Survey, *Data unavailable for the remaining LEPs		

The North Tyne has a well-established business base, including a strong rural business base. There is an opportunity to increase the start-up rate and attract new businesses to the area, to boost the overall business density.

North Tyne has a "shortfall" of 8,370 businesses and closing this gap will require a sustained increase in new start-ups over a five to ten year period across its geography.

Maintaining a high 3 and 5 year survival rate will play an important role in closing the enterprises gap.

The data available for the North East Region, suggests that innovation levels, and particularly levels of business investment in innovation, are low across the geography. Engaging additional businesses in R&D and encouraging expenditure that results in product, services and process innovations will be essential to supporting productivity growth in the North Tyne and across the wider LEP area.

North Tyne has a substantial business presence in a number of high priority areas of opportunity where innovation is a key part of business sustainability and growth.

¹² Enterprise Research Centre, 2017

4. The SEP Targets and the Scale of the Challenge

The North East Strategic Economic Plan

In March 2017, the North East LEP published its refreshed Strategic Economic Plan (SEP) which sets the strategic direction for growth and details how 100,000 more and better jobs will be delivered in the North East LEP economy by 2024.

The initial SEP (published in March 2014) set six targets for the North East LEP related to job creation, the quality of jobs, productivity, labour participation and inclusion, which aimed to measure progress towards the ambition for a more competitive economy, delivering more jobs and better opportunities for local people and businesses.

Two of the targets are absolute targets demonstrating progress towards delivery of 'more and better jobs', while the remaining four measure relative performance compared to the rest of England (minus London) to provide insight into the extent to which gaps in performance are being reduced in the North East LEP area.

NELEP Targets from March 2014 to 2024 (all gaps relate to England minus London)	More Jobs	- Create 100,000 jobs
	Better Jobs	- Reduce the gap in private sector employment density by 50%
	Inclusive growth	- 70% of jobs created to be better jobs
		- Reduce the gap in GVA per FTE by 50%
		- Reduce the gap in the employment rate by 100%
		- Reduce the gap in economic activity rate by 50%

The SEP refresh provided an opportunity to reflect on the progress that has been made on each of these indicators by March 2014. Analysis using the most up to date sources indicated that there had been strong progress. The North East LEP had moved out of recession and economic growth had returned to trend, delivering an average of 3% growth in GVA per annum.

In terms of the targets:

- Employment numbers reached record levels in 2016 with data showing a significant uplift in overall job numbers since 2014 – approximately 53,700 at September 2016.
- 897,000 residents of the North East LEP areas were in employment in 2016, and the area itself provided 865,100 jobs.
- Jobs growth had been added at a rate of 6.6% over the last two years compared to 5.4% in England as a whole. This represented a closing of the employment rate gap with national averages.
- 63% of employment growth had been in highly skilled jobs.
- The rate of change towards the target to close the gap with national performance in terms of private sector business density and economic activity in the labour force was on track.

This strong performance was balanced against recognition that it is early days in the 10 year delivery of the SEP and that challenges remain. In particular, the challenge relating to delivery of higher sub-regional productivity continues, as demonstrated by a widening gap with national performance, although low levels of productivity growth is a national issue. Further, economic inclusion in some parts of the LEP area remains a challenge and some of the new jobs created are low paid and insecure.

Looking beyond the performance against targets and taking account of national context and the need for a future focused economy, the refreshed SEP set out areas of opportunity (aligned with the UK's emerging Industrial Strategy and the Northern Powerhouse agenda) and six programmes of delivery set out overleaf.

SEP Refresh

The refresh of the North East LEP's Strategic Economic Plan took full account of the recent employment growth in the LEP area and the emerging emphasis on industrial policy by National Government. The SEP refresh set out a number of innovation led proposals in key growth sectors, while highlighting the need for interventions to support economic inclusion.

North East LEP's Strategic Economic Plan March 2017

Areas of Opportunity	Programmes of Delivery
<ul style="list-style-type: none"> Tech North East – Driving a digital surge Making the North East's future – Automotive and medicines advanced manufacturing Health Quest North East – Innovation in health and life sciences Energy North East – Excellence in subsea, offshore and energy technologies Enabling Services – A growing and productive service economy A Place that Works – A focus for investment, innovation and inclusion 	<ul style="list-style-type: none"> Supporting innovation Business growth and access to finance Skills Employability and inclusion Economic assets and infrastructure Transport and digital connectivity

A commitment was also made to being more ambitious in the North East LEP. It was recognised that trends up to summer 2016 suggest that there is potential headroom for further employment growth in the North East LEP economy, and an aim to reach the 100,000 target early and stretch that further was set. Taking account of the productivity challenge, the decision was also made to revise the 'better' jobs target to 70% of all new jobs created by 2024 (from 60%).

The North Tyne Contribution

The following sections set out the contribution which the North Tyne has made towards the North East LEP targets between March 2014 and September 2016 (or between 2014 and 2015 where data is less frequently updated), and the scale of the challenge that remains.

Overall, the North Tyne made a strong contribution, creating an above average share of the new jobs in the LEP area, and outperforming the progress made to reduce the employment rate and economic activity gap. The proportion of 'better' jobs created was, however, lower than the LEP average and there was an increase in the productivity gap in the North Tyne and wider LEP area.

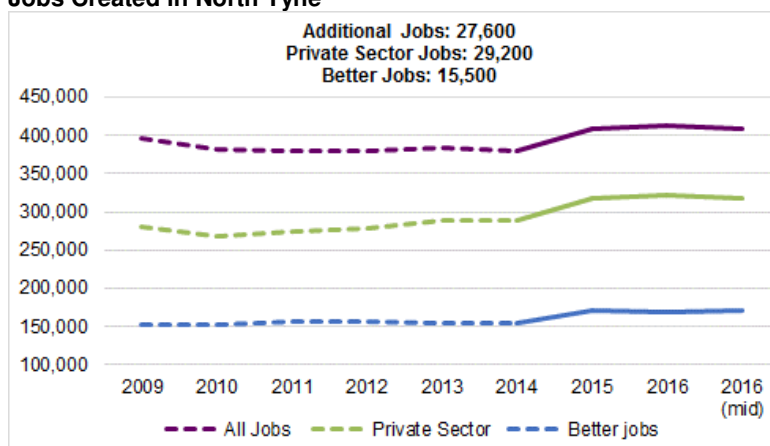
Creating Jobs

Progress to date: By September 2016 North Tyne had created 27,600 jobs, accounting for 51% of the jobs created across the LEP area (53,700). This is higher than the North Tyne's share of employment (47%).

15,500 of the jobs created (56%) were 'better' jobs – underperforming the LEP area where 63% were classed as 'better'.

Although a high proportion of the 100,000 jobs have been created, it must be noted that this has taken place during an unanticipated period of high employment growth nationally.

Jobs Created in North Tyne



Source: Annual Population Survey Workplace Data

More Jobs

Scale of the challenge: Based on its share of employment growth in the North East LEP to September 2016, North Tyne's share of the 100,000 jobs target is 51,400. To deliver this an additional 24,000 jobs are required by 2024, equating to 3,000 jobs per annum. This would enable the area to continue to make a disproportionate contribution towards jobs growth.

Based on the 70% 'better' jobs target, 20,500 of these jobs (2,600 per annum) need to be in highly skilled occupations to address the shortfall to date.

The North East Independent Economic Review pointed out the need for the LEP area to grow its private sector employment base. In the light of this, at least 18,500 jobs (2,300 per annum) of the 24,000 additional jobs need to be in the private sector.

Reducing the Productivity Gap

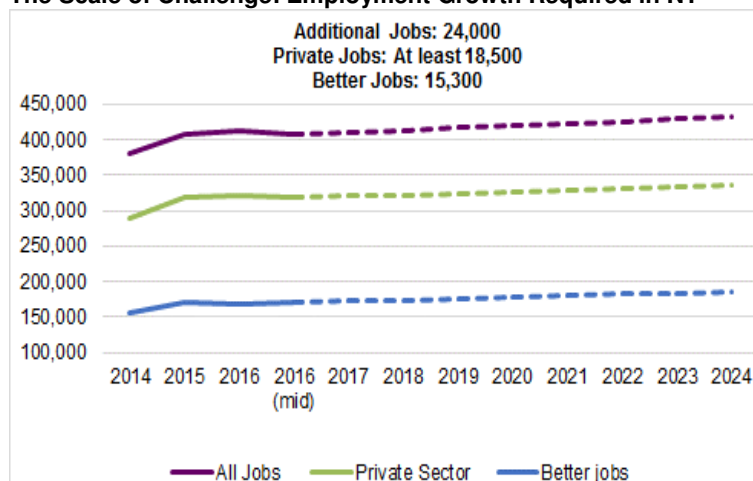
In 2014, when the target was set to reduce the productivity gap between the North East LEP and national (excluding London) levels, the level of GVA generated per FTE in the North Tyne (£55,493) was slightly lower than in the North East LEP area (£55,804). This was equivalent to a gap of £7,202 and £6,892 per FTE with the national average respectively.

Progress to date:

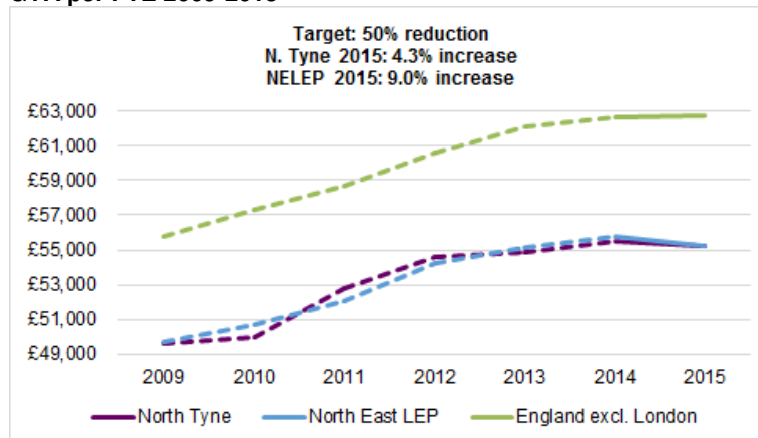
By 2015 (latest available data), productivity levels in both North Tyne and the LEP area had fallen to approximately £55,250 per FTE in both areas as employment growth outpaced GVA growth. Nationally, productivity levels increased.

This resulted in the productivity gap increasing to over £7,500 per FTE for both geographies. The fall in the North East LEP area was greater (9% compared to 4%), reflecting the higher starting position in 2014.

The Scale of Challenge: Employment Growth Required in NT



GVA per FTE 2009-2015

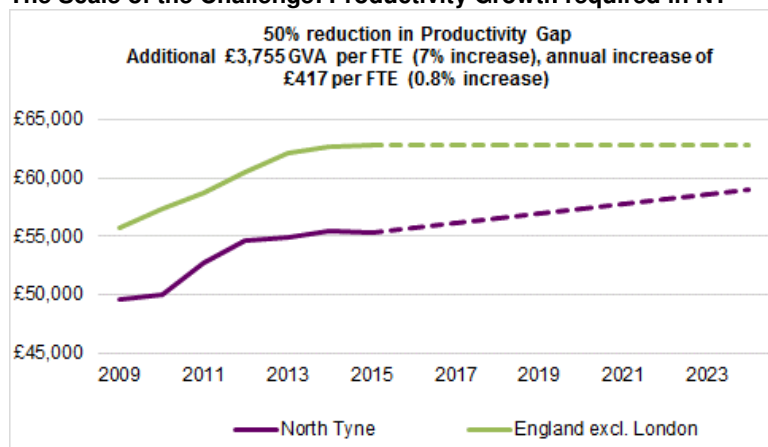


Persistently low productivity growth over the last ten years nationally has now been recognised as one of the most important challenges facing UK business, in spite of strong employment growth. In a challenging national economy it has been difficult for the North East LEP and the North of England to make any progress in closing the national gap, and this has been exacerbated by London and the south of the country emerging from the 2007-2008 downturn much earlier.

Scale of the challenge:

To reduce the gap with current productivity levels nationally (minus London) by 50%, an additional £3,755 of GVA would be required per FTE (a 7% increase). This is equivalent to an annual increase of £417 of GVA per FTE.

The Scale of the Challenge: Productivity Growth required in NT



Source: Regional Accounts, BRES and ekosgen assumptions

Closing the Employment Rate Gap

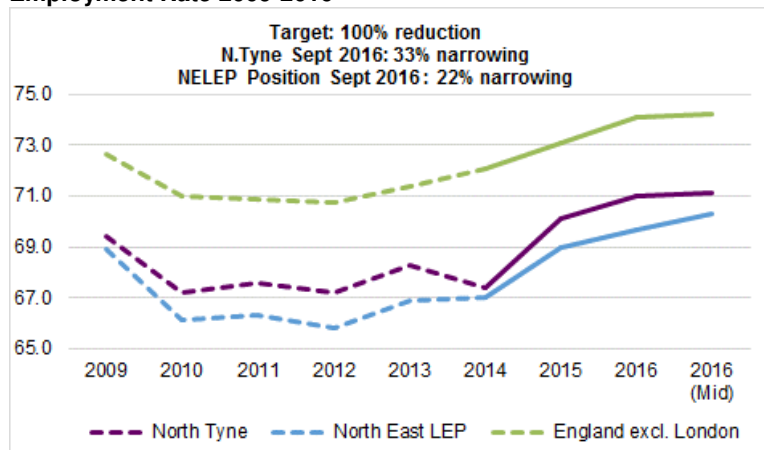
In March 2014, North Tyne had a marginally higher employment rate than the LEP (67.4% compared with 67.0%), but both were below the national (minus London) employment rate of 72.1%. As a consequence the initial gap to close was 4.7 percentage points for North Tyne and 5.1 percentage points for the North East LEP.

Progress to date:

Despite an increase in the national employment rate since 2014, comparably stronger performance in North Tyne and the North East LEP area has reduced the gap.

By September 2016, the gap in the employment rate had reduced by 33% in the North Tyne (to 3.1 percentage points). This outperformed the reduction across the wider LEP area (of 22% to 3.9 percentage points).

Employment Rate 2009-2016

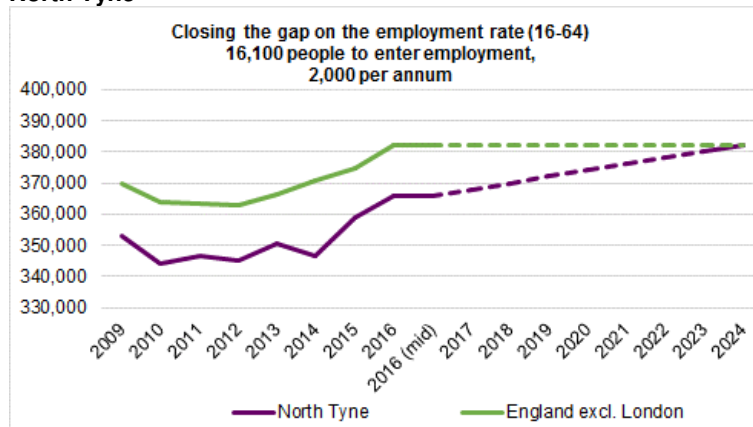


Source: Annual Population Survey

Scale of the challenge:

Based on the employment rate in September 2016, for the North Tyne to close the gap with the current national (minus London) employment rate, an additional 16,100 working age residents would have to enter employment. This is equivalent to approximately 2,000 residents per annum.

Scale of the Challenge: Closing the Employment Rate Gap in North Tyne



Source: Annual Population Survey and ekosgen assumptions

Narrowing the Economic Activity Rate Gap

When the target was set to reduce the economic activity gap by 50% in the LEP, North Tyne's activity rate (73.4%) was marginally lower than the rate across the North East LEP area (74.1%). The overall gap to the national (minus London) rate was 4.1 percentage points for North Tyne and 3.5 percentage points for the LEP.

Progress to date:

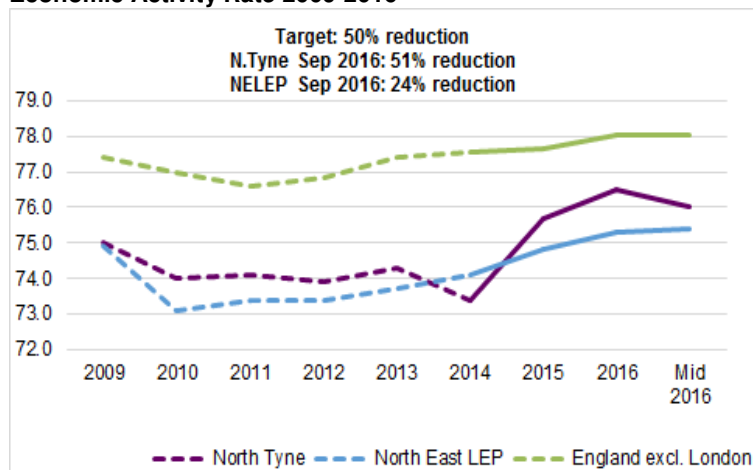
While there has been a slight increase in the economic activity rate nationally (minus London) since March 2014, the increase was greater in North Tyne, where 13,400 additional residents became economically active. This enabled the gap with the national average to reduce.

The reduction in the gap in North Tyne (51%) was greater than across the wider LEP area (24%), and the overall economic activity rate in North Tyne in September 2016 (76%) was slightly higher than the NELEP average (75.4%).

Scale of the challenge:

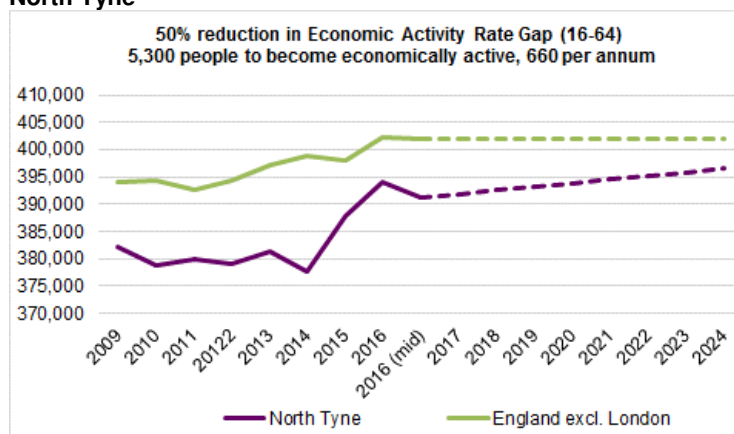
In September 2016, the economic activity rate in North Tyne sat 2.0 percentage points below the national (minus London) rate. To halve this current gap by 2024, an additional 5,300 residents would need to become economically active. This is equivalent to 660 people per annum and would include addressing significant issues such as long term sickness.

Economic Activity Rate 2009-2016



Source: Annual Population Survey

Scale of the Challenge: Reducing the Economic Activity Gap in North Tyne



Source: Annual Population Survey and ekosgen assumptions

Housing and Employment Land

In terms of housing and employment land targets, these are set at the local authority level as part of the planning process. While not all formally adopted as targets, they provide an indication of the scale of employment land and housing that will be required across North Tyne over the next 10-15 years.

North Tyne: Employment Land and Housing Requirements

	Employment Land	Housing
Newcastle	150 Hectares	21,000
North Tyneside	150 Hectares	16,590 (2011 and 2032)
Northumberland	305 Hectares	Not available
NTCA Estimated Annual Requirement	25-30 hectares	2,300-2,500 dwellings

Source: Local Authorities (Newcastle employment land estimated based on jobs target)

Overall, the impact of the North Tyne Single Investment Fund will make an important contribution to the NELEP and housing and employment land targets, creating more and better jobs and helping to close gaps in productivity, employment and inactivity.

5. The North Tyne Devolution Deal

Nationally, nine Devolution Deals have been agreed to date. Discussions and negotiations with Government on the North Tyne Devolution Deal are ongoing. As has been the case in other areas, the initial deal will be the first step in a process of policy and financial devolution across a range of policy areas, and there are likely to be a series of Deal extensions over the next three years. For example, in Greater Manchester – the first area to agree a Devolution Deal in November 2014 – there have been three extensions to the initial deal (in July 2015, November 2015, and March 2016) and a further clarification of devolution powers relating to one element of the deal (in July 2016).

Given the current status of the Deal, a number of assumptions have been made relating to its scale of the Investment Fund and the potential nature of investments to inform the impact assessment. These are based on the latest position on the North Tyne Deal in August 2017 and learning from other areas as set out in the following sections.

Overview of the Deal

It is anticipated that the Devolution Deal will be structured around the following broad themes, covering a range of policy areas and activities that drive productivity in key sectors; invest in people and boost labour productivity; and create vibrant and connected communities and places. In their broadest sense, the themes align with and/or reflect those set out in the North East Strategic Economic Plan, the Industrial Strategy Green Paper and the Devolution Deals in other areas.

North Tyne Devolution Deal

Theme	Strategic Objectives
Business Growth and Inward Investment R&D and Innovation	Driving productivity in areas of opportunity
Education, Skills and Employment	Investing in people and boosting labour productivity
Infrastructure and Development	Creating vibrant and connected communities and places

The initial focus of the Deal will be on securing a Single Investment Fund that can be used flexibly by the North Tyne Combined Authority, and agreeing a number of areas where the Combined Authority and Government Departments will commit to working collaboratively to deliver local priorities. At the outset, these commitments are likely to be based on the co-design of plans and projects, with the devolution of funds and powers to follow as part of later extensions to the North Tyne Deal. This may lead to additional pilot projects and devolved funds agreed at a later date.

One of the biggest benefits of devolution is the freedom and flexibility given to local partners to invest resources according to locally determined priorities based on local knowledge, expertise and experience of what works. Although benefits such as these are not quantifiable, they can enable places to make radical step changes in the way local partners work together and deliver, join-up and transform services to better meet local needs. Devolution to local places moves decision-making from central to local government. It can help local partners to tailor nationally developed programmes and initiatives to better meet local circumstances and deliver better outcomes for residents.

Planning Investment

In order to plan investment, objectives and targets will be set for each theme based on local economic opportunities and challenges. The objectives and targets capture the intended impacts and outcomes of intervention in each thematic area to help guide investment decisions, whilst maintaining flexibility to allow the Combined Authority to respond to changing circumstances and maximise the impact of investment at the local level.

During both the design and implementation of the Deal and Single Investment Fund, it is important to take account of existing economic development activities within the North Tyne and across the wider LEP area to determine where additional investment can make a difference. It is also important to acknowledge that some existing activity is underpinned by short to medium term funding sources (such as Local Growth Fund and European Structural Investment Funds) which will need to be replenished from other sources over the longer term.

While the Single Investment Fund will be a valuable addition to investment resources, it will be insufficient in its own to fully address the social and economic challenges and opportunities facing the

Combined Authority. Consequently, the success of the Combined Authority in meeting its social and economic objectives requires a continued success in accessing and influencing other and new sources of investment and interventions outside of the Devolution Deal.

The following section sets out a series of tables for each of the themes outlining the objectives and targets; complementary agency and investment activity; and the commitments and future milestones that North Tyne plans to agree with Government (alongside the Single Investment Fund).

Business Growth and Inward Investment

Business growth and inward investment will be focused on increasing demand within the economy, and ultimately driving growth and productivity in key areas of opportunity, including:

- Digital and technology;
- Energy, offshore and advanced manufacturing;
- Financial and professional business services;
- Pharmaceuticals and life sciences; and
- Rural, tourism, leisure and culture.

The objectives for this investment theme reflect the need for growth within existing and new start businesses, as well as attracting inward investment, with activity expected to lead to a range of job and GVA related targets. The job related targets take account of the need for high quality and productive jobs. Key agencies contributing to this agenda include the LEP which currently has a Business Growth Programme (although much of this activity is based on short term funds) and national departments, including BEIS and the Department for International Trade.

Business Growth and Inward Investment		
Objectives	Targets	Agency and Investment
Accelerate business growth	Increase the number of jobs	North East LEP Business Growth Programme / Business Growth Board <ul style="list-style-type: none"> • North East Growth Hub • Business Support Provider Network • Growth through Mentoring • Growth through Finance • Manufacturing Growth Programme • Growth through Digital Technology • Growth through Export and International Trade • Rural Growth Network BEIS <ul style="list-style-type: none"> • Industrial Strategy Department for International Trade
Create new businesses	Increase the number of better jobs	
Increase inward investment / businesses moving into North Tyne	Increase private sector employment density	
	Increase business density	
	Increase GVA per FTE	

In terms of specific priorities for the North Tyne Devolution Deal, rural growth and productivity and inward investment are two areas in particular that are being explored. The Combined Authority would like to play a leading role nationally in developing new approaches to sustainable economic growth in rural areas. This will involve close cooperation with a number of Government departments and national agencies, including those with an interest in heritage and the environment. It may also involve working with the Borderlands Initiative (which covers the Scottish Borders, Dumfries and Galloway, Carlisle, Cumbria and Northumberland).

Business Growth and Inward Investment	
Initial Devolution Agreement	Future Milestones
Commitment to work with NTCA on rural growth	Agree areas/funds for joint working on Rural Productivity Plan
Collaborating on programmes to deliver Rural Productivity plan	Establishment of rural network
Commitment to work collaboratively with NTCA on inward investment (maximising Great Exhibition of the North)	Set up pilot of integrated trade / inward investment / account management
	Agree approach/funds to joint working on inwards investment

Business growth and inward investment will be supported by investment in infrastructure and development, notably through the employment supply and the increase in development ready sites in attractive employment locations.

R&D and Innovation

R&D and Innovation will also contribute to driving growth and productivity in key areas of opportunity. The objectives for this theme reflect the need to increase investment in research and development, and levels of commercialisation. The activity is expected to lead to a range of jobs and GVA related targets, although with a greater emphasis on high productivity and highly skilled jobs than business growth and inward investment.

Key agencies contributing to this agenda include the LEP which currently has an Innovation Programme (although much of this activity is based on short term funds), the Universities through their research activity and Centres of Excellence, BEIS and Innovate UK.

The areas of opportunity that have been identified as priority in North Tyne and the North East LEP area are well aligned with those set out the Industrial Strategy Green Paper.

R&D and Innovation

Objectives	Targets	Agency and Investment
Drive innovation in key sectors	Increase GVA per FTE	NELEP
Stimulate collaboration	Increase the number of jobs	<ul style="list-style-type: none"> Innovation Programme and Innovation Board LGF and ERDF projects Smart specialisation
Increase business investment in R&D	Increase the number of better jobs	Universities
Increase levels of commercialisation	Increase private sector employment density	<ul style="list-style-type: none"> Research Centres of Excellence
		BEIS
		<ul style="list-style-type: none"> Industrial Strategy Challenge Fund
		Innovate UK
		<ul style="list-style-type: none"> Sector focused competitions: Emerging and enabling technologies, health and life sciences, infrastructure system, manufacturing and materials Other competitions: Open programme, KTPs, international programmes

Given its business base, the Combined Authority has a particular interest in the emerging Industrial Strategy. It is likely that as sector/opportunity specific plans are developed, North Tyne will have a leading role to play in areas such as offshore technology and digital industries.

In terms of specific priorities for the North Tyne Devolution Deal, this will focus on positioning North Tyne as a location for a potential 5G test bed facility and the potential devolution of funding to enable the Combined Authority to introduce catalytic competitions.

R&D and Innovation

Initial Devolution Agreement	Future Milestones
<i>Agreement to consider North Tyne as a location for a state-of-the-art 5G test bed</i> <i>Agreement to consider the introduction of North Tyne catalytic competitions</i>	Agreement on the scale and nature of catalytic competitions Funding to establish catalytic competitions

The Combined Authority will take account of new national priorities and initiatives as the Industrial Strategy is finalised. There are a number of sectors/areas of opportunity where North Tyne has a strong employment and company base, and this will influence the Combined Authority's contributions to the Industrial Strategy.

Education, Skills and Employment

In addition to investment that stimulates demand, there is also a need for supply side investment in people that ensures that residents are able to enter, maintain and progress in local employment opportunities, boosting labour productivity. This is becoming an increasingly important issue for the North Tyne who have placed a strong focus on inclusive growth with the aim of making economic growth work for everyone by enabling as many people as possible to contribute to and benefit from growth.

The objectives for skills are structured around three key strands – education, adult skills and employability and inclusion - reflecting local challenges and the structure of the education, skills and support system, with the overall targets focusing on increasing economic activity and employment rates. Employability and inclusion in particular, overlaps with other policy areas such as health, linked to challenges such as long term sickness being a persistent barrier to employment.

There are a number of agencies that contribute to this broad agenda, including Departments with significant budgets at the national level, such as the Education and Skills Funding Agency, the Department for Work and Pensions, and increasingly the Department of Health, for example, through the Work and Health Unit.

Education, Skills and Employment		
Objectives	Targets	Agency and Investment
Education: <ul style="list-style-type: none"> - Improve attainment in literacy, numeracy and digital skills - Increase attainment in STEM - Enrich and improve access to careers guidance - Improve quality of teaching - Strengthen links between business and education Adult Skills: <ul style="list-style-type: none"> - Increase alignment with local industry needs - Invest in skills capital - Increase availability of technical skills pathways - Upskill the workforce Employability & Inclusion <ul style="list-style-type: none"> - Increase employability of residents - Promote skills development and progression - Reduce health related barriers to work 	Increase economic activity and employment rate Reduce inactivity and unemployment rate	North East LEP: <ul style="list-style-type: none"> • North East Ambition • Excelling in technical and professional education • Higher Education • Education Challenge • 50+ workforce – retrain, regain, retain Schools / FE Colleges / Universities Education and Skills Funding Agency National Apprenticeship Service DWP Work and Health Unit (DWP and DoH)

In terms of specific priorities for the North Tyne Devolution Deal, opportunities to develop an Employment and Skills Framework, a North East Education Improvement Challenge and an Inclusive Growth Fund are being explored, alongside asks relating to the devolution of the Adults Skills Budget and joint working to consult upon and co-design nationally funded programmes.

Education, Skills and Employment	
Initial Devolution Agreement	Future Milestones
<i>Agreement to jointly develop</i> an Employment and Skills Framework to better coordinate employment, skills and health services	Consult upon and co-design support programmes funded/delivered by DWP, DoH and JCP (e.g. bringing together work on Troubled Families, Working Well and Life Chances into Single Life Chance Investment Fund)
<i>Agreement to facilitate</i> a North East Education Improvement Challenge	Agreement of Joint School Improvement Strategy
<i>Commitment to devolve</i> Adult Skills Budget 2019-2020	Agree areas/funds for inclusive growth trials (e.g. in collaboration with Work and health Unit)
<i>Commitment to establish</i> an Inclusive Growth Board and work with NECA on new ways of working / inclusive growth	Jointly commission and performance manage employment, skills and health support services (e.g. Work Programme) Funding to deliver North East Education Improvement Challenge

	Establishment of Inclusive Growth Fund
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Infrastructure and Development

A range of investment and activities will be required to create vibrant and connected communities and places, as reflected by the objectives set out in the table below. This could include investment in employment and residential land, housing units and commercial premises, and transport improvements that unlock development opportunities, connect people with opportunity and support the growth of new communities. There will also be a need for complementary investment in town centre regeneration, including rural and coastal towns with strong heritage assets.

Transport investment has a strong relationship to economic growth and is a key part of the emerging Industrial Strategy and the work of the National Infrastructure Commission. Transport infrastructure which supports the objectives of NTCA (for example to unlock development sites) will be a key underpinning of the investment programme.

The targets are primarily focused on the physical outputs of the infrastructure and development, which will have the capacity to accommodate jobs and residents, supporting growth of the economy and the workforce.

There are a range of agencies and investments associated with this theme including Nexus which, will remain as the Passenger Transport Executive, supported by the development of a single transport strategy for Tyne and Wear. Joint governance arrangements will be put in place that enables the North Tyne Combined Authority to work with other North East LEP local authorities to maintain and improve strategic transport connectivity cross the sub-region and to international markets (outside the devolution deal). This will include working with national agencies and departments.

Infrastructure and Development		
Objectives	Targets	Agency and Investment
Increase availability of development ready employment and residential land Deliver new housing units, including affordable housing Stimulate commercial property development Improve connectivity between employment opportunities and homes Improve broadband connectivity	Hectares of land available Housing units, including affordable houses developed Sq. m of commercial premises developed	NELEP: <ul style="list-style-type: none"> Enterprise Zones North East Property Fund (with FW Capital, Santander and NELEP) Joint Committee & Nexus DCMS for Culture and Digital National Infrastructure Plan Housing Infrastructure Fund HCA Department for Transport Transport for the North National Infrastructure Commission Network Rail Highways England

In terms of specific priorities for the North Tyne Devolution Deal, opportunities to establish a Housing and Land Board and a 10 year Accelerator Fund are being explored, as well as commitments to closer and joint working on housing issues. These proposals have the potential to address low levels of housing completions, a long term and persistent problem, and bring forward new locations for strategic investment by inward investors and local companies

Infrastructure and Development

Initial Devolution Agreement	Future Milestones
<i>Commitment to establish a Housing and Land Board</i> <i>Commitment to establishing a Housing Accelerator Fund</i> <i>Commitment to closer working with HCA and collaborating on housing issues – including expansion of Specialist Housing Provision and Private Sector Licensing</i> <i>Commitment to delivering improved broadband coverage</i>	10 year Accelerator Fund established (loan based)

The Combined Authority will also seek to work with Government and national agencies to address specific issues such as affordable housing and specialist housing provision, such as for older people, where possible using existing national programmes. The Combined Authority will seek to develop more innovative solutions to providing housing for all sections of the community.

Single Investment Fund

The Single Investment Fund is a valuable addition to investment resources, although insufficient on its own to fully address the social and economic challenges and opportunities facing the Combined Authority. With a 30 year time horizon the Single Investment Fund has, however, the potential to address some long standing structural issues and deep seated problems which have affected residents and communities for some time. A 30 year timeframe enables the Combined Authority to set out a long term vision which provides much greater certainty and confidence to the private sector to invest. It will also allow the Combined Authority to bring forward infrastructure projects over several years, where the full impact may be seen over a ten and fifteen year period.

The Single Investment Fund will allow the Combined Authority to support local businesses to increase their productivity and bring more people into work, directly contributing to inclusive growth and rebalancing the national economy in line with Government policy.

Objectives, principles and targets for each policy area

The Combined Authority will agree Thematic Investment Plans for each of the policy areas in which the Single Investment Fund will operate. Currently these are Business Growth and Innovation; Education, Skills and Employment; and Infrastructure and Development.

The Thematic Investment Plans will set out the strategic objectives which will provide a framework for investment, outline the principles for investing in each of the policy areas and put forward five and ten year targets. The Investment Plans will be reviewed on a regular basis and the Combined Authority will monitor delivery through its governance arrangements. The ten year Investment Plans will be based on:

- Five and ten year in principle allocations to strategic themes to provide a balanced investment portfolio
- Direct and measurable impact on strategic targets
- Value for money and high impact (for the type of investment) on the residents and businesses of the Combined Authority
- Recognition for innovation and influence

The Investment Plans will be produced in the context of a Quality Assurance Framework in line with national guidance.

Clear multi agency and private sector investment strategy for each policy area

The Combined Authority will continue to work with regional and national agencies to help meet its strategic objectives, distribute benefits and maximise other important investment funding which is supporting sustainable economic growth in the North East L. This includes the NELEP which has a leading role in business growth, innovation and skills, and the Joint Committee who will continue to work on strategic transport matters. The Combined Authority will also engage with the Borderlands initiative (covering the Scottish Borders, Dumfries and Galloway, Carlisle, Cumbria and Northumberland) to maximise value on the rural agenda. At the national level, the Combined Authority will work closely with Government Departments and agencies responsible for business growth and innovation; education and skills; and housing and regeneration.

Regional and National Partners

Business Growth and Innovation	NELEP BEIS Innovate UK Borderlands
Education, Skills and Employment	NELEP Education and Skills Funding Agency National Apprenticeship Service DWP Work and Health Unit (DWP and DoH)
Infrastructure and Development	DCLG Homes and Communities Agency

It is anticipated that a number of these organisations will devolve further funding and programmes to the Combined Authority over the next few years.

Devolution plans for each policy area – co-design, co-delivery, delivery, financial resources and financial devolution

The initial Devolution Agreement between the Combined Authority and Government is the beginning of a process of devolution which will develop over a number of years as Government Departments recognise the value of local delivery and the capacity of the Combined Authority.

The Combined Authority will extend the commitments to collaborate and co-design set out in the initial Agreement to a set of five year plans which result in more substantive devolution in each of the main policy areas. This will include milestones and an outline timetable for the devolution of funding programmes currently managed and delivered by Government Departments and National Agencies.

The Combined Authority will develop the cases for more substantive devolution based on the more efficient and effective use of public investment in key policy areas, setting out the value for money of further devolution.

Maximising Impact

The Combined Authority will consider all options for maximising the impact of the Single Investment Fund, including the potential for some recycling of funds from infrastructure and development investment.

Investment Approaches

Loan	Allows funds to be recycled. May take several years for full repayment Suitable for some land, housing and commercial development projects, although other sources of commercial loans available
Gap Funding	Essentially a grant and budgets used up quickly. Can help deliver significant private sector investment Suitable for some land, housing and commercial development projects
Equity Investment	Allows funds to be recycled. May take several years for full repayment Suitable for a very few land, housing and commercial development projects although other sources of commercial loans available
Grant Match Funder	Increases investment that CA support can assist with. Encourages project sponsors to secure other funding Suitable for innovation and incubation projects, also cultural projects Suitable for some business growth, skills and employability projects
Grant Sole Funder	Suitable for pilots and innovative actions Suitable for some skills and employability projects

Benchmarks

The Combined Authority is committed to ensuring value for money from the Single Investment Fund and will use benchmarks to help assess the impact of proposals with a preference for prioritising high impact projects within each theme.

Benchmarks

Theme	Metrics	Benchmark
Business Support	Cost per gross job	General business support - £5,000-£5,600 Individual enterprise support - £2,900-£3,900 Sector/cluster support - £7,100
Innovation	Cost per gross job	R&D and Innovation - £15,200-£23,300
Education, Skills and Employment	Cost per person assisted	Skills and workforce development - £3,700 Matching people to jobs - £2,400-£6,900 Tackling worklessness - £2,400-£6,900
	Providing support for 1 year	JSA claimants - £10,321 ESA / IB claimants - £9,091 Income support - £7,972
Infrastructure and Development	Cost per hectare	Bringing land into use £300,000
	Cost per housing unit	£10,000 per unit (30 per hectare)

The benchmarks above have been used to estimate the potential impact of the Single Investment Fund. These are based on HCA and DCLG guidance and national evaluation evidence (such as the impact of RDA expenditure), and adjustments have been made to reflect the increased focus on value for money in recent years. The costs for providing support to claimants are based on the New Economy Unit Cost Model.

The Combined Authority will work in collaboration with other Combined Authorities and National Departments and Agencies to regularly update key benchmark data and incorporate other research evidence to help inform value for money assessments of investment propositions.

Maximising Additionality for the North East Region

There is a need to ensure that the Single Investment Fund maximises the additionality of its investment, generating significant net impacts in all of the areas of investment.

One of the greatest impacts, and a positive one for neighbouring Local Authorities, is the residents from other North East LEP Local Authorities (Sunderland, Gateshead, South Tyne and County Durham) who will take up some of the additional jobs generated by Single Fund investments and also businesses from other areas which will benefit from the considerable supply chain expenditure.

Proactive policies can be used to maximise additionality and minimise displacement of economic activity both within the Combined Authority area and to neighbouring areas in other parts of the North East Region and the Scottish Borders. For example, focussing resources on areas of clear market failure can minimise the risk of displacement.

Actions to ensure additionality will be formally incorporated into the project appraisal system established by the Combined Authority.

Theme	Additionality
Business Growth	To ensure additionality and reduce displacement prioritisation of businesses (a) targeting markets outside the local area (i.e. regional, national and international markets where there is a larger scale of opportunity and displacement is less of a concern); (b) operating in sectors which are growing or under-represented in the North East Region; (c) introducing new processes and products not available in the North East. Robust appraisal through the Assurance Framework will minimise displacement.
Innovation	To ensure additionality and reduce displacement, focus on innovation centres of excellence working with the company base across the North East Region and Northern Powerhouse to ensure centres are commercially viable, ensuring a level playing field in specialist sectors. A focus on the prioritisation of businesses (a) targeting markets outside the local area (i.e. regional, national and international markets where there is a larger scale of opportunity and displacement is less of a concern); (b) operating in sectors which are growing or under-represented in the North East Region; (c) introducing new processes and products not available in the North East. Low level of displacement.
Skills	In line with the NELEP Skills Strategy, focus on qualifications, skills and occupations where there is job/occupational growth and/or regular replacement demand. Given skills shortages and recruitment challenges, limited displacement within the CA area and to neighbouring economies. Low level of displacement.
Employability	Targeted support on those actively seeking employment, and focus on training related to job/occupational growth and/or regular replacement demand. Limited displacement within the CA area and to neighbouring economies. Low level of displacement.
Inclusion	Targeted support at those distant from the labour market or out of work for some time. No displacement within the CA area and to neighbouring economies.
Employment Land and Commercial Premises	Limited provision of high quality development ready sites and new commercial space, limiting choice for private sector companies wishing to expand or move into modern business premises. Focus on the modernisation of business premises to support sustainable economic growth and the provision of premises at market rates. While there is always potential for companies to relocate from one geography to another, the majority of Local Authorities across the NELEP area have sufficient commercial premises to offer local companies the facility to expand. Given the degree of disruption to a company

	workforce's travel arrangements from relocating a distance from current premises, it is expected that the majority of new premises take up will be local companies and inward investors. Robust appraisal through the Assurance Framework will minimise displacement.
Residential Land and Housing Development	There has been a long term shortfall in number of new homes needed to meet population and household growth projections. SIF support for residential land is likely to address some but not all of this annual shortfall. No displacement impact within the CA geography or in neighbouring economies.

Investment Scenario

The investment scenario for the Single Investment Fund is based on an initial annual settlement of £20m, taking account of discussions with Government and other settlements to date. This provides an investment fund of £200m over 10 years, or £600m over 30 years.

There is also the potential for the recycling of some monies in later years, providing an opportunity for increased annual investment from year five onwards. This paper does not consider the likely future rounds of devolution to the North Tyne which has the potential for significant further devolved funding, powers and freedoms, which would have a further positive impact on economic and social benefits in the North Tyne.

Investment Scenarios

	Annual	10 year	30 year
Scenario 2	£20m	£200m	£600m

Provisional Thematic Allocations

The allocation of levels of funding on a thematic basis will allow the Single Investment Fund to contribute to the strategic objectives of the Combined Authority and to deliver a balanced portfolio of investment covering sustainable economic development. The three themes can be regarded as business, people and place.

Business Growth and Education	Supporting businesses and sectors to grow, focusing on more and better jobs, driving productivity and profitability, securing growth in national and international markets
Skills, Education and Employment	Providing people with the qualifications and skills to take up employment, including young people and school students, and boosting labour productivity
Infrastructure	Providing the housing and commercial space to support a growing workforce and economy, and creating vibrant and connected communities and places

To test the potential impact of the Single Investment Fund, notional thematic allocations based on an equal investment across the three themes have been set, which will allow the Combined Authority to invest in high quality propositions and take account of other investment support provided by national and regional agencies.

Provisional Thematic Allocations: Single Investment Fund ¹³

Annual Investment	£20m	
Business Growth and Innovation	£66.7m	33%
Education Skills, and Employment	£66.7m	33%
Infrastructure and Development	£66.7m	33%
10 Years	£200m	100%

¹³ Note that this paper does not attempt to prejudge any future political decisions of the NT Combined Authority. Provisional allocations are provided as examples.

The investment funds would allow the Combined Authority to prioritise investment in a number of the key sectors which are critical to the long term prosperity of the North East LEP area and Region, while investment in the Education, Skills and Employment needs to address some of the most challenging issues in delivering inclusive growth.

An increase in employment land supply would have an important impact on providing development ready land in major employment centres, including towns and locations on the strategic and local road networks, while additional housing would make a measurable contribution to addressing the housing shortage.

Increased funding for Infrastructure and Development under higher settlements would allow the Combined Authority to support larger and more strategic investment locations which may need investment support over an extended period.

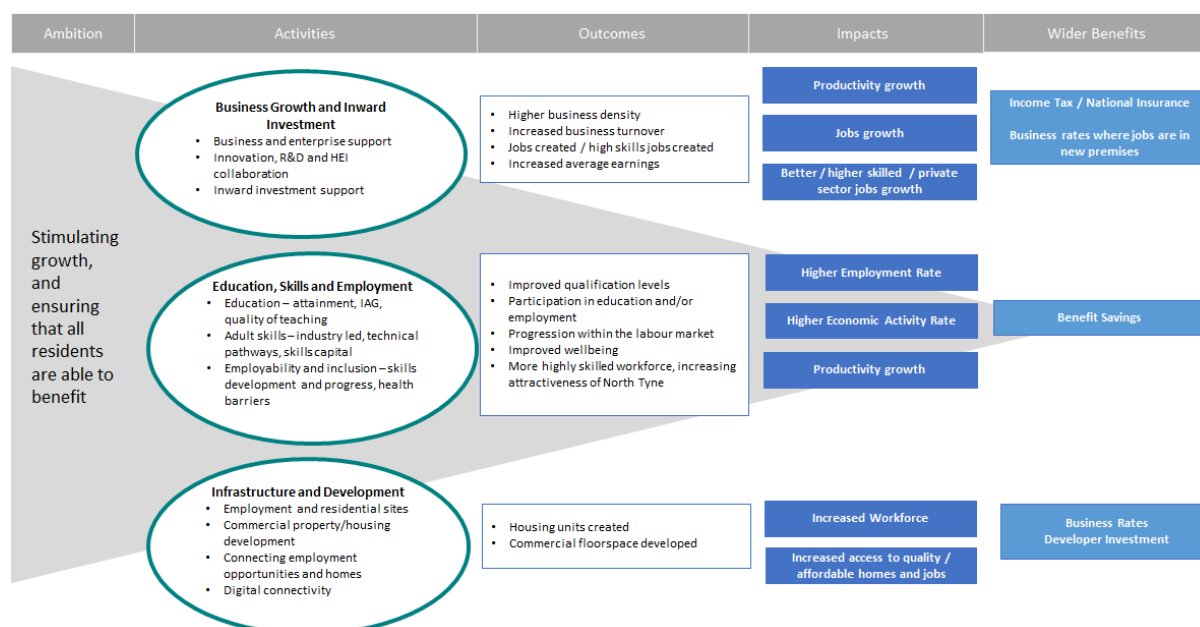
6. Single Investment Fund Impact

This section sets out the impact framework for the Deal and the scale of the potential impact that could be delivered in North Tyne and across the wider LEP area through the Single Investment Fund based on the investment scenario and unit cost benchmarks set out in the previous chapter.

While different activities lead to different outcomes and impacts the Combined Authority is committed to a balanced portfolio of investment taking account of local opportunities and the social and economic challenges facing business and residents.

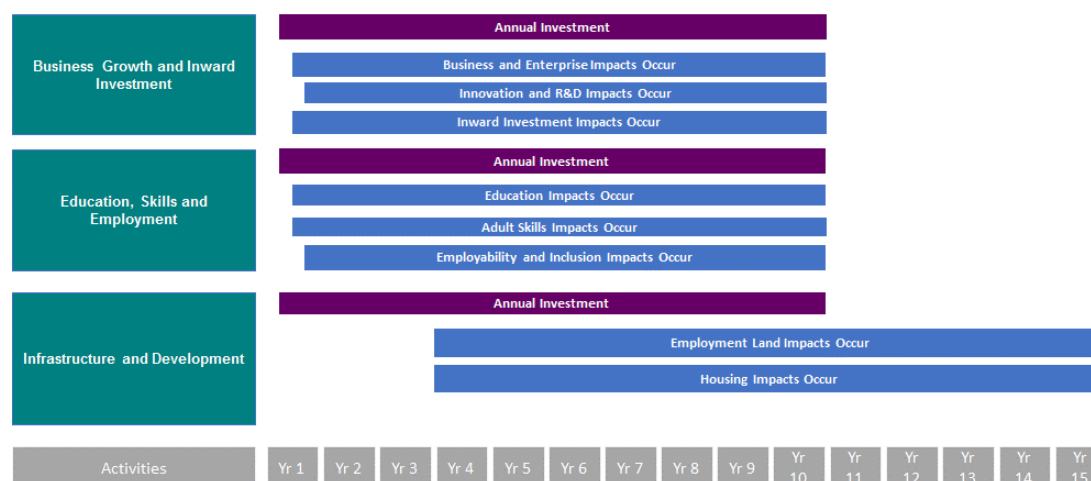
The diagram below sets out the key activities which need to be supported over the coming years, the typical outputs arising from investments and how these then translate into impacts that improve performance on a number of the key indicators which reflect the health of the economy and communities and which often overlap with the targets and objectives of the NELEP. It also sets out the wider (often fiscal related) benefits that will be generated.

North Tyne Devolution Impact Framework



It is important to recognise that there will be lag between the activity occurring and impact arising. Essentially, the timescales of the impacts generated by different activities funded through the Single Investment Fund will vary as set out in the diagram below. This is based on a ten year investment plan.

Realisation of Benefits



Impact

The impact of an annual financial allocation of £20m, is set out below. This is based on a ten year investment of £200m, with benefits being realised over a fifteen year period as commercial development completes. The funds are allocated on an equal basis between the three themes.

NTCA Single Investment Fund		Ten Year Investment Plan
£20m annual allocation Ten year (£200m) programme and impact		33% business and innovation; 33% employment and inclusion; 33% infrastructure and housing No account taken of other and devolved funding
Theme	£m	Impact
Business Support	£25.0m	2,500 additional jobs £230m GVA
Innovation	£41.7m	787 additional jobs £134.9m GVA
Education, Skills, and Employment	£66.7m	4,444 unemployed residents supported 2,963 inactive residents supported 3,185 unemployed and inactive into employment
Infrastructure and Development	£66.7m	111 hectares of employment land with the capacity to accommodate 9,222 jobs 3,333 new homes

£20m of investment per annum would allow the Combined Authority to ensure that investments were supported across the whole geography, including in rural and coastal areas and tackling some of the urban challenges facing some communities. It would allow for businesses to be given more substantive support and more people helped into employment.

The Investment Fund would deliver a broad range of benefits, including:

200 business each year provided with additional, substantive business support, leading to increased productivity and additional recruitment. Over 300 new jobs would be created each year, including in new start-ups. A number of businesses would be provided with research and innovation support, increasing productivity and creating additional higher skilled jobs; and

440 people looking for work helped each year, including a considerable number of younger people, plus support for 290 people who are economically inactive each year.

Support under Business Growth and Innovation would allow the Combined Authority to increase investment in a number of the key sectors which are critical to the long term prosperity of the North East LEP and to provide more substantive support to increase impact, while the Education, Skills and Employment investment, at £66.7m, will allow the Combined Authority to provide support for some of the most challenging groups and deliver longer term support for those most distant from the labour market, to help deliver inclusive growth.

Infrastructure and Development investment will deliver substantial benefits, with regard to residential and employment land, although the benefits will be realised over a longer time frame as new housing is fully built out, and development ready land is taken up by developers and ultimately occupied by local companies and inward investors.

Increased funding for Infrastructure and Development would allow the Combined Authority to support a portfolio of small and medium sized projects and larger and more strategic investment locations which may need investment support over an extended period. The increase in employment land supply would have an important impact on providing development ready land in major employment centres, including towns and locations on the strategic road network. The additional housing makes a measurable contribution to addressing the housing shortage.

NTCA Single Investment Fund: Impact

An annual investment fund of £20m delivers significant benefits for North Tyne, allowing the Combined Authority to bring forward some larger, long term strategic investments and effectively tackle some of the longer term issues - such as inclusive growth and some of the North Tyne's pockets of high deprivation and inequality in outcomes - which previous initiatives have failed to address. It also allows the Combined Authority to test new locally developed approaches to address both rural and urban disadvantage in a substantive and meaningful way, offering learning opportunities for other Local Authorities facing similar challenges.

The scale of impact is considerable, generating significant new jobs, helping many people into employment, and supporting a considerable number of businesses. The impacts will allow the Single Investment Fund to make a significant contribution to the strategic targets set out in the NELEP refreshed SEP.

NTCA Single Investment Fund : Ten Year Investment Plan Impact

	£20m per annum 15 year Impact
Additional jobs	3,278
Additional GVA	£365.1m
Unemployed residents supported	4,444
Inactive residents supported	2,963
Unemployed and inactive into employment	3,185
Development land (hectares)	111
Employment capacity	9,222
New Housing	3,333

By year ten, over one third of a billion pounds will have been added to the North Tyne economy, generating considerable additional taxes for the Treasury. When the saving in welfare payments are added to those total, as more people take up employment, the full benefits to the UK Government provide very good value for money for the public purse.

Maximising Impact of the Single Investment Fund

There are a number of options which would allow the Combined Authority to further increase the impact of the Single Investment Fund, and it is likely that some of these could be used in different thematic areas. These are:

- **Maximising leverage:** there is the potential to increase spending by other agencies in the North Tyne area, including the Homes and Communities Agency, the National Infrastructure Fund, the Education and Skills Funding Agency and the sector plans emerging from the Industrial Strategy. This additional expenditure by these agencies could increase investment by circa 50% per annum.
- **Borrowing to invest (early):** using Mayoral powers to borrow at an early stage to fund major investment at an early stage, or fund investments which may not produce income in the early years. This approach is suitable for some types of investment and the benefits need to be considered against the risk and costs of borrowing.
- **Targeting high value employment:** building on the work of Transport for the North which highlighted the additional benefits from targeting economic growth on high value economic sectors including advanced manufacturing and (some) digital industries.

A combination of these approaches could increase the overall impact of the Single Investment Fund by circa 50% over the first ten years. Further detail on the potential to increase the impact by targeting high value employment is set out overleaf.

Increasing the Impact through Sectors and Areas of Opportunity

There is an opportunity to further increase the GVA impact of the Single Investment Fund with a focus on creating more 'better jobs' that are of higher value, and by increasing productivity as employment and GVA grow.

The potential to accelerate growth across the North of England was explored in the Transport for the North Independent Economic Review conducted in 2016. The Review identifies four 'Prime' Northern capabilities - advanced manufacturing and materials; health innovation; energy; and digital and makes projections for growth in a Business as Usual North and a Transformed North.

The 'Transformational' scenario sets out a "quantified view of what the economy of the North would look like in an improved economic future. It is built up by forming judgements on potential growth in GVA, productivity and jobs in the four 'Prime' Northern capabilities if the North's historical underperformance with respect to the drivers of productivity and growth were addressed. Judgements are also made about potential improvements in performance of sectors in the wider economy that largely serve markets outside of the North."¹. This transformation would be delivered through improvements in transport connectivity, infrastructure, skills and innovation.

Additional analysis commissioned by TfN has looked at the implications of the IER scenarios for different parts of the North, based on each local area's economic strengths and ability to grow the key capabilities identified in the original IER. This estimates that the North Tyne could grow by 186,600 residents, 99,700 jobs, and £24.5bn of GVA by 2050 under the transformational scenario.

The prime capabilities clearly align with the sectoral strengths, assets and areas of opportunity identified for the North Tyne. The plans for devolution will also deliver improvements to skills, innovation and infrastructure, helping to stimulate the outcomes anticipated under a transformed North scenario.

Based on the underlying data from the TfN Review, there is potential for the GVA impact to be up to 10% higher than under the base case (business as usual) if investment is targeted at creating higher value jobs in the four 'Prime' Northern capabilities, delivering infrastructure, boosting productivity and addressing historical underperformance across the wider economy as part of a wide ranging package of measures from local and national Government.

NTCA Single Investment Fund : Increasing the GVA Impact

£20m per annum	Base Case	Transformational
10 Years	£365.1m	£401.6m
30 Years	£1,095.3m	£1,204.8m

Impact on the North East LEP Area

While the Single Investment Fund will generate a considerable economic impact in North Tyne, there will be considerable benefits to the residents and businesses of the other Local Authorities within the NELEP area – Gateshead, South Tyneside, County Durham and Sunderland.

It is expected that 18% of all direct employment generated by the Single Investment Fund (i.e. within North Tyne businesses receiving support and at new employment premises) will be taken up by residents of other NELEP districts. This is based on the latest Census travel to work data which shows that 18% of jobs in North Tyne are filled by residents from Gateshead, South Tyneside, County Durham and Sunderland. This can be considered the minimum impact. Given that residents are more likely to travel further distances for higher skilled and higher paid jobs, the focus on creating a high proportion of 'better jobs' may further increase the share of the new jobs filled by residents from the wider LEP area over the longer term.

Businesses will also benefit from multiplier effects resulting from the supply chain expenditure and the increased spending from the wages of the increased employment. This will create additional jobs which will be evenly split between the North Tyne and wider North East LEP area, reflecting the sub-regional sectoral geography and linkages.

When the direct and multiplier effects are combined, it is expected that 25% of all new employment generated by the Single Investment Fund will be taken up by residents of other NELEP districts.

Distribution of Employment Benefits – Ten Year Investment Fund

		Area of Residence of Workforce		
	Jobs ¹	NTCA	Other NELEP	Other ²
Direct Employment	3,297	2,597	592	99
Employment Multiplier ³	822	403	403	16
Employment Accommodated	9,222 ⁴	7,286	1,660	277
Employment Multiplier	3,043	1,491	1,491	61

¹ Full Time Equivalent: Year 10

² Predominantly Tees Valley and Scottish Borders

³ Determined by standard HCA sub-regional multipliers

⁴ By Year 15

Value for Money

There is a strong case that the Single Investment Fund will make a cost effective contribution to rebalancing the national economy in line with Government policy. By year 10 the investment will generate significant additional taxation, including Income Tax, National Insurance and Business Rates, while reducing Government welfare expenditure. The business rates impact will also increase by year 15 as commercial development completes.

NTCA Single Investment Fund: Ten Year Investment Plan		Taxation Impact
	£20m per annum 10 year Fund	
Income Tax	£9.4m (annual by year 10)	
National Insurance	£15.0m (annual by year 10)	
Business Rates ¹	£1.10m (annual by year 10)	
Reduced Social/Welfare Payments ²	£31.3m (total by year 10)	
Business Rates (Potential) ³	£8.81m (annual by year 15)	
<i>Developer Investment (Potential)</i>	<i>£361m (total by year 15)</i>	
<i>Residential Developer Investment</i>	<i>£333m (total by year 15)</i>	

¹ Based on 35% of the new jobs created through business support, R&D and Innovation support being located in new premises

² Based on savings for one year for each person supported into employment

³ Based on the business rates that could be generated by new premises built as a result of Infrastructure and Development investment

There are also substantial additional benefits from further spending on the supply chain and the impact of construction expenditure on new commercial and residential development. These have the potential to add and sustain 500 construction jobs each year to the benefits of Single Fund Investment, with a further increase in Income Tax and National Insurance.

While the impact of the Ten Year Investment plan will be considerable, there will inevitably be a degree of attrition as some businesses falter and new entrants to the labour market find it difficult to secure employment. There is therefore a need to continue investing over the life of the Single Investment Fund to reinforce benefits and successes and to maintain high levels of targeted support to deliver further improvements in productivity, business growth, employment and inclusive growth.

Long Term Benefits – 30 Years

The scale of impact of the first ten year investment potential highlights the potential of a 30 year Fund to deliver significant economic benefits for North Tyne and the North East LEP area. The flexibility of the Single Investment Fund means that the Combined Authority can adapt the types of investment to take account of economic conditions.

NTCA Single Investment Fund : Thirty Year Investment Plan Impact

	£20m per annum 35 year Impact
Additional jobs	9,861
Additional GVA	£1,095m
Unemployed residents supported	13,333
Inactive residents supported	8,889
Unemployed and inactive into employment	9,556
Development land (hectares)	333
<i>Employment capacity</i>	27,667
New Housing	10,000

The first 4 cycles of the Investment Plans have the potential to permanently close performance gaps with the national economy, addressing issues which have affected the North Tyne and North East LEP for many decades. This takes account of the need for the North Tyne economy to out-perform the national economy, consistently and over many years.

The Single Investment Fund impacts will make an important contribution to economic and inclusive growth in the North East LEP area, and contribute significantly to the SEP ambitions of more and better jobs.

Targeting investment at creating higher value jobs in the four 'Prime' Northern capabilities (which align with the North Tyne's sector strengths and areas of opportunities), boosting productivity and addressing historical underperformance across the wider economy, has the potential to accelerate the economic impact of the Fund.

There will be considerable benefits to the residents and businesses of the other Local Authorities within the NELEP area – Gateshead, South Tyneside, County Durham and Sunderland. This includes residents taking up jobs created within the North Tyne area, as well as jobs created indirectly across the wider NELEP area as a result of the multiplier effect. Businesses will benefit from the additional supply chain expenditure and the increased spending from the wages of the additional employment.

The estimate of the impact of the Single Investment Fund is only a part of the overall benefits of the Devolution Agreement between Government and the North Tyne Combined Authority. Other proposals with regard to business and innovation, skills and employability and housing will generate significant additional benefits as new arrangements are put in place.

Appendix 1: Method Statement

The impact of the North Tyne Devolution Deal has been calculated using the following steps:

- Estimating the value of the Single Investment Fund based on the latest discussions with Government and the funding level agreed in other devolution deals across the country, and preparing an investment scenario which provides an indication of how the money will be spent¹⁴.
- Applying unit costs based on standard datasets and recognised benchmarks to determine the scale of the outputs that will be delivered by the investment (e.g. number of jobs, number of people supported, amount of commercial floorspace, number of housing units).
- Estimating the economic value of the outputs in terms of GVA, taxes and benefit savings using standard datasets and recognised benchmarks.

Further detail on each of these steps is set out below.

The Single Investment Fund

For the purpose of this report, it is assumed that the Single Investment Fund will be £20m per annum. This equates to £200m over 10 years and £600m over 30 years¹⁵. As set out in the main report there is an opportunity to increase the scale and impact of the Single Investment Fund by maximising leverage (i.e. increasing the spend by other agencies) and using Mayoral Powers to borrow to fund major investment at an early stage, or fund investments which may not produce income in the early years. These options will be explored further as devolution plans advance. The impact of the Fund will also be extended as a result of multiplier effects (e.g. resulting from supply chain expenditure and the increased spending from the wages generated by increased employment). Further details on the multiplier assumptions are set out in the outputs section of this methodology annex.

It is assumed that the Single Investment Fund of £20m per annum will be split evenly over the three key themes which reflect the broad plans and latest discussions on the Devolution Deal as set out below.

Provisional Thematic Allocations	
Annual Investment	£20m
Business Growth and Innovation	£66.7m / 33%
Education Skills, and Employment	£66.7m / 33%
Infrastructure and Development	£66.7m / 33%
10 Year Fund	£200m

Further assumptions that have been made within these themes are:

Provisional Thematic Allocations	
Business Growth and Innovation	<p>38% spent on business growth</p> <p>Across the business growth theme 60% of spend will be used to deliver employment outcomes, 40% will deliver productivity improvements</p> <p>63% spent on innovation – 50% of spend will be directed to developing new centres, 50% will be used to deliver support to businesses</p> <p>Across the innovation theme 40% of spend will be used to deliver employment outcomes, 60% will deliver productivity improvements</p> <p>30% of the impact relating to new innovation centres will be delivered outside North Tyne as a result of businesses from other areas accessing the unique services</p>

¹⁴ Note that this paper does not attempt to prejudge any future political decisions of the NT Combined Authority. Provisional allocations are provided as examples.

¹⁵ Note that all figures presented in this paper are based on today's values and have not been adjusted to net present values. This applies to both the value of the Single Investment Fund and the impacts generated. This reflects the approach to reporting the value of Devolution funds elsewhere (including in Government publications) and reflects the stage of the devolution plans. As further detail emerges on specific projects and programmes that will be funded through devolution, business cases will be developed that include more detailed cost benefit analysis and that set out the total gross and net impact as well as net present value of investment (based on discounted costs and discounted benefits).

	delivered. This is based on an assumption that businesses from across the North of England in particular will access the innovation centres. While the North Tyne accounts for 47% of the LEP business base (based on UK Business Counts), the locality of the centres and likely focus on local employment specialisms will increase the percentage of business users that are from the North Tyne.
Education Skills, and Employment	40% spent on supporting people who are unemployed, 40% spent on supporting people who are economically inactive, 20% spent on education
Infrastructure and Development	50% spent on employment land, 50% spent on residential land

Outputs

Outputs by Investment Theme	
Business Support	Jobs created
Innovation	Jobs created
Education, Skills and Employment	Supporting people who are unemployed Supporting people who are economically inactive
Infrastructure and Development	Hectares of employment land with capacity to accommodate jobs Hectares of residential land with capacity for new housing

Each strand of investment leads to the following outputs.

The scale of the outputs is based on:

- The level of investment under each theme and assumptions on how this is spent as set out in the previous section
- Output unit costs based on HCA and DCLG guidance, national evaluation evidence¹⁶ and the New Economy Unit Cost Model.

The guidance and evaluation material produces a range for each output unit cost, reflecting the wide range of projects (of varying intensity and with varied objectives) that the evidence covers and that could be funded within each theme.

Benchmarks - Unit Costs

Theme	Metrics	Benchmark	Benchmark selected for this study
Business Support	Cost per gross job (assumed to be FTE based on previous output definitions)	General business support - £5,000-£5,600 Individual enterprise support - £2,900-£3,900 Sector/cluster support - £7,100	£6,000 Investment will cover a range of activities, and will include targeted initiatives that are additional to Growth Hub activities – likely to focus on general business support and sector/cluster support
Innovation	Cost per gross job (assumed to be FTE based on previous output definitions)	R&D and Innovation - £15,200-£23,300	£18,000 Assumes there is a mix of capital and revenue projects 30% of the impact relating to new innovation centres will be delivered outside North Tyne as a result of businesses from other areas accessing the unique services delivered
Education, Skills and Employment	Cost per person assisted	Matching people to jobs - £2,400-£6,900 Tackling worklessness - £2,400-£6,900	£6,000 to assist a person who is unemployed – anticipated that relatively intense support will be required to match people to jobs and tackle worklessness
	Providing support for 1 year	JSA claimants - £10,321 ESA / IB claimants - £9,091 Income support - £7,972	£9,000 to support a person who is economically inactive – based on intensive support over a sustained period of time to tackle multiple barriers
Infrastructure and Development	Cost per hectare	Bringing land into use £300,000	£300,000 per development ready hectare 30 homes per hectare 2,500m ² of commercial premises per hectare, 30m ² per FTE (assumes a mix of premises – office, warehouse and industrial)
	Cost per housing unit	£10,000 per unit (30 per hectare)	

¹⁶ Including: Regional Development Agency Impact Evaluation, DCLG Valuing the Benefits of Regeneration, Homes and Communities Agency Calculating the Cost per Job, England ERDF Programme 2014-2020: Output Unit Costs and Definitions, HCA Employment Density Guidance, SPON's Architects and Builders Price Book

The outputs are gross outputs and generally expressed as ***totals*** that will be realised as a result of a 10 or 30 year investment fund (i.e. these outputs will be realised by year 10 or 30). The main exception is the outputs for the infrastructure and development theme, where a longer time period (15 or 35 years) will be required to fully build out the commercial and residential development.

The outputs of the fund will generate a multiplier effect (as a result of increased supply chain expenditure and the increased spending from the wages of the increased employment). This will create additional jobs which will be evenly split between the North Tyne and wider LEP area, reflecting the sub-regional sectoral geography and linkages. When looking at the distribution of employment impacts across the North Tyne, a multiplier of 1.25 has been applied to the jobs created as a result of business and innovation support (based on the sub-regional multiplier for business development and competitiveness activities in the HCA Additionality Guidance) while a multiplier of 1.33 has been applied to jobs accommodated at new commercial developments (based on the sub-regional multiplier for regeneration through physical infrastructure in the HCA Additionality Guidance).

Economic Value

Each strand of investment leads to the following impacts:

Impacts by Investment Theme	
Business Support	GVA (from jobs created and support targeted at productivity gains) Income tax (from jobs created) National Insurance (from jobs created) Business rates (from new premises required to accommodate 35% of jobs created) All jobs are assumed to be FTEs
Innovation	GVA (from jobs created and support targeted at productivity gains) Income tax (from jobs created) National Insurance (from jobs created) Business rates (from new premises required to accommodate 35% of jobs created) All jobs are assumed to be FTEs
Education, Skills and Employment	Benefit savings
Infrastructure and Development	Developer investment Business rates on new commercial premises

The scale of the

impact is based on:

- The scale of the outputs calculated using the assumptions set out in the previous section
- Impact benchmarks drawn from standard datasets and the New Economy Unit Cost Model.

Further details are set out in the following table.

Impacts by Investment Theme		
Business Support	GVA	<p>Annual GVA per FTE job created: £55,242 based on the level of GVA per FTE generated across the economy in the North Tyne area (data taken from Regional Accounts and Business Register and Employment Survey)</p> <p>Annual GVA productivity gains: £9.21 of GVA for every £1 spent on activity to drive productivity improvements (based on the ratio of £ of GVA per £ spent on job creation activities under the business support theme)</p>
	Income tax	<p>Annual Income tax per FTE job created: £2,872 based on the income tax payable on the average annual full time earnings in the North Tyne area (data taken from the Annual Survey of Hours and Earnings and tax calculator)</p>
	National Insurance	<p>Annual National Insurance per FTE job created: £4,567 based on the employer and employee NI contributions payable on the average annual full time earnings in the North Tyne area (data taken from the Annual Survey of Hours and Earnings and tax calculator)</p>
	Business rates	<p>Annual business rates per FTE job created: £945.36</p> <p>Assumes 30m² of space is required per FTE job and that 35% of the jobs created are accommodated in new premises. This takes account of the ways in which employment growth will occur (with businesses expanding in existing premises, businesses expanding into new / modernised premises, inward investment and new start-ups requiring premises).</p> <p>The rateable value is £66 per m² (data taken from the Valuation Office Agency for the North Tyne and a mix of premises – industrial, office, warehouse) and the standard multiplier of 0.482 is applied</p>
Innovation	GVA	<p>Annual GVA per FTE job created: £68,568 based on the level of GVA per FTE generated by a higher skilled, higher value job in the North Tyne area (data taken from Regional Accounts and Business Register and Employment Survey)</p> <p>Annual GVA productivity gains: £3.81 of GVA for every £1 spent on activity to drive productivity improvements (based on the ratio of £ of GVA per £ spent on job creation activities under the innovation theme)</p> <p>30% of the impact relating to new innovation centres will be delivered outside North Tyne as a result of businesses from other areas accessing the unique services delivered</p>
	Income tax	<p>Annual Income tax per FTE job created: £2,872 based on the income tax payable on the average annual full time earnings in the North Tyne area (data taken from the Annual Survey of Hours and Earnings and tax calculator)</p> <p>30% of the impact relating to new innovation centres will be delivered outside North Tyne as a result of businesses from other areas accessing the unique services delivered</p>
	National Insurance	<p>Annual National Insurance per FTE job created: £4,567 based on the employer and employee NI contributions payable on the average annual full time earnings in the North Tyne area (data taken from the Annual Survey of Hours and Earnings and tax calculator)</p> <p>30% of the impact relating to new innovation centres will be delivered outside North Tyne as a result of businesses from other areas accessing the unique services delivered</p>
	Business rates	<p>Annual business rates per FTE job created: £945.36</p> <p>Assumes 30m² of space is required per FTE job and that 35% of the jobs created are accommodated in new premises. This takes account of the ways in which employment growth will occur (with businesses expanding in existing premises, businesses expanding into new / modernised premises, inward investment and new start-ups requiring premises).</p> <p>The rateable value is £66 per m² (data taken from the Valuation Office Agency for the North Tyne and a mix of premises – industrial, office, warehouse) and the standard multiplier of 0.482 is applied</p> <p>30% of the impact relating to new innovation centres will be delivered outside North Tyne as a result of businesses from other areas accessing the unique services delivered</p>
Education, Skills and Employment	Benefit savings	<p>Annual Savings from moving a person into employment: £10,321 based on the average annual JSA payment (taken from the New Economy Unit Cost Model)</p> <p>Annual Savings from supporting a person to become economically active: £9,091 based on the average annual ESA/IB payment (taken from the New Economy Unit Cost Model)</p> <p>Assumes that 43% of those supported enter employment / become economically active based on estimates from Generate North East</p> <p>Calculations are based on a one year saving per person entering employment / becoming economically active (to take account of varied periods of sustained employment)</p>
Infrastructure	Developer investment	<p>Commercial developer investment - £1,300 investment per m² developed</p>

and Development	Business rates on new commercial premises	(based on SPONS data) Residential developer investment - £100,000 per unit (based on SPONS data)
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The GVA, income tax, national insurance and business rates impacts are all gross impacts, expressed as annual impacts that are repeated year on year. The scale of the impacts set out in the report, is based on the annual impact once all investment funds have been spent (i.e. by the end of year 10 or 30). In the case of business rates associated with new development, these are the annual impacts from Year 15 or 35 when all of the commercial development has been delivered from a 10 or 30 year fund.

The benefit savings and developer investment are gross impacts expressed as totals (on the basis that they are one off savings per person supported or one off payments per commercial / residential development). The total benefit savings will therefore be realised in year 10 or 30, while the total developer interest will be realised in year 15 or 35, reflecting the longer timescales required for the build out of the commercial and residential development.



North of Tyne 'minded-to' Devolution Deal

24 November 2017



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Introduction

- 1) This document sets out the headline terms of a proposed deal ('Minded-to Deal') between Government and the North of Tyne area, (represented by the Leaders of Newcastle and Northumberland and the Directly-Elected Mayor of North Tyneside), and the North East Local Enterprise Partnership, to devolve a range of powers and responsibilities to the proposed North of Tyne Mayoral Combined Authority ('the NTCA').
- 2) This Deal will support the North of Tyne in delivering its ambitious vision for the social and economic prosperity, and wellbeing of its communities. It builds upon the area's significant economic, educational and cultural assets to increase its contribution to both the North East and national economies and to improve the area's productivity and innovation. At the same time it will ensure that all residents have the skills and opportunity to benefit from and contribute to future growth.
- 3) The North of Tyne generates almost £17 billion in economic output (GVA) and is home to over 815,000 people. It has 30,000 businesses providing 415,000 jobs. It is a coherent economic area and has a number of significant growth sectors including digital and technology; offshore, sub-sea and energy technologies; pharmaceutical manufacturing and life sciences; rural, tourism, leisure and culture; and financial and professional business services sectors.
- 4) But the North of Tyne also faces challenges which impact on productivity levels and the ability to grow. These include a relatively low business density, high unemployment, low skill levels, poor health outcomes, rural sustainability and entrenched deprivation and poverty in some communities.
- 5) The Deal package, comprising the Investment Fund, new initiatives and new powers, is set to add £1.1bn GVA to the economy, deliver over 10,000 new jobs, and leverage over £2.1bn in private sector investment. The investment fund will support a wide range of economic interventions including a number of transformational projects. These may include the redevelopment of East Pilgrim Street in Newcastle City Centre, the potential reintroduction of passenger rail services on the Newcastle to Northumberland line and the development of Indigo Park in North Tyneside
- 6) This Deal is an important part of Government's Industrial Strategy, which is seeking to improve living standards and economic growth across the whole country. The Deal will support delivery of the North East Local Enterprise Partnership's Strategic Economic Plan which sets a forward direction for industrial growth, delivering improved opportunities for people and business in the North East. It sets out a range of powers and funding which will enable investments in infrastructure, skills, entrepreneurship, innovation and business growth. In addition to interventions which will be funded locally through the Investment Fund, Government will commit to review business cases brought forward for further investment in areas where the North of Tyne hosts nationally or regionally significant innovation assets science and research strengths – including in offshore and energy, digital (including data, 5G and Building Information Modelling), culture and creative industries, and life sciences and ageing. A decision on the funding of any projects will be taken following full assessment.

- 7) This minded-to Deal will protect the integrity of the three existing North of Tyne local authorities, and continue to support strong working between the local authorities and North East Local Enterprise Partnership. Beyond this, the NTCA will work closely with other local authorities and LEPs in the wider region, including the North East Combined Authority, in the shared pursuit of greater productivity and economic growth. The NTCA will also work with other partners across the North of England to promote opportunities for pan-Northern collaboration, including Transport for the North, to drive northern productivity and build the Northern Powerhouse.

Summary of the 'minded-to' devolution deal between the Government and the Local Authorities of Newcastle, North Tyneside and Northumberland (collectively 'North of Tyne'), supported by the North East Local Enterprise Partnership

The Government and North of Tyne are minded to agree an ambitious devolution deal which will provide the area with significant new powers and funding to increase opportunities and living standards through inclusive growth and productivity improvements, and help drive the Northern Powerhouse. A devolution agreement is contingent upon the North of Tyne proceeding through the steps necessary to establish the new Mayoral Combined Authority.

A devolution agreement would mean:

- A new, directly elected North of Tyne Mayor, acting as Chair to a new North of Tyne Combined Authority.
- Control of a £20 million per year allocation of revenue funding, over 30 years, to be invested by the North of Tyne Combined Authority to drive growth and take forward its economic priorities.
- Establishment of an Inclusive Growth Board, with Government participation, to better integrate skills and employment programmes across the area, including a North of Tyne Education Improvement Challenge.
- Devolution of the Adult Education Budget for the area to allow North of Tyne to shape local skills provision to respond to local needs.
- Opportunity to secure funding for pilots to help North of Tyne residents with particular barriers to employment into work.
- Establishment of a Housing and Land Board, with powers to the Combined Authority to acquire and dispose of land, and mayoral powers to take forward compulsory purchases and establish Mayoral Development Corporations, as a foundation for North of Tyne's housing and regeneration ambitions.
- Driving improvements to rural growth and productivity, and becoming a Rural Business Scale up Champion for England.
- More effective joint working with the Department for International Trade to boost trade and investment in the area.
- Collaborative working with Government to support North of Tyne in taking forward its considerable ambitions around digital capability and infrastructure, and low-carbon energy.
- A statutory Joint Committee to exercise transport functions jointly on behalf of the North of Tyne and North East Combined Authorities.

More detail on these 'minded-to' commitments is given in the main body of the document below.

The Deal will support delivery of the North East Local Enterprise Partnership's Strategic Economic Plan. Further powers may be agreed over time and included in future legislation.

Governance

- 8) This minded-to Deal is subject to the formal ratification of the constituent councils of Newcastle City Council, North Tyneside Council, and Northumberland County Council that make up the North of Tyne area. It is also subject to the statutory requirements including the consent of all councils affected and parliamentary approval of the secondary legislation implementing the provisions of this minded-to Deal. The minded-to Deal protects the integrity of the three existing North of Tyne local authorities.
- 9) As part of this minded-to Deal, the North of Tyne constituent councils will seek to establish a Combined Authority and adopt the model of a directly elected mayor for the area of the NTCA. Following the necessary consents and other statutory requirements being met, Government intends to seek parliamentary approval to secondary legislation to establish and confer functions on to a Mayoral NTCA. The Mayor will exercise certain powers with personal accountability to the electorate, devolved from central Government and set out in legislation:
 - Creation of new Mayoral Development Corporations, which will support delivery on strategic sites in the North of Tyne area.
 - Compulsory purchase powers, subject to the agreement of the NTCA member where the relevant land is located, and to the consent of the Secretary of State for Communities and Local Government.
 - Power to set a precept on local council tax bills to help pay for the Mayor's work. This would be subject to the provisions on council tax referendums, as determined each year by Parliament
- 10) The NTCA, working with the Mayor, will receive the following powers:
 - Control of a new additional £20 million a year revenue funding allocation over 30 years to be invested to drive growth
 - Devolved 19+ adult skills funding from 2019/20
 - Broad powers to acquire and dispose of land to build houses, commercial space and infrastructure, for growth and regeneration
 - Powers to borrow for its new functions, which will allow them to invest in economically productive infrastructure, subject to an agreed cap with HM Treasury.
- 11) The first election for the directly elected Mayor will be held in May 2019 with the North of Tyne Mayor being elected by the local government electors for the areas of the constituent councils of the NTCA. The Combined Authority will be chaired by an interim appointed mayor between its establishment and May 2019. The second election for the directly elected Mayor will be held in May 2024.

- 12) The strength of the governance arrangements of the mayoral combined authority will be commensurate with the powers of that authority and the mayor, including all newly devolved powers and functions, recognising that strong, accountable governance is an essential prerequisite of any devolution of powers and functions to a city region. The North of Tyne Mayor and the NTCA will exercise the powers and responsibilities, including for additional funding or budgets, described in this minded-to Deal in relation to the NTCA area. Any transfer to the Combined Authority or Mayor of existing powers or resources currently held by the constituent authorities must be by agreement.
- 13) Working within the constitution of the NTCA, the directly elected Mayor will autonomously exercise new powers. The Mayor will also chair the NTCA Leadership Board (to be named as a Cabinet). Each constituent council will appoint two members, including the Leaders of Newcastle City Council and Northumberland County Council and the Elected Mayor of North Tyneside. Within this Cabinet model, each of the local authority representatives will have a clear portfolio.
- 14) In recognition of the importance of the LEP role and the private sector in growth strategies and their delivery:
- a. The North East Local Enterprise Partnership (the “NELEP”) will be represented on the Combined Authority’s Cabinet through a member who will have no voting rights – the expectation is that this would be the NELEP chair;
 - b. The North of Tyne Mayor will be a member of the NELEP Board as one of three representatives of the NTCA;
 - c. The Mayor may, with the majority support of the Cabinet, appoint a “Mayor’s Ambassador for Business” to strengthen the working arrangements between the Combined Authority, NELEP and the private sector; and
 - d. Under the North of Tyne Combined Authority and Mayor model, the role of the LEP and local businesses will be integral to the delivery of economic outputs.
- 15) The Mayor will be required to consult the NTCA Cabinet on his/her plans and strategies, which the Cabinet may amend if two-thirds of the members who have been appointed by the constituent councils agree to do so. [In accordance with the regulations](#), the Cabinet will also examine the Mayor’s draft annual budget and will be able to amend his/her plans, again if two-thirds of the members appointed by the constituent councils agree to do so.
- 16) Proposals for decision by the NTCA may be put forward by the Mayor or by any of the other Cabinet Members. The Mayor and one Cabinet Member appointed by each constituent council will exercise voting powers and all those exercising voting powers will have one vote. Any questions that are to be decided by the Combined Authority are to be decided by a majority of the members present and voting, unless otherwise set out in legislation or specifically delegated through the Authority’s constitution. Decisions by the Combined Authority should have the support of the Mayor, unless set out otherwise in the Authority’s constitution. The Mayor is not able to veto any decision of Cabinet but the

Mayor will be able to require a “mayoral review” of a decision for which the Mayor has not voted with the majority of Cabinet members; such a review will cause the decision to be re-considered by the Cabinet and at its conclusion the decision may be confirmed or changed by the Cabinet.

- 17) [In accordance with the regulations](#) the NTCA's and the Mayor's decisions will be scrutinised and the NTCA and the Mayor will be held to account by the North of Tyne overview and scrutiny and audit committees.
- 18) This minded-to Deal contains no new powers, functions or funding in relation to transport and as such the Mayor will not be individually exercising any transport powers, including those for bus franchising. The minded-to Deal is made on the understanding that the current transport arrangements for the seven local authorities in the North East will be maintained and the governance replicated through the establishment of a statutory joint committee that will exercise all of the local transport functions and powers of the two combined authorities. Nexus will remain as the Passenger Transport Executive and will serve the two combined authorities (NTCA and NECA). The statutory joint committee will have seven members drawn from the two combined authorities. NECA will appoint four members. The NTCA will appoint three members, one of whom is to be the mayor, unless the mayor agrees otherwise. The statutory joint committee will be responsible for preparing a single Transport Plan for the area of the two combined authorities. It will continue with the work to maintain and improve strategic transport connectivity across the region and to international markets. Arrangements for overview and scrutiny and for audit will be undertaken jointly by the two combined authorities in relation to the work of the statutory joint committee.
- 19) The NTCA will work with partners across the North of England to promote opportunities for pan-Northern collaboration, to drive northern productivity and build the Northern Powerhouse.
- 20) This minded-to Deal represents a first step in a progressive process of devolution of funding, powers and responsibilities to the NTCA. As well as the areas set out in this minded-to Deal, the NTCA and Government will continue to consider further opportunities for devolution.

Finance and investment

- 21) The NTCA will create a fully devolved funding programme covering all budgets for devolved functions ("**The North of Tyne Investment Fund**"), accountable to the NTCA. This pot will comprise a flexible, multi-year settlement providing the NTCA with the freedom to deliver its growth priorities, including the ability to redirect funding to reflect changing priorities, whilst upholding its statutory duties.
- 22) The NTCA will develop a robust Single Pot Assurance Framework, in line with national guidance, to be signed off by the DCLG Accounting Officer prior to funding being released. Within this Assurance Framework, the NTCA will demonstrate an objective means with which to assess interventions and programme design so that these are aligned to their balanced economic outcomes for the area.
- 23) The NTCA will use the North of Tyne Investment Fund to deliver a programme of transformational long-term investment. Government agrees to allocate £20m for 30 years (anticipated to start in 2018, subject to the conditions below) which will form part of the North of Tyne Investment Fund. This will be subject to five-yearly gateway assessments to confirm that the investment has contributed to economic growth. Once the NTCA is established and has its Assurance Framework signed off, the NTCA may have access to the Investment Fund prior to Mayoral Elections, subject to the agreement with Government of suitable caps.
- 24) The costs of the Mayoral Combined Authority will be met from within the overall resources of the Combined Authority.
- 25) The joint ambition will be to give the NTCA a single pot to invest in its economic growth. This pot will comprise a flexible, multi-year settlement providing the NTCA the freedom to deliver its growth priorities, including the ability to re-direct funding to reflect changing priorities, whilst upholding its statutory duties. The Combined Authority will have the flexibility to secure substantial private and public sector leverage. The Combined Authority will also be able to use capital receipts from asset sales as revenue funding for public service transformational initiatives, this would be subject to the provisions on council tax referendums, as determined each year by Parliament.
- 26) The NTCA 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 NTCA will agree overall debt limits with HM Government, and 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. NTCA will also provide information, explanation and assistance to assist the Office for Budget Responsibility in its duty to produce economic and fiscal forecasts for the UK economy.
- 27) The Mayor will also have the power to set a precept on local council tax bills to help pay for the Mayor's work. This precept can only be raised for mayoral functions.

Promoting inclusive growth

- 28) At the heart of the Inclusive Growth elements of North of Tyne devolution is the creation of a single unified “Inclusive Growth Board”. This Board will bring together the organisations responsible for the most significant socially focused interventions within the North of Tyne and will be chaired by the Mayor.
- 29) The Board will be comprised of:
- relevant representation from the NTCA; (including, where appropriate, the Regional Schools Commissioner for the North, or their representative).
 - relevant representation from DCLG, DWP and DfE ;
 - relevant representation from the NELEP;
 - other relevant business representatives; and
- 30) The Board’s work will be underpinned by an operational and performance framework, consistent with the priorities of the recently refreshed North East Strategic Economic Plan (SEP), and aligned with emerging thinking on local industrial strategy in the North East. Wherever appropriate, this framework will seek to complement interventions that are already being delivered across the broader North East geography.
- 31) The Board will be responsible for working closely with the local Skills Advisory Panel to deliver the North of Tyne Strategic Skills Plan.
- 32) The Board will work together to better integrate and strengthen education, skills and employment interventions in order to improve local education and employment outcomes. The Board will also support the development of an effective Local Industrial Strategy and will take forward and build on the aspirations and commitments in the Northern Powerhouse Strategy.
- 33) In line with Government’s collaborative participation in the North of Tyne Inclusive Growth Board, the Cities and Local Growth Unit will work together with North of Tyne to help develop the key projects and programmes that the board will seek to take forward. Government and the NTCA will agree appropriate milestones for this work which will be reflected formally in North of Tyne's deal implementation plan.

Inclusive growth: education and skills

School improvement

34) The NTCA will introduce a **North of Tyne Education Improvement Challenge** focused on:

- improving the marked disparities in educational attainment that exist within the area;
- increasing attainment in STEM subjects;
- deepening the approach to careers, information, advice and guidance through the adoption of the Good Career Guidance benchmarks; and
- achieving excellence in teaching, leadership and school governance.

35) The constituent local authorities of the NTCA will work together to explore the scope for developing a unified approach to school improvement for the schools they maintain, initially through the preparation of a Joint School Improvement Strategy that would significantly assist in identifying constituent strengths and weaknesses, and support efforts to work together to learn from and replicate good practice as appropriate.

36) The DfE, including the Regional Schools Commissioner for the North of England, will work with the Combined Authority. The Education Improvement Challenge and Joint School Improvement Strategy will need to align with work led by DfE on raising educational standards in the North, in particular through the work of the Sub-Regional Improvement Board.

37) The Challenge will also build on the existing pilot programmes run by the NELEP's Employment and Skills Board, in particular the "Education Challenge and Ambition Framework".

38) With support from the DfE's Children's Social Care Innovation Programme, North of Tyne councils will explore opportunities for greater collaboration across services for children, young people and families. The councils will work with partners, including health services, to develop a proposition that describes how we could work better together to improve practice, services and outcomes across North of Tyne.

Adult Education Budget

39) Government agrees to fully devolve the 19+ Adult Education Budget (AEB) to the NTCA, for the start of the academic year 2019-2020, subject to the NTCA demonstrating that it meets the readiness conditions set out by DfE for the devolution of AEB. These arrangements do not cover apprenticeships. Devolved funding will be governed by the Single Pot Assurance Framework, developed by North of Tyne and signed off by Government, as outlined above.

40) The readiness conditions for full devolution of the AEB are that:

- a. Parliament has legislated to enable transfer to local authorities 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

b. Completion of the Area Review process leading to a sustainable provider base

c. After the area reviews are complete, agreed arrangements are in place between central government and the Combined Authority to ensure that devolved funding decisions take account of the need to maintain a sustainable and financially viable 16+ provider base

d. Clear principles and arrangements have been agreed between central government and the Combined Authority for sharing financial risk and managing failure of 16+ providers, reflecting the balance of devolved and national interest and protecting the taxpayer from unnecessary expenditure and liabilities

e. Learner protection and minimum standards arrangements are agreed

f. Funding and provider management arrangements, including securing financial assurance, are agreed in a way that minimises costs and maximises consistency and transparency.

41) In addition (and within the context of the existing national 16-19 policy, funding and accountability framework) the Inclusive Growth Board, together with the Skills Advisory Panels (once established) and other relevant partners, will explore how the delivery of 16-18 and 19+ skills can be more effectively aligned within North of Tyne.

Higher Skills

42) Government agrees to consider a business case for the establishment of an Institute of Technology within the North of Tyne area that is supported by the current North East Combined Authority and NELEP, under the Government's call for Institute of Technology proposals.

43) The Inclusive Growth Board, consistent with the Northern Powerhouse Strategy, will explore the potential for developing innovative proposals for retaining and attracting graduates and skilled workers. These proposals would be employer-led, integrated and adapted to local needs.

Inclusive growth: employment

- 44) The Government and the NTCA will jointly develop and adopt an Employment Support Framework Agreement to drive the better coordination of employment, skills and health services across the North of Tyne in order to increase the number of residents moving into work. The Framework Agreement will be signed by the Elected Mayor for the North of Tyne and the Secretary of State for the Department for Work and Pensions, and delivered through the Inclusive Growth Board.
- 45) The Framework Agreement will seek to align:
- a. How the fully devolved Adult Education Budget will improve literacy, numeracy and digital skills of claimants; delivery of statutory entitlements to Job Seekers; and how to improve access to additional non-statutory training;
 - b. How DWP/Jobcentre Plus will jointly design, commission and performance manage locally funded employment support programmes;
 - c. How NTCA will work, building on the learning and experience of Generation NE, with Jobcentre Plus and DWP to encourage the LEP and local businesses to offer employment, apprenticeships and other work related training and work experience opportunities to young people to support Government's ambition that all young people are either earning or learning;
 - d. How Jobcentre Plus, local authorities and their partners will work together to deliver a comprehensive suite of in-work services to promote skills development and progression from low-paid employment to support growth.
- 46) The remit of the Inclusive Growth Board will include full engagement in the design, commissioning and performance management of future local DWP-led employment support initiatives, pilots and trials that will affect the delivery of employment support services in the North of Tyne.
- 47) The Inclusive Growth Board will seek to improve the progression of employees from low-paid jobs, including via a labour market pilot that develops an advancement service for employees and employers in low wage sectors, in order to develop our understanding of what interventions are effective in supporting in-work progression. The new approaches adopted would have a particular focus on the retention and progression of older people (aged 50+) in the workforce, consistent with Government's Fuller Working Lives Programme.
- 48) Government will consider an NTCA outline business case with a view to providing financial support for a locally-managed employer-focussed intervention, concentrating on improving employment behaviour in the recruitment, retention and progression of people with disabilities or long term health conditions. The business case should be submitted to the Work and Health Unit outlining clearly how the project would fill gaps in the evidence base, what resource is required from government, what resource will be committed locally, costs and plans for a robust evaluation that will provide evidence of what works.
- 49) Government and the NTCA will explore ways to support those returning to the labour market after time out of paid employment to care for children or other family members.

Energy and low carbon

- 50) Energy is a key sectoral strength for the North of Tyne area, with significant energy technology and low-carbon expertise centred around the Tyne North Bank and Blyth sites. Government is committed to reducing UK emissions in line with carbon budgets and tackling the impacts of unavoidable climate change. Government recognises that integrating national and local measures can help to support the low carbon transition. North of Tyne wish to develop low carbon projects and services which align to national and local policy. In recognition of this, Government commits to working with North of Tyne to consider how its priorities, and those identified through the NELEP energy strategy work, can be better aligned and integrated with the design and delivery of national policies and programmes, including the UK's Industrial Strategy
- 48) In addition, the NTCA will establish close working arrangements with BEIS officials through quarterly strategic meetings to help review progress, unblock barriers, identify future opportunities and enhance cooperation between national and local government.
- 49) BEIS and the NTCA will discuss opportunities for cooperation, with the aim of delivering a more detailed programme of collaboration across multiple aspects of the low carbon and energy agenda.
- 50) Government will also work with the NTCA to help ensure that the North of Tyne's sector and innovation actions in the areas of offshore and energy technology are aligned with central Government innovation priorities and activities, including the Offshore Wind Innovation Hub, energy innovation support programmes and the Industrial Strategy. The NTCA will use the findings of the Science and Innovation Audit: Offshore Energy report to build upon the region's reputation as an outstanding location for energy research and innovation.

Internationalisation and competitiveness

- 51) The NTCA will simplify and strengthen the support available for business growth, innovation and global trade in the North of Tyne area to improve productivity and deliver more and better jobs. This will entail working in collaboration with the NELEP and in line with the LEP's SEP for the wider North East area.
- 52) In the summer of 2018, Newcastle and Gateshead will host The Great Exhibition of the North, which will be the largest event in England that year. It will showcase to the world how the North of England's great art and culture, design and innovation has shaped all our lives and is building the economy of tomorrow. It also presents a unique opportunity to maximise the trade and investment opportunities arising from this major one off event and to ensure a long-term legacy that builds upon the North's strong cultural sector strengths and assets.
- 53) Government will therefore work with the NTCA and NELEP, within the context of the Northern Powerhouse, to:
- a) Explore trade and investment opportunities arising from the Great Exhibition of the North;
 - b) Work with the GREAT Britain Campaign to develop a marketing campaign that maximises the impact of the Great Exhibition of the North; and
 - c) Support the development and delivery of a Great Exhibition of the North programme and legacy events.
- 54) The NTCA will work with DIT to ensure local and national arrangements continue to deliver the most efficient and effective support to businesses. North of Tyne will align its trade and investment activities with wider work around culture, tourism, skills and innovation to maximise the area's international presence and visibility. This will include collaboration with the universities in the area, as well as those in the wider North East region and the N8 Research Partnership of Universities in the North of England.
- 55) To deliver this commitment:
- a) The NTCA and DIT will work collaboratively to enhance export advice services for North of Tyne businesses, within the context of the Northern Powerhouse. This will include:
 - i) An integrated approach to planning for exports & investment.
 - ii) DIT seeking input from the NTCA in their annual trade mission planning process.
 - iii) Full engagement in trade fairs where appropriate for the NTCA.

- b) As part of this collaborative approach the NTCA and DIT management will provide for:
 - i) Regular strategic review with the Elected Mayor and wider NTCA representation with senior DIT Officials, as part of a wider Northern Powerhouse board.
 - ii) Regular operations reviews including local delivery partners, with the DIT local team, ideally as part of a pan-Northern Powerhouse operations meeting
 - iii) Input to DIT Northern Powerhouse business planning via these reviews.
 - iv) Operational support from DIT that is locally specific to the NTCA.
- 56) The NCTA and DIT will also work on a collaborative approach to inward investment and account management in the North of Tyne area, again, within the context of the Northern Powerhouse.
- 57) DIT will work with the NTCA to support a strategic Key Account Management Programme to provide targeted support for North of Tyne's key sectors, such as offshore and renewable energy, professional services and the health innovation sector.
- 58) The NTCA and the British Business Bank will work together to help SMEs in the North of Tyne area to access the finance they need to grow their businesses.

Housing and land

- 59) The NTCA and its constituent authorities will support the accelerated delivery of an ambitious target for new homes, informed by Local Housing Need figures. The NTCA will report annually on progress against this target.
- 60) To support delivery of this commitment:
- a) The NTCA 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.
 - b) The Mayor will have compulsory purchase powers, subject to the agreement of the NTCA member where the relevant land is located, and to the consent of the Secretary of State for Communities and Local Government.
 - c) The Mayor will have the power to create Mayoral Development Corporations, which will support delivery on strategic sites in the North of Tyne area. 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. Increases in the value of the land as a result of the work of the Development Corporation will be reinvested in the Corporation to deliver new schemes.
- 61) The NTCA and Government will establish a North of Tyne Housing and Land Board. This board will oversee an integrated programme of housing delivery across the area and make best use of all public sector land and available funding. Board representation will be explored further but will include senior representation from Government and the Homes and Communities Agency (HCA) as well as local partners.
- 62) The NTCA and Government will collaborate to explore options for the expansion of Specialist Housing Provision. This will include utilising the expertise of the National Innovation Centre for Ageing at Newcastle University to develop a housing offer that supports residents to stay well, independent and productive for as long as possible.
- 63) The NTCA, with the support and advice of the Housing and Land Board, will accelerate the delivery of new homes in the area above Local Housing Need figures. Over the coming months, Government will continue to explore the potential for a housing deal, alongside a commitment by the three North of Tyne authorities to develop a joint Infrastructure Delivery Statement and explore closer strategic planning alignment, at the next review of local plans.

Rural growth and stewardship

- 64) The Government recognises the North of Tyne area's desire to become a national exemplar for rural growth and stewardship. In support of this, the NTCA will develop a comprehensive North of Tyne Rural Productivity Plan that aligns with NELEP's SEP, to deliver an aligned and place-based approach to maximising rural productivity. In developing this plan, the NTCA will support the NELEP's Rural Growth Network and will work closely with neighbouring authorities, LEPs and Growth Hubs across the wider North East and Borderland geographies, including via the emerging Borderlands Growth Deal.
- 65) To support North of Tyne's rural growth ambitions, Government commits to:
- a) Engaging with the NTCA on emerging national policy associated with rural growth and stewardship, the Government's 25 year ambitions for the environment;
 - b) Engaging with the NTCA on the implementation of successor arrangements for the EU Rural Development Programme;
 - c) Supporting, where appropriate, the application of a strategic programme approach to bids for resources from national programmes targeted at rural growth, to improve co-ordination and help ensure that bids submitted under these programmes are consistent and aligned;
 - d) Providing advice and guidance on programmes to deliver the North of Tyne Rural Productivity Plan, to maximise their impact and facilitate a genuinely place-based approach (including that provided by the Productivity Council); and
 - e) Working with the NTCA and the NELEP (including its Growth Hub) to focus on opportunities around scale-up, innovation-led growth, natural assets and new technologies in the context of rural growth.
- 66) The NTCA will, as part of its commitment to fully play its part in the delivery of the Industrial Strategy and to become a national rural exemplar, act as a Rural Business Scale-Up Champion for England. This will involve, with Government endorsement, the development of a national network which will facilitate peer to peer collaboration between businesses, local authorities, local enterprise partnerships and Growth Hubs operating in a rural context who share our commitment to scaling up small businesses. The focus of the network will be on sharing expertise and fostering innovation in removing barriers to high growth in rural-based businesses, particularly in examining the ways in which digital technologies can enhance the inter-connectedness of rural economies.

Digital infrastructure and “smart data”

67) World class digital infrastructure and innovation, together with smart utilisation of data, is key to North of Tyne’s ambition to be a leading location for socially inclusive economic productivity.

68) Government (DCMS) will support North of Tyne’s ambition for improved digital connectivity by:

- a) Continuing existing support for investment in rural areas, maximise access to superfast connectivity to as many residential properties as possible; and
- b) Continuing to explore options to allow interventions in dense urban areas within the NTCA, where market failure has resulted in poor provision for some residents and SMEs.
- c) Supporting the use of the planning system to require the provision of fibre optic cable and smart metering as standard in any new development.
- d) Recognising the strategic significance of a new fibre optic cable to Europe.
- e) Encouraging commercial providers to improve cellular coverage along key transport routes.

69) North of Tyne will use devolution as an opportunity to harness its digital strengths to develop nationally important innovation assets in areas such as cyber security, in line with the national cyber security programme’s emphasis on the role of regions in ensuring resilience.

70) The North of Tyne will pioneer a smart-data environment, with improved sharing of data across local and national public services, to deliver more sophisticated, more responsive and more efficient services. North of Tyne commits to:

- a) Explore new ways in which data and smart technologies can be used to enhance decision making;
- b) Innovate to introduce new methods of digital delivery of services where appropriate;
- c) Explore new opportunities to increase open data, to improve outcomes and transparency; and
- d) Move towards common data standards across the three authorities and the Local Enterprise Partnership, where appropriate.

North of Tyne's commitments underpinning the 'minded-to' Deal

- 71) The NTCA (and prior to its establishment, the local authorities and NELEP which are signatories to this minded-to Deal) will work with HM 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.
- 72) The NTCA (and prior to its establishment, the local authorities and Local Enterprise Partnership which are signatories to this minded-to Deal) will be accountable to local people for the successful implementation of the Devolution Deal. Consequently, HM Government expects NTCA to monitor and evaluate its Deal in order to demonstrate and report on progress. Government will work with the constituent members of the proposed Combined Authority to develop a monitoring and evaluation plan that meets local needs and helps to support future learning, which must be approved by Government prior to delivery. Where relevant, this will include the coordination of metrics, methodologies and areas of focus with other local areas in order to secure the most useful evidence base across the full range of devolution deals.
- 73) The NTCA will be required to evaluate the impact of the North of Tyne Investment Fund. The NTCA 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 NTCA, but agreed at the outset with DCLG and HMT, 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 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.
- 74) The NTCA and Government will agree a process to manage local financial risk across local public bodies.
- 75) Prior to the first Mayoral elections, Government will work with the NTCA to develop and publish a guide to the deal, which will aim to give the public and stakeholders – including Parliament – a clear understanding of the powers and funding that are being devolved to the NTCA; where accountability sits as a result of this deal; and how decisions are made. This is consistent with the guides published for other mayoral deals (which can be viewed at <https://www.gov.uk/government/publications/devolution-and-mayors-what-does-it-mean>)

76) The NTCA and its members will continue to adhere to their public sector equality duties, for both existing and newly devolved responsibilities.

Signed by:

Andrew Jones MP, Exchequer Secretary to the Treasury

Jake Berry MP, Northern Powerhouse Minister

Cllr Peter Jackson, Leader of Northumberland County Council

Cllr Nick Forbes, Leader of Newcastle City Council

Cllr Norma Redfearn, Elected Mayor, North Tyneside Council

Andrew Hodgson OBE, Chair North East LEP

NTCA – overview of governance and decision-making arrangements

1. The three north of Tyne Authorities (“the Constituent Authorities”) in inviting the Secretary of State to establish a new Mayoral Combined Authority (“MCA”) for the Newcastle, North Tyneside and Northumberland geographical area have considered the establishment of appropriate governance arrangements for the new MCA. These are necessary to comply with the relevant legislative requirements and to enable efficient and effective decision-making in relation to the functions, powers and responsibilities the new MCA will hold.
2. The MCA will have a range of functions and responsibilities which will be set out in the legislation that creates the MCA. Some of these responsibilities will require decisions to be taken by the Mayor (“Mayoral Decisions”) and others will be taken by the Mayor and representatives of the Constituent Authorities sitting together as a Cabinet (“Cabinet Decisions”).
3. The areas of responsibility where decisions of the Mayor are required will be set out in the legislation that creates the MCA and devolves the various powers which are set out in the “minded to” Devolution Deal. Unless the legislation specifies that a decision is a responsibility of the Mayor, the decision will be a Cabinet Decision.
4. The first election of the Mayor will take place in May 2019. The subsequent election of the Mayor will take place in 2024 and from that point there will be a 4 year term of office. The extended first term of office for the Mayor will enable the subsequent Mayoral elections to coincide with elections for

existing Elected Mayors of Mayoral Combined Authorities across the country.

5. The election of the Mayor in May 2019, 2024 and every fourth year subsequently will take place on the same day as the ordinary day of election in those years.
6. It is expected that the MCA will be established in mid 2018, ie before the first election of the Mayor in May 2019. Pending the election of the Mayor in 2019 an Interim Mayor will be appointed to fulfil elements of the role of the elected Mayor. The Interim Mayor will be appointed by the Cabinet following receipt of nominations of suitably qualified candidates for the role. Such candidates must reside in the area of the MCA and at the time of their nomination hold an elected office as either (i) a member of one of the Constituent Authorities, (ii) the Elected Mayor of North Tyneside, (iii) the Police and Crime Commissioner for the area or (iv) a Member of Parliament or Member of the European Parliament with a constituency within or partly within the MCA's area.
7. The Interim Mayor will be the Chair of Cabinet and will be able to vote on Cabinet Decisions provided they are also an elected Member of one of the Constituent Authorities. The Cabinet may also appoint one or more Vice Chairs for the period during which the Interim Mayor is appointed. The Interim Mayor may not autonomously exercise the devolved mayoral functions.

The Composition of the Cabinet

8. The Cabinet will comprise the following members (referred to as "Cabinet Members"):
 - i. the Mayor (or Interim Mayor);
 - ii. 2 representatives of each Constituent Authority (one of whom will be the Constituent Authority's Leader /Elected Mayor); and

- iii. a representative of the North East Local Enterprise Partnership (“LEP”).
9. Each Constituent Authority will nominate 2 substitutes for appointment by the MCA to represent the Constituent Authority in the absence of either of its Cabinet Members.
 10. The Mayor will be the Chair of the Cabinet. The Mayor must appoint one of the Constituent Authority Cabinet Members as Deputy Mayor.
 11. In Cabinet decision-making, the Mayor and each Constituent Authority’s Leader/Elected Mayor will have one vote and there will be no casting vote. In the absence of a Constituent Authority’s Leader/Elected Mayor, the other Cabinet Member appointed by that Constituent Authority will be entitled to vote. If both of a Constituent Authority’s Cabinet Members are absent, then one of that Constituent Authority’s substitute members (as designated by that Constituent Authority’s Leader/Elected Mayor) will be entitled to vote.
 12. In the absence of the Mayor, the Deputy Mayor will act as Chair of Cabinet and will be able to vote in that capacity. They will be replaced by a substitute Member from their Constituent Authority and a member of that Constituent Authority will be entitled to vote in addition to the member who is acting as Deputy Mayor.
 13. The representative of the LEP (who will normally be the Chair of that organisation) will be a non-voting member of Cabinet. The Cabinet will also be able to appoint a person, nominated by the Mayor, to undertake the role of the Mayor’s Ambassador for Business. They will be invited to attend Cabinet meetings as an observer but will not be a Cabinet Member.

Mayoral Decision-making

14. The Mayor's responsibilities will be:
- i. the creation of new Mayoral Development Corporations to support development on strategic sites in the MCA area (subject to the agreement of the Leader(s) or Elected Mayor of the Constituent Authority or Authorities where the relevant land is located);
 - ii. compulsory purchase powers (subject to the agreement of the Leader(s) or Elected Mayor of the Constituent Authority or Authorities where the relevant land is located and the consent of the Secretary of State for Communities and Local Government).

The Mayor will also have the power to set a precept on local Council Tax bills to help pay for their work; the process for setting budgets within the MCA is explained further below.

15. It is not proposed that the Mayor will have a general power of competence. However, the Mayor will have, as an ancillary power, a functional power of competence that is similar to the power under s113A of the 2009 Act given to combined authorities. This general power will enable the Mayor to do things appropriate or incidental to, or connected with, their powers and functions as set out above.
16. The arrangements for the exercise of functions, powers and responsibilities in relation to transport are set out below. Under these arrangements and as a result of the legislation creating the MCA the Mayor will not have transport related powers. For the avoidance of doubt, the Mayor will not be able to exercise the bus franchising powers in the Bus Services Act 2017 which are otherwise exercisable by elected mayors of combined authorities. For these

purposes, the legislative requirements and processes applicable to non-Mayoral combined authorities will apply.

17. When making decisions that are the responsibility of the Mayor, the Mayor will consult with Cabinet save in exceptional circumstances. These Mayoral Decisions will be taken in an open and transparent manner and will be taken during the course of formal Cabinet meetings (except urgent matters where the Chair of Overview and Scrutiny Committee has agreed the grounds for urgency). This will also promote efficiency in decision-making within the MCA.
18. The Mayor may decide to ask the Deputy Mayor, a Cabinet member or officer of the MCA to make decisions on his/her behalf. The MCA seeks the power for the Mayor to enter into joint working arrangements with local authorities in relation to his/her responsibilities through a joint committee, should such an arrangement be needed.
19. All Mayoral Decisions will be fully recorded and published (unless there are any specific reasons why non publication is permissible) and will be subject to full scrutiny to ensure transparency and that decisions are taken in line with local authority decision-making statutory obligations and processes.

Cabinet Decision-making

20. The MCA will have functions and responsibilities relating to:
 - housing and land development to enable or facilitate the improvement of housing supply, sustainable regeneration or development of land or relevant infrastructure and creation or development of communities;
 - control of the Adult Education Budget from the academic year 2019/20;
 - transport functions in respect of the areas of the Constituent Authorities which are currently held by NECA. (NB: these transport functions will be discharged through the transport joint committee with NECA referred to below.)

(NB: these functions are set out in sections 4 to 11 of the Scheme.)

21. Unless responsibility for a function is specifically given to the Mayor by legislation, the decision making responsibility for that function will rest with Cabinet. Cabinet may delegate responsibility for the function to a Cabinet Member (which, for these purposes, may include the Mayor), a subcommittee of the MCA, a joint committee such as the transport joint committee or an officer of the MCA.
22. All decisions taken by Cabinet will be by way of consensus. If it is not possible for all members of Cabinet to agree on a particular issue a vote will be taken. For decisions to be taken at meetings of the Cabinet the Mayor and each Constituent Authority must be represented. All voting members of the Cabinet, including the Mayor (or Deputy Mayor or Interim Mayor, if a Constituent Authority Member), will have one vote and any decision will be taken by way of a simple majority unless the decision relates to a matter that requires the support of a greater number of Cabinet members (as set out at para 28 below).
23. If a vote is tied the matter under consideration will be held to be not agreed.
24. The Cabinet may decide that one of the Cabinet Members will have responsibility for a particular area of work and take a lead in that area. That area of work will be called a "Portfolio" and the Cabinet Member will be known as the Portfolio Holder.
25. The Mayor may be a Portfolio Holder. When acting as a Portfolio Holder, the Mayor will be acting as a Cabinet Member and not acting in his or her capacity as Mayor.

26. All decisions taken by Cabinet will ordinarily be made in public. Decisions will be recorded and published (unless there are specific reasons why non publication is permissible). All decisions will be subject to scrutiny by the MCA's Overview and Scrutiny Committee.
27. In order to promote efficient decision-making, Cabinet may arrange for a committee or officer of the MCA to take decisions in specified areas on behalf of the Cabinet.
28. Some matters to be decided by Cabinet are considered to be so significant that, in addition to the requirement that a representative of each of the Constituent Authorities must be present before the decision can be taken, all voting Cabinet Members from the Constituent Authorities must be in agreement over the matter in question. These matters, known as Key Strategic Decisions, are listed below:
- a. Adoption of, and any amendment to or withdrawal of, any strategic growth plan as provided for in the MCA's Constitution
 - b. Approval of, and any amendment to or withdrawal of, growth schemes set out in any adopted strategic growth plan;
 - c. Approval of, and any amendment to, the MCA's annual budget excluding those elements of the MCA's annual budget which relate to Mayoral functions or to transport functions which are dealt with by the Transport Joint Committee;
 - d. Approval of, and any amendment to or withdrawal of borrowing limits, any treasury management strategy including reserves, investment strategy and capital budget of the MCA;

- e. Approval of, and any amendment to or withdrawal of, such other plans and strategies as may be determined by the MCA and set out in its Constitution;
 - f. Approval of and amendment to the MCA's Constitution.
29. If the Mayor does not vote with the voting Members of the Constituent Authorities in relation to any Cabinet decision, the Mayor may seek a review of the decision taken by Cabinet ("the Mayoral Review"). Such a review will cause the Cabinet decision to be reconsidered by Cabinet and the Cabinet may confirm or change its original decision. The reasons for the Cabinet's decision will be published.

Transport Joint Committee

30. In order to maintain the existing transport arrangements across the NECA region, it is proposed that a Transport Joint Committee will be established by statutory order and that both NECA and the MCA will be obliged to discharge all their transport functions through this joint committee. For example, this will include the transport budget for the region, the transport levies which are set across the region, a joint Local Transport Plan for the region, the management of the Tyne Tunnels and oversight of Nexus. NECA will appoint 4 representatives to the Transport Joint Committee. The MCA will appoint 3 representatives to the Transport Joint Committee, one of whom will be the Mayor if the Mayor decides to fulfil that role, otherwise each of the Constituent Authorities of the MCA will be represented. There will be a substitute member for each of the representatives on the Transport Joint Committee. If the Mayor is a member of the Transport Joint Committee, then a Cabinet Member from the Constituent Authority not otherwise represented on the Transport Joint Committee will substitute for the Mayor when the Mayor is unable to attend.

31. It is proposed that at least one member appointed by NECA and one member appointed by the MCA (or their substitutes) must be present at a meeting of the Transport Joint Committee for decisions to be agreed. All decisions of the Transport Joint Committee will be agreed on a simple majority basis, save for decisions on the following which must be agreed by all 7 members of the Transport Joint Committee (or their substitutes):
- adoption of, and any amendment to or withdrawal of, the Local Transport Plan or Strategy;
 - approval of, and any amendment to or withdrawal of; the transport budget;
 - setting of transport levies;
 - allocation of Local Transport Plan funding to an individual authority and Nexus, and the approval of all other capital and revenue matters relating to the transport budget;
 - delegation by the Joint Committee of any of its functions to (i) NECA, (ii) the MCA, (iii) one of their constituent authorities, or (iv) an officer of one of these bodies.

Budget Setting

32. The MCA will have one budget containing two elements. One element will relate to the costs incurred by the Mayor in undertaking his/her responsibilities, the other element will relate to the costs incurred by the Cabinet in undertaking its responsibilities.
33. The element of the budget relating to the responsibilities of the Cabinet will include the budget relating to the transport responsibilities of the MCA. This part of the MCA's budget, and the levies for Tyne and Wear and Northumberland (and Durham, which lies outside the MCA's area) will be agreed by the MCA and NECA through the Transport Joint Committee mentioned above. The proposed arrangements for agreeing this part of the MCA's budget are set out at para 38 below.

Mayoral Budget Setting

34. The Mayor will prepare a draft annual budget for his or her areas of responsibility that will be considered by Cabinet Members and scrutinised by the MCA's Overview and Scrutiny Committee. In accordance with the Combined Authorities (Finance) Order 2017 following Scrutiny Committee or Cabinet's consideration of the proposed budget the Mayor may change their proposals.
35. The Cabinet will be able to amend the Mayor's budget proposals if 2/3 of the Cabinet Members who have a vote (excluding the Mayor) agree to the amendment.

Cabinet Budget Setting

36. The Cabinet will prepare a draft annual budget. The budget will be scrutinised by the Overview and Scrutiny Committee and may be changed by Cabinet following such scrutiny.
37. The Cabinet budget must be agreed by all voting Members from the Constituent Authorities. If the Mayor does not vote with the voting Members of the Constituent Authorities when agreeing the Cabinet element of the MCA's budget, the Mayor may seek a Mayoral Review of the decision taken by Cabinet (as set out at para 29 above). Such a review will cause the Cabinet decision to be reconsidered by Cabinet and the Cabinet may confirm or change its original decision. The reasons for the Cabinet's decision will be published.
38. In relation to the draft transport budget (and particularly the transport levies which will apply across the area of the MCA), it is envisaged that initial proposals, will be considered and agreed by the voting Members of the Constituent Authorities at Cabinet prior to submission to the Transport Joint Committee for consideration and final agreement.

39. It is expected that the responsibilities of the MCA will increase over time. In recognition of this the MCA is seeking the power to issue a levy or levies to cover the cost of non-transport responsibilities undertaken by the MCA in the future.

Transport Joint Committee Budget Setting

40. The Transport Joint Committee will consider and agree the transport budget and associated levy requirements for the Durham, Northumberland and Tyne and Wear areas. Those matters set out at para 31 above will require the unanimous support of all members of the Transport Joint Committee.

Mayoral Plans and Strategies

41. The Mayor will develop and publish plans and strategies relating to his or her areas of responsibility that must be submitted for agreement by the Cabinet.
42. When developing a plan or strategy the Mayor will consult with Cabinet and the Overview and Scrutiny Committee and seek their views. When the Mayor seeks to adopt a statutory plan or strategy it will be presented to Cabinet and may be changed by Cabinet if 2/3 of the voting Cabinet Members (excluding the Mayor) agree to do so.

Local Transport Plan

43. There will be one Local Transport Plan for the Durham, Northumberland and Tyne and Wear area which will be agreed by the Transport Joint Committee. However, prior to submission to the Transport Joint Committee for approval, the proposed plan will be submitted to the Cabinet for consideration. The

Local Transport Plan will require the unanimous support of the members of the Transport Joint Committee to be agreed.

Scrutiny of the MCA

44. Scrutiny of the decisions of the Mayor and Cabinet will be carried out by an Overview and Scrutiny Committee comprising 3 representative members from each of the Constituent Authorities. In accordance with legislative¹ requirements the Committee will be established on the basis of the political balance taken across the Constituent Authorities as a whole. The Chair of the Committee will be an Appropriate Person, who will be an elected Member of the Overview and Scrutiny Committee who is not of the same political party as the Mayor, in accordance with the definition and requirements of current legislation².
45. The Overview and Scrutiny Committee will be entitled to Call-in and scrutinise any key decision taken either by the Cabinet or the Mayor. Criteria to determine whether a matter is a key decision will be determined by the Overview and Scrutiny Committee. Following such Call-in of a decision the Committee may refer the matter back to Cabinet or the Mayor for further consideration. In appropriate situations where a matter is urgent formal procedures will be adopted whereby the Chair of the Overview and Scrutiny Committee may agree that a matter will not be subject to the Call-in process.

Scrutiny of the Transport Joint Committee

46. The MCA, working with NECA, will also create a joint overview and scrutiny committee ("Scrutiny Joint Committee") to scrutinise the decisions of the Transport Joint Committee. This Scrutiny Joint Committee will also comply

¹ The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2016

² As above

with current legislation requirements in relation to political balance and the Chair of the Scrutiny Joint Committee will either be an Independent Person or an Appropriate Person. These arrangements will need to be agreed with NECA.³

47. The Scrutiny Joint Committee will be entitled to Call-in and scrutinise any key decision taken by the Transport Joint Committee. Criteria to determine whether a matter is a key decision will be determined by the Scrutiny Joint Committee. Following such Call-in of a decision the Scrutiny Joint Committee may refer the matter back to the Transport Joint Committee for further consideration. In appropriate situations where a matter is urgent formal procedures will be adopted whereby the Chair of the Scrutiny Joint Committee may agree that a matter will not be subject to the Call-in process

Audit of the Combined Authority

48. The responsibility for fulfilling the audit and risk responsibilities and for dealing with matters relating to the Code of Conduct for Members of the MCA will be undertaken by a Governance Committee. The Governance Committee (which is referred to in the Scheme as the Audit Committee) will be established in accordance with the requirements of current legislation⁴ and so will include a co-opted independent person, together with 3 members from each Constituent Authority

Audit of the Transport Joint Committee

49. The MCA, working with NECA, will also create an Audit Joint Committee to fulfil the audit and risk responsibilities relating to the Transport Joint Committee. However, for the purposes of efficiency, it is expected that matters in connection with the Code of Conduct for Members will be

³ As above

⁴ As above

addressed by the Governance Committee of the relevant combined authority with responsibility for the appointment of the Member or Members affected.

Public Sector Equality Duty

50. The MCA will be a “public authority” under Schedule 19 of the 2010 Act and thereby bound by the public sector equality duty. As a result the public sector equality duty has to be met by the Cabinet and the Mayor when exercising their respective functions.

Remuneration and Allowances

51. A Remuneration Panel established by one or more of the Constituent Authorities will consider and make recommendations to the MCA in relation to the remuneration of the Mayor. The Cabinet will agree the remuneration of the Mayor based on, but not exceeding, the amount recommended by the Remuneration Panel.
52. No remuneration shall be payable by the MCA to its Constituent Authority Members (other than allowances for travel and subsistence), provided always that a Constituent Authority may, on the recommendations of an Independent Remuneration Panel, pay a special responsibility allowance to any member appointed by it to the MCA in respect of duties and responsibilities undertaken as a Member or Substitute Member of the MCA.