

# Newcastle City Deal

July 2012



# Foreword

At a time when the UK and international economy faces low growth, and uncertain prospects for the future, England's cities will play a crucial role in re-igniting investment and job creation. This deal sets out the steps that we have agreed to unlock growth in Newcastle and help kick-start the economy across the North East.

The cornerstone of this deal is a commitment by government to ring-fence business rate income in four growth sites in Newcastle and Gateshead, and to retain them locally. This unique arrangement will allow both Councils the financial freedom to deliver ambitious plans for private sector-led growth, initiating a £90 million infrastructure programme, and over the next 25 years to secure £1 billion of investment and create around 13,000 additional jobs. We also announce a major step forward in addressing the key transport priority identified by the Local Enterprise Partnership, to alleviate congestion on the A1 Western Bypass. We will work together to attract new investment into the growing marine and offshore engineering sector, and to position Newcastle as a pioneer in the low carbon economy. And we jointly commit to more local arrangements for employment and skills, and to bring local, national and private sector investment together to build new homes on brownfield sites.

These commitments have been made possible through a tough negotiation between Newcastle and the government, with the support of the North East Local Enterprise Partnership, to identify barriers in the way of local growth and job creation. It is not the end of the City Deal process. We will continue to work together to tackle barriers to growth as they arise, supporting work across the North East to improve economic governance, and collaboration between local authorities and with the private sector. We will seize further opportunities for funding, power and responsibility to be secured locally, free from the constraints of a one-size-fits-all national policy. We will back strong local leadership to make the most of these opportunities, to secure a working city, within a strong and prosperous region.

**Councillor Nick Forbes**  
**Leader, Newcastle City Council**

**Paul Woolston**  
**Chair, North East LEP**

# The Deal

## Newcastle and Government have agreed:

- To create a NewcastleGateshead Accelerated Development Zone (ADZ), unlocking city centre growth.
- That Newcastle and Gateshead should benefit from new Tax Increment Financing powers, with all growth in business rate income generated within the four key development sites, covering 80 hectares, ring fenced by government and retained by the two Councils for 25 years.
- That, backed by the revenue stream created by localised business rates, Newcastle and Gateshead Councils will immediately initiate a £92 million investment programme, creating 600 construction jobs and leading to 1,500 permanent jobs within five years, and 13,000 over the next 25 years.
- To work together, with enhanced support for inward investment through UKTI, and the Centre for Offshore Renewable Engineering, to secure a further £500 million in private sector investment into the marine and offshore sector, with the potential to create 8,000 jobs across the North East.
- To establish Newcastle as a low carbon Pioneer City, working in partnership to deliver its smart city ambitions and carbon reduction target of 34% by 2020. The city will demonstrate good practice, and will receive support in accessing national and European funding, including Green Deal and heat network initiatives.
- To improve employment opportunities, through: co-location of services, sharing of data, more integrated working and co-financing between Jobcentre Plus and local services; implementation of a more effective employer-led skills system, including through the Newcastle Skills Hub; increasing apprenticeships by 15%; and delivering a locally-devolved NEET Youth Contract Pathfinder across Newcastle and Gateshead.
- To develop and deliver a Joint Investment Plan in partnership with the Homes and Communities Agency (HCA), using HCA resources and Newcastle's £25 million Future Homes Fund, to deliver 15,000 homes within Newcastle's urban area, and to improve the functioning of the housing market in Newcastle.
- To develop an investment programme to reduce congestion on the A1 Western Bypass, working with the Department for Transport, Highways Agency, Gateshead Council and local partners to reduce journey times on one of the most congested links in the national network; and to finalise an updated business case for the Lobley Hill scheme ahead of the next spending review period, enabling it to be considered for early delivery.
- To invest in super-connected broadband infrastructure, through £4-6 million investment from the Urban Broadband Fund, matched by a commitment from Newcastle City Council, alongside measures to stimulate demand and digital inclusion.
- To work with the seven local authorities represented on the North East Local Enterprise Partnership, to strengthen governance; including the option of a North East Combined Authority with a statutory basis, as a strong platform for further devolution of funding, powers and responsibilities.

# Introduction and economic overview

The North East has made a long journey, from being a centre of the industrial economy in the 19th and early 20th century, through a radical transition, to the new and diverse economy of today. Striking this City Deal with Government will ignite the next phase of economic growth, contributing to the North East LEP's four main economic priorities of:

- Supporting Enterprise and Private Sector Business Growth
- Building on Key Economic Strengths
- Improving Skills and Performance
- Strengthening Transport, Connectivity and Infrastructure

Newcastle provides a major contribution to the productivity and competitiveness of the UK economy and is a significant driver of economic growth across the wider LEP area. It provides employment to almost 200,000 people; over half are commuters from the wider LEP area. It generates a quarter of the LEP area's GVA. Newcastle is home to two major universities; one of the country's largest financial and business service centres; a responsive education sector including major colleges and private sector training providers; and the UK's best hub of green technology services. Before the recent recession, Newcastle's economy performed well, with private sector employment growing more quickly than in any other major English city outside London.

Despite the recession, there is strong evidence of market confidence and investment:

- commitment from Virgin Money to locate its operational headquarters in Newcastle;
- private sector investments totalling over £100m in the marine and offshore sector;
- a major retail extension to Eldon Square completed in 2010, completely pre-let;
- retailers choosing to keep their shops open later into the evening as part of Newcastle's 'Alive After 5' initiative, with footfall increasing 15% over the past four years;
- £150m of private sector investment in Gateshead Town Centre.

Employment growth, combined with a stalled property pipeline, has led to the lowest property vacancy rate of any core city, with almost no new Grade A space now available. There is the potential for this to act as a brake on the economic recovery.

With unique green assets, low carbon sector strengths and pioneering research activities stimulated by world class universities, Newcastle represents a compelling location for knowledge-based, private-sector-led growth. This will supplement existing recognition as the most Sustainable City in the UK. The North East LEP has established a Low Carbon Enterprise Zone for the marine & offshore wind sector and ultra low carbon vehicles, and Newcastle University is developing geothermal heat sources in the City.

The North East is the only English region with a balance of trade surplus. We are committed to continuing to support our businesses as they seek to exploit global market opportunities, increase international trade and improve regional business competitiveness. Newcastle International Airport is a key asset for the entire North East for freight and business travellers. Improving connectivity into Newcastle is also essential, ensuring that employment opportunities can be accessed by the widest possible labour force, as is improving broadband infrastructure.

The city faces a number of economic and social challenges. The labour market continues to endure the legacy of inter-generational unemployment, a disproportionate number of young people not in education, employment or training (NEET), and a workforce which does not meet all the needs of the business community.

## NewcastleGateshead Accelerated Development Zone

Newcastle and Government have agreed:

- to create a NewcastleGateshead Accelerated Development Zone (ADZ), unlocking city centre growth;
- that Newcastle and Gateshead should benefit from new Tax Increment Financing powers, with all growth in business rate income generated within the four key development sites, covering 80 hectares, ring fenced by government and retained by the two Councils for 25 years; and
- that, backed by the revenue streams created by localised business rates, Newcastle and Gateshead Councils will immediately initiate a £92 million investment programme, creating 600 construction jobs and leading to 1,500 permanent jobs within five years, and 13,000 over the next 25 years.

The aim of the NewcastleGateshead ADZ is to unlock growth across the urban core, returning the area to its pre-recession economic trajectory, which had seen more rapid employment growth in Newcastle than any of the other core cities. The ADZ is aligned with our economic strategy, which concludes that to reach our full economic potential we must grow the knowledge economy, develop and retain a skilled workforce, promote regeneration that is sustainable and stimulate growth in the urban core of NewcastleGateshead where we are at our most competitive.

The ADZ covers four key sites which offer significant growth potential over the next 25 years, where we can accelerate growth in the short and medium term:

- Science Central, offering opportunities for businesses to co-locate with Newcastle University.
- Stephenson Quarter and Central Station area, primed to become a major new office district in the next decade.
- East Pilgrim Street, an under-utilised area adjacent to the city centre's main business and retail district, set to become a substantial mixed-use development.
- Gateshead Quays and Baltic Business Quarter, a significant new mixed-use development, including an international conference and exhibition centre.

These sites currently face a number of obstacles which inhibit development: viability gaps, constraints in public and private sector finance and the requirement for significant up-front enabling infrastructure investment – including site preparation, demolitions, energy and utilities infrastructure, and highways improvements.

A coherent programme of infrastructure investment – to be financed through TIF – has been identified totalling £92m. This will lever in £800m of private sector investment and unlock significant development. It is expected to generate incremental annual business rates of up to £21m (and £320m in total) by 2038, enabling borrowing to be paid back by 2031.

The ADZ is forecast to generate 13,000 jobs, or 11,000 net of displacement and deadweight. Significant jobs growth is necessary if we are to reduce the 50,000 people currently receiving out-of-work benefits across NewcastleGateshead. We believe that the accelerated development and additional construction activity should also bring substantial benefits to HM Treasury, by bringing forward additional tax revenues and reduced benefit costs, assisting Government's deficit reduction programme.

The ADZ will be overseen by the Gateshead and Newcastle Partnership, which will be strengthened to provide greater transparency and accountability.

In order to implement the City Deal, Newcastle and Government have made a number of commitments:

Newcastle City Council Commitments	Government Commitments
<ul style="list-style-type: none"> <li>• Newcastle and Gateshead Council will be responsible for successful delivery of the ADZ, using prudential borrowing to immediately initiate and procure a £92 million investment programme and ensure that the ADZ meets its ambitious economic targets.</li> <li>• Work with businesses and investors to lever £800m of private sector investment over 25 years, building on our excellent track record of public/private partnerships.</li> <li>• In addition to the £90m of investment released by the TIF, Newcastle and Gateshead Councils will invest about a further £100m within the ADZ area, on top of over £200m invested in recent years.</li> </ul>	<ul style="list-style-type: none"> <li>• Agree to the retention of all business rate growth for 25 years in the 80 hectares outlined above. This will be used to finance infrastructure costs and enable the TIF scheme to go ahead.</li> <li>• UKTI to work with local partners to promote economic opportunities within the Accelerated Development Zone, in relevant key sectors.</li> </ul>
<p><b>Impact:</b> By 2018, it will have created over 1,500 permanent jobs, <b>rising to 13,000 FTE jobs after 25 years. It will result in uplift in annual GVA of £520m</b>, together with a range of wider economic and social benefits to the North East region. During the development period, it will bring a massive boost to the construction sector, supporting 600 construction jobs.</p>	

## Energy, marine and low carbon

### **Newcastle and Government have agreed:**

- to work together, with enhanced support for inward investment through UKTI, and the Centre for Offshore Renewable Engineering, to secure a further £500 million in private sector investment into the marine and offshore sector, with the potential to create 8,000 jobs across the North East
- to establish Newcastle as a low carbon Pioneer City, working in partnership to deliver its smart city ambitions and carbon reduction target of 34% by 2020. The city will demonstrate good practice, and will receive support in accessing national and European funding, including Green Deal and heat network initiatives.

The River Tyne has already become a centre of excellence for marine and offshore manufacturing, hosting a cluster of world-class firms. Over the past year, Newcastle alone has attracted over £100m in private sector investment, which will deliver 500 direct new jobs, with the potential for many more in the supply chain; winning work in competition with sites in Brazil, Malaysia and Germany. The NE LEP has prioritised the low carbon economy, with significant opportunities in our Enterprise Zone for the marine and offshore wind sector, and ultra low carbon vehicles.

Tyneside has the potential to become one of the premier locations in Europe for advanced offshore manufacturing. This reflects the cluster of existing activity, suitable sites, a skilled labour force, innovation in our universities and Catapult Centres, business networks, supply chains and proximity to the Dogger Bank offshore wind zone. The Government has designated Tyneside as one of five Centres for Offshore Renewable Engineering (CORE).

Growth of the low carbon, energy, marine and offshore sectors in the North East will be stimulated through expertise within, and opportunities to collaborate with, our universities and colleges. Businesses attracted to the Science Central – a key component of our Accelerated Development Zone – will be attracted through being able to offer co-locate with international academic expertise in areas including: sustainability science; transport technology; and marine technology.

Newcastle is recognised as the most Sustainable city in the UK by Forum for the Future. We also have an outstanding concentration of leading edge research, development and technology expertise and a cluster of renewable energy consultancies that are leaders in their fields. Between 2005 and 2009, Newcastle reduced its carbon emissions by more than any other major city in the UK.

Newcastle has committed to reduce carbon emissions by over 34% by 2020, from 1990 levels. The 1,800 metre bore hole at Science Central will provide the site with geothermal energy and potentially also meet the energy requirements of 11,000 homes and the city centre shopping mall, Eldon Square. We are leading regional authorities on a groundbreaking housing warmth programme, while the North East has the best electric vehicle charging infrastructure in the country.

In order to implement the City Deal, Newcastle and Government have made a number of commitments:

<b>Newcastle City Council Commitments</b>	<b>Government Commitments</b>
<ul style="list-style-type: none"> <li>• Create a city-wide alliance of businesses, research and educational institutions involved in research, development and technology to enable new solutions that build on the city's carbon reduction targets (34% reduction by 2020, from 1990 baseline), green and smart city ambitions.</li> <li>• Work with NELEP to establish and promote the Enterprise Zone and the CORE, including by investing in infrastructure and by working with NGI and UKTI to provide dedicated inward investment resource.</li> <li>• Work with NELEP and the Technology Strategy Board to ensure the right economic environment to grow the low carbon economy and the Tyneside offshore advanced manufacturing cluster.</li> <li>• Work with neighbouring Local Authorities, a wide range of stakeholders, DECC and the Green Deal team to develop and deliver plans for 'Go Early' Green Deal roll out, making the most of opportunities to sustain and create green jobs, support local small and medium sized businesses and drive public awareness.</li> </ul>	<ul style="list-style-type: none"> <li>• Continued support for investment in, and growth of, the Tyneside Centre for Offshore Renewable Engineering (CORE).</li> <li>• UKTI will work with the city, NGI and NELEP to develop an internationally competitive proposition to accelerate investment in the Tyneside offshore manufacturing cluster; with the objective of securing £500m in private sector investment in the next five years, creating 8,000 jobs.</li> <li>• DECC will work in partnership with the city and other departments to deliver Newcastle's smart city ambitions and carbon reduction target, through the low carbon pioneers programme. The city will demonstrate good practice, and will receive support to access national and European funding, including Green Deal and heat network initiatives. Additionally, DECC and the city will explore joint behavioural insight work on low carbon transport and the reduction of fuel poverty through improved domestic energy efficiency.</li> <li>• Government support will be identified throughout the collaboration.</li> </ul>
<p><b>Impact: 8,000 additional jobs in the marine and offshore sector, with a target of £500m of investment.</b>  <b>A leading role for Newcastle in securing the UK's carbon reduction targets</b></p>	

## Strengthening employment and skills

### **Newcastle and Government have agreed:**

- to improve employment opportunities, through: co-location of services, sharing of data, more integrated working and co-financing between Jobcentre Plus and local services; implementation of a more effective employer-led skills system, including through the Newcastle Skills Hub; increasing apprenticeships by 15%; and delivering a locally-devolved NEET Youth Contract Pathfinder across Newcastle and Gateshead.

It is vital to the strength of our economy, and to maximising employment prospects, that residents develop the knowledge, qualifications and employability skills necessary to succeed in the labour market. A strong skills base is vital for promoting the growth of our key sectors – some of which are currently citing skill shortages as a constraint on growth.

Worklessness remains a significant challenge in Newcastle, with 14% of residents receiving out-of-work benefits. In addition to its detrimental direct impact on individuals and families, unemployment is linked to wider social problems. Some families are responsible for disproportionate costs across the whole welfare system; while the number of young people not in education, employment and training (NEET) increases sharply at 18.

Newcastle City Council has confirmed its financial commitment to NewcastleFutures, a joint employment-support venture with Jobcentre Plus. It is a successful example of collaboration between a local authority and a national agency; it provides a strong and reassuring foundation for further devolution of employment support activity.

We are committed to improving the employability system in Newcastle further. Working with Jobcentre Plus, the Skills Funding Agency, local partners, the LEP and firms, we will deliver a better experience for customers, make efficiency savings and deliver better outputs. For clients with complex needs, or where they are making the transition from youth to adult services, this will include sharing data and developing a multi-agency approach – building on the Troubled Families initiative. Agencies will co-locate, share best practice and bring services into communities whilst reducing costs.

Recent changes to the skills system place a premium on high-quality, accessible information to make sure that young people (and older residents) make the right choices. Working in partnership with the LEP, educational institutions, the National Careers Service, Jobcentre Plus and employers, we will develop activities to raise skills levels, integrated with our economic development strategies which identify our key sectors and our investment plans, through the production of a City Skills Fund Action Plan. We will also set up a 'Skills Hub' to promote employment, career progression, apprenticeships and skill choices for individuals and firms in Newcastle and the surrounding area. This will be complemented by a website to provide employers with information on apprenticeship routes and local training providers. We also intend to work with local apprenticeship providers and firms to reduce the cost and risk of taking on an apprentice for SMEs, increasing apprenticeships by 15%, or 500. Government funding, through the City Skills Fund, will be used support these activities.

Newcastle and Gateshead councils will work together to support 16-17 year olds into Employment, Education or Training, through a Youth Contract pathfinder. The councils will create a locally-shaped solution which fits with existing council services, support provided by the voluntary sector and other providers to increase effectiveness of provision. This pilot will be assessed against locally set criteria and subsequent funding contingent on success.

In order to implement the City Deal, Newcastle and Government have made a number of commitments:

<b>Newcastle City Council Commitments</b>	<b>Government Commitments</b>
<ul style="list-style-type: none"> <li>• Further investment in the NewcastleFutures partnership, a multi-agency body to get people back to work and improve services to customers. With firm proposals by Autumn 2012 around:               <ul style="list-style-type: none"> <li>○ co-location of services to improve customer service;</li> <li>○ case conferences, bringing together professionals working with those with complex needs;</li> <li>○ moving towards a single customer relationship management system;</li> <li>○ a shared intelligence point for local labour market data.</li> </ul> </li> <li>• Production of a City Skills Fund Action plan (with the LEP), highlighting businesses priorities around skill needs and driving the creation of additional employment and apprenticeship opportunities.</li> <li>• Set up a central Newcastle Skills Hub, both physical and virtual, to integrate disadvantaged groups into the labour market, upgrade the skills of the low-qualified in employment and promote the development of skills which will meet the needs of the future economy. It will also promote apprenticeships, acting as a central point for applicants and helping to reduce costs to SMEs of taking on apprentices.</li> <li>• Newcastle and Gateshead Councils will work together to provide support to 16-17 year olds, creating locally-shaped provision for those who are, or are at risk of becoming, NEET.</li> </ul>	<ul style="list-style-type: none"> <li>• City Skills Fund, which will be used to create a shared understanding of future skill needs of the local economy, to build capacity to develop solutions and to meet the start-up costs of setting up a Newcastle Skills and Apprenticeships Hub.</li> <li>• A renewed partnership with Jobcentre Plus, the National Careers Service and appropriate local agencies, including co-location and exchange of customer data.</li> <li>• Funding of around £1.7m over three years for support for 16 - 17 year old NEETs in NewcastleGateshead, as part of a Youth Contract Pathfinder.</li> </ul>
<p><b>Impact:</b> A more effective service to <b>help more people into work whilst reducing costs</b>; a boost to the economy, by ensuring that firms' skill needs are better met; and a <b>15% increase in apprentices</b> (500 in Newcastle) within three years.</p>	

## **A devolved approach to housing policy and delivery better able to respond to local housing need**

### **Newcastle and Government have agreed:**

- to develop and deliver a Joint Investment Plan in partnership with the Homes and Communities Agency (HCA), using HCA resources and Newcastle's £25 million Future Homes Fund, to deliver 15,000 homes within the urban area, and to improve the functioning of the housing market in Newcastle.

New housing will play a crucial role in supporting economic growth in the city: providing an immediate boost through construction jobs; ensuring that there is a housing offer which supports economic growth; reducing existing strains on transport infrastructure and making sure that all communities benefit from the city's growth and prosperity.

With the HCA and Gateshead Council, we will create a Joint Investment Plan which will set out the details of the delivery of around 15,000 new homes in Newcastle (2,000 over and above current proposals) and 13,000 in Gateshead across a number of priority urban sites. It will also seek to reduce the 8,900 vacant homes (4% of stock) by a quarter. In addition to being a significant economic boost in itself, activity will be aligned with the broader economic strategy and overseen by a Board with senior representatives of Newcastle City Council and the HCA. It will be consistent with the objectives of the LEP and the HCA's sub-national Housing Stewardship arrangements.

We have strong evidence of the private sector failing to develop brownfield housing sites, from research, local knowledge of stalled sites and feedback from developers about the current lack of investment finance. A shortage of suitable homes contributes to significant commuting flows while there is a need to cater for 21,000 additional households in Newcastle over the next 20 years.

Newcastle City Council's contribution to these investment priorities will initially amount to £25m over the next five years – from the New Homes Bonus, S106 payments, capital receipts, Community Infrastructure Levy and prudential borrowing. It will be aligned with appropriate land assets and funding from HCA sources, including Capital Investment Resources and Capital Receipts from disposals. These resources will be assessed and considered in the customary way by HCA, but in the context of the strategic priorities established through the Joint Investment Plan.

Newcastle has an ambitious programme of housing growth but also faces issues of poor quality and choice in the private rented sector. The Council will also extend its advisory role, to provide assurance that people can find the right property and that their tenancy will be secure, and work with landlords to provide them with support and surety.

Where conditions are poor, we want to tighten regulation of the worst performing landlords, with faster enforcement action than Empty Dwelling Management Orders (EDMOs) and similar measures currently allow, including acquiring stock from the very worst landlords and enabling refurbishment and either cooperative ownership, or a return to the market.

We will reduce the number of empty homes by enabling individuals and communities to refurbish homes either individually or as a cooperative. We will seek to extend our Helping Hands programme, a local version of the low cost loan fund advocated recently by Channel 4. We will also assess opportunities to reintroduce support for bringing city centre and

other over-shop properties back in to residential use, and whether commercial properties could be converted into homes.

In order to implement the City Deal, Newcastle and Government have made a number of commitments:

<b>Newcastle City Council commitments</b>	<b>Government Commitments</b>
<ul style="list-style-type: none"> <li>• Creation of a joint Board between the HCA and the council to establish and oversee a Joint Investment Plan. This will direct public and private sector housing finance to accelerate housing development, delivering 15,000 new homes in urban areas, creating over 30,000 new jobs and generating direct economic benefit of £4bn.</li> <li>• To use £25m of council resources (from the New Homes Bonus, capital receipts, and the Community Infrastructure Levy) in the next five years, in pursuit of the Joint Investment Plan.</li> <li>• Working with Gateshead Council, undertake a range of de-risking, investment and regulatory measures to improve the local housing market.</li> <li>• Explore opportunities to enable faster enforcement action against the worst performing landlords, working with DCLG.</li> </ul>	<ul style="list-style-type: none"> <li>• The Joint Investment Board between the HCA and the Council will have strategic influence over the assets owned by HCA in the Newcastle City Council area. The Joint Investment Plan (which will reflect the work of the NewcastleGateshead Housing Advisory Board) will ensure that HCA assets and land – and other investment where appropriate – are pooled alongside land and investment from Newcastle and other partners with the aim of creating a shared return and achieving agreed outcomes. The HCA and council will adopt a simplified and aligned approval process for projects.</li> <li>• The HCA will consult with Newcastle, Gateshead, the North East LEP and others, about the future use of assets from the joint ventures Buildings for Business and OnSite.</li> </ul>
<p><b>Impact: 15,000 new homes</b> (2,000 over and above current proposals); <b>30,000 direct full-time construction jobs</b> – including training and apprenticeship opportunities, direct economic benefit of £4bn; approximately £15m per annum in additional council tax.</p>	

## Connectivity and Transport

### **Newcastle and Government have agreed:**

- to develop an investment programme to reduce congestion on the A1 Western Bypass, working with the Department for Transport, Highways Agency, Gateshead and local partners to reduce journey times on one of the most congested links in the national network; and to finalise an updated business case for the Lobley Hill scheme ahead of the next spending review period, enabling it to be considered for early delivery.
- to invest in super-connected broadband infrastructure, through £4-6 million investment from the Urban Broadband Fund, matched by a commitment from Newcastle City Council, alongside measures to stimulate demand and digital inclusion

Strengthening transport, connectivity and infrastructure is one of the NE LEP's four strategic priorities. The A1 Western Bypass provides a key link for commuter, freight and business journeys across Tyneside. Figures from the Highways Agency suggest that the Lobley Hill to A184 stretch is the third most congested link on the national strategic road network, and the most congested regional link in terms of delay. According to a 2008 study, the average weekday traffic flow was approximately three times its theoretical maximum capacity.

Congestion on the Western Bypass is preventing the expansion of the successful Team Valley Trading Estate (which has reached capacity at 20,000 jobs, and has the potential to increase this by 4,000). Congestion is also a major constraint in bringing forward a number of major housing sites, needed to accommodate population growth. Detailed studies of the Lobley Hill/A184 proposal conclude that it could significantly reduce congestion and provide a strong value for money investment, significantly accelerating economic growth in this key transport corridor for the benefit of the North Eastern LEP Area.

The North East has one of the highest levels of exports in the country and is the only region with a balance of trade surplus. The number of North East companies involved in international trade is also increasing with 1,090 companies now exporting goods around the globe and a record 16% growth in exports compared to the preceding year. The market between the North East and North America is strong, but would grow significantly with direct connections. The development of a transatlantic connection from the airport is an established priority for the NE LEP and a key component of Newcastle's economic growth strategy. This builds on the successful introduction of scheduled services to Dubai, and the recently agreed route to Bergen. We will work with Newcastle Airport on landing this route.

Connectivity goes beyond transport infrastructure. Transforming Newcastle into a Super-Connected City, through the provision of world-class broadband, constitutes a major priority for the Council and its partners. Catalytic investment will boost market confidence that Newcastle is alive to the needs of businesses and striving to improve the city's economic prospects.

In order to implement the City Deal, Newcastle and Government have made a number of commitments:

<b>Newcastle City Council Commitments</b>	<b>Government Commitments</b>
<ul style="list-style-type: none"> <li>• To establish a joint governance, delivery and accountability arrangement between Newcastle and Gateshead councils, DfT and the Highways Agency to address congestion problems on the A1 Western Bypass. This group will be responsible for aligning national and local resources for capital works, traffic management and sustainable travel initiatives.</li> <li>• Develop initiatives through the Tyne and Wear Local Transport Plan capital programme, to improve integration of the local and trunk road network.</li> <li>• Work with the LEP and partner local authorities to develop further local complementary measures for the post 2015 period as part of DfT's devolving local major transport schemes process.</li> <li>• Invest £2.5 million in Tyne and Wear's Urban Traffic Management and Control (UTMC) system to improve management of traffic, whilst implementing a series of behavioural change measures such as cycling and public transport promotion, using the Local Sustainable Transport Fund.</li> <li>• Work with Newcastle Airport to commission an updated economic study of the benefits of a transatlantic route and make the necessary investment from local resources to help in the introduction of that route.</li> <li>• Invest in super-connected broadband infrastructure, through £4-6 million investment from the Urban Broadband Fund, matched by a commitment from Newcastle City Council.</li> </ul>	<ul style="list-style-type: none"> <li>• DfT and the Highways Agency to work with Gateshead and Newcastle councils to develop local transport investment proposals to address congestion problems on the A1 Western Bypass.</li> <li>• To finalise an updated business case for the Lobley Hill scheme ahead of the next spending review period, and to consider this in the prioritisation of future strategic road investment proposals for the next Spending Review.</li> <li>• Invest in super-connected broadband infrastructure, through £4-6 million investment from the Urban Broadband Fund, matched by a commitment from Newcastle City Council.</li> </ul>
<p><b>Impact: Removal of a significant barrier to economic development on the corridor, reduction in congestion, improved journey time reliability and a reduction in accidents. World-class broadband connectivity, enhancing Newcastle's competitiveness.</b></p>	

# Leadership and governance

## **Newcastle and Government have agreed:**

- to work with the seven local authorities represented on the North East Local Enterprise Partnership, to strengthen governance; including the option of a North East Combined Authority with a statutory basis, as a strong platform for further devolution of funding, powers and responsibilities.

Newcastle and its partners recognise the need to ensure strong leadership and governance arrangements, to drive forward the economy and assure the delivery of a complex programme, with new devolved powers.

Government recognises that the option of an elected Mayor was rejected by the people of Newcastle, who instead voted by a large majority to maintain the existing leadership arrangements for the city. Newcastle recognises the responsibility this places on the City Council to deliver effective leadership, working with partners to deliver a Working City, through strong, transparent and accountable institutions.

Each of the measures in the Newcastle City Deal delivers benefits to the wider north east, and have been developed with the support of the North East Local Enterprise Partnership. The Government has highlighted the potential benefits which might be secured from strengthened governance arrangements across the wider north east, covering the seven local authorities which together form the North East LEP. This would include the option of a North East Combined Authority, with a statutory basis. Government commits that, if the North East chooses to establish a Combined Authority, it would be regarded as a strong platform for further devolution of funding, powers and responsibilities, to be delivered through the Comprehensive Spending Review, and through further rounds of city deals. Newcastle City Council and Government are both clear that any progress to strengthen governance arrangements for the north east would be subject to agreement from its constituent local authorities, and consultation with other partners, including the North East LEP and the wider business community. Newcastle City Council supports the establishment of a Combined Authority, and commits to participate actively and constructively in those discussions.

## **ADZ Governance**

Separately, the integrated nature of the sites in the NewcastleGateshead Accelerated Development Zone requires governance arrangements which enable joint decision making. This will help ensure that the ADZ reaches its full economic potential, whilst minimising financial risk. Newcastle and Gateshead therefore intend to further strengthen their Partnership, by giving it formal decision making powers and making it subject to greater public scrutiny and accountability.