

Title: Regional Capability Fund: Memorandum of Understanding and acceptance of grant funding
Portfolio: Home of Real Opportunity
Responsible Director: Charlotte Carpenter, Director of Skills, Inclusion and Public Service Reform
Report Author: Joshua Oware, Head of Innovation and Public Service Reform

Purpose of the report

To seek approval for the North East Mayoral Strategic Authority to enter into a Memorandum of Understanding with the Cabinet Office and accept £500,000 of grant funding to establish the Regional Capability Fund programme within the Innovation and Public Service Reform team.

Recommendations

The Director of Finance and Investment is recommended to:

1. approve the North East Mayoral Strategic Authority entering into the Memorandum of Understanding with the Cabinet Office for the Test, Learn and Grow Regional Capability Grant 2026/27 and 2027/28; and
2. approve acceptance of £500,000 of grant funding to establish and deliver the Regional Capability Fund programme.

Executive Summary

The Cabinet Office has offered the North East Mayoral Strategic Authority £500,000 through the Test, Learn and Grow Regional Capability Grant for 2026/27 and 2027/28. The programme detail is set out in a Memorandum of Understanding supporting Grant Determination Letter No. 31/8536.

The funding will establish the Regional Capability pillar of the Mayor's Innovation Unit. It will strengthen the region's ability to mobilise residents, practitioners, researchers and partners around public service missions, develop and test new approaches, and build lasting innovation capability.

The grant will be paid in two advance instalments of £250,000. The first payment is expected in October 2026 and the second at the start of 2027/28, subject to continuation of the Test, Learn and Grow Programme. Funding may be carried forward between the two financial years but must be fully spent by 31 March 2028.

A. Context

The delegated decision is associated with the Memorandum of Understanding between the Cabinet Office and the North East Mayoral Strategic Authority for the Test, Learn and Grow Regional Capability Grant 2026/27 and 2027/28. The grant will support specialist staffing and programme activity within the Innovation and Public Service Reform team in the Skills, Inclusion and Public Sector Reform Directorate.

Proposed programme

Funding will support two new specialist roles:

- Outcomes Officer (Qualitative), embedding resident experience, frontline insight and qualitative evidence in the design, testing and evaluation of interventions, and connecting lived experience to measurable resident outcomes.

- Challenge and Partnerships Lead, developing regional partnerships, mobilising external expertise and resources, and coordinating challenge-led innovation and capability transfer across the region.

The roles will establish and deliver a practical programme of regional innovation, including:

- a challenge fund through which residents, practitioners and partners can co-design, develop and test solutions to core Mayoral challenges;
- innovation fellowships, hackathons and knowledge partnerships that mobilise specialist expertise around specific challenges;
- resident assemblies, potentially including virtual deliberation with a leading technology provider, and a sustained, ethical lived-experience participation model;
- a potential hub-and-spoke model, including time-limited funding for one or two innovation roles embedded within local authority services; and
- knowledge transfer, evaluation, communications, prototyping, digital and data activity.

The intention is to establish lasting regional capability that can originate opportunities, respond to Mayoral challenges, translate successful interventions into wider adoption and build innovation capability through practical delivery.

Indicative funding allocation

Spend area	Allocation
Two specialist roles, including overheads (fixed term for 18 months subject to approval from the North East MSA's Resourcing Advisory Panel)	£175,000
Innovation/challenge fund and hub-and-spoke embedded local authority innovation	£120,000
Resident participation, assemblies and virtual deliberative pilot	£75,000
Fellowships, hackathons and specialist partnerships	£75,000
Knowledge transfer, evaluation and communications assets	£30,000
Prototyping, digital and data tools	£25,000
Total	£500,000

Alternative option considered

The alternative is not to enter into the Memorandum of Understanding and therefore not to accept the associated grant funding. This would mean that the specialist staffing and procured support proposed to meet the wider aims of the Innovation and Public Service Reform team could not be funded through this grant.

B. Impact on North East Mayoral Strategic Authority Objectives

The programme will support the Mayor's Innovation Unit by strengthening regional capability to address public service missions, involve residents and partners in the design and testing of interventions, and spread successful approaches across the region.

C. Key risks

- Funding continuation: The second £250,000 instalment is conditional on the continuation of the Test, Learn and Grow Programme. If the programme does not continue, the MSA will not receive the second tranche of funding, which could require planned activity to be scaled back or ceased. This risk will be mitigated using fixed-term recruitment and procurement arrangements with appropriate break clauses, ensuring the MSA does not incur unfunded liabilities.
- Spend deadline: All grant funding must be fully spent by 31 March 2028. Failure to deliver activity and incur expenditure within the grant period could result in unspent funding needing to be returned, reducing the scale and impact of the programme. This risk will be managed through robust programme management, delivery planning and financial monitoring to ensure expenditure is incurred within the required timeframe.

D. Corporate Implications

D1. Financial and other resources implications

The North East Mayoral Strategic Authority will receive £500,000 in grant funding, paid in two advance instalments of £250,000. The first payment is expected in October 2026 and the second at the start of 2027/28, subject to programme continuation. Funding may be carried forward between the two financial years and must be fully spent by 31 March 2028. The proposed allocation includes two specialist roles for 18 months and programme delivery costs.

D2. Legal implications

The comments of the representative of the Monitoring Officer have been included in the report.

D3. Equalities implications

The North East MSA complies with the Public Sector Equality duty and this report has due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. The proposed programme includes resident participation and an ethical lived-experience participation model.

D4. Consultation and engagement

The proposed programme includes co-design with residents, practitioners and partners, resident assemblies and partnership working. Details of consultation undertaken in developing this proposal are to be confirmed by the report author.

E. Appendices

None.

F. Background papers

- Memorandum of Understanding between the Cabinet Office and the North East Mayoral Strategic Authority for the Test, Learn and Grow Regional Capability Grant 2026/27 and 2027/28.
- Grant Determination Letter No. 31/8536.

G. Contact officers

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H. Glossary

Term	Meaning
Regional Capability Fund	The programme funded through the Test, Learn and Grow Regional Capability Grant.

Memorandum of Understanding	The agreement setting out programme detail supporting the grant determination.
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