

Cabinet

Tuesday, 30 July 2019 at 2.00 pm

Meeting to be held: Committee Room, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

www.northoftyne-ca.gov.uk

AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

Note: The Audit and Standards Committee has granted dispensations to Cabinet members so that they may participate in decisions which relate to the constituent authority which appointed them.

3. **Minutes of the Previous Meeting**

1 - 6

4. **Investment Fund Update**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985.

5. **Local Full Fibre Network** **7 - 16**
6. **Annual Financial Report 2018/19**
- Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985.
7. **2019/20 Q1 Financial Management Report** **17 - 24**
8. **Adult Education Budget Devolution update** **25 - 32**
9. **Date and Time of the Next Meeting**

Tuesday, 24 September 2019 at 2pm in a Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH.

Contact Officer: Victoria Miller
Tel: 0191 211 5118
Email: Victoria.Miller@northoftyne-ca.gov.uk



North of Tyne Combined Authority, Cabinet

4 June 2019

Meeting held: Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

Minutes

Present:

Chair: Mayor J Driscoll

Councillors W Daley (part of meeting), N Forbes, C Homer (part of meeting), P Jackson (part of meeting), C Johnson, J McCarty and N Oliver (part of meeting), Mayor N Redfearn and Mr A Hodgson

1 ANNOUNCEMENTS FROM THE MAYOR

Jamie Driscoll, the Elected Mayor of the North of Tyne Combined Authority and the Chair of Cabinet, opened the meeting and welcomed everyone present.

The Mayor thanked everyone for their support both during the election process and now that he was in office. He spoke about aspirations, capacity, engagement and commitment to deliver improvements for the North of Tyne and welcomed the progress made to date.

2 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor B Pickard.

3 DECLARATIONS OF INTEREST

Councillors P Jackson and W Daley declared a non-participation interest in agenda item 8 (Investment Fund Update) due to being Directors of Advance Northumberland and left the room for the duration of the consideration of that agenda item. Their Substitute Members, Councillors N Oliver and C Homer, deputised for them during the consideration of that agenda item.

4 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 24 April 2019 were approved as a correct record and signed by the Chair.

Matters Arising

School Improvement Strategy and Education Challenge

(Minute 41 refers)

Councillor W Daley, as Portfolio Holder for Education Improvement, referred to the principles and key elements of the Education Challenge, stressed the importance of that commitment and provided an update on the meeting with the Department for Education regarding the timetable and the NTCA commitment to delivering a pioneering Education Challenge.

5 APPOINTMENTS TO CABINET, COMMITTEES AND OTHER BODIES

Submitted: A report of the Interim Monitoring Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which set out its membership, the proposed appointments to the committees of NTCA and other bodies and the process to appoint Mayor's Ambassadors for Business and the Community and Voluntary Sector (CVS). The report was introduced by the Interim Monitoring Officer.

The Mayor advised the Cabinet that he was appointing Mayor Norma Redfearn as Deputy Mayor of NTCA.

RESOLVED – That:

- i. the Cabinet membership set out at Appendix 1(a) be noted;
- ii. the allocation of Cabinet portfolios set out at Appendix 1(b) and the schedule of meetings for the municipal year 2019/20 set out at Appendix 1(c) be agreed;
- iii. the approach to the appointment of the Mayor's Ambassador for Business and the Mayor's Ambassador for CVS set out in section 2 of the report be agreed and the Interim Head of Paid Service, in consultation with the Mayor, be authorised to finalise the details of, and then implement, the application processes;
- iv. the membership of the Overview and Scrutiny Committee, Audit and Standards Committee and the Housing and Land Board as set out in Appendix 3 be agreed;
- v. the appointment of members and substitute members to the Joint Transport Committee and the Tyne and Wear Sub-Committee as set out in paragraphs 6.1 and 6.2 be agreed;
- vi. Councillor Nick Forbes be NTCA's representative on the Board of Transport for the North (TfN) and Councillor Peter Jackson be the substitute member; and

- vii. Councillor Carl Johnson be NTCA's representative on TfN's Scrutiny Committee and Councillor Bruce Pickard be the substitute member.

6 **DRAFT 2018/19 OUTTURN STATEMENT AND DRAFT 2018/19 STATEMENT OF ACCOUNTS**

Submitted: A report of the Interim Chief Finance Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which advised it of the draft outturn position for the period ended 31 March 2019. The report was introduced by the Interim Chief Finance Officer.

RESOLVED – That:

- i. the information contained in the report be noted; and
- ii. the intention to present the audited 2018/19 Statement of Accounts to Cabinet on 30 July 2019 be noted.

7 **NORTH OF TYNE ADULT EDUCATION BUDGET DEVOLUTION**

Submitted: A joint report of the Interim Monitoring Officer and Head of Inclusive Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which sought approval to consent to the making of the legal order by the Secretary of State for Education to devolve the Adult Education Budget (AEB) to NTCA from the academic year 2020/21 onwards. The report was introduced by the Monitoring Officer.

Members commented on the importance of the AEB devolution, which was a core part of the Devolution Deal for the North of Tyne and which would help to enable NTCA to take responsibility for the provision of adult education, address the skills gap and shape a better future for the North of Tyne area. Members welcomed the progress.

In welcoming AEB devolution, Members agreed to continue, with other combined authorities, to lobby the government to ensure there was enough funding to provide the capacity to manage and deliver the AEB devolution.

RESOLVED – That the Interim Head of Paid Service be authorised, in consultation with the portfolio holder, to:

- i. provide written confirmation to the Secretary of State that NTCA consented to the making of the order which would devolve the Adult Education Budget to NTCA as set out in the report; and
- ii. complete the Memorandum of Understanding between NTCA and the Secretary of State which would set out the agreed ways of working between the parties.

8 INVESTMENT FUND UPDATE

Submitted: A report of the Interim Director of Inclusive Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on investment decisions which had been made, invited further decisions on the allocation of funding and sought associated authorisations and approvals.

The Chair and Members asked for their thanks to everyone who was involved in progressing and delivering programmes and projects to be recorded.

RESOLVED – That:

- i. the funding requests for the Woodhorn Charitable Trust and Kielder Observatory Astronomical Society proposals as part of the STEM and Digital Skills Programme be agreed.
- ii. the outcome of the external appraisal undertaken for the NTCA Inward Investment Fund be noted and the Interim Head of Paid Service be authorised to approve individual applications in consultation with the NTCA Investment Panel.
- iii. a £3m allocation of the Inclusive Economy Innovation Fund to the Employability and Skills (phase 1) programme be agreed and the Interim Head of Paid Service be authorised, in consultation with the Investment Panel to:
 - finalise and publish the call documentation that will launch the fund in June 2019, given the time critical nature of the approach;
 - approve the assessment criteria for applications; and
 - approve subsequent in-principle offers of match funding to successful applicants in consultation with the Investment Panel.
- iv. Business Case Development funding of £70,000 for the Transforming North of Tyne's Transport proposal and £52,500 for the Energy Central Hub proposal be approved.
- v. the Interim Head of Paid Service be authorised to finalise the conditions to be attached to the above funding awards and the Interim Monitoring Officer be authorised to complete the necessary documentation.

9 INVESTMENT FUND UPDATE: FULL FIBRE PROGRAMME BID UPDATE

Submitted: A report of the Interim Director of Inclusive Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on the application by the North of Tyne Combined Authority (NTCA) to the Department for Digital, Culture,

Media and Sport (DCMS) Full Fibre Programme and asked the Cabinet to reconfirm its support for the bid and its successful delivery.

Members noted the role and importance of advanced digital connectivity for the North of Tyne. Members also noted the stages of the progress of the bid within the government programme and the work to reinstate it.

The Chair and Members thanked everyone involved for their hard work.

RESOLVED – That:

- i. the progress with the bid to the Government's Full Fibre Programme be noted;
- ii. NTCA's support for the bid to the Government's Full Fibre Programme with the aim of significantly improving digital connectivity across the area, especially in rural areas, be reconfirmed;
- iii. NTCA's intention to act as the accountable body for this project and run the necessary procurement exercise be confirmed; and
- iv. a full paper to formally approve the details of this be brought to the July 2019 meeting.

10 **DATE AND TIME OF THE NEXT MEETING**

Tuesday, 30 July 2019 at 2pm.

This page is intentionally left blank

Subject: Local Full Fibre Network

Report of: Interim Director of Inclusive Growth

Portfolio: Business Competitiveness

Report Summary

The purpose of this report is to update Cabinet on the application by the North of Tyne Combined Authority (NTCA) to the Department for Digital, Culture, Media and Sport (DCMS) earlier this year for investment from its Local Full Fibre Networks (LFFN) Programme.

NTCA has been successful in securing £12m of investment, paving the way for a rollout of fibre internet connections to public buildings across the region, drastically improving the speed and reliability of digital connections across the entire area. The funding from DCMS will be focused on the region's rural areas which traditionally struggle to attract this kind of funding and will complement the wider NTCA Digital Infrastructure Programme.

Recommendations

The Cabinet is recommended to:

1. Welcome the award of £12m funding from DCMS for the Northumberland Gigabit Project.
2. Agree that NTCA enter the LFFN assurance process, including the provision of relevant procurement and Project information.
3. Authorise the Interim Head of Paid Service in consultation with the Monitoring Officer and the Head of Finance, to finalise, agree and execute (a) a grant agreement with DCMS for the receipt of the funding for the Northumberland Gigabit project and (b) an agreement with Northumberland County Council relating to the release and defrayal of that funding.
4. Approve in principle a budget of up to £550k to support delivery of the NTCA Digital Infrastructure Programme (which will include progressing the Northumberland Gigabit project through the assurance process) and authorise the Interim Head of Paid service, in consultation with the Investment Panel, to consider and approve the allocation of that budget from the Investment Fund following the submission of a full business case.
5. Note the development of the Urban Gigabit Project and that a further update will be provided once proposals are finalised.

1. Background

- 1.1 Cabinet have previously been updated that NTCA and the constituent Local Authorities have been developing a Digital Infrastructure Programme (DIP) to improve digital infrastructure for public sites across the entire North of Tyne area. This programme consists of two specific elements - firstly, the Northumberland Gigabit Project and the submission to the Government's Local Full Fibre Programme and, secondly, the NTCA Urban Gigabit project which involves the public sector working with the private sector to improve connectivity in the urban areas. The DIP aims to significantly improve digital connectivity across the area by pooling purchasing power and using the Government's Full Fibre Programme investment to extend fibre across the entire area.
- 1.2 The NTCA recognises that having widely available, high-speed, affordable and reliable connectivity to businesses and residents is crucial in maintaining economic competitiveness and achieving social inclusion. In March 2019, Cabinet approved a Business Case Development Fund application to develop the full business case bid into the Government's LFFN Challenge Programme or other possible funding opportunities. Subsequently in June 2019 Cabinet were updated on the progress of the application and reconfirmed their support for the bid to the Government's LFFN Programme. Following a review by DCMS's Commercial Panel on 19th June 2019 and their Investment Panel on the 9th July 2019, NTCA have been successful in securing £12m for the Northumberland Gigabit project subject to an assurance phase. NTCA, as a combined authority, was able to secure a higher level of funding than if Northumberland County Council had applied individually and also provides the opportunity to bring together a coordinate programme which will improve connectivity across the entire NTCA area.
- 1.3 The Government's LFFN Programme aims to stimulate commercial investment in full fibre networks across the whole of the UK landscape by demonstrating approaches that encourage additional private investment and by making sustainable commercial deployments viable. Central and local government are working together to ensure that communities which may otherwise not have access to fibre at all or would be at the very end of a lengthy programme are connected to fibre in line with the UK Government's ambition of all premises connected to fibre infrastructure by 2033

2 NTCA Digital Infrastructure Programme

- 2.1 The NTCA DIP, through the Northumberland Gigabit and NTCA Urban Gigabit project, will deliver full fibre capability across the region and support the Government's target of full fibre by 2033. In the North of Tyne current fibre provision is less than the UK national average with North Tyneside recording just 0.5% fibre connectivity and Northumberland recording 2%. The wider North East region was also ranked last for fibre connectivity in the latest Think Broadband report.
- 2.2 The NTCA DIP will seek to accelerate supplier investment in future-proofed communications infrastructure. The core premise of the programme is to create a significant investment in gigabit capable connections to a number of public sites across the NTCA area. The programme will aim to connect over 740 public buildings to new infrastructure which will offer future proofed connectivity for council buildings, health and social care sites and schools and has the potential to bring fibre

infrastructure within geographic reach of c.232,000 additional properties. Connections to public sector sites will encourage greater investment in core network infrastructure which in turn will improve the overall digital connectivity of the area.

- 2.4 The NTCA DIP, alongside key infrastructure investment such as the transatlantic link to the EU, will together provide the infrastructure to support significant national research assets within the NTCA region including the National Innovation Centre for Data, the National Innovation Centre for Ageing (NICA) and the National Centre for Energy Systems Integration, whilst enabling the deployment of new technology such as 5G. The infrastructure and knowledge assets will together support economic growth and also enable public sector reform and efficiencies.
- 2.5 The NTCA Urban Gigabit Project involves the public sector working with the private sector to improve connectivity in the urban areas; however, the predominantly rural Northumberland sites require specific support. The application to the DCMS LFFN programme has secured £12m of government investment to help accelerate the deployment of infrastructure to public sector sites within Northumberland. Full proposals for an Urban Gigabit Project are currently being developed with Local Authorities and providers, and final proposals will be subject to relevant approvals by the Local Authorities.
- 2.6 The Northumberland Gigabit project, dependant on final agreed approach, will deliver the fibre required to service the identified 313 sites and could bring fibre connectivity within reach of c84,000 additional properties. The Northumberland Gigabit project is also projected to deliver productivity gains equivalent to c.£2m per annum based on the greater potential to utilise shared resources; less travel and associated costs; increased opportunity for citizen self-service; and the ability to better support an ageing population through use of digital technologies. In addition, this project will provide a test-bed for DCMS to trial their outside-in approach at scale. This approach has been recognised as an approach to connect hardest to reach areas at the same pace as the rest of the country.

3 **Implementation**

- 3.1 Following the DCMS Investment Panel decision on the allocation of funding for the Northumberland Gigabit Project the project will enter an assurance stage due to be completed by November 2019. The project will commence delivery in November 2019 and complete by January 2021. The timetable for the NTCA Urban Gigabit project will follow a different timeline and is currently in development.
- 3.2 The NTCA DIP will run over 3 years and project costs to support the entire programme (Northumberland Gigabit project and Urban Gigabit project) will include direct staff, distributed staff where existing staff will spend some time supporting this programme and procurement resource to manage the procurement process and support the direct team. The project management costs have been estimated for the wider NTCA DIP to be in the region of £2,000,000. The vast majority of these costs will be incurred by the three constituent authorities and are costs associated with the implementation of the wide area networks which constituent authorities would have incurred even if not working collaboratively on the NTCA DIP. These costs will be

aligned to the NTCA DIP supported by some additional resource to support the delivery of the entire programme.

- 3.3 A full business case to the Investment Fund is being developed for the resource necessary to support the delivery of the NTCA DIP which will include taking the Northumberland Gigabit project through the assurance phase. Cabinet are asked to endorse this approach, and approve in principle a budget of up to £550k and authorise the Interim Head of Paid Service, in consultation with the Investment Panel, to consider and approve the allocation of that budget from the Investment Fund following the submission of a full business case.

4. Potential Impact on Objectives

- 4.1 The DIP directly supports the NTCA vision and specifically the 'Network of Connections' pillar which incorporates both digital and physical connectivity. The NTCA is focusing connecting communities to employment and training opportunities through good quality digital connectivity and local transport.

Against this strategic backdrop the NTCA DIP programme will accelerate supplier investment in future proofed communications infrastructure. The core of which is to create a significant investment in Gigabit capable connections to a number of public sites across the North of Tyne area.

5. Key Risks

- 5.1 A risk register has been developed to ensure that risks are managed appropriately throughout the project

6. Financial and Other Resources Implications

- 6.1 DCMS have confirmed that, subject to the terms of the funding letter (see Appendix A), the Project has been conditionally approved for Challenge Fund funding under the LFFN Programme. The funding states that the applicant must ensure that the full site list agreed through the assurance process is delivered and that, should delivery go beyond LFFN budget availability of the 31st March 2021, the applicant will underwrite such remaining delivery costs. It is proposed that Northumberland County Council would carry this liability and this liability will be transferred to the supplier during the procurement process.

7. Legal Implications

- 7.1 The comments of the Interim Monitoring Officer have been included in this report. The terms of the grant agreement with DCMS and the related agreement with Northumberland County Council will seek to ensure an appropriate allocation of risk as set out above. An initial state aid assessment has indicated that the proposals entail no state aid but this issue will be reviewed as part of the DCMS assurance process, as will the appropriate procurement strategy.

8. Consultation/Engagement

8.1 NTCA has hosted a supplier event to gauge interest from the market which was very well represented and have increased engagement during the development of the bid for the LFFN programme and the development of the NTCA DIP.

9 Appendices

9.1 Appendix A DCMS offer letter

10. Background Papers

None

11. Contact Officers

11.1 Tom Warburton, Interim Director of Inclusive Growth, tom.warburton@northoftyne-ca.gov.uk

12. Glossary

DIP	Digital Infrastructure Programme
DCMS	Department for Culture, Media and Sport
FTTP	Fibre to the premise
LFFN	Local Full Fibre Network
NICA	National Innovation Centre for Ageing
NTCA	North of Tyne Combined Authority

13. Sign-off

13.1 Interim Head of Paid Service: Yes

Interim Monitoring Officer: Yes

Interim Chief Finance Officer: Yes

This page is intentionally left blank



10th July, 2019

Tom Warburton
Interim Director of Inclusive Economy
North of Tyne Combined Authority
3rd Floor Quadrant West
2 Quicksilver Way
Cobalt Business Park
Newcastle upon Tyne
NE27 0QQ

Dear Tom,

LFFN Programme Conditional Offer Letter in respect of the North of Tyne Combined Authority project.

1. I am pleased to confirm that, subject to the terms of this letter, the Project has been conditionally approved by the Department for Digital, Culture, Media and Sport ("DCMS") for Challenge Fund funding under the LFFN Programme.

Funding amount and conditions

2. The capital funding amount that has been approved by DCMS is £12,000,000 and is conditional on the following:
 - (a) the applicant's compliance with:
 - (i) the LFFN Assurance Process (including the provision of relevant procurement and Project information), the details of which are summarised below and as further notified by DCMS to the applicant from time to time; and
 - (ii) any conditions set out in any applicable LFFN checkpoint confirmation letter issued by DCMS;
 - (b) the agreement and execution of a non-disclosure agreement with DCMS, which shall be substantively in the form provided by DCMS;

- (c) the agreement and execution of a grant agreement with DCMS, which DCMS shall prepare based on the generic template grant agreement provided by DCMS ("**Grant Agreement**");
- (d) the applicant's on-going compliance with the terms of the Grant Agreement once executed;
- (e) the scope of the Project remaining consistent with the scope of the Project approved by DCMS at the date of this letter, unless DCMS approves or requires otherwise in writing;
- (f) the funding being used only for Qualifying Capital Expenditure as defined in the Grant Agreement;
- (g) all of the applicant's costs to be funded by DCMS are incurred (but not necessarily defrayed) by 31 March 2021 or as otherwise specified in the Grant Agreement;
- (h) the applicant permitting DCMS to observe the applicant's procurement and bid evaluation processes, including being present at meetings (both with bidders and at meetings internal to the applicant) but not actively participating in the meetings (unless requested otherwise by the applicant) or any applicant decision-making process;
- (i) the applicant requiring its suppliers to comply with relevant terms set out in LFFN Programme documentation provided to the applicant; and
- (j) the applicant supporting DCMS in delivering the wider LFFN Programme and developing best practice, including attending networking events with other applicants and industry with the intention of sharing ideas and solving problems.
- (k) the applicant will ensure that the full site agreed at Gate C assurance (or subsequent amendments agreed in writing by DCMS) is delivered and that should delivery go beyond LFFN budget availability of the 31st March 2021 the applicant will underwrite such remaining delivery costs.

Funding status

- 3. This letter is issued on the basis that the specific level of funding for the Project:
 - (a) will be determined by DCMS during the LFFN Assurance Process and will be set out in the Grant Agreement as executed by the applicant and DCMS following the achievement of LFFN Assurance Gate C; and
 - (b) may differ from the funding amount set out in paragraph 2 above.
- 4. DCMS shall not be obliged to pay any funding for the Project unless and until such time as the Grant Agreement is executed by DCMS and the applicant.

LFFN Assurance Process

Following Checkpoint A, DCMS will continue to work with the applicant in developing the Project and progressing through future Checkpoints:

- Checkpoint B (Authority to Procure): Continued testing of Project readiness, with additional focus on the procurement process, including procurement strategy and

documentation, method to ensure value for money, sufficient balance of risk between DCMS, public body and the private sector (where applicable), management information, state aid considerations (where applicable) and process for milestone payments.

- Checkpoint C (Ready to Contract): Continued testing of Project readiness, with additional focus on confirmation of sufficient funding and necessary approvals being in place, contract management and financial treatment processes, Grant Agreement ready for signature, milestone payment process agreed, audit processes confirmed.
- Checkpoint D1, D2 etc: Will take place during the delivery phase of the Project to review progress against milestones and assess success measures.
- Checkpoint E1, E2 etc: Will assess any fibre contract variations that require DCMS approval in accordance with the Grant Agreement.
- Checkpoint F: Review completion of the Project against success measures and confirm closure.

I look forward to the Project progressing through the LFFN Assurance Process and it being successfully delivered.

Yours sincerely

Timm Houltby
Project Director

This page is intentionally left blank

Subject: 2019/20 Q1 Financial Management Report

Report of: Janice Gillespie, Interim Chief Financial Officer

Report Summary

This report is the first monitoring report to Cabinet on the 2019/20 financial position. The report brings together the forecast financial position for both the Corporate and Investment Fund budget and provides the first indication of the potential position of the Authority at 31st March 2020. It also sets out the potential position on Reserves at the year end.

The authority is still in the early stages of set up, but as we have moved through the first quarter significant progress has been made in respect of the appointment of permanent staff, and in terms of the Investment Fund Cabinet have approved a number of projects/programmes which will begin to deliver over the next quarter.

The report also includes details of the proposed use of the EU grant that was received late in 2019/20 which Cabinet is asked to approve.

Recommendations

The Cabinet is recommended to:

1. note the forecast budget monitoring position for the authority as set out in paragraphs 1.2, 1.3 and 1.4 and,
2. approve the use of the EU grant as set out in paragraph 1.2

Background Information

1.1 Summary

Cabinet approved the 2019/20 budget on 12th March 2019. Included in that budget was estimated expenditure across the year for both a Corporate Budget and the Investment Fund.

The budgets were set at a very early stage in the development of the authority and were based on a range of estimates in terms of the establishment of the authority's staffing structure, and the processes development to support delivery of projects and programme aimed at delivery against the vision of the authority.

1.2 Q1 Financial Management Corporate Budget

The corporate budget for 2019/20 set a zero net income / expenditure position, continuing its set up activities, the election of a new Mayor, and remaining recruitment of capacity to deliver the authority's vision.

Table 1 below sets out the forecast outturn position across the key income and expenditure heads as approved by Cabinet. In total there is a small forecast net surplus of £0.021m at the year end. As we move through the financial year any forecast surplus will be adjusted against the contribution from the Investment Fund, currently an estimated £2.400m. For the purposes of transparency this has not been amended for the first report to Cabinet.

Table 1 Q1 Budget Monitoring 2019/20 Corporate Budget

	Budget	Forecast	Variance
Expenditure	£'000	£'000	£'000
Staffing	1,603	1,571	-32
Mayor and officer	170	212	42
Advisors	305	305	0
Miscellaneous (includes election spend)	1,405	1,474	69
Sundry Grant Expenditure	0	91	91
SLA's	197	197	0
JTC Levy	27,074	27,074	0
Total Expenditure	30,754	30,924	170
Income			
Contributions from the constituent Authorities	(-150)	(-150)	0
Mayoral Capacity Fund	(-1,000)	(-1,000)	0
Investment Fund	(-2,400)	(-2,400)	0
AEB Income	(-130)	(-130)	(-0)
Interest Receivable	0	(-100)	(-100)
Use of Reserves		(-91)	(-90)

JTC Levy	(-27,074)	(-27,074)	0
Total Income	(-30,754)	(-30,945)	(-191)
NET (Income)/Expenditure	0	(-21)	(-21)

Corporate Expenditure Variances

Staffing

Whilst still early days progress has been made. In line with the agreed financial envelope, to date 14 posts now been filled. Recruitment is in progress for a further 10 posts some of which are currently being filled by seconded staff (6).

Overall the cost of the establishment remains largely in line with the budget, currently projecting an overall over-commitment of £0.010m. The timing or recruitment is such that the one-off expenditure associated with the appointment of the director posts is contained within the overall staffing envelope.

Advisors

There is currently a relatively low level of commitment against this budget; however, as this is early in the financial year a prudent forecast has been assumed that the budget will be expended in full.

Miscellaneous expenditure including election

This category contains both positive and negative variances with a predicted net over-commitment of £0.069m.

The cost of the election is forecast to underspend in the region of £0.045m after a contingency of £0.030m for costs not finalised. Accommodation spend is predicted to be £0.045m over budget, this includes one off project management costs of £0.021m. Investment in ICT Equipment and furniture of £0.056m has been incurred this will be presented as capital expenditure in the future, but as this is funded by revenue there is will be no change to the overall funding position of the authority.

Sundry Grant Expenditure

Cabinet are aware that late in 2019/20 the authority was awarded a £0.091m grant to support the preparations for the exit from the European Union and further to this Cabinet agreed a proposed approach to BREXIT agreed at its meeting on 5 February 2019 with the recommended approach based on:

- continuing to work with the NELEP and other colleagues in the NE, to ensure a 'no wrong door' approach to responding to businesses;
- using the funding provided by Government to mayoral combined authorities to respond to adverse outcomes and where possible take advantage of opportunities;

- exploring practical ways in which we can support businesses;
- ensuring that the North of Tyne is attractive to international investors;
- engaging directly with Government
- working with other Mayoral Combined Authorities to make the case for the devolution of any future additional funding – to replace the ESIF funding that the area will lose, to take advantage of new BREXIT opportunities and to counter any negative economic impacts.

Officers have worked with the LEP and are proposing to make a contribution of £0.090m to support additional capacity over the next 2 years to support the delivery of a Brexit work programme over the North of Tyne and North East Combined Authority area, and £0.050 in respect of the specific work programme.

Service Level Agreements

The Service Level Agreements (SLAs) cover IT, insurance, communications, payroll, governance, audit and HR. Whilst some of these are still being updated for 2019/20, there is no material change expected to the overall financial envelope for these costs.

Joint Transport Committee levies

These will remain as per budget.

Other Income Variances

AEB Income

Following the budget being set the authority secured approval for the AEB implementation grant to support additional capacity. The increased income forecast directly relates to staff costs proposed to be funded by this grant during 2019/20.

Interest Receivable

The authority has now received £40m of the devolved funding to date current treasury management activity is securing interest, albeit at a relatively low rate.

1.3 Investment Fund Q1 Monitoring

There has been little actual expenditure defrayed to date, but signed contracts are now in place for some projects approved by Cabinet in the later part of 2018/19 and the first quarter of 2019/20.

The following Tables summaries approvals by Cabinet to date (not including any approvals presented to Cabinet at this meeting), and how these are currently profiled over future years. These committed work streams total £1,034k during this financial year.

Table 2 Investment Fund Commitments	Total Project Cost	Investment Fund Commitment Approved
	£'000s	£'000s
Business: Inward investment	20,100	3,000
People: STEM and Digital Skills	731	635
Place: Culture, creative and tourism	400	400
Project D&D: Business case development fund	1,379	1,041
Economic Inclusion programme	6,000	3,000
Total	28,610	8,077

Table 3 Forecast Investment Fund Approved spend profile	Financial year				Total
	19/20	20/21	21/22	22/23	
	£'000s	£'000s	£'000s	£'000s	
Business: Inward investment	0	1,000	1,000	1,000	3,000
People: STEM and Digital Skills	129	202	197	108	635
Place: Culture, creative and tourism	400	0	0	0	400
Project D&D: Business case development fund	505	464	72	0	1,041
Economic Inclusion programme	0	1,000	2,000	0	3,000
Total	1,034	2,666	3,269	1,108	8,077

What can be seen from Table 2 above is that a significant level of leverage anticipated to be secured through the investment decisions made to date.

In terms of projecting the overall forecast outturn for the Investment fund for 2019/20 at this stage in the year the assumption has been made that all lines of the budget will be as

planned. This is illustrated in Table 4 below.

Table 4 Q1 Budget Monitoring Investment Fund	Budget 19/20	Forecast 19/20	Variance
	Budget	Forecast	Variance
Expenditure	£'000	£'000	£'000
Supporting Business Case development	750	750	0
Work streams	975	975	0
Technical Support	250	250	0
Contribution to Corporate Costs	2,400	2,400	0
Total Expenditure	4,375	4,375	0
Income			
Investment fund	(20,000)	(20,000)	0
Total Income	(20,000)	(20,000)	0
NET (Income)/Expenditure	(15,625)	(15,625)	0
Investment Reserve Brought forward	(19,012)	(19,550)	(538)
Net Investment Fund Reserve Carried Forward	(34,637)	(35,175)	(538)

1.4 Movement in Reserves Statement

Based on the current assumed forecast outturns set out above in paragraphs 1.2 and 1.3 an update on the reserves position is shown in Table 4 below.

Table 4 Movement in Reserves

Opening Balance 1 April 2019	Transfer in/(out) during 2019/20	Closing Balance 31 March 2020	Reserve
£'000	£'000	£'000	
91	0	91	Homeless Veteran Grant
91	-91	0	Preparing to Exit EU Grant
200	0	200	Strategic Reserve
19,551	15,625	35,176	Investment Fund Reserve
19,932	15,534	35,466	

Officers are working with the three constituent North of Tyne Authorities to determine the appropriate use of the Homeless Veteran Grant with a report being brought back to Cabinet on the proposed use.

2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority, detailing the key priorities and the first steps in the journey around the six key pillars. The budget will enable the Authority to properly discharge its functions and assist in delivering the Authority's vision, policies and priorities.

3. Key Risks

- 3.1 There are no key risks identified at this time.

4. Financial and Other Resources Implications

This is substantially a financial report with all implications set out in the details of the report.

5. Legal Implications

There are no legal implications.

6. Consultation/Engagement

Consultation has taken place with the key personnel and interested parties involved in the managing the authority's budget.

7. Appendices

7.1 None

8. Background Papers

8.1 12th March Report to Cabinet 2019-2022 Financial Plan and Budget

9. Contact Officers

9.1 Janice Gillespie, Chief Finance Officer, janice.gillespie@northoftyne-ca.org.uk
Donna Martin, Principal Accountant, donna.martin@northoftyne-ca.org.uk

10. Glossary

10.1 None

11. Sign-off

11.1 Interim Head of Paid Service: Yes
Interim Monitoring Officer: Yes
Interim Chief Finance Officer: Yes

Subject: Adult Education Budget Devolution update

Report of: Head of Inclusive Growth

Portfolio: Employability and Inclusion

Report Summary

The purpose of this report is to provide Cabinet with a progress update on the devolution of the Adult Education Budget and to seek approval for the proposed approach and next steps

Recommendations

The Cabinet is recommended to

1. Welcome the progress being made on devolving the Adult Education Budget
2. Approve the proposed approach and next steps

1. Background information, proposals and timetable for implementation

Background information

- 1.1 As set out in the report to Cabinet on 4 June 2019, the devolution of the Adult Education Budget (AEB) depends on the making by the Secretary of State of a statutory order to transfer the relevant functions to NTCA. The Secretary of State can only make that order if NTCA and the three constituent authorities provide their consent. Therefore Cabinet agreed on 4th June to authorise the Interim Head of Paid Services, in consultation with the Portfolio Holder, to provide written confirmation on behalf of NTCA to the making of the order. The Cabinet of each constituent authority passed similar resolutions and all four authorities have confirmed to the Secretary of State that they consent to the making of the order.
- 1.2 Furthermore, the DfE have also confirmed to NTCA that they are satisfied that NTCA have met the tests regarding the SoS and Accounting Officer obligations. Work will now continue to lay the order to transfer the necessary adult education functions to NTCA.
- 1.3 NTCA's indicative devolved Adult Education Budget for the 2020/21 academic year (AY) is circa £22,705,814, based on 2017/18 data.
- 1.4 The devolved AEB allocation to NTCA is based on providers' delivery to North of Tyne residents in the Academic Year (AY) 2017/18. AY 2017/18 full data has been used as the baseline for all devolved Mayoral Combined Authorities (MCAs) to provide stability across devolved and non-devolved AEB participation budgets.
- 1.5 For planning purposes, (subject to the spending review) MCAs, the GLA and the ESFA will receive the same percentage share of the 2017/18 AEB allocation year on year.
- 1.6 Supporting our residents to acquire the skills needed to secure and progress in employment is at the heart of the NTCA Vision. Taking control of a devolved AEB will support us to meet this ambition. The devolved AEB will support two of the NTCA Pillars of Ambition:
Leaders of Tomorrow - *Driving up educational standards to deliver inclusive prosperity. Develop a new relationship with post-16 skills and training providers, including through the use of the Adult Education Budget, to better align our skills offer to the needs of the local labour market.*
Hotbed of Talent - *Giving everyone the opportunity to thrive. Empowering our people with the skills and resources they need to take ownership of their futures and secure good jobs with fair wages.*

Proposal

- 1.7 The AEB is intended to fund provision that supports the local labour market and economic development. It focuses on ensuring that adults have the core skills that they need for progression in learning and work, including guaranteeing a number of fully funded statutory entitlements relating to English, maths and (from the 2020/21

academic year onwards) digital skills, as well as first Level 2 and 3 qualifications, co-funded provision and regulated and non-regulated provision.

- 1.8 In addition to ensuring reasonable statutory entitlement provision is available, NTCA will need to decide which providers to have a funding relationship with, and in what capacity, to deliver AEB provision for learners' resident in the North of Tyne area. We will have the opportunity to tailor the adult skills and education system to better address local priorities. These will include:
- managing and being accountable for the adult education budget transferred to us
 - allocating the devolved AEB through both grant allocations and contracts for services, ensuring that both are compliant with the appropriate legal regulations
 - having the freedom to set our own priorities
 - determining our own funding and performance management rules including agreeing a delivery plan with each of our providers
 - setting our own contracting and conditions of funding arrangements
 - setting and putting in place our own funding rates and payments arrangements
 - publishing our own funding and performance management rules; and
 - performance managing providers with whom we have a contract and/or funding agreement
- 1.9 Devolution of the AEB is one element which will support the North East Strategic Economic Plan (SEP) and the emerging Local Industrial Strategy and will start the journey towards creating a local skills strategy which will support NTCA's ambitions for our residents and employers.
- 1.10 The purpose of AEB is to engage adults in learning and equip them with the skills needed to progress to employment, Apprenticeships or other learning. NTCA's devolved AEB will provide a service which supports our residents to access the local labour market and benefit from future economic development.
- 1.11 We will work closely with providers to ensure a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local skills needs, helping residents to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.
- 1.12 We will develop effective, high trust relationships with providers, delivering positive long-term impact for North of Tyne learners. We will expect providers to develop a place-based curriculum offer and wrap-around support with a clear focus on learner progression.
- 1.13 In taking receipt of the Adult Education Budget, NTCA will become the commissioner of learning. In undertaking this role, we recognise that there is much excellent

activity currently being delivered by providers and we will want this to continue. Equally, where we believe that different things need to be delivered, we will seek to secure the changes we need without disrupting or destabilising the post 16 provider base.

- 1.14 Funding will be allocated through two routes and both will be underpinned by delivery plans:
1. Grant Funding
 2. Contract for Services
- 1.15 Combining these two approaches will allow us to make an immediate and positive impact on the provision offered to North of Tyne residents while minimising the risk to continuity of provision for learners. It will also offer all providers the opportunity to apply for funding where their provision and delivery model is targeted at and will benefit North of Tyne residents.
- 1.16 In line with the current proportion of allocations, grant funding will account for approximately 80% of NTCA's allocation and the remaining 20% will be procured via Contracts for Services. The types of Contracts for Services we want to buy will be determined over the coming months ahead of open calls in Autumn 2019.
- 1.17 The priorities for both commissioning approaches will align to the NTCA ambitions, the North East Strategic Economic Plan and the emerging Local Industrial Strategy and be determined by detailed data analysis, labour market intelligence, stakeholder engagement and consultation.
- 1.18 **Timeline for Implementation**

April 2019	NTCA submit AEB Strategic Skills Plan and 'Readiness' self-assessment to support NTCA CEO statement which demonstrates readiness to SoS	✓
May 2019	DfE review submission and present to SoS for approval, if satisfied.	✓
May 2019	Data Sharing Agreement in place between Education and Skills Funding Agency (ESFA) and NTCA	✓
June/July 2019	NTCA CEO plus each Constituent Authority CEO to approve the Order from DfE. Evidence of consent required	✓
Autumn 2019	Parliament debates NTCA AEB Devolution Order. Order comes into effect, if motion passes	
December 2019	Final deadline for full-devo MoU sign-off which will commence 1 January 2020	
January 2020	DfE notifies NTCA of AEB indicative total for academic year 2020/2021	
April 2020	DfE transfers AEB to NTCA	

August 2020	Go-live. NTCA administers AEB to providers	
-------------	--	--

2. Potential Impact on Objectives

2.1 The progress of AEB Devolution is in line with the NCTA's vision and priorities

3. Key Risks

3.1 As previously indicated, AEB Devolution features as a strategic risk on the NTCA Strategic Risk Register. Appropriate risk management processes are in place to identify and mitigate risks as they arise at the project level, with escalation requirements embedded.

4. Financial and Other Resources Implications

4.1 The administration costs for a devolved AEB to the NTCA are still to be determined and a proposal will be presented to Cabinet in September 2019. Administrative costs to set up the required processes and procedures to manage the fund are currently being met through the AEB Implementation Fund of £538,030.00 which covers the period November 2018 to July 2020. After this date, NTCA will be required to top slice the AEB allocation in order to pay for the administrative costs of managing this budget. Other combined authorities top slice range between 1% and 5% of their overall AEB allocation and include staff costs, administration, system and software development, marketing, travel, training, insurance and so on.

4.2 NTCA will determine the most cost-effective approach to the administration of the budget.

5. Legal Implications

5.1 AEB devolution will provide NTCA with the responsibility to ensure that learners aged 19 and over, resident in our area, who are eligible for funding, have reasonable access to appropriate education and training.

5.2 Under the terms of the proposed order, the SoS for Education has set the following conditions:

- the MCA must adopt learner eligibility rules for awards by an institution to which it makes grants loans or other payments in accordance with any direction given by the SoS

- in exercising these functions, the MCA must have regard to guidance issued by the SoS

5.3 The DfE retains the power to specify which qualifications are part of the statutory entitlements, as government is not transferring this to devolved authorities.

5.4 The DfE will not transfer or delegate functions relating to apprenticeships training, persons subject to adult detention or any power to make regulations or orders. Traineeships for 19 to 24-year olds will remain a nationally funded and contracted programme with funds provided by ESFA, regardless of where trainees reside.

6. Consultation/Engagement

6.1 All relevant internal and external stakeholders continue to be involved in the progress of devolving the adult education budget.

6.2 On 31st July 2019, an AEB Provider Stakeholder engagement event is being held where providers (and relevant stakeholders) will be updated on the strategic intent for the NTCA devolved AEB and have the opportunity to feed into emerging priority areas for investment and suggest ways in which we can maximise the benefit of a devolved AEB, utilising their knowledge and expertise in this area.

6.3 During Summer 2019, all stakeholders will be engaged through a selection of online consultations, surveys and focus groups.

6.4 By Autumn 2019, all feedback, ideas and suggestions will have been analysed to inform the priorities of the delivery plans and open calls and will have been used to finalise the AEB Strategic Skills plan which will be made publicly available on our website.

6.5 In September/October 2019, we will hold a Provider Procurement Event, setting out our priorities for procurement and detailing the process and timelines providers must follow to bid for a contract for services allocation.

7. Appendices

None

8. Background Papers

None

9. Contact Officers

Leigh Mills, Head of Inclusive Growth

Leigh.mills@northoftyne-ca.gov.uk

07855 100179

10. Glossary

AEB	Adult Education Budget
AY	Academic Year
CEO	Chief Executive Officer
DfE	Department for Education
ESF	European Social Fund
ESFA	Education and Skills Funding Agency
GLA	Greater London Authority
MCA	Mayoral Combined Authority
MoU	Memorandum of Understanding
NoT	North of Tyne
NTCA	North of Tyne Combined Authority
SEP	Strategic Economic Plan
SoS	Secretary of State

11. Sign-off

Interim Head of Paid Service: Yes

Interim Monitoring Officer: Yes

Interim Chief Finance Officer: Yes

This page is intentionally left blank