

## Cabinet

Tuesday 22 October 2019 at 2.00pm

Meeting to be held: Committee Room, Northumberland County Council, Morpeth, NE61 2EF

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## AGENDA

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	<b>Page No</b>
1. <b>Apologies for Absence</b>	
2. <b>Declarations of Interest</b>	
<p>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.</p> <p><b>Note:</b> 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.</p>	
3. <b>Minutes of the previous meeting held on 26 September 2019</b>	<b>1 - 4</b>
4. <b>Employability and Inclusion Portfolio update</b>	<b>5 - 22</b>
5. <b>Adult Education Budget Devolution</b>	<b>23 - 30</b>

6. **Investment Fund and Brexit 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

7. **Draft Strategic Risk & Opportunities Register** **31 - 38**

8. **2019-2020 Q2 Financial Management Report** **39 - 50**

9. **Mayor's Ambassadors for Business and the Voluntary and Community Sector**

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

10. **Date and time of the next meeting**

Tuesday, 26 November 2019 at 2pm.

Contact Officer: Karen Christon  
Tel: 0191 211 5024118  
Email: [karen.christon@northoftyne-ca.gov.uk](mailto:karen.christon@northoftyne-ca.gov.uk)



## North of Tyne Combined Authority, Cabinet

26 September 2019

(2.03 - 2.27 pm)

Meeting held: Linskill Centre, Linskill Terrace, North Shields, Tyne and Wear, NE30 2AY

### Minutes

#### Present:

Mayor J Driscoll (Chair)

Councillors: N Forbes, P Jackson, W Daley, C Burdis and Mayor N Redfearn,

#### 21 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors J McCarty and B Pickard.

#### 22 DECLARATIONS OF INTEREST

There were no declarations of interest.

#### 23 MINUTES OF THE PREVIOUS MEETING HELD ON 30 JULY 2019

The minutes of the previous meeting held on 30 July 2019 were approved as a correct record and signed by the Chair.

#### 24 ANNOUNCEMENTS FROM THE MAYOR

The Mayor made reference to the Prime Minister's speech about further devolution and advised the Cabinet that he had spoken to both the Prime Minister and the Northern Powerhouse Minister about this and that both had given verbal confirmation of their commitment, but it was not yet known how it would transpire. It was anticipated that it would require the introduction of a substantial amount of new legislation. The Mayor and officers were continuing to pursue the matter, and further discussions were to take place with the M9 group in Manchester the following week.

The Mayor also advised the Cabinet that he had appointed Mick Bowman, a former councillor and mental health lead for Newcastle City Council, as his political advisor. The appointment had been made in accordance with the relevant legislation.

## 25 **NTCA PAY POLICY**

Submitted: Report of Interim Director of Inclusive Economy (previously circulated and copy attached to Official Minutes).

Members considered the report which recommended the approval of a Pay Policy Statement for the North of Tyne Combined Authority (NTCA) and proposed that NTCA make an application to become accredited as a Living Wage Employer.

Members welcomed the report and noted that the Pay Policy for NTCA reflected the practice of the constituent authorities, all of which were committed to paying staff the Real Living Wage.

The Mayor advised members that he had met with the Living Wage Foundation and that NTCA was on track to achieve accreditation. It was also clarified that the living wage would apply to all staff, both directly and indirectly employed by the combined authority.

The Mayor also noted that the organisation presently had a zero gender pay gap on a median basis, which was something that all organisations should aspire to, and that it was great to be in that position at the start.

**RESOLVED** – That the Cabinet:

- i. Approved the proposed Pay Policy Statement attached at Appendix A of the report; and
- ii. Agreed that NTCA should seek Living Wage Foundation accreditation and that the Head of Paid Service be authorised to progress that application.

## 26 **NTCA FINANCIAL PLANNING BUDGET PROCESS**

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

Members considered the report which set out information in relation to the proposed 2020-2024 Financial Planning and Budget process and the key decision milestones, including the development of a Medium-Term Financial Strategy (MTFS) and development of detailed budgets, for 2020/21.

**RESOLVED** – That the Cabinet approved the proposed outline 2020-2024 Financial Planning and Budget process, which incorporated the key decision milestones and dates as set out at Appendix A to the report.

## 27 INVESTMENT FUND UPDATE

Submitted: Report of Interim Director of Inclusive Economy (previously circulated and copy attached to Official Minutes).

Members considered the report which updated the Cabinet on progress to date and future work relating to the investment fund, progress to date on the Local Full Fibre Programme and next steps, and recommended the allocation of £2.6m to support the Newcastle United Foundation's NU Futures project.

Members welcomed the opportunity to partner with the Newcastle United Foundation on the NU Future project, noting that it was a credible organisation and that the NU Futures project was seen as an exciting, innovative and world-class programme. The project worked in schools within some of the most disadvantaged and marginalised communities in the region, using football as a way of attracting young people and their parents and carers to the programme.

It was further clarified that the investment from NTCA would be just part of an overall investment package from a number of partners and that it would be subject to a number of conditions, including that whole package of funding being put in place.

**RESOLVED** – That the Cabinet:

- i. Noted progress to date on the Investment Fund, achievement of key milestones and ongoing development work, particularly in respect of project development around our priority sectors;
- ii. Noted progress to date on the Local Full Fibre Programme and next steps which include: establishing governance arrangements, appointing a programme manager and initiating the procurement exercise;
- iii. Agreed £2.6m to support the Newcastle United Foundation's NU Futures project; and

Authorised the Interim Head of Paid Service to finalise the conditions to be attached to the above funding award and authorised the Interim Monitoring Officer to complete the necessary documentation.

## 28 DATE AND TIME OF THE NEXT MEETING

Tuesday 22 October 2019 at 2pm.

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**Subject:     Employability and Inclusion Portfolio update**

**Report of:   Head of Inclusive Growth**

**Portfolio:   Employability and Inclusion**

### **Report Summary**

The purpose of this report is to provide cabinet an update on the projects being progressed in the Employability and Inclusion Portfolio, including:

- The Inclusive Economy Innovation Fund, where Cabinet are provided with a proposal of the purpose for this fund to focus and prioritise investment on those residents who need it most.
- The NTCA and DWP Framework Agreement as detailed in the NTCA Devolution deal, has now reached a position for NTCA and Secretary of State sign off. Cabinet are provided the agreement for review and requested to approve.
- The Good Work Pledge, for which consultations are progressing well and Cabinet are provided with a status update in preparation for launching the Pledge later this year.
- The Employability and Skills Programme, for which we are currently receiving applications from providers for the £3million investment.
- The Returnships project which was approved by Cabinet in July 2019
- The Working Homes project which has now been live since March 2019.

### **Recommendations**

The Cabinet is recommended to approve

1. The Inclusive Economy Innovation Fund priorities for investment
2. The NTCA and DWP Framework Agreement

The Cabinet is recommended to welcome progress on

3. The Good Work Pledge
4. The Employability and Skills Programme
5. The Returnships Project
6. The Working Homes Project

## 1. **Background Information, Proposals and Timetable for Implementation**

### 1.1 **Background Information**

1.1.1 Inclusive Economy is at the core of the North of Tyne Combined Authority (NTCA) vision. In Summer 2018 NTCA leaders and senior officers developed an Inclusive Economy Policy Statement, which is available on the NTCA website. This positions inclusive economy at the heart of the Combined Authority, building on the inclusive growth focus of the devolution deal.

1.1.2 The NTCA vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future. Developing an inclusive economy in NTCA means becoming the home of ambition and opportunity for all.

1.1.3 Inclusion is about removing the barriers which make it difficult for people to take up employment and training opportunities, with a focus on the groups that are less likely to directly benefit from economic growth. It is also about ensuring that job opportunities provide access to good work, with security, skills, progression, opportunities, a decent standard of living, and promoting health and wellbeing.

1.1.4 The Employability and Inclusion portfolio supports the NTCA pillar 'Hotbed of Talent'

*"Empowering our people with the skills and resources they need to take ownership of their futures and secure good jobs with fair wages.*

*We want everyone to have the opportunity to thrive, with access to good employment and progression. Supporting the availability of good quality, well paid work, while providing the right support for people to access these jobs and further training, is crucial to our economic and social success".*

1.1.5 The vision of the Employability and Inclusion Portfolio team is to become the national exemplar for showcasing the delivery of an Inclusive Economy.

### 1.2 **Inclusive Economy Innovation Fund**

1.2.1 As agreed at Cabinet in April 2019, up to £12 million has been allocated from the NTCA Investment Fund to prioritise Inclusive Economy investment.

1.2.2 The Inclusive Economy Innovation Fund priority paper in **Appendix 1** sets out a clear purpose for this fund to focus and prioritise investment on those residents who need it most.

1.2.3 It is proposed that the Inclusive Economy Innovation Fund should focus on commissioned activity targeted at in-work support, career pathways, and in-work progression, consistent with our vision, as underpinned by the NTCA Devolution Deal.

- 1.2.4 It is proposed that the Primary focus of the Inclusive Economy Innovation Fund be prioritised to support the following population cohorts
- Residents who are out of employment
  - In-work, low-earning individuals
  - Individuals with low skills
  - Young people not in education, employment or training (NEET)
- 1.2.5 On the recommendation of the Inclusive Economy Board, once established, the Employability and Inclusion team will progress investment opportunities in line with these priorities and following existing NTCA investment processes.
- 1.3 **NTCA and DWP Framework Agreement**
- 1.3.1 The NTCA Devolution Deal states:  
44) The Government and the NTCA will jointly develop and adopt an Employment Support Framework Agreement to drive the better coordination of employment, skills and health services across the North of Tyne in order to increase the number of residents moving into work. The Framework Agreement will be signed by the Elected Mayor for the North of Tyne and the Secretary of State for the Department for Work and Pensions and delivered through the Inclusive Growth Board.
- 1.3.2 NTCA and the Department for Work and Pensions (DWP) have co-designed an Agreement in line with the ambition above.
- 1.3.3 The NTCA and DWP Framework Agreement is available in **Appendix 2** and Cabinet are requested to approve and sign-off the agreement on behalf of NTCA. DWP will seek approval and sign off from the Secretary of State.
- 1.4 **NTCA Good Work Pledge**
- 1.4.1 Early work on the Pledge began in Summer 2018 when employers and representative bodies from across the North of Tyne area were invited to an initial engagement event to shape the Pledge. This identified a number of elements to include within the Pledge such as pay, health and wellbeing, security, workforce development, communications, fairness and trust, equality and diversity, and corporate social responsibility.
- 1.4.2 The second stage consultation was open July to October 2019 and focused on gaining an understanding of what support businesses will require to achieve the Pledge and gaining their support to be a champion of the Pledge.
- 1.4.3 With the help of partners such as the Chamber of Commerce we have established nearly 100 engagements with interested groups and individuals which have informed the pledge design. This has been through of variety of methods such as online consultation and face to face engagement events.
- 1.4.4 Discussions are also taking place with the Greater London Authority and the Greater Manchester Combined Authority to understand some of their key lessons and experiences in developing good work commitments for their area.

1.4.5 We've currently identified nine areas to include in the Pledge. These reflect all the elements our stakeholders have told us are important to Good Work.

1.4.6 Once all feedback has been analysed and incorporated into the Good Work Pledge it will be launched later in 2019.

1.4.7 The draft NTCA Good Work Pledge can be viewed in **Appendix 3**.

## 1.5 **Employability and Skills Programme**

1.5.1 £3million of the Inclusive Economy Innovation Fund has been made available to provide a much-needed source of match funding for the current calls for European Social Fund (ESF) projects which were issued by the Department for Work and Pensions (DWP) on 16 September.

1.5.2 The aim of this Programme is to unlock some of the remaining ESF funds available to the region for the benefit of North of Tyne residents and in support of an inclusive economy in the North of Tyne area. Historically, the availability of match funding has inhibited the ability to spend this important source of investment that supports people to make progress in the labour market, supports the growth of local businesses, and supports the local economy more generally.

1.5.3 The NTCA Call opened at the beginning of September 2019 at a joint launch with the North East Local Enterprise Partnership (NELEP) and NTCA. In-principle match funding letters will be issued to successful applicants mid-November 2019. Funding will be released in conjunction with DWP timelines.

1.5.4 It is expected this investment will provide potentially life changing support for up to 3500 North of Tyne residents, across all 3 Local Authority areas in North of Tyne.

## 1.6 **Returnships**

1.6.1 The North of Tyne Returnships programme is designed to support people returning to the labour market after a period of caring responsibilities, or to manage caring responsibilities with work, through employer-led opportunities into employment. This may include internships, work experience, work trials or other flexible return to work arrangements, according to type of business and the Returnship they can offer.

1.6.2 Unpaid carers and those receiving Carers Allowance are the main target group as research shows they have barriers to entering and retaining work and are generally underserved by mainstream employment support programmes. However, opportunities will be extended to others who have been out of the labour market for two years or more and need support to return to work. The project will deliver Inclusive Economy ambitions by ensuring residents are not excluded from the labour market because of their caring commitments, while helping employers to recruit a diverse workforce and offer inclusive employment practices.

1.6.3 The programme will be delivered in partnership with the main carer support organisations serving the area; Carers Northumberland, Newcastle Carers and

- 1.6.4 North Tyneside Carers Centre. This partnership is critical for engagement of carers and understanding their support needs, allowing for an effective match with the opportunities offered by local employers. Initial consultation with employers has been positive, and a number have committed to offering a Returnship.
- 1.6.5 Each delivery partner will employ a Carers into Work Advisor to engage with carers, support their job readiness, and match with a Returnship opportunity. NTCA will employ a Project Manager to oversee the programme, and a Programme Officer to support delivery by working with other agencies and programmes to identify suitable participants. Recruitment will commence in October, and agreements will be made with delivery partners to allow them to recruit delivery staff by the end of 2019.
- 1.6.6 The first Returnship opportunities will be delivered in early 2020. Over three years the project aims to support 450 residents.
- 1.7 **Working Homes**
- 1.7.1 The North of Tyne area has 18,500 residents who are unemployed, and 25,500 who are economically active but want a job. While unemployment rate is steadily falling and employment rate is relatively high, this is still a significant proportion of residents.
- 1.7.2 North of Tyne Working Homes was designed in response to this, identifying a way to engage with residents of social housing who research has shown to have high rates of unemployment and inactivity. NTCA have established a partnership with housing providers to test a new approach to supporting housing tenants to develop their skills and move into work. Housing providers were identified as the best placed organisations to reach this cohort of residents. Working Homes is the first major project to deliver our vision of an Inclusive Economy. The project is funded by the European Social Fund (ESF) with Housing Revenue Account and housing provider private match to a project total of £4m.
- 1.7.3 From April 2019 to March 2022 it will deliver support to at least 1,650 residents. It operates as a partnership of housing associations, learning providers and local authorities working across Newcastle, North Tyneside and Northumberland, comprised of: Bernicia Homes, Karbon Homes, Newcastle Futures Ltd, North Tyneside Housing, Northern Learning Trust, Northumberland County Council Housing Services, and Your Homes Newcastle.
- 1.7.4 The project has started positively and is meeting performance expectations. By the end of September 2019, 137 people had been supported, two-thirds of which were unemployed and the remainder economically inactive (not in work but not claiming working age benefits). The delivery partners are reaching those who are traditionally 'hard to help' and at a distance from the labour market. Almost half declared a disability or health condition and over one third are aged 50 or over. Only five job outcomes were expected at such an early stage of the project, but eight have been achieved to date.

## 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 around the six key pillars. The projects identified in this report are consistent with the priorities set out in the NTCA Vision and the Inclusive Economy Policy Statement

## 3. **Key Risks**

3.1 Risks are recorded, monitored and mitigated per project

## 4. **Financial and Other Resources Implications**

4.1 There are no direct financial implications arising directly from this report, projects that are in progress have previously been approved by cabinet. Future proposals to deliver the proposed priorities will come back to cabinet for approval following the usual project assurance process and will be reflected in future financial management reports and financial plans.

## 5. **Legal Implications**

5.1 There are no direct legal implications arising from this report.

## 6. **Consultation/Engagement**

6.1 All relevant stakeholders have been consulted and engaged per project

## 7. **Appendices**

7.1 Appendix 1: Inclusive Economy Innovation Fund priority paper  
Appendix 2: NTCA and DWP Framework Agreement  
Appendix 3: draft NTCA Good Work Pledge

## 8. **Background Papers**

8.1 June 2019 NTCA Cabinet Report in which the Employability and Skills programme was approved

8.2 July 2019 NTCA Cabinet Report in which the Returnships programme was approved

## 9. **Contact Officers**

9.1 Leigh Mills  
Head of Inclusive Growth  
[Leigh.mills@northoftyne-ca.gov.uk](mailto:Leigh.mills@northoftyne-ca.gov.uk)

10. **Glossary**

10.1	DWP	Department for Work and Pensions
	ESF	European Social Fund
	IEIF	Inclusive Economy Innovation Fund
	NEET	Young People Not in Education, Employment or Training
	NELEP	North East Local Enterprise Partnership
	NTCA	North of Tyne Combined Authority

11. **Sign-off**

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

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## **Inclusive Economy Innovation Fund priorities**

### **Approach**

The Inclusive Economy Innovation Fund (IEIF) will primarily focus on commissioned activity targeted at into-work support, career pathways, and in-work progression, consistent with our vision, as underpinned by the devolution deal.

Priorities for the Fund will be determined according to a set of criteria, which could include:

- Inclusive Economy additionality – enabling investment to achieve inclusive economy objectives over and above the degree to which these might be targeted through other funding mechanisms and programmes
- Inclusive Economy innovation – trialling new approaches to achieving inclusive economy objectives, with a higher risk appetite and alternative accountability parameters
- Business participation - providing support services to enable employers to achieve elements of the NTCA Good Work Pledge
- Citizen engagement – priorities for investment that local people have co-designed and/or chosen
- Scale of impact - focusing on interventions that are at sufficient scale, in terms of volumes of individuals affected, and over a reasonable time period to demonstrate the case for change

The Inclusive Economy Board will make recommendations on the priorities for the IEIF and recommend which projects should be considered for funding. These will be taken forward in line with existing NTCA investment governance processes.

## Target populations

The primary focus of the IEIF will be to provide tailored support to the following population cohorts

### 1. Residents who are out of employment

These are NTCA working age residents who are unemployed or economically inactive and include

- i. Unemployed residents
- ii. Economically inactive residents who want to work
- iii. Claimants of health-related benefits who are out of work

### 2. In-work, low-earning individuals

These are residents in work earning below the 'real' living wage (LW). The living wage is calculated annually by the Living Wage Foundation

### 3. Individuals with low skills

These are residents with no qualifications or with qualifications below NVQ level 2

### 4. Young people not in education, employment or training

These are residents aged 16-24 who are not in education, employment or training (NEET).

## Rationale for priority cohorts

**Residents who are out of employment:** Worklessness is one of the key factors of deprivation, with unemployed and economically inactive households and individuals usually being among those most vulnerable or at highest risk of poverty. There are 22,300 unemployed residents in NTCA; a reduction of 5,000 unemployed would result in the NTCA unemployment rate matching the national rate for the first time in many years. Economically inactive residents include people in working age who are not seeking employment. We focus on the long-term sick, as this group is highlighted in paragraph 48 of the Devolution Deal. NTCA has approximately 26,100 people in this cohort, representing a slightly higher rate than the UK average. The Work & Health Programme helps people find and keep a job. It is compulsory for those who have been unemployed for over two years, but it is also available, on a voluntary basis, to residents with health conditions or disabilities, and other vulnerable groups (e.g. homeless, domestic violence victims, etc.). So WHP recipients are also a good proxy for inclusive economy beneficiaries.

**In-work, low-earning individuals:** According to the Joseph Rowntree Foundation 60% of those living in poverty in the UK are found in working households. Moreover, according to the Social Mobility Commission, only one in six low paid employees in

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2006 made a sustained move onto higher wages 10 years later. So it is vital that inclusive growth interventions also target low earning working individuals and their progression opportunities. In NTCA we propose to be a bit more ambitious than looking at the poverty line and rather consider the Living Wage as the threshold. The Living Wage is calculated based on living costs and represents the income families need, to have an acceptable minimum standard of living. According to the latest estimates from the Annual Survey of Hours and Earnings (ASHE), there are 82,000 workers in NTCA earning below the Living Wage.

**Individuals with low skills:** Low skills levels restrict many people to relatively poor paid jobs and significantly reduce their likelihood of escaping low pay in the future. There are approximately 90,500 working age residents in NTCA with no or low qualifications. It is particularly important, however, that low-skilled jobs created offer appropriate training and career progression opportunities, including for older workers (over 50), as highlighted in the Devolution Deal.

**Young people not in education, employment or training (NEET):** Research shows that time spent as NEET can have a detrimental effect on physical and mental health and increase the likelihood of unemployment, low wages, or low quality of work later in life. The North East is the region with the highest % of NEETs at 14%. The average in England is 11%. It's important to note that this group is significantly smaller than the previous three in terms of the total number of beneficiaries. This should be taken into account in the way resources are used for different interventions.

## Policy Context

The promotion of an inclusive economy has been put at the heart of the North of Tyne Combined Authority's approach and is embedded within its economic frameworks, as follows:

- The North of Tyne Devolution Deal places the principle of inclusive growth at its core, including the creation of an advisory Inclusive Economy Board. In particular:
  - the emerging 'Employment Support Framework Agreement' provides a vehicle to drive new ways to better coordinate employment, skills and health services to increase the number of residents moving into work; and
  - the imminent devolution of the Adult Education Budget to the NTCA, and associated AEB Strategic Skills Plan, presents a significant opportunity to influence the key role skills attainment plays in driving an inclusive economy.
- This has subsequently been reflected in the NTCA vision 'Home of Ambition' which aims for a dynamic and more inclusive economy that brings together

people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in the region's future. This has been further expanded upon and reinforced within a dedicated NTCA Inclusive Economy Policy Statement.

- This complements the aim of the North East Strategic Economic Plan (SEP), which focuses on maximising the number and quality of jobs in the local labour market. Tackling the residual challenges associated with low productivity will also be central to the North East Local Industrial Strategy (LIS).

### **Proposition Outline**

The IEIF is dedicated to innovative, inclusive economy-driven projects, which are specifically targeted at certain population cohorts, mentioned above.

By adopting these priorities for the fund, the IEIF will help illustrate where and how we can make a difference to people's lives and thereby contribute to fulfilling our ambition to become the national exemplar for showcasing the delivery of an inclusive economy.

There will be scope to attract mainstream funding from other policy areas at NTCA including national level social investment and private investment. The ambition is that the fund will generate up to a 3:1 leverage by the time it matures potentially creating a total Fund of up to £30 million to be invested across the North of Tyne area between now and 2024.

The IEIF allocation processes would be such that robust evaluation would be built into any commissioned activity, thereby providing the evidence base and rationale for successful new ways of working to be embedded within our normal service delivery.

### **Benefits to be realised from the IEIF**

#### **The ability to commission bespoke activity and interventions that are tailored to the local labour market**

Many of the services provided to support people to fulfil their potential and benefit from a growing economy are delivered according to nationally-defined standards and processes.

A dedicated IEIF will afford the scope to showcase the application of locally-tailored approaches that seek to maximise the effectiveness and efficiency of these national systems. This could particularly support the application of the DWP Employment Support Framework Agreement in acting as a lever to enhance DWP activity and investment through jointly-planned commissioning.

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### **The attraction of additional “crowd in” funding from public, private and social investment sources**

The IEIF will provide co-investors with an investment vehicle to join in the investment of the North of Tyne area. This is often a definitive requirement of organisations when co-investing in local areas.

There are several potential sources for additional financing including; central government funding, mainstream funding from other policy areas at NTCA and national level, social investment, and private funding.

Place-based investing is seeing renewed interest, because it involves diverse, coordinated sources of capital which require stakeholder collaboration.

As a result of this additional investment, the Investment Fund as a whole will be better placed to demonstrate a greater and deeper impact on inclusive, economic growth.

### **The strengthened capability of the Inclusive Economy Board to incentivise and facilitate innovation and new ways of working**

The Inclusive Economy Board, in its advisory role to Cabinet, will be incentivised by the existence of an IEIF to develop innovative ways to target the Inclusive Economy cohorts mentioned above, thereby complementing the primary objective of the NTCA Investment Programme to drive economic growth.

The IEIF will enable the piloting and testing of more radical projects to demonstrate proof of concept of new ideas and approaches. This could include, for example, providing grants (to replace missed working hours, or childcare costs) to adult learners with no or low skills (18% of current workforce) to take up part-time/evening FE or training courses to up and reskill.

This would also mean the IEIF would require the flexibility to invest in projects deemed as financially riskier.

### **The potential to co-produce activity with nationally-recognised leaders in the promotion of inclusive growth:**

a dedicated IEIF, particularly when co-funded with partners, could draw in the talents and ideas from other partners who have nationally recognised expertise in inclusive growth actions.

This in turn could attract additional funds, by raising the profile of the IEIF.

Together this would raise recognition and the profile of work in NTCA on the increasingly high profile inclusive growth agenda.

**The extent to which the NTCA can influence and shape the inclusive growth agenda at a national level, including the scope of future devolution deals**

The dedicated IEIF will demonstrate that NTCA has looked to expand the reach of its devolved Investment Fund.

This will strengthen NTCA's ability to engage and influence Government on the inclusive growth agenda as NTCA will establish itself as leaders and innovators.

In turn, this would further strengthen the case for reflecting Inclusive Economy in the upcoming Local Industrial Strategy and the case for Inclusive Economy objectives to be front and centre of NTCA's second devolution deal.

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## **North of Tyne Combined Authority and the Department for Work and Pensions**

### **Framework Agreement**

This Framework Agreement addresses the commitment set out in the North of Tyne Devolution Agreement published on 8<sup>th</sup> November 2018, to jointly develop and adopt an Employment Support Framework Agreement to drive the better coordination of employment, skills and health services across the North of Tyne area in order to increase the number of residents moving into work.

The framework will make a significant contribution to the North of Tyne Combined Authority aim to create a growing, more inclusive economy, by delivering our shared strategic ambitions to:

- Achieve a better balance between skills supply and labour market demand in the North of Tyne area to enable its residents to realise their potential in full;
- Increase employment rates of groups who are proportionally under-represented in the labour market, such as: women (including those returning to work after looking after children), people who are disabled or have a health condition, people aged over 50, those from ethnic minority groups, carers, and people with multiple complex issues;
- Support people to remain in employment if they are at risk of losing it due to age, health conditions, automation, or other barriers to retention;
- Support in-work progression for those in low paid employment, to enable more people to achieve financial security and stability through sustainable employment.

The North of Tyne Inclusive Economy Board, of which the Department for Work and Pensions will be an active member, will provide oversight of the Framework and be the key governance through which it is delivered. The Inclusive Economy Board, once established, will agree and oversee an Action Plan setting out how the shared ambitions are to be delivered in the North of Tyne area.

The Department for Work and Pensions and the North of Tyne Combined Authority will aim to deliver these ambitions by working together in partnership with the North East Local Enterprise Partnership and local employment and skills stakeholders and in the context of the Skills Advisory Panel.

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North of Tyne – Good Work Business Pledge Draft Model – Version 1

THE PLEDGES	PLEDGE 1 REWARDING YOUR WORKFORCE	PLEDGE 2 A SAFE AND HEALTHY WORKING ENVIRONMENT	PLEDGE 3 EFFECTIVE COMMUNICATION	PLEDGE 4 DEVELOPING YOUR WORKFORCE	PLEDGE 5 PROVIDING SECURITY	PLEDGE 6 PROMOTING FAIRNESS AND TRUST	PLEDGE 7 PROMOTING HEALTH AND WELLBEING	PLEDGE 8 A BALANCED WORKFORCE	PLEDGE 9 A SOCIAL RESPONSIBILITY
ROUTES TO ACHIEVE	<p>Business commit to:</p> <ol style="list-style-type: none"> <li>1. Pay the Real Living Wage</li> <li>2. Provide additional benefits to workers e.g. flexible working,, discount schemes etc.</li> </ol>	<p>Business commit to:</p> <ol style="list-style-type: none"> <li>1. Provide a safe and healthy working environment</li> <li>2. Provide health and safety training for all staff</li> </ol>	<p>Business commit to:</p> <ol style="list-style-type: none"> <li>1. Value and listen to employees</li> <li>2. Ensure employees have autonomy and a voice in the running of the business</li> </ol>	<p>Business commit to:</p> <ol style="list-style-type: none"> <li>1. Invest in training and developing the skills of their workforce to provide progression</li> <li>2. Provide high quality apprenticeships that promote employment in priority sectors</li> </ol>	<p>Business commit to:</p> <ol style="list-style-type: none"> <li>1. Value and promote job security and job fulfilment amongst workers</li> <li>2. Have a zero tolerance on exploitative employment practices</li> </ol>	<p>Business commit to:</p> <ol style="list-style-type: none"> <li>1. Inclusive practice that allows better access to work and progression and fairness in rights and conditions for all workers</li> <li>2. Promote fairness and trust across all levels of their organisation</li> </ol>	<p>Business commit to:</p> <ol style="list-style-type: none"> <li>1. Providing opportunities for workers to develop healthy lifestyles (including mental health, resilience)</li> <li>2. Demonstrate effective practices in supporting people with health conditions and disabilities to maintain and progress their employment within their organisation</li> </ol>	<p>Business commit to:</p> <ol style="list-style-type: none"> <li>1. Have a clear vision, values, strategy and policies and processes that promote inclusiveness, health and wellbeing, equality and diversity and workforce development</li> </ol>	<p>Business commit to:</p> <ol style="list-style-type: none"> <li>1. Demonstrate social responsibility through effective procurement and contracting policies and practices</li> <li>2. Connect with their customers; giving something back to the community</li> </ol>
INDICATOR MEASURE <u>Denotes ONS measure exists</u>	<p><u>Pay</u></p> <p>Satisfaction with Pay</p>	<p>Physical Injury</p>	<p><u>Trade Union Membership</u></p> <p>Employee Information and Involvement</p>	<p>Use of Skills Work related training Control Opportunities for Progression Sense of Purpose</p>	<p>Job Security <u>Minimum Guaranteed Hours</u> <u>Underemployment</u></p>	<p>Peer Support Line Manager Relationship</p>	<p><u>Mental Health Over-Employment Overtime (Paid and Unpaid)</u> Sickness Absence</p>	<p>Workforce Equality and Diversity</p>	<p>Prompt Payments Customer Satisfaction Community Engagement</p>
AWARDS AND ACCREDITATION	<p>Living Wage Employers (Living Wage Foundation) CIPD Chartered Membership North East Better Health at Work Award Dying to Work (TUC)</p> <p>Disability Confident Investors in People (IIP) #Work Together Employability Charter Timewise Accreditation</p> <p>Matrix Standard Customer Service Excellence Standard Trading for Good (BITC) Carer Positive</p> <p>The Great Jobs Agenda (TUC) Good Work for All (BITC) Tech Talent Charter</p>								
SUPPORT	<p>Living Wage Foundation</p> <p>Timewise</p>	<p>Health and Safety Executive (HSE)</p> <p>TUC</p> <p>Unison</p> <p>Fit for Work</p>	<p>Leadership and Management – advice and guidance and training – various organisations</p>	<p>Apprenticeships</p> <p>Adult Education Budget (AEB)</p> <p>ESF Support</p> <p>NE Growth Hub</p>	<p>TUC</p> <p>Unison</p> <p>Advisory, Conciliation and Arbitration Service (ACAS)</p>	<p>Advisory, Conciliation and Arbitration Service (ACAS)</p>	<ul style="list-style-type: none"> <li>• Mental Health in the Workplace (TUC)</li> <li>• Access to Work</li> <li>• Disability Confident Line Managers Guide</li> <li>• Health and Wellbeing Alliance</li> <li>• BiTC Employer Toolkits                             <ul style="list-style-type: none"> <li>• Health Needs Assessment (PHE)</li> </ul> </li> </ul>	<p>Equality and Human Rights Commission</p> <p>UK Workplace Equality Index</p> <p>Fuller Working Lives</p>	<p>VONNE</p> <p>NEPO</p> <p>Good Work Procurement Guide</p> <p>National Careers Service</p>

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**Subject: Adult Education Budget Devolution**

**Report of: Head of Inclusive Growth**

**Portfolio: Employability and Inclusion**

## **Report Summary**

This report provides Cabinet with an update on the progress of devolving the Adult Education Budget (AEB) to the North of Tyne Combined Authority (NTCA) and seeks approval for the proposed approach and priorities for procurement.

## **Recommendations**

The Cabinet is recommended to:

1. note the progress being made to devolve the AEB;
2. agree the three Lots proposed for procurement as set out in section 1.14 of the report; and
3. authorise the Head of Paid Service, in consultation with the Cabinet Member for Employability and Inclusion, to finalise the procurement documentation and undertake the procurement exercise including the evaluation of bids and award of contracts.

## 1. Background Information, Proposals and Timetable for Implementation

### Background Information

- 1.1 As previously reported to Cabinet, the statutory order to devolve the AEB to NTCA is currently going through the necessary parliamentary process and it is anticipated that the AEB will be transferred to NTCA for the academic year 2020/21 onwards. This means that NTCA will become the commissioner of adult education learning.
- 1.2 In taking on this role, we recognise that there is 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 destabilising the North of Tyne adult skills provider base.
- 1.3 The principal purpose of the AEB is to engage adults and provide them with the skills needed for entering and sustaining work, an apprenticeship/traineeship, or other further learning. It provides funding for programmes of learning up to Level 2 (GCSE level equivalent) and some Level 3 qualifications (A level equivalent), dependent on eligibility. It does not fund all Level 3 learning, or programmes at Level 4 and above as these are funded through Advanced Learner Loans or Higher Education (HE) funding. The AEB also encompasses a range of statutory entitlements for learners, including the right to fully funded provision for basic English and maths qualifications and, depending on the resident's age and employment status, an entitlement to a first Level 2 and/or Level 3 qualification.
- 1.4 AEB provision will support key elements of the North East Strategic Economic Plan, the emerging Local Industrial Strategy and play a key role in NTCA's economic growth and reform agenda.
- 1.5 The devolved AEB will enable us to:
  - Focus on delivering a step-change to improve basic, generic and transferable skills;
  - Break new ground in a collaborative strategic partnership working with an absolute focus on 'place';
  - Deliver a more responsive, accessible adult skills offer for residents and Employers;
  - Prepare the ground for greater influence and new performance management while maintaining confidence and stability in the sector;
  - Establish protocols for joint working across all post-16 skills activity, bringing together planning, funding and regulation, regardless of whether funding is devolved or not.
- 1.6 The recently launched NTCA AEB Strategic Skills Plan sets out our long-term priorities for a devolved AEB, highlighting our strengths, opportunities and challenges across the region.

## Proposals

- 1.7 As agreed at the July 2019 Cabinet, the North of Tyne devolved AEB will be allocated to providers via a mix of grant allocations (approximately 67% of the overall budget) and procured contracts for services (approximately 30% of the overall budget).
- 1.8 In accordance with general practice across the adult education sector, grant funding will be allocated to those providers who are considered to form part of the state-maintained system of public education and its associated asset base and infrastructure which is funded wholly or mainly from the public purse and which has NTCA residents and 'place' as the primary focus of their activity. These providers will include the Further Education colleges and Local Authorities based in or on the boundary of the NTCA area. Continuing to grant fund these institutions will provide stability for our residents and ensure we maintain the appropriate levels of statutory entitlement provision available to learners and enable us to accommodate the current travel to learn patterns we have to/from our area.
- 1.9 All other providers that wish to deliver NTCA funded provision to North of Tyne residents will have the opportunity to tender for a Contract for Service. This procurement exercise will encompass (but is not limited to):
  - i. Independent Training Providers (ITP) and Voluntary and Community Sector (VCS) organisations - these organisations generally operate under contracts for services with the ESFA at present.
  - ii. FE institutions whose main base of operations is outside of NTCA – these organisations currently receive grant funding from the ESFA to deliver AEB provision to NTCA residents but not as their core business and sometimes through sub contracted arrangements. Procuring this provision going forward will allow NTCA to realign the funding currently spread across a vast provider base across the country and refocus it for NTCA residents, as well as maximising the impact for learners by reducing management fees and unnecessary subcontracting.
- 1.10 The procurement process will reduce the number of providers, but value high quality provision targeted at North of Tyne residents, supporting our ambition of a place-based approach.
- 1.11 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.
- 1.12 The relationship between NTCA and skills providers will be strategic rather than transactional. We will develop a strong performance management function and 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 North of Tyne employers can access residents with the skills their businesses need to grow and thrive. We will expect providers to develop a place-based curriculum offer and wrap-around support with a clear focus on learner progression.

- 1.13 All contracts will be underpinned by a Delivery Plan and new performance management arrangements. This process of review will provide a comprehensive evidence base which shows what is working best for residents and will inform future commissioning decisions.
- 1.14 All Delivery Plans will be aligned to the priorities set out in the NTCA AEB Strategic Skills Plan available on the NTCA website.
- 1.15 In support of those priorities, providers wishing to bid for a Contract for Service will have the opportunity to bid into 3 Lots
1. **Unemployed.** This provision will be accessible to key target groups e.g. 19-24 NEETs, over 50-year olds, the long-term unemployed and the economically inactive with significant barriers to work, such as physical or mental health conditions.
  2. **Employed.** In-work progression and/or Skills for NTCA Growth Sectors. This provision will provide those residents in low skilled, low paid work the necessary skills and support to progress in employment. This provision will also provide NTCA the opportunity to address the skills gaps in our growth sectors.
  3. **Innovation.** NTCA supports the use of innovation and this Lot will enable organisations to deliver highly responsive provision that is targeted and specific to a range of residents' needs which require more flexibility and intensity than which is currently available through the core AEB provision.
- 1.16 Full details of the procurement process and the expectations for each Lot will be provided in the Invitation to Tender documentation which will be released at the beginning of November 2019.
- 1.17 The three Lots have been identified in support of the NTCA Aims and Objectives for a devolved AEB

	Aims	Objectives	Measures
Leaders of Tomorrow	<p><b>Better Outcomes for Young People</b> Work closely with stakeholders to continually strive for better outcomes, career-focused learning and pathways to employment.</p>	Ensure a curriculum mix is available which reflects the changing nature of the local economy and the skills needs of our area.	<ul style="list-style-type: none"> <li>• NEET rate for 19-24 year olds</li> <li>• Level 2 and Level 3 Attainment 19+</li> <li>• Proportion of Working Age population without Level 2</li> <li>• Proportion of Working Age population with no qualifications</li> <li>• 19+ Basic English and Maths attainment</li> <li>• Employment rate in growth sectors</li> <li>• Unemployment rate of Working Age population</li> <li>• Economic Inactivity rate of Working Age population</li> <li>• Earnings Data</li> </ul>
	<p><b>Skills to Support the Economy</b> Develop a new relationship with post-16 skills offer to meet the needs of the local labour market.</p>	Ensure all residents can access learning to be proficient in English, maths and digital skills.	
Hotbed of Talent	<p><b>Help people into work</b> Work with partners to implement better ways to help people into work – from a fragmented system to a more coordinated approach.</p>	Ensure AEB is focused on learner progression to employment and is aligned to job vacancy led skills programmes	
	<p><b>Skills Development and Career Progression</b> Work with employers to increase opportunities for continued training and skills development, supporting career progression.</p>	Provide flexible models of learning delivery that supports adults in work to upskill	

## Timetable for Implementation

- 1.18 The anticipated timetable for AEB devolution and the procurement process is set out below. It is proposed that the Head of Paid Service, in consultation with the Cabinet Member for Employability and Inclusion, is authorised to finalise the procurement documentation and undertake the procurement exercise including the evaluation of bids and award of contracts.

Autumn 2019	Subject to parliamentary approval, NTCA AEB Devolution Order is made and comes into effect.
October 2019	AEB Procurement event for potential bidders
November 2019	Invitation to Tender is published in respect of the contracts for services
December 2019	Period for the submission of bids closes.
December 2019	NTCA and DfE complete Memorandum of Understanding relating to practical arrangements for AEB devolution
January 2020	DfE notifies NTCA of AEB indicative total for academic year 2020/2021
Spring 2020	NTCA evaluates submitted bids and notifies bidders of results.
Spring 2020	DfE transfers AEB to NTCA
Spring 2020	NTCA enters into contracts with NTCA Grant providers and successful bidders
Spring 2020	NTCA providers' Delivery Plans finalised for AY 2020/21
1 August 2020	Go-live. NTCA administers AEB through contracted and grant-funded 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 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

3.2 The draft Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority (Adult Education Functions) Order 2019 is yet to be approved. As mentioned above, the Order has been debated and approved by the House of Lords. It is scheduled for debate in the House of Commons at the beginning of November 2019. NTCA continue to work closely with DfE who are in full support of devolving these powers to NTCA.

3.3 The current intention of DfE is to allocate NTCA the same amount of AEB that was allocated to North of Tyne learners in 2017/18. However, this amount will not be confirmed until January 2020. Until this confirmation is received, NTCA can only make plans based on the assumption of that amount. No contracting will be finalised with providers until confirmation of the budget allocated to NTCA is confirmed in writing by the DfE.

## **4. Financial and Other Resources Implications**

4.1 NTCA's indicative devolved Adult Education Budget is circa £22.7m per annum and will support North of Tyne residents to acquire the skills needed to secure and progress in employment, benefiting from current and future economic development.

4.2 Approximately 67% of the budget will be allocated to approved NTCA Grant providers, 30% will be allocated to Contracts for Services via a procurement exercise and the remaining 3% will cover the administrative costs associated with managing the budget.

## **5. Legal Implications**

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

## **6. Consultation/Engagement**

6.1 NTCA officers have met with numerous stakeholders and providers of adult skills to inform the devolution of the AEB to the North of Tyne.

6.2 On 25 October 2019 NTCA will host an AEB Procurement event to provide an update on NTCA priorities for AEB, details of the procurement process and timescales in preparation for administering this budget from academic year 2020/21.

6.3 NTCA will continue to work collaboratively with national strategic partners and local stakeholders to align the devolved AEB with other funding streams and activity to ensure it complements, rather than duplicates, the wider learning experiences and opportunities aimed at supporting our residents to progress in learning and to move towards or into productive and sustained employment.

**7. Appendices**

none

**8. Background Papers**

none

**9. Contact Officers**

Leigh Mills, Head of Inclusive Growth

Leigh.mills@northoftyne-ca-gov.uk

**10 Glossary**

AEB	Adult Education Budget
DfE	Department for Education
HE	Higher Education
ITP	Independent Training Provider
NTCA	North of Tyne Combined Authority
VCS	Voluntary and Community Sector

**11 Sign-off**

Head of Paid Service: Yes

Monitoring Officer: Yes

Chief Finance Officer: Yes

**Subject: Draft Strategic Risk and Opportunities Register**

**Report of: Risk Advisor to NTCA**

**Portfolio: All Portfolios**

## **Report Summary**

The purpose of this report is to bring the draft Strategic Risk and Opportunities Register to Cabinet for approval.

## **Recommendations**

The Cabinet is recommended to:

1. Approve the Strategic Risk and Opportunities Register
2. Highlight any additional strategic risk areas that may need to be considered for inclusion in the Strategic Risk Register
3. Note the continued monitoring of the Strategic Risk Register by Audit and Standards Committee

## **1. Background Information, Proposals and Timetable for Implementation**

- 1.1 A draft strategic risk and opportunities register (Appendix A) has been developed, using the output from the NTCA Staff Engagement Event (January 2019), input from Audit and Standards Committee Members, discussions with Statutory Officers and a review of the Investment Fund and Adult Education Budget, programme risk registers. The draft register was also agreed at the meeting of the North of Tyne Chief Executives in June 2019, who asked that it be presented to Cabinet. The register has since been considered by Audit and Standards Committee in September 2019.
- 1.2 The risk and opportunities register covers the areas highlighted during discussions, with the most significant threats being; delivery of devolution and the Authority's operational capacity. An opportunity to strengthen the Authority's existing partnership arrangements was also raised.
- 1.3 The strategic risk register will contain strategic level risks covering the responsibilities of NTCA. Lower level operational and project risks will be managed at a project level. However, there are communication plans and escalation processes being developed to ensure the biggest risks to individual programmes/projects are communicated and/or escalated to the Strategic Risk Register.
- 1.4 Audit and Standards Committee will continue to monitor the Authority's strategic risk register. The risk register will be a regular agenda item at each meeting of the Committee.
- 1.5 Regional transport risks have been identified by the North East Joint Transport Committee and are monitored by its Audit Committee. NTCA's Audit and Standards Committee will receive a summary of the regional transport risks at its next meeting on 21 January 2020, alongside the strategic risks to the Combined Authority, allowing the Committee to consider the effectiveness of the Authority's risk management arrangements.
- 1.6 The risks and opportunity have been scored and given a RAG rating in line with a matrix which considers the likelihood and impact of the risk areas; this matrix, known as the Strategic Risk Analysis Toolkit, is at Appendix B. In addition, a target score has been identified for each risk.
- 1.7 The Head of Paid Service has been assigned as risk owner for the risks and opportunity. However, this will be reviewed when the new Directors take up their roles.
- 1.8 Newcastle City Council will co-ordinate the development of the strategic risk register for NTCA and the subsequent reporting to the Audit and Standards Committee.

## **2. Potential Impact on Objectives**

- 2.1 The development of the strategic risk register will not impact directly on the objectives of NTCA's priorities, however the approach to strategic risk management will support delivery of its aims and ambitions by acknowledging the biggest threats and putting plans in place to manage them.

## **3. Key Risks**

3.1 There are no direct risk management implications from this report. The approach to risk management will be documented within the agreed policy and strategy.

#### **4. Financial and Other Resources Implications**

4.1 There are no direct financial implications arising from this report. Risk Management work is supplied to NTCA during 2019/20 through a Service Level Agreement with Newcastle City Council.

#### **5. Legal Implications**

5.1 There are no direct legal implications arising specifically from this report.

#### **6. Consultation/Engagement**

6.1 The Interim Head of Paid Service, Interim Monitoring Officer and Interim Chief Finance Officer have been consulted on the proposed Strategic Risk Register process.

#### **7. Appendices**

7.1 Appendix A – Draft Strategic Risks and Opportunities Register  
Appendix B – Strategic Risk Analysis Toolkit

#### **8. Background Papers**

8.1 Risk Management Policy and Strategy

#### **9. Contact Officers**

9.1 Name, Designation, E-mail address, Telephone number  
Philip Slater – Chief Internal Auditor, Newcastle City Council.  
[Philip.slater@newcastle.gov.uk](mailto:Philip.slater@newcastle.gov.uk)  
Telephone – 0191 2116511

#### **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

## Draft Strategic Risks and Opportunities

<p><b><u>Risk – Delivery of Devolution</u></b> Failure to deliver the Devolution Deal, and secure future negotiations with Government will restrict powers in future funding years.</p>	<b><u>Risk Owner</u></b> Head of Paid Service	
	<b><u>Risk Score</u></b>	
	<p><b>Current controlled score - Amber 8</b> Likelihood Low – Risk may occur Impact Critical – Inability to secure or loss of significant funding opportunity</p>	
	<p><b>Target Score – Green 4</b> Likelihood Negligible – Risk is unlikely to occur Impact Critical - Inability to secure or loss of significant funding opportunity</p>	
<p><b>Cause:</b></p> <ul style="list-style-type: none"> <li>• Decisions are not aligned to the Authority's Vision and Strategic Framework which has already been agreed with Government</li> <li>• Inability to demonstrate devolution readiness to support key aspects of the devolution deal to DfE, MHCLG etc.</li> <li>• Insufficient projects/schemes are identified to meet investment fund spending targets</li> <li>• Projects and schemes are not delivered within agreed timeframes and do not satisfy key criteria or achieve required outcomes, such projects will cover all aspects of the devolution deal including: <ul style="list-style-type: none"> <li>▪ Adult Education Budget</li> <li>▪ Education Challenge</li> <li>▪ Housing &amp; Land</li> <li>▪ Investment Fund</li> </ul> </li> <li>• Government do not fulfil their commitments under the devolution deal</li> <li>• Brexit causes delays or uncertainty which reduce the Authority's ability to generate or deliver projects/schemes</li> </ul>		
<p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>• Inability to demonstrate that investment funding or other criteria has been met which may jeopardise future funding from Government</li> <li>• Reputational damage with Government and the public</li> </ul>		
<p><b>Existing Controls:</b></p> <ul style="list-style-type: none"> <li>• Production of an Adult Education Budget (AEB) Strategic Skills Plan and 'Readiness' Self-assessment to demonstrate readiness for AEB devolution from 2020/21</li> <li>• Assurance Framework agreed with Government which operates effectively</li> <li>• Constitution is in place setting out governance arrangement for the Authority</li> <li>• Establishment of the Investment Fund through which NTCA will administer the North of Tyne Single Pot allocation of Government funding</li> <li>• Housing and Land Board supports NTCA's governance arrangements regarding the integrated strategic approach to improving the quality and quantity of homes in the North of Tyne area</li> <li>• Strong collaboration with the NELEP and North East Brexit Group to maintain a coordinated approach to cross-sector engagement and communications with Government</li> <li>• Development of a North of Tyne Brexit response plan, which includes the North of Tyne loan fund which will support areas where Brexit will have an impact on NTCA aims and objectives</li> </ul>		
<b>Next Steps</b>	<b>Deadline</b>	<b>Lead Officer</b>
NTCA has consented to making of the AEB Devolution Order, which will be debated in the Autumn by Parliament. Once agreed DfE will make AEB budget payment to NTCA. The AEB will then become operational on 1 August 2020.	August 2020	Interim Director of Inclusive Growth
Following the AEB market engagement event in July further stakeholder consultation will be undertaken on	Review outcome of the event - November 2019	Interim Director of Inclusive Growth

25 October 2019, to consult on the North of Tyne AEB Strategic Skills Plan.		
<p>The introduction of the NTCA Education Improvement Challenge initially through a Joint School Improvement Strategy which will focus on:</p> <ul style="list-style-type: none"> <li>• Ready for School</li> <li>• Educational Achievement for All</li> <li>• Closing the Gap</li> <li>• Career Pathways</li> <li>• Leadership, Recruitment and Retention</li> </ul>	Review December 2019	Interim Director of Inclusive Growth
Delivery of the Investment Fund – The Investment Plan sets out how NTCA will use the first £100m to support the Authority’s vision. The Plan is structured into three main themes – Business, People and Place	Review December 2019	Interim Director of Inclusive Growth
Through the M9 (meeting of Mayors) there is an opportunity to work together to lobby Government on agreed priorities which will benefit the NTCA.	Review December 2019	Interim Director of Policy, Communications and Business Operations

<p><b><u>Risk - Operational Capacity and Resources</u></b>  The Combined Authority is unable to demonstrate to Government and partners that it has the necessary capacity, skills and expertise to successfully deliver the devolution deal, within the constraints of approved funding streams, timeframes, conditions and performance criteria.</p>	<p align="center"><b><u>Risk Owner</u></b>  Head of Paid Service</p>	
	<p align="center"><b><u>Risk Score</u></b></p>	
	<p align="center"><b>Current controlled score – Amber 8</b>  Likelihood Low – Risk may occur  Impact Critical – Serious impact on delivery of investment plan</p>	
<p align="center"><b>Target Score – Green 4</b>  Likelihood Negligible – Risk is unlikely to occur  Impact Critical - Inability to secure or loss of significant funding opportunity</p>		
<p><b>Cause:</b></p> <ul style="list-style-type: none"> <li>• There is a lack of clarity and shared understanding in the constituent authorities of the roles and responsibilities of the officers working on the Devolution agenda and supporting the Combined Authority</li> <li>• The lack of capacity and recruitment into key officer disciplines</li> </ul>		
<p><b>Impact:</b></p> <ul style="list-style-type: none"> <li>• Duplication of activity and conflicting priorities within Constituent Authorities</li> <li>• Existing resources are not fully utilised to effectively deliver the Authority’s strategic priorities</li> <li>• Projects and schemes are not delivered within the approved timeframes and do not meet performance criteria</li> </ul>		
<p><b>Existing Controls:</b></p> <ul style="list-style-type: none"> <li>• Interim Statutory Officer appointments (Head of Paid Service, Monitoring Officer, Chief Finance Officer) Mayor and other key officers</li> <li>• Scrutiny Officer, Head of Inclusive Growth and the Investment Programme Manager are in post</li> <li>• Constituent Authorities provide support services to the Authority through Service Level Agreements</li> <li>• Recruitment Plan in place</li> </ul>		
<b>Next Steps</b>	<b>Deadline</b>	<b>Lead Officer</b>
Organisational Development – A structured exercise will be undertaken to develop resource plans to ensure there is adequate capacity and clarity with assigned roles and responsibilities to ensure the effective operation of the Authority.	Review November 2019	Interim Director of Policy, Communications and Business Operations
Recruitment exercise is underway to recruit the Director of Inclusive Growth and Director of Policy, Communications and Business Operations.	November 2019	Head of Operational HR (Newcastle)
Extend all current Officer secondments.	Review March 2020	Head of Operational HR (Newcastle)
An Implementation Funding Bid has been approved by DfE to provide the Authority with financial resources to ensure appropriate capacity and resources are put in place to prepare for devolution of the Adult Education Budget.	August 2020	Interim Director of Inclusive Growth

<p><b><u>Opportunity - Partnerships</u></b></p> <p>The establishment of the Combined Authority provides us with an opportunity to strengthen the existing partnership arrangements in the region, and across the public and private sector to drive forward change to meet our ambitions and successfully deliver the North East Strategic Economic Plan.</p>	<p><b><u>Risk Owner</u></b> Head of Paid Service</p>	
	<p><b><u>Opportunity Score</u></b></p>	
	<p><b>Current controlled Score - Amber 8</b> Likelihood Low – Opportunity may occur Impact Critical –Relationship breakdown between major partners and stakeholders</p>	
	<p><b>Target Score – Green 6</b> Likelihood High – Opportunity will almost certainly occur Impact insignificant - Relationship between all partners and stakeholders will be significantly strengthened</p>	
<p><b>Benefits:</b></p> <ul style="list-style-type: none"> <li>• Strengthening the synergy between Cabinet, the North East Local Enterprise Partnership and Local Authorities</li> <li>• Influencing regional approaches to growth</li> <li>• Improving how we work with Government, business, investors and partners</li> </ul>		
<p><b>Barriers:</b></p> <ul style="list-style-type: none"> <li>• The success of the Combined Authority will rely on the on-going commitment of all member authorities and how NTCA works with other partners in the region</li> <li>• It is important that Cabinet share the same vision and commitment to the Combined Authority, ensuring individual plans are aligned</li> <li>• It is recognised that there are a number of partners, therefore effective and timely communications and consultation is vitally important to reduce reputational impact</li> </ul>		
<p><b>Existing Controls:</b></p> <ul style="list-style-type: none"> <li>• Regular meetings with the Business Community i.e. CBI, Federation for Small Businesses, Entrepreneurs' Forum</li> <li>• Community and Voluntary Sector engagement meetings</li> <li>• The North East LEP is leading the regional development of the Local Industrial Strategy</li> <li>• NTCA representation on: <ul style="list-style-type: none"> <li>▪ The North East LEP Boards (Investment, Employment &amp; Skills, Innovation and Business Growth)</li> <li>▪ The Board of Transport for the North</li> <li>▪ The North East Joint Transport Committee (and sub-committees), responsible for preparing a single transport plan for the area of both Combined Authorities</li> </ul> </li> </ul>		
<p><b>Next Steps</b></p>	<p><b>Deadline</b></p>	<p><b>Lead Officer</b></p>
<p>Development of a partnership agreement with the Local Infrastructure organisations and the Voluntary &amp; Community Sector.</p>	<p>October 2019</p>	<p>Interim Director of Policy, Communications and Business Operations</p>
<p>Continued engagement with AEB providers in the North of Tyne area to ensure a collaborative approach to aligning adult skills to deliver the Authority's vision.</p>	<p>Review December 2019</p>	<p>Interim Director of Inclusive Growth</p>
<p>Appoint the Mayor's Ambassador for Business and Ambassador for the Community and Voluntary Sector.</p>	<p>November 2019</p>	<p>Interim Director of Policy, Communications and Business Operations</p>

# Strategic Risk Analysis Toolkit

# North of Tyne Combined Authority

# Appendix B

Action plans must be developed for Red and Amber risks

Determine the risk priority					
Impact					
Likelihood		Insignificant	Minor	Significant	Critical
	High	4	8	12	16
	Medium	3	6	9	12
	Low	2	4	6	8
	Negligible	1	2	3	4

Assess the likelihood of the risk occurring	
High	Risk will almost certainly occur or is occurring at present
Medium	Risk is likely to occur in most circumstances
Low	Risk may occur
Negligible	Risk is unlikely to occur

## Assess the impact should the risk occur

	Objective	Service Delivery	Financial	Reputational
<b>8 Critical</b> Howstopper	<ul style="list-style-type: none"> <li>Over half the objectives/programmes affected</li> <li>More than one critical objective affected</li> <li>Partners do not commit to the shared vision</li> </ul>	<ul style="list-style-type: none"> <li>Significant change in partner services</li> <li>Relationship breakdown between major partners and stakeholders</li> <li>Serious impact on delivery of Strategic Investment Plans</li> <li>Unplanned major re-prioritisation of resources and/or services in partner organisations</li> <li>Failure of a delivery programme/major project</li> </ul>	<ul style="list-style-type: none"> <li>Inability to secure or loss of significant funding opportunity (£5m)</li> <li>Significant financial loss in one or more partners (£2m)</li> <li>Significant adverse impact on budget (£3m Transport budgets; £0.2m Central Budget)</li> </ul>	<ul style="list-style-type: none"> <li>Adverse national media attention</li> <li>External criticism (press)</li> <li>Significant change in confidence or satisfaction of stakeholders</li> <li>Significant loss of community confidence</li> </ul>
<b>3 Significant</b>	<ul style="list-style-type: none"> <li>One or more objectives/programmes affected</li> <li>One or more partners do not commit to shared vision</li> <li>Significant environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Partner unable to commit to joint arrangements</li> <li>Recoverable impact on delivery of Strategic Economic Plan</li> <li>Major project failure</li> </ul>	<ul style="list-style-type: none"> <li>Prosecution</li> <li>Change in notable funding or loss of major funding opportunity (£2m)</li> <li>Notable change in a Partners contribution</li> <li>Notable adverse impact on budget (0.5m-£1.5m Transport budget)</li> </ul>	<ul style="list-style-type: none"> <li>Notable external criticism</li> <li>Notable change in confidence or satisfaction</li> <li>Internal dispute between partners</li> <li>Adverse national/regional media attention</li> <li>Lack of partner consultation</li> <li>Significant change in community confidence</li> </ul>
<b>2 Minor</b>	<ul style="list-style-type: none"> <li>Less than 2 priority outcomes adversely affected</li> <li>Isolated serious injury/ill health</li> <li>Minor environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Threatened loss of partners commitment</li> </ul>	<ul style="list-style-type: none"> <li>Minor financial loss in more than one partner</li> <li>Some/loss of funding or funding opportunity threatened</li> </ul>	<ul style="list-style-type: none"> <li>Failure to reach agreement with individual partner</li> <li>Change in confidence or satisfaction</li> <li>Minor change in community confidence</li> </ul>
<b>1 Insignificant</b>	<ul style="list-style-type: none"> <li>Minor effect on priorities/service objectives</li> <li>Isolated minor injury/ill health</li> <li>No environmental impact</li> </ul>		<ul style="list-style-type: none"> <li>Isolated/minor financial impact in a partner organisation</li> </ul> <p style="color: red;">Financial limits to be reviewed</p>	

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**Subject: 2019/20 Q2 Financial Management Report**

**Report of: Janice Gillespie, Interim Chief Financial Officer**

## **Report Summary**

This report is the second quarter 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 an indication of the potential position of the Authority at 31<sup>st</sup> March 2020. It also sets out the potential position on reserves at the year end.

The North of Tyne Combined Authority is still in the early stages of set up, but as we have moved through the first half of the year, the appointment of permanent staff is almost complete, and in terms of the Investment Fund, Cabinet have approved a number of projects/programmes which are now beginning to deliver.

The report also provides the treasury management annual report for 2018/19 and a summary of treasury management activity in relation to North of Tyne Combined Authority during 2019/20. The activity is in line with the original budget for the year and no changes to the strategy are proposed as part of this mid-year review.

## **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;
2. note the Treasury Management Mid-Year update position 1.5; and
3. agree the appointment of the external Auditor as set out in paragraph 1.7.

## 1. Background Information

### 1.1 Summary

Cabinet approved the 2019/20 budget on 12<sup>th</sup> 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 an 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 systems required to support the delivery and monitoring of projects and programmes aligned with its vision.

### 1.2 Q2 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 (£0.123m) 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 this report to Cabinet.

**Table 1 Q2 Budget Monitoring 2019/20 Corporate Budget**

	Budget	Forecast	Variance Over/(under)
<b>Expenditure</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Staffing	1,603	1,517	(86)
Mayor and officer	170	248	78
Advisors	305	200	(105)
Miscellaneous (includes election spend)	1,405	1,615	210
Sundry Grant Expenditure	0	91	91
SLA's	197	197	0
Transfer to Reserves	0	182	182
JTC Levy	27,074	27,074	0
<b>Total Expenditure</b>	<b>30,754</b>	<b>31,124</b>	<b>370</b>
<b>Income</b>			
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)	(231)	(101)
Interest Receivable	0	(120)	(120)

Use of Reserves		(90)	(90)
Grant Received- Brexit preparations	0	(182)	(182)
JTC Levy	(27,074)	(27,074)	0
<b>Total Income</b>	<b>(30,754)</b>	<b>(31247)</b>	<b>(493)</b>
<b>NET (Income)/Expenditure</b>	0	(123)	(123)

## Corporate Expenditure Variances

### Staffing

Recruitment progress has been made in line with the agreed financial plan. There are 25 staff now directly employed, with recruitment in progress for a further 8 posts, some of which are currently being filled by seconded staff (7).

Due to recruitment phasing, overall costs remain largely in line with the annual budget, currently projecting an overall under-commitment of £0.007m. Overall recruitment costs are covered by the staffing budget, including the one-off expenditure associated with the appointment of two new Director posts, being Director of Economic Growth and Director of Policy and Performance.

### Advisors

Consultancy support is being commissioned, in early key areas such as low carbon initiatives, and the Community bank. This forecast has been reduced by £0.105m to reflect the lag in early corporate activity and also the requirement for more specific consultancy to be in relation to the Investment Fund budget.

### Miscellaneous expenditure including election

This category contains both positive and negative variances with a predicted net over-commitment of £0.210m. Although there has been an underspend in relation to election costs of £0.055m, there are predicted overspends, primarily in relation to accommodation costs of £0.065m relating to higher than anticipated rental and service charges, plus additional investment in ICT and furniture of £0.056m. In addition to this there have been increased costs for consultancy on AEB of £0.060m, with other potential costs relating to new systems for Investment Fund and AEB monitoring.

### Sundry Grant Expenditure

Cabinet are aware that late in 2018/19 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 contribute £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.

An additional £0.182m grant has been awarded in 2019/20 in respect of preparations for the exit from the European Union, no commitments have been identified against this award and therefore the monies have been moved into reserves.

### **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.

### **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. The forecast for interest receivable has been increased by £0.020m to £0.120m since Q1.

## 1.3

**Investment Fund Q2 Monitoring**

Although there remains little actual expenditure defrayed to date, more signed contracts are now in place for projects approved by Cabinet in the later part of 2018/19 and the first quarter of 2019/20. Since Q1 there have also been Cabinet approvals to support projects such as Newcastle United Futures, NUSTEM and Digital Catapult, the Newcastle Helix Incubator and Accelerator project, the Returnships Programme and the Digital Infrastructure Programme.

Table 2 and 3, below summarize 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 £1,213k during this financial year.

<b>Table 2 Investment Fund Commitments</b>	<b>Total Project Cost</b>	<b>Investment Fund Commitment Approved</b>
	<b>£'000s</b>	<b>£'000s</b>
Business: Inward investment	21,631	3,505
People: STEM and Digital Skills	19,563	7,446
Place: Culture, creative and tourism	42,280	2,215
Project D&D: Business case development fund	1,079	813
Economic Inclusion programme		
<b>Total</b>	<b>84,553</b>	<b>13,979</b>

<b>Table 3 Forecast Investment Fund Approved spend profile</b>	<b>Financial year</b>				<b>Total</b>
	<b>19/20</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	
Business: Inward investment	28	1,192	1,228	1,057	3,505
People: STEM and Digital Skills	288	3,404	2,473	1,281	7,446
Place: Culture, creative and tourism	464	388	811	552	2,215
Project D&D: Business case development fund	433	380	0	0	813
Economic Inclusion programme					
<b>Total</b>	<b>1,213</b>	<b>5,364</b>	<b>4,512</b>	<b>2,890</b>	<b>13,979</b>

From Table 2 above it can be seen that there is 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 Budget Monitoring Investment Fund Q2**

Investment Fund	Budget 2019/20	Forecast 2019/20	Variance
	Budget	Forecast	Variance
<b>Expenditure</b>	£'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
<b>Total Expenditure</b>	<b>4,375</b>	<b>4,375</b>	<b>0</b>
<b>Income</b>			
Investment fund	(20,000)	(20,000)	0
<b>Total Income</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>0</b>
<b>NET (Income)/Expenditure</b>	<b>(15,625)</b>	<b>(15,625)</b>	<b>0</b>
<b>Investment Reserve Brought forward</b>	<b>(19,012)</b>	<b>(19,550)</b>	<b>(538)</b>
<b>Net Investment Fund Reserve Carried Forward</b>	<b>(34,637)</b>	<b>(35,175)</b>	<b>(538)</b>

## 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 as at Q2**

<b>Opening Balance 1 April 2019</b>	<b>Transfer in/(out) during 2019/20</b>	<b>Closing Balance 31 March 2020</b>	<b>Reserve</b>
£'000	£'000	£'000	
91	0	91	Homeless Veteran Grant
91	91	182	Preparing to Exit EU Grant
200	0	200	Strategic Reserve
19,551	15,625	35,175	Investment Fund Reserve
<b>19,933</b>	<b>15,716</b>	<b>35,648</b>	

Officers are continuing to work 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.

## 1.5

### Treasury Management Mid-Year Update

#### Summary

In line with the CIPFA Code of Practice on Treasury Management in the Public Services, the Authority is required to approve a treasury management strategy before the start of each financial year and to monitor/report performance against the strategy (with a mid-year review). Cabinet approved the 2019/20 Treasury Management Strategy on 5<sup>th</sup> February 2019.

A key part of the Authority's treasury management function is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk policy, providing adequate security and liquidity before considering investment return.

A key element of the treasury management function is the management of the funding associated with the Authority's capital investment plans. These capital plans provide a guide to any borrowing needs of the Authority, essentially the longer-term cash flow planning to ensure that the Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses.

## 1.6 Mid-Year update Position

### Borrowing

At this current time the Authority does not have the powers to borrow other than for Transport responsibilities, the borrowing that will be reflected in this Authority's 2018/19 statement of accounts relates to historic Tyne and Wear Transport activities and the financing and borrowing costs are met by the Tyne and Wear Levy. Details of which are included the Treasury Management Strategy and Prudential Indicators of the North East Combined Authority as the appointed accountable body.

### Financial Investments

The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Authority's investment strategy will give consideration to core balances and cash flow requirements and the outlook for short-term interest rates. Where cash flow identifies cash sums that could be invested for longer periods (potentially obtaining a greater return), the value to be obtained from longer term investments will be carefully assessed.

If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable. Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods

To date the authority has invested solely in investments defined as Specified Investments these are investments which are denominated in sterling; repayable within 12 months (either because of an expiry date or through a non-conditional option); not defined as capital expenditure by legislation; and invested with a body or in an investment scheme described as high quality or invested with one of: the UK Government; a Local Authority; or a Parish Council or Community Council. The authority's financial limits against this type of investment is shown in the table below:

**Table 1**

<b>Type of institution</b>	<b>Financial Limit</b>	<b>Time Limit</b>
UK central government (Debt Management Office)	£50m	Unlimited
Money Market Funds AAA	£5m each	Liquid
Term deposits with Bank and Building Societies	£5m each	12 months 6 months 100 days Not for use
UK Local authorities	£10m each	1 year
Certificate of Deposits with banks and building societies	£5m each	12 months 6 months 100 days

		Not for use
UK Government Treasury Bills	£10m each	1 year
Local Authority controlled companies in the NTCA area	£5m	5 years

### Current Investment Portfolio

The authority has now received £40m of the devolved funding to date in relation to the Investment Fund, £20m in relation to 2018/19 and then a further £20m in relation to 2019/20. There is currently £39m invested in the UK Central Government (Debt Management Office) this being considered a low risk counterparty/instrument commensurate with the Authority's low risk policy, providing adequate security and liquidity before considering investment return.

Type of institution	Investment Level 2019/20	Time Limit	Average Rate of Interest
UK central government (Debt Management Office)	£39m	Unlimited	0.59%

#### 1.7

At its meeting on the 30 July Cabinet agreed the approach to securing the appointment of an external auditor. Since that time officers have been working with the PSAA Ltd and the Audit Panel to secure appropriate arrangements. To that end it is proposed to appoint Mazars LLP as the external auditor for 2018/19 through a direct award and secure an appointment for the period 2019/20 to 2022/23 financial years through the PSAA Ltd. This approach has been discussed in detail with the Audit Panel who are supportive of this proposal.

Officers are working with Mazars to secure a conclusion of the 2018/19 audit as soon as practically possible.

## 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 Treasury Management Strategy will support and enable the budget process so that the Authority can properly discharge its functions and assist in delivering the Authority's vision, policies and priorities.

## 3.

### Key Risks

There are no key risks identified at this time.

#### **4. Finance and other Resource Implications**

This is a financial report with any financial or resource implications set out in the report.

#### **5. Legal Implications**

The Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy's Prudential Code: Capital Finance in Local Authorities and the Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance on Local Government Investments.

#### **6. Consultation**

The Treasury Management Policy and Strategy was included with the 2019/20 Budget which was subject to consultation with NCTA constituent authorities, NCTA Cabinet in addition to key officer groups. The 2019/20 Budget is based on the devolution deal and the Parliamentary Order which created the Authority and the Authority's Vision which has been agreed by Cabinet and is being shared with stakeholders in a range of events.

#### **7. Appendices**

7.1 None

#### **8. Background Papers**

8.1 12<sup>th</sup> March Report to Cabinet 2019-2022 Financial Plan and Budget

8.2 5<sup>th</sup> February Report to Cabinet 2019 Financial Plan and Budget Appendix B

#### **9. Contact Officers**

9.1 Janice Gillespie, Chief Finance Officer, [janice.gillespie@northoftyne-ca.org.uk](mailto:janice.gillespie@northoftyne-ca.org.uk)

Katherine Laing, Strategic Finance Manager, [katherine.laing@northoftyne-ca.org.uk](mailto:katherine.laing@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



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