

Cabinet

Tuesday, 5 February 2019 at 2.00 pm

Meeting to be held: Mansion House, Fernwood Road, Newcastle upon Tyne, NE2 1TJ

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**Subject: NTCA Investment Fund Update – Supplemental
Brexit Update**

Report of: Interim Director of Inclusive Economy

Report Summary

To provide Cabinet Members with an update on Brexit preparations by the NTCA, to highlight the role of the NTCA as a champion for business and trade in North of Tyne, and to propose additional actions that NTCA can take to help provide Brexit resilience.

Recommendations

Cabinet is recommended to:

- (i) Approve the action plan as set out in section 2;
- (ii) Authorise the Acting Head of Paid Service, in consultation with the Interim Mayor, relevant Portfolio Holders and the Chief Finance Officer, to undertake the necessary steps to deliver this action plan and explore any further actions needed as the Government's plans for Brexit further materialise.

1. Background information

Significant preparatory work for Brexit has been undertaken within the region. Individual local authorities have been considering a range of issues, including planning to ensure we are able to respond to an increased need to provide regulatory services (trading standards); working with health partners to ensure continuity of health services; and ensuring that there is no disruption to school meals. The regional Local Resilience Forum (LRF) has overseen these preparations and is reporting in to national Government on preparedness.

The North East LEP has been considering the economic impacts, via the NE Brexit group. This includes businesses, business representative organisations, public sector agencies, voluntary and community sector, universities, colleges, airport, ports and the unions. The Group has liaised regularly with Government – including identifying the impact on key sectors and businesses; provided a response on behalf of the region to the Migration Advisory Committee; overseen the provision of Brexit advice to businesses; and developed a work programme to consider new opportunities and challenges post-Brexit.¹

In the context of ongoing national uncertainty on the path for Brexit, the NTCA will work with the North East LEP, the North East Combined Authority (NECA), other Mayoral Combined Authorities and national Government to promote and protect North of Tyne's international trading position, key national assets (including the airport and ports) and our businesses.

Studies by HM Treasury predict that the North East of England will be the most adversely impacted part of the country by a no-deal Brexit.² Against this backdrop, we will listen to and then seek to support businesses in dealing with their key issues emerging from the Brexit outcome – both before and after the UK leaves the EU. These may include workforce matters, trade concerns, possible economic downturn scenarios and any new market opportunities. Our proposed approach is based on:

- continuing to work with the North East LEP 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;

¹<https://www.nelep.co.uk/>

² <https://www.parliament.uk/documents/commons-committees/Exiting-the-European-Union/17-19/Cross-Whitehall-briefing/EU-Exit-Analysis-Cross-Whitehall-Briefing.pdf>

- 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.

2. Actions

Government announced on the 28th January that Combined Authorities will each receive £91,000 per annum to “fund additional planning and capacity” over the next two years. It is proposed that the NTCA uses this funding to support areas where Brexit will have an impact on the North of Tyne’s aims objectives (as set out in the Economic Vision) collaborating where possible with other partners including the North East LEP and NECA. These resources would be deployed alongside other activity funded through the Investment Fund, together with opportunities provided by the broader powers and responsibilities of the NTCA.

(i) Business Engagement

Significant engagement with businesses around Brexit is already occurring – through the constituent local authorities, and in conjunction with the NELEP and the NE Brexit Group.

In the context of a lack of a clear understanding of how UK will exit the EU, it is proposed that we develop a six-month engagement programme with businesses and business representative organisations – consisting both of summit/consultative events and more targeted company visits. An event is planned for late February / early March where we will seek to engage with business on their current views of what support they might need in the context of Brexit and how our future engagement programme would best be structured.

The NTCA will work closely with North East LEP to maintain a co-ordinated approach to cross-sector engagement and communications with Government.

NTCA will promote the available resources and advice for businesses preparing for Brexit available at <https://www.northeastgrowthhub.co.uk/toolkits/BREXIT-toolkit/>

(ii) Ongoing Brexit sector risk assessment

The NE Brexit Group has previously published a report highlighting opportunities, challenges and risks facing sectors in the NE from BREXIT.³ we

³ <https://www.nelep.co.uk/wp-content/uploads/2018/06/nel377-sector-study-a4-final-version.pdf>

propose to continue to work within this group to refresh this work and to ensure that we take a dynamic approach to updating information as circumstances change. From this, we will develop any necessary propositions or next steps.

(iii) Inward Investment Fund

Nationally, there has been a reduction in business investment and Inward Investment enquiries, which has been attributed to Brexit uncertainties. The proposed NTCA Inward Investment Grant Fund, as outlined in the Investment Fund Update, is designed to support foreign or UK owned businesses making a first investment in the North of Tyne area, helping ensure that the NTCA is viewed as an attractive location for investment under all Brexit scenarios.

(iv) Brexit Response Fund

The Investment Fund provides a flexible resource which can, within the scope of the devolution deal and economic vision, be used to support businesses which may be exposed to additional Brexit pressures. It is proposed that the NTCA Cabinet considers the use of a proportion of its Investment Fund to respond positively to new opportunities which may emerge in the next few weeks and to counter any potential negative Brexit effects. For example, and working with North East LEP, this could include exploring the potential to provide short term loans to companies experiencing temporary cashflow challenges because of Brexit. Any awards from the Investment Fund would be subject to the normal process of due diligence, and the NTCA's agreed Assurance Framework.

(v) Development of longer-term response to Brexit

The NTCA will continue to work with the North East LEP and wider partners to develop a longer-term response to Brexit.

Brexit is likely to lead to a reduction in immigration, meaning that there are new opportunities to take an active approach to skills and labour market planning. The NTCA will have the opportunity to use the devolution of the Adult Education Budget, together with wider devolution deal commitments from DWP around joint working, to tailor support to the emerging needs of, and opportunities provided by, the local economy.

The NTCA is working with the North East LEP to develop a proposal to create a Free Trade Zone at a North East or wider geography, which could be considered if the UK were to leave the EU without a deal. This would ensure that customs duties do not harm the international supply chains which are at the heart of our manufacturing sector.

3. Next Steps

Following Cabinet's consideration of the action plan outlined in Section 2, the Head of Paid Service will oversee their implementation – with further information provided to Cabinet at its next meeting. The Head of Paid service will also work closely with the Elected Mayor and Cabinet portfolio members to ensure that the NTCA adopts a flexible approach to any emerging new opportunities or challenges.

4. Potential Impact on Objectives

The Actions proposed in the report are consistent with the commitments set out in the Combined Authority's Vision document: Home of Ambition and particularly the Champion of Enterprise Pillar which expresses the Combined Authority's commitment to creating the conditions needed for our businesses to flourish and attract inward investment.

5. Key Risks

There is considerable uncertainty about the Brexit approach which will be followed nationally and any impacts on the local economy. The actions described in this report have been designed to help mitigate the risks that a disorderly Brexit could pose to the North of Tyne economy. At this stage, it is difficult to quantify these risks and therefore the extent of potential demand on the investment fund.

7. Financial and Other Resources Implications

Sufficient funds are available to cover the estimated cost of the proposed expenditure.

8. Legal Implications

There are no immediate legal implications arising from this report.

9. Consultation/Engagement

The proposals in the report are consistent with the objective and outline commitments set out in the NTCA's Vision, a document that was developed following engagement with key stakeholders in the North of Tyne area. The proposals are also informed by a specific set of internal and external consultation and engagement activities that have been designed and conducted with the explicit purpose of informing the response to the challenges posed by Brexit. The business engagement programme outlined in this will continue the dialogue and inform future developments.

10. Appendices

There are no appendices to the report.

11. Background Papers

None

12. Contact Officers

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Rob Hamilton, Interim Head of Investment and Economic Growth, North of Tyne Combined Authority. Rob.Hamilton@newcastle.gov.uk

Cabinet

Date: 5 February 2019
Subject: Governance Update
Report of: Interim Monitoring Officer

Report Summary

This report provides a further update on the development of the NTCA's constitutional arrangements and recommends that Cabinet appoint (i) an independent (co-opted) member to chair the Audit and Standards Committee and (ii) an independent person for the purposes of the standards regime.

Recommendations

Cabinet is recommended to:

1. appoint Andrew Hodgson as a Cabinet member nominated by the North East Local Enterprise Partnership (NELEP) and appoint Mark Thompson as a substitute Cabinet member nominated by the NELEP;
2. appoint Douglas Ross as the Independent Chair of Audit and Standards Committee; and
3. appoint Eric Richards as an Independent Person for the purposes of the standards regime.

1. NELEP Cabinet Member and Substitute Member

1.1 Under the terms of the statutory order which created NTCA (the 2018 Order), the NELEP must nominate one of their members to be a (non-voting) member of NTCA's Cabinet and another of their members to be a substitute member. NTCA must appoint the persons nominated by the NELEP to these positions. The NELEP have nominated Andrew Hodgson as their Cabinet member and Mark Thompson as the substitute member.

2. Appointment of (i) Independent Chair of the Audit and Standards Committee and (ii) an Independent Person for the purposes of the standards regime

2.1 As reported to Cabinet on 8 November 2018, the 2018 Order requires that at least one independent (co-opted) member is appointed to the Audit and Standards Committee. Cabinet agreed at that meeting that a recruitment process be undertaken to appoint the independent member. Cabinet also agreed that the independent member would chair the Audit and Standards Committee.

2.2 As was also reported to Cabinet at that meeting, NTCA is required by the Localism Act 2011 to appoint at least one independent person for the purposes of the standards regime. (The independent person will not be a member of NTCA or any of its committees but is to be consulted before any decision is made on an allegation that a member has breached the code of conduct.) Cabinet agreed that a recruitment process be undertaken with a view to appointing two independent persons so that one of them was always available to act.

2.3 The posts were advertised on the Authority's website and in the local press, with a closing date for applications of 4 January 2019. Two applications for the post of independent chair of the Audit and Standards Committee were received. One application was received for the post of independent person. The applicants were interviewed by an officer panel on 29 January 2018.

2.4 With regard to the post of independent Chair of the Audit and Standards Committee, both applicants were considered to be well-qualified for the role and suitable to be appointed. On balance, however, the panel felt that Douglas Ross was the stronger of the two candidates because of his broader range of relevant background experience, and the strength of his ability to act as chair and build effective working relationships with members, officers and other key stakeholders.

2.5 With regard to the post of independent person, the panel considered that, the sole applicant, Eric Richards, had the necessary skills and experience for the role, and therefore recommended that he be appointed as an independent person. Whilst it had been intended to appoint two independent persons, NTCA is only legally obliged to have one independent person and therefore it is proposed that the potential need to appoint a second independent person

is reviewed in the coming months.

3. Potential Impact on Objectives

- 3.1 The matters set out above are part of the process of establishing the governance arrangements of NTCA in accordance with the terms of the 2018 Order.

4. Key Risks

- 4.1 None.

5. Financial and Other Resources Implications

- 5.1 None.

6. Legal Implications

- 6.1 The legal implications are set out in the body of the report.

7. Consultation/Engagement

- 7.1 The arrangements for the abovementioned recruitment processes were agreed with Cabinet.

8. Appendices

- 8.1 None.

9. Background Papers

- 9.1 None.

10. Contact Officer

- 10.1 John Softly, Interim Monitoring Officer,
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