
**Subject: Investment Fund Update and Funding Approvals – North of Tyne
Combined Authority Response to COVID-19**

Report of: Director of Economic Growth

Introduction

A decision on this matter was expected to be made at the Cabinet meeting to be held on 24 March 2020. In response to the Coronavirus pandemic, central government announced on the evening of 23 March 2020 further restrictions on when and how people could meet and leave their homes. In response to this announcement the Cabinet meeting was cancelled.

Standing delegation HPS11 in Part 2.9 of the Constitution allows the Head of Paid Service:

To take an urgent decision where a decision needs to be made urgently and it is not practical to convene a quorate meeting of the Cabinet or relevant committee or subcommittee of the Authority, in consultation with the Chair (or in their absence a Vice Chair) of the Cabinet or relevant committee or subcommittee, the Chief Finance Officer and the Monitoring Officer.

It has been agreed with Mayor Driscoll, as Chair of Cabinet, the Chief Finance Officer and the Monitoring Officer that all the decisions expected to be made at Cabinet on 24 March 2020 will now be made by the Head of Paid Service as Delegated Decisions in accordance with HPS11 to ensure the efficient conduct of the Authority's business.

Report Summary

The purpose of this report is threefold:

1. To set out an early situational analysis of the economic impacts of COVID-19 for the North of Tyne Combined Authority area, and the areas in which these impacts are likely to be most significant;
2. To provide Cabinet with some options relating to how the NTCA can support Local Authorities and the wider system – both during the current crisis, and to prepare for longer term mitigation and economic recovery; and
3. To recommend Cabinet approve a Scheme of Delegation that would enable the NTCA to add value to the wider response to COVID-19 in an agile way, during a period in which formal decision-making structures may be limited or curtailed.

Recommendations

The Head of Paid Service is recommended to:

1. Note the assessment of the current and potential impact of COVID-19 on the residents and economy of the combined authority area; and endorse the principles of a NTCA response as set out in Section 4. This will add value to the collective efforts of constituent Local Authorities, public sector bodies, civil society, businesses and the wider public;
2. Agree the next steps and delegations set out in Section 5 – which will enable NTCA to bring forward rapid financial and capacity support to Local Authorities to address the economic and inclusive growth impacts of COVID-19, and to prioritise NTCA activities to mitigate short term impacts and prepare for economic recovery;
3. Note the need for agility as to the implications of forthcoming Government announcements - including an Emergency Bill, which may include provision for virtual Local Authority committee meetings;
4. Authorise the Chief Finance Officer, Monitoring Officer and Executive Directors to take such other steps as are necessary to give effect to the proposals in this report.

1. Background

1.1 The COVID-19 outbreak is a rapidly evolving situation. We are clear that the primary initial response – as per Government announcements to date – will be through Local Authorities, NHS and via Local Resilience Forums. As things stand, the funding streams and flexibilities announced by Government reinforce this. The proposals in this paper are therefore intended to make available the resource and capacity of the NTCA in ways that add value, support this wider response and help us hit the ground running post-crisis.

1.2 ***The Economic Impact of COVID-19***

1.2.1 We are starting to see the economic effects of COVID-19 escalate within the UK. It is too early to be able to accurately predict the ultimate impact, but stock-markets are down significantly, with the FTSE all-share index down around 35%. Economists in the UK are speculating that the economy will contract significantly between March-June, perhaps by around 5%. Although it is notable that parts of the Chinese economy shrunk by 20% in the first two months of this year.

1.2.2 It is unclear how rapidly the economy will rebound post-virus. This will be crucially dependant on the behaviour of the virus itself, the duration and severity of social distancing and isolation measures – and with the ability of Government to mitigate impacts on companies and their employees. As Martin Wolf has noted in the Financial Times, “[the impacts may go] far beyond the direct impact of the health emergency”.

1.2.3 COVID-19 will affect the economy through two main mechanisms:

Supply-side disruption, for example:

- Numerous businesses are now closing temporarily in response to COVID-19, while there is the potential for further, more restrictive social distancing measures to come;
- Even amongst businesses remaining open, we are starting to see workers being unable to get to work due to quarantine/self-isolation. This disruption will be enhanced with closure of schools, nurseries and other education institutions.
- Components, parts or goods being unavailable, due to disruption within national and global the supply chains.
- We are seeing a disruption to business development activity, which enables businesses to find and win new work, where this has relied on face to face engagement and/or trade events

Demand-side disruption, including:

- Reduction in consumer spending due to consumers avoiding non-essential shopping trips, leisure outings etc, the cancellation of events, and more people staying at home in-line with Government advice;
- Demand from businesses could also be reduced;
- Indirectly, this could then lead to wider knock-on impacts. We expect the fall in consumer spending by businesses will lead to a sharp fall in economic activity – potentially with widespread social impacts.

1.2.4 To some extent these are likely to be temporary effects, with economic activity likely to ‘bounce back’ once the disruption is over, although it is becoming increasingly clear that social distancing measures are unlikely to be lifted entirely for several months. But, the falls in share prices and confidence could impact on credit availability and investment activity, while we are starting to see companies reduce staffing levels. In addition to having an

immediate human impact, this would reduce the ability of the UK economy to bounce back rapidly.

2. Understanding the Economic impact so far in the NE

2.1 *Known impacts on Businesses and Sectors*

2.1.1 The situation is evolving rapidly, and we would expect to see a number of businesses significantly affected in the North of Tyne area within the coming days and weeks.

2.1.2 We are **increasingly concerned about the impact on employees**, with several local companies announcing that they are scaling back their workforce. This is particularly of concern for those on zero or short-term contracts. We expect that business for most **pubs, restaurants and entertainment venues** will shrink extensively, in line with Government advice for people to stay away and that this will further compound workforce issues. Most **cultural and sporting events** are now cancelled, and we have seen numerous retailers temporarily close their stores, in response to low demand - although supermarkets continue to deal with high levels of demand.

2.1.3 Government has also advised against non-essential travel, and we have seen **airline** shares fall dramatically, with some asking staff to take non-paid leave. At the time of writing, flights are still coming into/out of **Newcastle airport**, but have already seen this business reduce sharply.

2.1.4 The picture of disruption to **manufacturing** in the NE is evolving. Nissan has announced a suspension of production at its Sunderland plant, in line with the approach taken by other car manufacturers across Europe. We will continue to monitor the impact on other large regional manufacturers and related supply chains.

2.1.5 Many **professional services companies** and parts of Government are taking steps to increase homeworking; reducing health issues but also ensuring some business continuity. We will continue to monitor the **impact on other sectors** e.g. construction, logistics – and understand that Government will be making rolling announcements as to mitigation mechanisms over the coming days and weeks.

2.2 Feedback from businesses and other stakeholders

2.2.1 To understand the economic consequences of COVID-19, the Combined Authority and constituent local authorities are in regular contact with businesses, The North East Local Enterprise Partnership (NELEP), the Voluntary and Community Sector and Trade Unions. Information is being shared with national Government.

2.2.2 There are several reports of community groups providing help and support way beyond their normal activities which we commend wholeheartedly, whilst we are aware of a number of offers from businesses to support the work of health professionals and other critical services.

2.2.3 The most important feedback we have received from our stakeholders is around the speed of decision making and implementation of support arrangements. Companies are already making decisions to try to secure their medium- and long-term future. Whilst stakeholders have welcomed the initial package of support developed for businesses, there is a need for further rapid support.

2.2.4 **The following concerns must be urgently addressed by Government:**

- Further steps are required to support companies to maintain their cash-flow / liquidity;
- Ability of companies to defer payments to HMRC;
- Ensure recently announced support for wages, to enable companies to keep jobs in place, is available quickly;
- Support and protection for home-based businesses and many self-employed, who would not benefit from grants available to business rates payers;
- Relaxation of rules on bank covenants on existing loans, to avoid default clauses being triggered;
- Direct support for the travel industry and hospitality/retail;
- Confidence for the Voluntary and Community and social enterprises that contracts will be secure and short-term demand pressures can be accommodated where possible.

2.2.5 Stakeholders have also identified the need to move quickly to put in place substantive measures that can stimulate demand post-crisis. In addition to measures which could be taken locally, this could include the relaxation of State Aid (currently being considered), together with limited additional flexibility around GDPR to enable sharing of information and steps to speed up public procurement.

3. The Government Response to COVID-19 to Date

3.1 To date, the following measures have been announced by the Chancellor of the Exchequer.

3.2 **To support people and the Workforce:**

- £5bn emergency response fund to support the NHS and other public services;
- Self-employed workers who are not eligible for statutory sick pay will be able to claim contributory Employment Support Allowance;
- The ESA benefit will be available from day one, not after a week as now;
- £500m hardship fund for councils to help the most vulnerable in their areas;
- All those advised to self-isolate will be entitled to statutory sick pay, even if they have not presented with symptoms;
- To support people and individuals, mortgage lenders are being asked to offer 3-month mortgage holidays while people who have been severely impacted by COVID-19 get back on their feet;
- A temporary three month ban on landlords commencing eviction proceedings to protect those in the private rented sector;
- increasing the Universal Credit standard allowance by £1,000 as well as the Working Tax Credit basic amount by £1,000;
- suspending the minimum income floor for Universal Credit for people affected by coronavirus to allow them to access benefits quicker;

- an extra £1bn for those renting in the private sector announcing changes to housing benefit and Universal Credit which will see the Local Housing Allowance (LHA) uprated to cover 30% of market rents in all Broad Rental Market Areas.

3.3 To support businesses:

- Coronavirus Job Retention Scheme – ANY employer will be eligible for the scheme. HMRC to cover grant funding for most of the people who are furloughed or kept on retainer. Employers can top this up if needed / if able. Government will cover wages up to 80% to a limit of £2,500 a month. This will be backdated to March 1; open initially for 3 months and will be extended if needed. There is no limit to the funding for this scheme. The Chancellor stressed that many systems being built from scratch and that HMRC is working night and day. The aim is for first payments by the end of April;
- Grant funding of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000;
- A 12-month business rates holiday for all retail, hospitality and leisure businesses in England;
- Small business grant funding of £10,000 for all business in receipt of small business rate relief or rural rate relief;
- Firms with fewer than 250 staff will be refunded for sick pay payments for two weeks;
- VAT payments for the next quarter will be deferred and that no business will pay VAT until June 2020. These payments will now be due at the end of the financial year;
- The Coronavirus Business Interruption Loan Scheme offering loans of up to £5 million for SMEs through the British Business Bank. There will be no interest due for first 6 months on these loans;
- A new lending facility from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans;
- Bank of England has reduced interest rates to 0.1%, a historical low, to ease money supply;
- Banks are extending working finance credit facilities;
- HMRC promoting 'time to pay' on business taxes.

3.4 The Chancellor also announced that Local Authorities will be fully compensated for losses incurred. He repeated that there remains a hardship fund for Local Authorities to help those affected by COVID-19. We expect further announcements to follow. Local Authorities are being asked to play a role in implementing some of these emergency assistance measures – or in helping companies to access information and support.

4. How the NTCA can Support the Response to COVID-19

4.1 The proposed role of the NTCA falls in three principal areas:

1. **Short-Term Economic Response** – the things we can do to support delivery of short-term funding and capacity in ways that add value to the ongoing response by local authorities, Government and others;

2. **Support for Citizens and Civil Society** – the things we can do to reinforce wellbeing, social support and social resilience in ways that add value to the services local authorities, the voluntary sector and wider civil society are providing;
3. **Longer-Term Economic Recovery** – the things we can do to prepare for recovery, stimulate future growth and accelerate our programmes, particularly within our target growth sectors.

4.2 The **specific actions** that the NTCA may undertake include:

4.2.1 **Communications and Engagement:**

Local Authorities will lead the response and the formal relationship with their residents and communities. The Mayor can reinforce these messages and ensure there is a positive dialogue and sharing of information with business representative groups and other regional stakeholders, central Government and with other Mayoral Combined Authorities via the M9 Group. We will continue to ensure this is the case and maximise the collaboration and information sharing with constituent Local Authorities.

4.2.2 **Evidence, Intelligence and Collaboration across the Region:**

Cabinet has asked for a regular economic intelligence briefing, which will be produced in collaboration with Local Authorities, and building in information from our other programmes and partners. This will be specific to North of Tyne, building in national and whole-regional intelligence. We already collaborate significantly with the North East LEP and other regional partners, and this will need to increase over the coming weeks and months – particularly considering the potential need to create mechanisms for rapid financing and real-time analysis.

Resources for businesses are available at: www.northeastgrowthhub.co.uk/toolkits.

4.2.3 **Liaison with Central Government:**

There are many areas in which Local Authorities, business and public services will deal with Government agencies directly. But there are also instances where cross-regional collaboration is beneficial or is already the route through which policy dialogue is conducted. The M9 group of Mayoral Combined Authorities, is one of these routes and one that NTCA will utilise alongside the other MCAs, to ensure interventions are delivered at pace and through the appropriate delivery mechanisms. We will ensure that information is shared along the agreed cascading process and build in regular dialogue between the NTCA and Local Authority executives, and between the Mayor and Cabinet. Where Government seeks to use MCAs as a point of convening, funding or dialogue, Cabinet will be fully engaged.

4.2.4 **Supporting Capacity to Deliver and Administer Funding & Capacity Quickly:**

The principal funding streams to support business impact will come from central Government and will be administered centrally and/or through Local Authorities. But Cabinet may want to consider where there are gaps in provision that NTCA Investment Fund could be mobilised to fill (for example for micro-enterprises that are not identified as part of the business rates system; or to augment capacity of local authorities to administer new funding streams); and where the senior team at NTCA can support Local Authority capacity where needed. The next steps below offer suggested delegations that would enable us to make decisions about any of these steps at pace.

4.2.5 **Sustaining Longer Term Programmes that will be Vital to Recovery:**

It is now even more critical that we retain the capacity to deliver against the longer-term goals of the NTCA, and to hit the ground running post-crisis with mechanisms to deliver funding to the places and enterprises that need it. We will re-prioritise our work as an officer

team to focus on this – both to understand the real impact of COVID-19 on our sectors, and to ensure we have a bold programme of investment and delivery ready to go when the time is right. We shall utilise all available tools to support businesses and preserve the continuity of economic activity, including the Temporary Framework announced by the European Commission on the 19th March set at €800,000. The next steps below include provision to ensure that we can do this effectively and have the discretionary budget available to accelerate this work.

4.2.6 ***Supporting People and Helping build an Inclusive Economic Recovery:***

We are already starting to hear of businesses reducing staffing levels, and we encourage Government and businesses to put in place mechanisms to mitigate any negative impacts on employment. Nevertheless, it is likely that the Combined Authority and its constituent local authorities will need to play a key role to support people get back into work rapidly after the virus outbreak – with action co-ordinated with the North East LEP, skills providers, the Department for Work and Pensions, the Department for Education and employers. This may include supporting individual residents, co-ordination of vacancy opportunities and skills development. Proposals will be developed in conjunction with the relevant portfolio holder (Cllr McCarty), and will identify resource implications.

4.2.7 ***Adding Value and Capacity to Voluntary Sector Collaboration:***

Cabinet will want to consider whether NTCA resource could support the voluntary sector response to COVID-19 in ways that add value to existing relationships that already exist across our authority areas. This might include a funding mechanism to support additional debt advice or for activities that maintain social connection for people that are vulnerable and socially isolated. This would need to be coordinated with individual Local Authorities and aligned with mechanisms to sustain local connections (e.g. through contact centres and/or libraries) - we would propose to coordinate any VCS response with our North of Tyne VCS Ambassador Robin Fry.

5 Next Steps and Scheme of Delegation

5.1 We are clear that our response as a Combined Authority is to support the system of which we are a part. The economic impact of COVID-19 will be substantial and the response required will far outweigh what we can provide as a Combined Authority. But we can show leadership - demonstrating how Combined Authorities can be mobilised to support local capacity, and to accelerate preparation for economic recovery.

5.2 This report proposes a set of delegations and a financial response to COVID-19, that will enable us to do this most effectively, at a time where pace is required, and face-to-face meetings will be difficult. Specifically, it is proposed to:

A. Create a capacity fund of up to £5m – allocated from the NTCA Investment Fund – to support mitigation of the economic and inclusive growth impacts of COVID-19 within the NTCA area, including:

- local authority (and/or system) capacity to deliver rapid crisis response, including through the mechanisms outlined by Government;
- additional and immediate Civil Society and Local Authority led action in support of our residents and businesses;
- bridging finance for VCS organisations, where the support from Government is insufficient for them to remain solvent;
- measures to support a rapid and inclusive economic recovery.

This will ensure that our Authorities have access to the resources and capacity to help them deliver quickly, to help cope with the impact of shifting resources and that we doing everything we can to support collaborative practice that gets support to our businesses, citizens and sectors most effectively. It would be targeted at specialist capacity and/or programme support for specific COVID-19 business and resident facing interventions in the immediate future, with regular review points to ensure it continues to meet the current need.

It is proposed that the Head of Paid Service finalise the details of this fund and deploy funding in consultation with the relevant portfolio holder and the Mayor. A fund outline is set out at Appendix A.

- B. Bring forward the Housing & Land Board forward plan**, set out in Appendix B, which was due to be considered at April Cabinet. It is proposed that the Interim Head of Paid Service in consultations with the Portfolio Holder (Mayor Redfearn) authorise the next steps outlined in the plan – including the launch of a NTCA/Homes England partnership, and allocation of up to £500,000 to support detailed feasibility work on the strategic housing pipeline and joint infrastructure statement.

This will enable us to accelerate early feasibility work with a view to unlocking substantial Government housing recovery funding more quickly.

- C. Receive a report in due course setting out our economic recovery plans** – including specific mechanisms and proposals to accelerate the NTCA's sector development work and the basis of a 'Devo 2' package that we will use as part of engagement with Government over the coming months. The NTCA team will ensure that this is co-produced with local authorities through the Economic Directors group, the newly formed Devolution Strategy Group (with policy leads) and through engagement with Cabinet Members. It is proposed that existing budget allocations for external advice and capacity are used for elements of this work that require specific expertise.
- D. Proceed with 'virtual' Investment Panel meetings** – ensuring that we keep momentum of proposals being brought forward.
- E.** Authorise the Interim Monitoring Officer to take steps to ensure that Cabinet or Investment Panel would be able to **approve urgent decisions by written procedure.**
- F.** In lieu of April Cabinet, it is proposed that the Head of Paid Service in consultation with Portfolio Holder (Cllr Forbes) and Investment Panel **bring forward and implement a strategy and set of early proposed investments for our Ageing Economy** – including the role of the National Innovation Centre for Ageing in the COVID-19 response – which will help stimulate the growth and offer of firms which are seeking to improve the health and lives of people as they age.
- G.** The Head of Paid Service is requested **to note that there are proposals in development** such as the Rural Design Centre Innovation Programme and the North Shields Fish Quay Jetty Refurbishment which are due to be considered by Investment Panel in May and, subject to the recommendation of the Panel, by Cabinet in June. These projects will progress through the appraisal and decision-making process as planned and timelines will be reviewed as necessary depending on circumstances.
- H.** The Head of Paid Service is requested to note that Government are preparing an emergency bill to strengthen the COVID-19 response plans and as an amendment

to the bill, provision may be made for Local Authorities and Combined Authorities to **hold statutory committee meetings virtually**. The Interim Monitoring Officer will ensure the necessary steps are taken to enable this.

6. Potential Impact on Objectives

6.1 The report sets out action to be taken to support Government and Local Authority actions to safeguard jobs and support the residents of the combined authority area in response to the COVID-19 outbreak. All the proposed actions are designed to mitigate the negative impacts of the Pandemic on our residents and businesses and support the capacity of our local authorities and civil society organisations to act. Action proposed is within the scope and statutory responsibilities of the combined authority.

7. Key Risks

7.1 The principal risks associated with the recommendation of this report will be monitored and managed by officers through the Delegated Decision-making process used to enact recommendations within this report.

8. Financial and Other Resources Implications

8.1 Financial implications associated with the programme allocation and budget approvals proposed in this report are £5m for the Capacity Fund set out in section five of this report.

8.2 The NTCA finance officers have been fully engaged in the development of the proposals in this report and are preparing to deliver the recommendations in this report relating to finance and funding. We are confident that the combined authority has the required means and mechanisms at its disposal.

9. Legal Implications

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

10. Consultation/Engagement

10.1 The aim of the combined authority is to quickly add value to the activities of Local Authorities, Government and others in responding to COVID-19. We will work the grain of the emerging system wide response.

10.2 This report has been prepared through a process of cross-authority collaboration, including with input from Local Authority Chief Executives.

11. Appendices

11.1 Appendix A – £5m Capacity Fund Outline
Appendix B – NTCA Housing and Land Board Forward Plan

12. Background Papers

12.1 There are no background papers associated with this report.

13. Contact Officers

13.1 Henry Kippin, Director of Economic Growth, henry.kippin@northoftyne-ca.gov.uk

14. Glossary

14.1

NTCA	North of Tyne Combined Authority
HoPS	Head of Paid Service
NHS	National Health Service
FTSE	Financial Times and Stock Exchange
NELEP	North East Local Enterprise Partnership
HMRC	Her Majesty's Revenue and Customs
GDPR	General Data Protection Regulations
ESA	Employment and Support Allowance
LHA	Local Housing Allowance
VAT	Value Added Tax
SME	Small and Medium Size Enterprise
MCA	Mayoral Combined Authority
VCS	Voluntary and Community Sector

The £5m Capacity Fund has been proposed to support our local authority and civil society partners with additional capacity, in response to the COVID-19 pandemic. The situation is developing quickly and impacting significantly on businesses and residents across Newcastle, North Tyneside and Northumberland. The Government is announcing new measures to mitigate the economic and social impacts on a daily basis.

While we recommend retaining some flexibility over the full details of this fund, given the fast-moving context in which it will operate, it will follow the **principles** below. It will:

- Be focussed on interventions that are designed to mitigate the economic and societal impacts of Covid-19 for businesses and residents of the NTCA area;
- Add value to or support the actions of local authorities and strategic partners in protecting the continuation of economic activity, including support in employment, skills and social inclusion in Northumberland, North Tyneside and Newcastle;
- Fill an identified gap and not duplicate any interventions announced by Central Government, NELEP or other partners;
- Where appropriate, utilise existing funding mechanisms to expediate delivery and add value including providing capacity or funding via Local Authorities;
- Be allocated based on a light touch business case process;
- Consider flexibility, where deemed appropriate by Head of Paid Service (HoPS), in consultation with the appropriate Cabinet member and the Mayor, in defrayal of funds to ensure partners have the tools to deliver, activity is timely and maximum impact is achieved.
- Ensure it is compliant with all relevant rules and regulations regarding investment of public funds.

It is the intention that this fund remains agile and able to respond to rapidly changing circumstances; adding value to the actions of Local Government as they emerge, and filling identified gaps in provision.

The following **activities** are examples of what the Fund may be used to support local authorities in delivering. This list is not exhaustive.

- Co-investment in support for business – including support hubs; information lines; online tools; small grants. etc;
- Support to businesses with immediate skills requirements that they are unable to fund due to cashflow issues;
- Inclusive Economy support for residents, both during the pandemic and in its immediate aftermath, – including online advice; financial advice; support to claim benefits, etc;
- Small grants for residents/groups of residents to undertake community-based mitigation activity (potentially distributed through existing platforms, Local Authorities or VCS infrastructure organisations);

- Co-investment in any new COVID-19 funds designed to support of residents who are in our inclusive economy target groups – including ones which are led by the voluntary sector, philanthropic bodies or public sector bodies;
- We will consider opportunities to provide loan finance (potentially in conjunction with Government schemes) for voluntary sector organisations who are facing short-term liquidity challenges or struggling to cash-flow short term demand pressures on their services.
- Capacity/specialist skills, including in the form of external professional support, to understand economic impact scenarios and plan for recovery;

Administration

- **Detailed criteria and delivery arrangements will be developed in the coming days and weeks. It is proposed that the Head of Paid Service, in consultation with relevant Cabinet members and the Mayor, to agree detailed delivery arrangements.**
- Individual investment decisions will be taken by the Head of Paid Service – in consultation with relevant Cabinet member(s) and the Head of Paid Service.
- The fund is designed to be time limited to deal with the immediate need. It will be monitored over the next 12 months to ensure it remains fit for purpose with a formal review planned on or before 31st March 2021.

Appendix B: Unlocking Sustainable Future Homes through Collaboration – next steps of the North of Tyne Housing and Land Board

Report of: Mayor Norma Redfearn

Report Summary

This draft paper sets out a forward plan for a North of Tyne approach to housing, land and the future supply of sustainable homes in the North of Tyne region. It outlines a future programme of work led through the Housing and Land Board (HLB): a cross-sector, senior Board chaired by Mayor Norma Redfearn in partnership with Duncan Sutherland, NED at Homes England, and supported by an officer team led by Pat Ritchie as lead Chief Executive.

The report builds on commitments made by North of Tyne authorities and Government in our original Devolution Deal. The next steps proposed create the conditions for an ambitious partnership with Homes England which will unlock resources, capacity and expertise to achieve joint goals of sustainable future supply, innovation in design and build, and diversity of housing type, tenure and purpose across a region that spans rural, coastal and urban settings.

The report outlines:

- a) The principles of our approach – aligning our housing ambitions to the economic, social and environmental shifts in the North of Tyne area that Cabinet is working together to effect.
- b) Alignment to our key economic sectors – ensuring we are fostering housing markets that maximise our regional expertise in clean energy, green industry, ageing, digital and future connectivity.
- c) Design principles for the North of Tyne – being clear about the value-add our Devolution Deal and close collaboration with Homes England will create, and on what basis
- d) Value-Add to local authorities and the region – working from the clear principle that Local Authorities are the planning authorities, and the NTCA role is to add value in the ways described above.
- e) Clarity on next steps – setting out proposed actions to help our Local Authorities understand, develop and bring to viability an identified pipeline of sites, underlying infrastructure requirements and ambitions for regeneration of existing stock.

Recommendations

The Head of Paid Service is asked to:

1. Approve the commissioning of a three-part piece of work from an external provider that would support the North of Tyne Combined Authority (NTCA) and Local Authority capacity in the following specific areas:
 - a. Work collaboratively with Local Authorities (and in line with the current status of Local Plans) to develop a strategic pipeline or 'prospectus' of future sites. This directly addresses a lack of capacity identified by LA officers; and would focus on strategic alignment with NTCA priorities.

- b. Subject to successful completion of the above, conduct a more detailed feasibility study into the NoT pipeline, its underlying infrastructure requirements, and the specific barriers to viability that may benefit from NTCA and Homes England co-investment.
 - c. Approve funding to support our three Local Authorities to create a Joint Infrastructure Delivery Statement as outlined in the NoT Devolution Deal. This will be based on the Infrastructure Delivery plans of each Local Authority, plus Government infrastructure plans and wider ambitions for the region.
2. Approve the commissioning of a separate, discrete piece of externally commissioned work on options for co-investment in the quality and sustainability of current housing stock.
 3. Approve the establishment of a formal partnership between North of Tyne Combined Authority and Homes England which builds on the principles and next steps below, and which will be formally 'launched' at Housing and Land Board in April.
 4. Approve up to £500,000 for the initial work noted above, and, in consultation with the Investment Panel and H&L Board Chair, finalise the commissioning and delivery arrangements.

Context and Background

The North of Tyne Combined Authority spans a geographical region from the River Tyne to the Border, across the three local authorities of Newcastle, North Tyneside and Northumberland. It has a population of 880,000; a local economy of £17 billion, over 360,000 jobs and it is home to 23,000 businesses.

North of Tyne area – Map



The area is uniquely defined by its mix of coast, countryside and city – with an interrelationship between these settings that is a core part of our offer. We have a strong track record of creating jobs, supporting leading businesses, and are home to world class expertise in clean growth and energy, digital innovation and an impressive R&D and creative cluster with a skilled workforce. We are well connected – through rail, road, sea and our international airport – and have a culture and tourism offer that is varied and rich.

The region also has real challenges. Inequality and deprivation persist, and we fare comparatively badly against the national average on measures of health, work and prosperity. Employment rates up till this point have remained relatively steady in the North of Tyne but below the national average, while unemployment in the area remains higher in the North of Tyne at than the national average. Long-term poor health accounts for a third of the productivity gap between the North of England and the rest of the UK which accounts to around £13bn lost from the UK economy each year. Demographic shifts mean that, by 2036, the proportion of over-65s in Northumberland will be 33%, in North Tyneside 26% and in Newcastle 19%.

Our Devolution Deal focuses on inclusive economic growth because we know that the growth of our economy and the health and wellbeing of our population are two sides of the same coin. It is key to enabling us to retain people who grow up in the region and come here to study; and to attract new people with the right housing offer. Our ambitions on housing will thus continue to be twin-track – accelerating the delivery of sustainable new homes, but also doing what we can to refresh existing stock and regenerate our places.

The mix of urban, rural and coastal environments (and the industries they support) mean that we need to deliver a varied and innovative housing, commercial and infrastructure offer. Our Local Authorities are getting on with it. But we can also add value collaboratively through acting as a test bed for innovation, and a place where we can unlock housing opportunities that across a range of type and tenure, and which are intrinsically connected to our key growth sectors and priorities.

The housing ambitions of the NTCA are integral to our wider work – which spans major investments in digital sector growth, clean energy, data & life sciences, the ageing economy and the culture, creative and tourism sectors. Each of these are sectors in which the region has demonstrable expertise and a substantial existing business and R&D cluster; with a growing direct and supply-chain workforce. They are also areas of expertise which are fundamental to future housing sustainability as we look to become age-ready, digitally connected, and use the most modern and green methods of design, construction and living.

Our Progress to Date

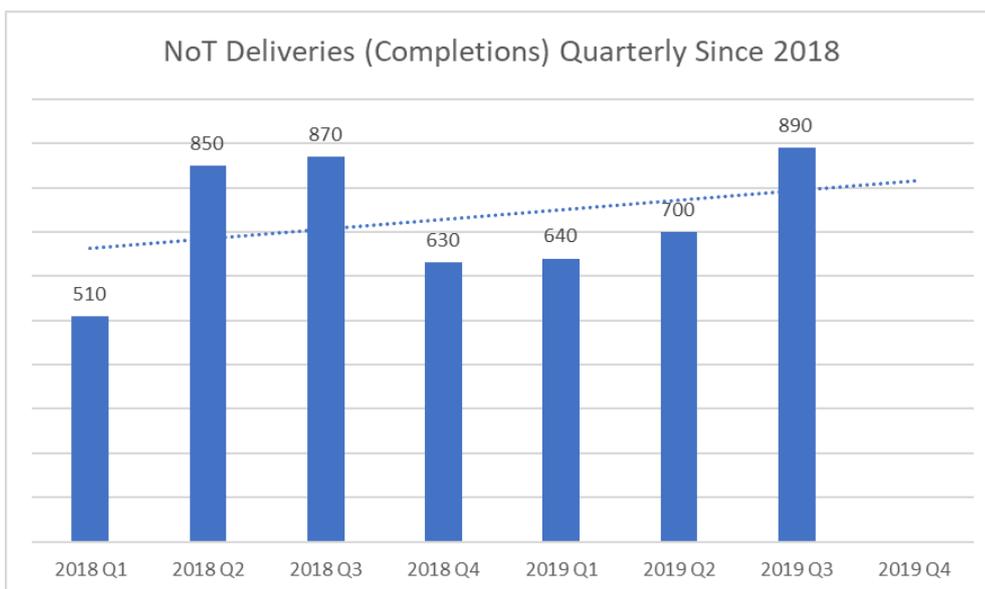
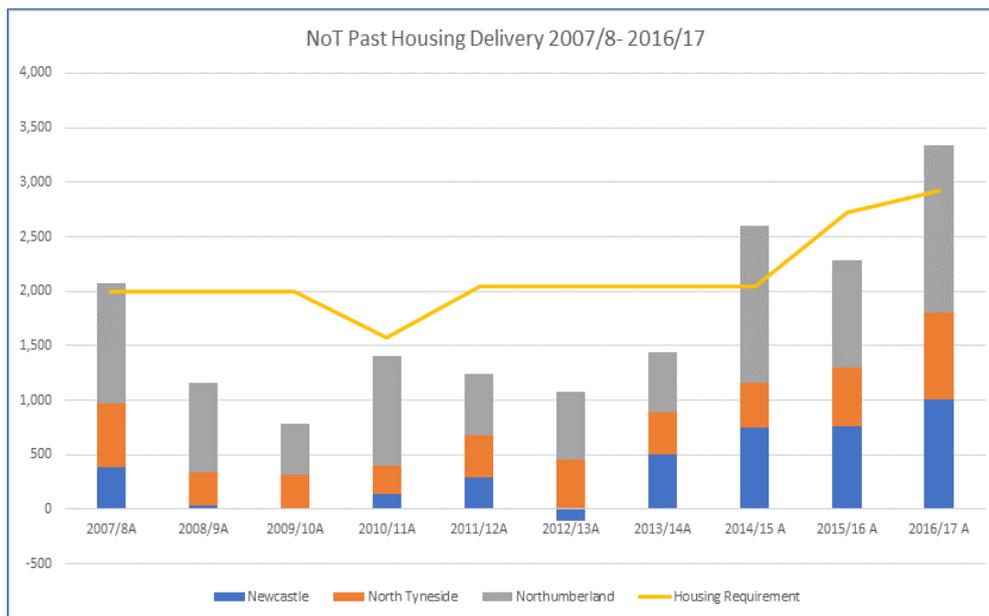
The region continues to work collaboratively on its housing priorities. For example, the award of Housing Infrastructure Funding (HIF) to Murton Gap was made on the basis of our three local authorities collectively agreeing to put that site forward to ensure maximum returns for the Combined Authority area. It is on this collaborative basis that we will continue to build our pipeline and delivery plan.

The North of Tyne is becoming a test bed for a range of new ageing future schemes, including the Centre for Ageing and Vitality and the Helix site. These sites will trial new and innovative building techniques to ensure that properties are care-ready and easily adaptable to meet a range of needs. The housing and land work of the NTCA can, and will, support these schemes ensuring that the North of Tyne continues to grow its reputation for innovation in ageing.

Our local authorities are also delivering new council homes. For example, Newcastle City Council has, over recent years, committed to bringing forward directly building new, council-owned properties for older people that address identifiable need for such accommodation in the area. More widely, the NTCA has funded the master planning process for the proposed regeneration of the Town Centre and

Fish Quay in North Shields, and has funded business case development work for the Northumberland – North Tyneside – Newcastle line that will underpin one of the region’s major infrastructure schemes and opportunities for housing and employment land.

The charts below shows the new housing delivery baseline for the region, followed by some snapshot data on performance for 2019/20.



Design Principles for a North of Tyne Housing Approach

The North of Tyne devolution deal has already signalled our intent as a region to work with government to accelerate the delivery of new homes up to a rate of 3,000 per year by 2032. We are confident that we can achieve this run rate collectively. But this is not just about the numbers. It is about working together to ensure that our future housing is sustainable, future-ready, inclusive, and is strongly aligned with the new economy that is being shaped in the region. We will do this through maximising our collaboration across the region (across local authorities and with the private sector

and RPs), and through building an ambitious partnership with Homes England based on co-production, co-location and co-investment, realised through a joint pipeline and delivery plan. It will be underpinned by six principles:

#1 - CLIMATE READY

We want to grow our economy through decarbonisation – as our investments in clean energy, green growth and innovation in carbon reduction make clear. A third of CO2 emissions come from domestic properties. So, we will prioritise development that uses renewable and low carbon technologies, and pushes for net zero ‘by design’ from planning to construction. We will also bring forward proposals for a domestic retrofit programme at scale working with central government and local stakeholders to ensure existing and future policy and funding mechanisms are able to deliver a large scale retrofit programme that maximises local skills and supply chain opportunities, as well as fuel poverty and carbon reductions. We will build on regional innovation in modern methods of construction (MMC) across the wider North East; and we will innovate in the provision of heating and power – much as within Newcastle’s Helix development.

#2 – AGEING-READY

We are home to the National Innovation Centre for Ageing (NICA), the Centre for Ageing and Vitality, and the region has a world leading cluster in ageing research, product development and health innovation. We will prioritise developments that maximise inter-generational living, age-friendly homes ‘by design’, co-operative models and the use of enhanced digital connectivity to expand our supported living offer in both rural and urban parts of the region. Examples include plans for technology enhanced supported home in Murton Gap, and the development of housing, health and social care hubs with step up/step down provision in Northumberland.

#3 – DIGITALLY ENABLED

We will invest as a region in housing that is digitally connected – using regional expertise of the National Centre for Innovation in Data (NICD), the International Centre for Connected Construction (IC3) and the investment in rural fibre connectivity that we are already making. We have significant expertise in BIM, ‘connected construction’ and smart city technology – and will show how these digital specialisms can support housing that ageing, infrastructure and low carbon design.

#4 – BOLD ON INFRASTRUCTURE

We will make an early investment in bringing forward a joint infrastructure statement for the North of Tyne area – which shows where transport and infrastructure related investments will create opportunities for affordable housing, commercial development and land value growth. This will account for wider infrastructure asks (e.g. Transforming Cities Fund) and examine where targeted infrastructure investment, such as new roads or road junctions, may be needed to unlock sites for residential and economic growth. This will include a specific focus on the Northumberland-North Tyneside-Newcastle line, which will open up a passenger line from Ashington (and Blyth), and will intersect with the Metro system at Northumberland Park and Newcastle Central Station. Bringing forward this infrastructure plan is a critical early priority.

#5 – CITY, TOWN AND COUNTRY

We will develop a balanced portfolio that reflects the physical, economic and social geography of the region. This means acknowledging diversity in housing construction type, tenure, density and purpose, as well as being proactive in ensuring that our places are connected digitally and physically. Issues of affordability and unit growth – which dominate so much of the national housing debate – play out in a nuanced way within the region. We have affordability issues in pockets, but not at the scale seen in the South East, for example. This means we need develop a bespoke approach across rural and urban settings that prioritises future sustainability.

#6 – COLLABORATION

Our approach will be one of close collaboration – between our constituent Local Authorities; with Homes England and central government; with industry bodies such as the National Housing

Federation and the Home Builders Federation; and with the private and not-for-profit developers that will enable the delivery of our regional ambitions. Much of this public-private-social collaboration is already happening. Many sites in the North of Tyne can indeed be delivered without intervention; and we will take a lead from our Local Authorities as the planning authorities and principal conduits to the market.

Underpinning all of these principles is a commitment to shaping our places and communities and creating outstanding places to live. Our housing markets are varied and diverse – including smaller rural settlements in Northumberland and our market towns, as well as the settlements of the urban core of Newcastle and North Tyneside, together with everything in between. Our aspiration across all of these settings is to ensure a supply of high quality housing of a variety of types and tenure which is affordable, accessible, and which meets the housing needs of current and future generations. Ensuring that new housing is high quality in terms of its design and specification will ensure that it is environmentally sustainable, affordable to run and has sufficient space standards to meet the needs of the occupiers.

We are committed to ensuring that new housing developments these are planned properly with appropriate infrastructure improvements to ensure that they do not impact detrimentally on existing communities. Securing design quality in terms of design and layout will create strong communities with a sense of identity and place, and will ensure the North of Tyne has an outstanding housing offer and is well placed to attract new residents and business. Embedding design quality and delivering great places to live will create environmental, social and economic value which impacts positively on our health and wellbeing and strengthens our communities. We are committed to working with development partners including volume housebuilders and registered providers together with Homes England to achieve these objectives around placemaking and ensure that housing investment is of the highest quality and contributes significantly to creating places where people choose to live.

FIVE INITIAL STEPS TO DELIVER ON OUR AMBITIONS:

We will deliver on the ambitions set out above in five ways:

1. Funding Strategic Capacity

Local Authority officers have identified strategic planning, design and market engagement capacity as fundamental to the region's ability to create sustainable new models of housing. We want to invest jointly to address this capacity gap, which is now critical to progress our collective housing and growth ambitions.

To do this, we will create a Capacity Fund with investment from the North of Tyne Combined Authority and capacity and resource from Homes England which will allow us to unlock resource and expertise that our local authorities can draw down. We are clear that our model is not building a large housing team at a CA level; but creating capacity that will support and work for our Local Authorities. The £500k approval included in the recommendation is to start some of the specific work needed to underpin the wider approach.

2. Developing the Long-Term Pipeline

The North of Tyne can be the region that pushes hardest for low-carbon, ageing-ready, digitally connected homes at-scale. To do this, we will develop a shared pipeline of strategic sites and themes that form the backbone for joint investment and planning. We will work with our local authorities to co-create this pipeline - with a view to targeting joint-investment in bringing sites to viability and creating a housing 'offer' that is strongly aligned to our core purpose and target growth sectors.

3. Collaborating on Future Infrastructure

Our Devolution Deal commits NoT authorities to collaborate in producing an Infrastructure Delivery Statement – as part of developing closer strategic infrastructure planning alignment at the next review of Local Plans. This will give us a clear North of Tyne picture of our shared priorities, and of the physical and social infrastructure ‘gap’ that we will need to close as a region, and support as a CA. This work is given extra impetus by Government announcements on infrastructure spending – including the likely funding of a re-vitalised Northumberland – North Tyneside – Newcastle line which will act as a strategic ‘inclusive growth corridor’ within which we can take a cross-authority approach to residential and commercial development and public service reform opportunities.

4. Regenerating and Future Proofing our Existing Housing

Cabinet has been clear as to the need to balance ambitions for future housebuilding with attention to our current stock. Too many of our residents live in housing that is not fit for purpose – and our local authorities are already taking innovative steps to encourage responsible landlords, and to shift ownership models and work with our housing associations to buy and ‘turn around’ housing where possible. We want to work with Homes England to build on these examples, and to trial a bold housing retrofit scheme in the region as part of our package of investments in climate change readiness.

5. Co-Locating and Co-Creating

Our approach to housing and land thus far has been collaborative, working with our local authorities and Homes England to build plans that allow the area to deliver increased numbers of new homes. As part of this agreement, we want to embed that partnership through a commitment to co-location, co-creation and co-investment.

- Co-location – NTCA and Homes England will share the same building at the Helix development in central Newcastle. This will maximise dialogue and joint working between the teams.
- Co-production – NTCA, its Local Authorities and Homes England will jointly design and commission the next steps noted in this paper and work together to develop and build out our joint pipeline.
- Co-investment – NTCA, its Local Authorities and Homes England will jointly invest in the preconditions for bringing our sites to viability, both through existing funding streams, LA investment, borrowing and land, and through bespoke work on strategic sites that we propose below.

Next steps:

Next steps include:

1. Launch of the NTCA – Homes England partnership at April Housing and Land Board, led by Mayor Redfern and Duncan Sutherland.
2. Housing and Land Board consider the specification for a three-part piece of external consultancy support that would support NTCA and LAs in three specific areas:
 - First, work collaboratively with Local Authorities (and in line with the current status of Local Plans) to develop the existing strategic pipeline or ‘prospectus’ of future sites. This directly addresses a lack of capacity identified by LA officers as a barrier to the above; and would focus on strategic alignment with NTCA priorities. [This initial piece of work would bring capacity to examine the strategic, planning, property and legal requirements for each site, and work up a technical checklist for each site or theme identified based on these].

- Second, draw together the Infrastructure Delivery plans of each Local Authority, plus Government infrastructure spending commitments, to create a draft Joint Infrastructure Delivery Statement (as outlined in the NoT Devolution Deal) which could be further considered by HLB and Cabinet. We would then develop this further with Housing and Land Board, and with Cabinet.
- Third, subject to successful completion of the above, conduct a more detailed feasibility study into the NoT pipeline – working in close collaboration with our Local Authorities and Homes England - examining the underlying infrastructure requirements, and the specific barriers to viability that may benefit from NTCA and Homes England co-investment. This would include ‘business cases’ for each site with consideration of the usual suite of economic, employment, infrastructure and environmental considerations.

Interim findings will be reported to the Housing and Land Board and Cabinet in Autumn.