

**NORTH
OF TYNE**
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**COMBINED  
AUTHORITY**

## **Overview and Scrutiny Committee**

Tuesday 8 December 2020 at 10.00 am

The meeting will be held remotely - to view the meeting please follow the link below:

[https://youtu.be/05UqPXi2\\_5E](https://youtu.be/05UqPXi2_5E)

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## **AGENDA**

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|                                                                              | <b>Page No</b> |
|------------------------------------------------------------------------------|----------------|
| 1. <b>Welcome and Introductions</b>                                          |                |
| 2. <b>Apologies</b>                                                          |                |
| 3. <b>Declarations of Interest</b>                                           |                |
| 4. <b>Agree the minutes of the meeting held on 13 October 2020</b>           | <b>1 - 12</b>  |
| 5. <b>Cabinet Members Portfolio Update</b>                                   |                |
| (a) <b>Economic Growth</b>                                                   | <b>13 - 16</b> |
| In attendance: Cllr Bruce Pickard, Cabinet Member for Economic Growth        |                |
| Attached: Report                                                             |                |
| (b) <b>Business Competitiveness</b>                                          | <b>17 - 24</b> |
| In attendance: Cllr Nick Forbes, Cabinet Member for Business Competitiveness |                |
| Attached: Report                                                             |                |

- |            |                                                                                           |                |
|------------|-------------------------------------------------------------------------------------------|----------------|
| <b>6.</b>  | <b>Covid-19 NTCA response and recovery plans</b>                                          | <b>25 - 28</b> |
|            | In attendance: Dr Henry Kippin, Director of Economic Growth                               |                |
|            | Attached: Report                                                                          |                |
| <b>7.</b>  | <b>Citizens' Assembly on Climate Change - Update</b>                                      | <b>29 - 32</b> |
|            | In attendance: Peter Bryant from Shared Future and Tom Sharman, Engagement Officer (NTCA) |                |
|            | Attached: Report                                                                          |                |
| <b>8.</b>  | <b>Brexit Update</b>                                                                      | <b>33 - 36</b> |
|            | In attendance: Rob Hamilton, Chief Economist                                              |                |
|            | Attached: Report                                                                          |                |
| <b>9.</b>  | <b>6-month Review of 2020-21 Budget &amp; Q2 Budget Monitoring)</b>                       | <b>37 - 52</b> |
|            | In attendance: Janice Gillespie, Chief finance Officer                                    |                |
|            | Attached: Report                                                                          |                |
| <b>10.</b> | <b>Initial Budget proposals</b>                                                           | <b>53 - 64</b> |
|            | In attendance: Janice Gillespie, Chief Finance Officer                                    |                |
|            | Attached: Report                                                                          |                |
| <b>11.</b> | <b>Date and Time of Next Meeting</b>                                                      |                |
|            | 9 February 2021 at 10.00am. This will be a virtual meeting.                               |                |
- Reminder** – there will be a budget workshop on Tuesday **12 January at 10.00am**. The workshop will be held virtually.

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**NORTH  
OF TYNE  
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COMBINED
AUTHORITY**

Overview and Scrutiny Committee

13 October 2020

(10.00 am - 12.25 pm)

The meeting was held remotely and live streamed

Draft Minutes

Present:

Chair: Cllr G A Roughead

Councillors: A Lower, G Stewart, P Earley, S Graham, M Hall, R Shatwell and L Dunn

66 WELCOME AND INTRODUCTIONS

The Chair welcomed everyone to the virtual meeting. An update was given on the membership of the Cabinet and the Overview and Scrutiny Committee: Cllr Stephen Fairlie, previously a substitute member, is now a formal Member of the Overview and Scrutiny Committee representing Newcastle City Council, and Cllr Trevor Cessford is now a substitute Member of the Overview and Scrutiny Committee for Northumberland County Council, replacing Cllr Richard Dodds. Cllr Dodds and Cllr Glen Sanderson are now Members of the Cabinet.

Members introduced themselves.

67 APOLOGIES

Apologies were received from Cllr Wright, Cllr Dungworth and Cllr Fairlie. Cllr Shatwell attended as a substitute for Cllr Wright and Cllr Dunn attended as a substitute for Cllr Dungworth.

68 DECLARATIONS OF INTEREST

None

69 AGREE THE MINUTES OF THE MEETING HELD ON 30 JUNE 2020

The minutes of the meeting held on 30 June 2020 were agreed as a correct record and 'signed' by the Chair via email after the meeting.

In relation to minute 62, the Chair clarified that the position of Deputy Mayor at the Combined Authority was not held on a rotational basis like the Civic Chair/or Mayor in local authorities.

H Kippin agreed to provided updated information in respect of a) the Covid Recovery Fund and where the funding was allocated; b) more detail on the 180 jobs referred to in the Mayoral Update and c) the £25m funding made available to the North of Tyne for housing delivery on brown field sites.

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COVID-19 RESPONSE AND RECOVERY PROPOSALS

Report of the Director of Economic Growth (previously circulate and a copy attached to the Official Minutes).

H Kippin introduced the report which outlined the role NTCA is playing in supporting Covid response and recovery in the region. The report was accompanied by an Appendix which sets out key facts of the recovery ‘deal’ that has been submitted to Government in advance of the anticipated Comprehensive Spending Review. It also briefly described the ways in which NTCA has responded to issues within the education and skills sector – which are also addressed at length within separate papers on the devolution of the Adult Education Budget and Education Improvement.

Members received a presentation covering the following points:

- **A changing covid picture**
- **An evolving economic context**
- **Ongoing risks of ‘concurrence’**
- **Opportunities for positive change**

The presentation significantly addressed the recovery proposals submitted to government.

Specific actions included an economic recovery plan for the North of Tyne; supporting NE-wide plans for recovery and transport connectivity – including playing an active role in the NE-wide submission to CSR, and the development of an integrated transport connectivity plan for the region; maximising Covid response funding; bringing forward funding to address digital divide in education & vulnerable settings; augmenting national funding streams to maximise local benefit; scoping potential for NTCA investment fund support for further post-Covid adaptation and innovation.

A changing Covid picture – constant guidance to local and national regulations and the suggested government proposal to implement a 3-tier system of regulations requiring collaboration across the region.

An evolving economic context – with the end of the furlough scheme nearing the Combined Authority needs a clear understanding of the unemployment effect, understanding the degree of resources needed and matching skills to jobs.

Ongoing risks of ‘concurrence – authorities across the region are aware of and understand the risks associated with a second wave.

Opportunities for positive change – use the crisis to push forward Cabinet priorities in terms of key component areas ensuring that actions taken by the North of Tyne now are relevant for the future.

Committee were advised on the proposed recovery proposals, calling for a cleaner, more inclusive recovery with the scale of investment and devolution to match the North of Tyne ambitions. The North of Tyne proposition includes proposals for approximately £1.1m schemes of investment for the region.

The most vulnerable and disadvantaged have been hardest hit and there are substantially more people unemployed since March, 15,000 (up by 60%); the number of people across the region furloughed is markedly higher than the rest of the UK – 29%; the young are particularly vulnerable with disproportionately furloughed apprenticeships and training schemes down.

The North of Tyne is confident about recovery and the basis for a sustainable and inclusive economy; focussing investment on job creation, a green economy and vibrant communities.

The Recovery Plan sets out five areas where it is thought that investment is critical; each area sets out proposals and schemes: jobs, skills and livelihoods; the future economy; supporting businesses, high streets and places; innovation, health and prevention and transport, infrastructure and connectivity.

The North of Tyne will continue to source funding to invest in Covid recovery in areas such as offshore, digital, culture and tourism. Officers will continue working with colleagues in respect of the Spending Review, the government white paper and the budget.

H Kippin responded to comment/questions from Members which included:

- A member asked if all partners are working well together and referred to working with colleagues in the wider north east area, including the Tees Valley Combined Authority. More joint working can lead to more employment opportunities. In response H Kippin advised that officers utilise all opportunities to bring resources into the region, this includes collaboration with a wide set of partners such as the seven regional local authorities, the CBI and universities. He referred to the presentation and the work achieved through working together with partners, dialogue with Cabinet is positive and, Cabinet demonstrates collective leadership. H Kippin provided an example of the Joint Transport Committee, working across regions on transport connectivity, reflecting collaboration particularly during the current pandemic crisis.

- A further question was asked as to whether the Combined Authority has a high profile and if any steps can be taken to further promote the work of the North of Tyne. In response H Kippin advised that the Authority is recognised as playing a substantial role in responding to the pandemic.
- A Member referred to a) the submission to government requesting support to boost a recovery package for the people and communities of the north of Tyne and whether authorities south of the Tyne have a similar vision, and b) given that circumstances are changing on a daily basis, is there scope to amend the submission. H Kippin explained that there are two documents, both which represent the recovery proposals and submission, and have been developed to incorporate the wider region. The two documents are aligned and colleagues in the south of Tyne authorities have had the opportunity to submit their own views to government. The submission is flexible and can be amended to accommodate the short-term stricter measures/guidance recently imposed by government.
- Reference was made to the impact assessment statements detailed in all Combined Authority reports, for example, Climate Change. Given that the majority of the geographical North of Tyne area is classed by government as rural, is it possible to incorporate a rural impact assessment where applicable. H Kippin advised that this can be taken forward and will discuss with other officers.
- A member referred to the Digital Inclusion and Education Strategy and queried whether all funding had been allocated and if digital devices had been received by the recipients. H Kippin advised that local authority partners had received the funding. A response as to whether digital devices have been allocated will be provided in writing.

RESOLVED – that the Overview and Scrutiny Committee noted the report.

71 ADULT EDUCATION BUDGET UPDATE

Cllr McCarty had previously provided a briefing note, a copy of which was circulated and attached to the Official Minutes.

Cllr McCarty provided a verbal update on her portfolio highlighting the following points:

A significant benefit is the ability to control and monitor the Adult Education Budget (AEB) spend. The first performance monitoring review will be undertaken in November 2020.

Prior to devolution Adult Education was managed centrally with funding allocated to numerous providers in the region to deliver support services. Local authorities were not provided with any data as to the quality of the work provided or the benefits of the investment.

Devolution enables the Combined Authority to be more responsive, providing support on a place-based approach.

The fund has been structured to provide better outcomes for residents.

The authority has carried out a significant piece of work to ensure that there is a greater awareness of the skills required by businesses both today and in the future.

Since the initial funding of £23m, the authority has received further funding of £959,064 to fund the sector-based Work Academy programmes and High Value courses announced by the Chancellor to support young people into work and in response to the COVID19 crisis.

Over the year numerous engagement sessions have taken place with providers and the organisation has strived to maintain stability in the sector.

The current pandemic provides an opportunity to monitor provision.

There is a small budget underspend which can be used to address any needs which may arise.

Partners on the Inclusive Economy Board have received a briefing on the AEB.

Cllr McCarty responded to comment/questions from Members which included:

- A Member commented that devolution of the AEB had enabled the authority to address the skills gap and was optimistic that businesses would also realise the benefits. Cllr McCarty agreed with the comment adding that performance monitoring will help to identify the good and bad providers.
- A Member asked if the authority has taken into consideration the skills needed in the green and new energy sectors, identifying opportunities that may arise. Cllr McCarty explained that it is the role of the Investment Panel to ensure that people have the skills and support necessary to access employment. Some of the skills/training were taken into account when the authority was first given control of the AEB. H Kippin reinforced the points made by Cllr McCarty adding that skills are an important element of all decisions taken by the authority. Cabinet have headlined some investment to areas aligned in the Economic Vision such as offshore investment. Each headline investment is dedicated to skills provision.
- Reference was made to online training during the pandemic. As the North of Tyne covers a very diverse area and access to rural areas can be difficult and expensive, does the authority make provision for transport or contribute towards travel costs. Cllr McCarty confirmed that access issues were included in the initial decision-making process, ensuring that providers contribute towards travel costs. Also, the Digital Inclusion funding is used to supply devices to schools and, those seeking employment.

When asked by the Chair Cllr McCarty confirmed that she would attend a meeting of the Overview and Scrutiny Committee to provide a future update as required.

The Chair thanked Cllr McCarty for attending and addressing the meeting.

RESOLVED – that the Overview and Scrutiny Committee noted the report.

72 SCHOOLS AND EDUCATION UPDATE

Submitted: Report of the Strategic Lead, Education Challenge (previously submitted and a copy attached to the Official Minutes).

Paul Hanson, the Interim Head of Paid Service and Lead Chief Executive for Education presented the report the purpose of which was to provide an update on the progress of two significant projects from the Education Improvement portfolio.

P Hanson began by setting the context and policy framework as set out in section 1.3 of the report.

The Devolution Deal for the Combined Authority included:

- An opportunity to seek Government support to implement an Education Challenge.
- A commitment from the constituent authorities and the Combined Authority to work together to develop a unified approach to school improvement through the preparation of a Joint School Improvement Strategy, to collectively learn from and replicate good practice. In April 2019 Cabinet approved its priorities for the Joint School Improvement Strategy and final approval was given at Cabinet on 28 July 2020.

Committee heard that a lot of work with Head Teachers began before the Devolution Deal was agreed, to understand collectively the educational priorities for children and young people.

P Hanson provided a brief summary of the Cabinet priorities based on the evidence and engagement undertaken, this included:

Ensuring that every young person in the North of Tyne area is ready for school - Evidence suggests that as an area the Combined Authority performs well, however a small percentage do not reach a good level of development at foundation stage.

Equalities and Standards – Cabinet felt that equalities and standards are important for everyone and all children from disadvantaged backgrounds will be given the opportunity to gain significantly from the Improvement Strategy.

Inclusive Economy - The Improvement Strategy will ensure that career pathways are in place providing opportunities to develop the skills gaps in areas such as the new and emerging jobs identified in green energy and sustainable development. Particular reference was made to the Investment Panel and the skills needed to allow children and young people to gain employment whilst taking advantage of those sectors that the Combined Authority can invest in.

Leadership – In discussions with educational leaders and viewing national data the Cabinet have requested that the Leadership Team focus on recruitment, retention

and planning ensuring that recruitment and retention of staff across the North of Tyne area is a main priority for the Combined Authority.

In developing the Education Challenge officers have looked at the work undertaken in London and Manchester, allowing Cabinet to further develop priorities.

- Money and support to ensure that children are ready for school and enabling early years work.
- Educational Achievement for All.
- Leadership, Recruitment and Retention.

Cabinet were of the view that the above priorities should be included within the policy context of ambition for all education related work, ensuring that all schools in the Combined Authority area are good or outstanding, every young person is ready for school, ensure that no child is left to struggle and fall behind, a universal mental health officer in all schools, the creation of a leadership deal.

In summer 2019 education workshops were organised with partners and education leaders. Discussions focussed on the priorities, data and barriers.

Referring to Covid-19 recovery P Hanson explained that the Improvement Strategy enables the North of Tyne to demonstrate to government that there is confidence to work with the Regional Schools Commissioner and the DfE to align national activity funding towards some of the priority actions.

It was emphasised that the Improvement Strategy is an important collaboration between the Combined Authority and the constituent authorities to work together to provide educational achievement for all children and young people.

Committee noted the work undertaken with the Newcastle United Foundation and the Kielder Observatory, providing opportunities to add to education output.

P Hanson responded to comments/questions from Members.

- Referring to the Covid and mental health issues, P Hanson was asked if there had been any impact on priorities as a result of the pandemic. In response P Hanson advised that problems in terms of connectivity have arisen for young people in respect of virtual learning and the Authority had wanted to make a practical difference to this and had done so. In relation to mental health, a lot of work is ongoing, and discussions are held with NHS mental health teams across the Combined Authority area. Officers are also working to ensure that children and young people return to a safe environment.
- Reference was made to the Education Improvement Board and the proposal that the Head of Paid Service, in consultation with the Cabinet Portfolio holder, finalises the terms of reference for and appointments to the Education Improvement Board. P Hanson advised that discussions have been held with the Mayor and Cabinet and the terms of reference will be reported back in due course.

RESOLVED – that the Overview and Scrutiny Committee noted the work and progress made in establishing a Joint School Improvement Strategy and the continued work with government to negotiate long term funding for a North of Tyne Education Challenge.

73 NORTH EAST LOCAL ENTERPRISE PARTNERSHIP UPDATE

Submitted: Report of the North East Local Enterprise Partnership Chief Executive (previously submitted and a copy attached to the Official Minutes).

The Chief Finance Officer introduced the report which updated Overview and Scrutiny Committee on the work and decisions of the North East LEP with a focus on Project Funding Decisions related to the Programmes managed by the North East LEP for which NTCA is the accountable body. It provided summary information about the LGF, EZ, and NEIF programmes including decisions related to £5m COVID-19 rapid response fund established using uncommitted North East LEP resources. In addition, it provided information about the appointment of the new Chair of the North East LEP Board.

J Gillespie advised members that the North East LEP had agreed to providing regular updates to Cabinet in respect of funding awards.

Committee were advised to submit any questions in writing to the Chief Finance Officer.

RESOLVED – that the Overview and Scrutiny Committee noted the report.

74 NORTH OF TYNE COMMUNICATIONS

Submitted: Report of the Head of Communications, Engagement and Organisational Development (previously submitted and a copy attached to the Official Minutes).

S Tarbuck introduced the report which provided an overview of how communications and engagement activity will develop. The report outlined a framework for discussion, laying the groundwork for strong communications and outlined several key initial areas of activity.

Members received a presentation covering the following points:

- **The context** - Working in partnership, Engagement and communications, Digital first, Real stories
- **The themes to the approach** – Getting the basics right, telling our story, Engaging with residents
- **Next steps**

Referring to the context, committee heard that engagement is an important issue but is part of the wider process. The report set out the approach to engagement; a collaboration with partners across the region and at a national level. The North of Tyne is committed to strengthening relationships with all partners. Many organisations simply broadcast in one direction, but the Combined Authority are committed to a wider approach, ensuring that partners and audiences feel included.

Engagement - S Tarbuck gave an example of the current development of 'Crowdfund – North of Tyne', developed in partnership with Spacehive and the voluntary and community sector, to deliver a platform that will bring people together to help raise funds for local projects.

Digital first – With a large range of partners, the North of Tyne are at the early stages of developing a range of appropriate clear channels of communication. The ongoing pandemic has seen a huge increase in the use of social media and video conferencing has now become the default way of engaging audiences 'face to face'. The authority has also developed a page on Facebook and have set up a Twitter account as the main method used to inform residents. Members noted that Twitter reported an increase in users of 34% in the second quarter of 2020.

The Authority has included 'real stories' as an aim within Digital First, to bring people together to tell their own stories; case studies and using video is central to the North of Tyne's storytelling approach, to help bring to life our work and make real the impact we are having on communities. The work of Combined Authority is by its nature an 'investment led' approach, with impacts on residents often many months after initial Cabinet decisions have been taken. Communicating both the 'decision' and the 'real impact' of investment will be key to strong engagement.

Committee were advised that the three broad themes, set out in section 2 of the report have been discussed informally with Cabinet and with staff across the organisation.

A strong forward planning process is being developed, looking 3-6 months ahead. A communication forward plan is in place engaging all officers across all projects. It is felt that good planning will enable the Authority to focus and tell a stronger story about its work, at the right time.

The new website is now complete and is more appropriate and user friendly. The site has been designed for use on a smart phone or tablet as well as computers and is able to host video conferencing.

S Tarbuck informed Members that the authority has 200 members on Facebook and 3000 followers on Twitter.

By developing communications and engagement the organisation will be able to tell its own story about its vision and ambitions, moving towards a national reputation for effectiveness and to leverage funding into the region and publicise what has been achieved so far.

S Tarbuck responded to comments/questions from Members which included:

- A Member referred to real stories, important during the current pandemic, and the issues of public health messages and whether there is any update on the Citizens Assembly for Climate Change. S Tarbuck explained that the organisation will be working with partners to supplement the messages they are announcing. He referred to the recent 'Tier' restrictions to be imposed by government which include complicated messages, and for some, will be

difficult to understand. The organisation is in weekly contact with the constituent authorities and are able to offer help and support. In relation to the Citizens Assembly S Tarbuck advised that the next step is to establish a representative panel of people, this will be carried out digitally.

- Reference was made to working and collaborating with partners and other local authorities and to the Greater Manchester Combined Authority who have their own branded identity, whereas the North of Tyne is not easily identifiable. Residents are not aware that the authority comprises three local authorities working together on a devolution deal that will benefit the area and so doesn't get the credit for successful projects. Promoting the work of the North of Tyne and engaging with residents is the responsibility of everyone, the Mayor, all Members and Officers. In responding S Tarbuck explained that the communications report set out the basics of what is needed to communicate and engage. With this approach the North of Tyne can promote work already undertaken and what is proposed for the future. He was also of the view that as the organisation becomes more established, the identity will grow. S Tarbuck also welcomed any discussions with members outside of the committee process.
- A further comment was made in relation to a North of Tyne event which was well received and had attracted a large number of residents.

Committee welcomed the report and gave positive comments on the new website.

RESOLVED – that the Overview and Scrutiny Committee noted the report.

75 FINANCIAL PLANNING AND BUDGET SETTING PROCESS

Submitted: Report of the Chief Finance Officer (previously submitted and a copy attached to the Official Minutes).

J Gillespie introduced the report the purpose of which provided information on the 2021-25 Financial Planning and Budget Process report which was submitted and approved by Cabinet on the 29 September 2020.

The timetable set out the key decision milestones.

Key issues highlighted included: The Recovery and Devolution Deal and the Comprehensive Spending Review and whether any further funding will be secured; continuation of the £20m revenue funding for the Adult Education Budget and the 5-year allocation towards brown field land. Members noted the Overview and Scrutiny Committee budget workshop scheduled for January 2021. Reference was also made to initiating community engagement to help develop the budget; although this will be undertaken remotely.

RESOLVED – that the Overview and Scrutiny Committee noted the report.

76 2019/20 NTCA OUTTURN (YEAR END)

Submitted: Report of the Chief Finance Officer (previously submitted and a copy attached to the Official Minutes).

J Gillespie introduced the report the purpose of which was to inform the Committee of the 2019/20 NTCA and North East LEP financial outturn, including the North East LEP 2020/21 budget and illustrations for 2021/22 and Invest North East England (INEE) 2019/20 outturn and 2020/21 budget.

The main features were detailed on page 132 of the report. Referring to the Investment Fund, members heard that this remains challenging to estimate the timing of actual spend. Improvements have been made to grant allocation. Reference was also made to staff appointments, business rates and grants.

There were no questions from members.

RESOLVED – that the Overview and Scrutiny Committee noted the report.

77 Q1 BUDGET MONITORING

Submitted: Report of the Chief Finance Officer (previously submitted and a copy attached to the Official Minutes).

Points highlighted during the presentation included; some variations on Service Level Agreements, the Investment Plan Budget, an underspend on the staffing budget due to a lower than anticipated pension contribution rate resulting from the transfer of the North East LEP into the Combined Authority and a small underspend on technical support.

RESOLVED – that the Overview and Scrutiny Committee noted the report.

78 DATE AND TIME OF NEXT MEETING

8 December 2020 at 10.00am

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The Overview and Scrutiny Committee has invited each Cabinet Member to a committee meeting to provide the committee with an update on the work and plans of their portfolio area.

This briefing at the 8 December Overview and Scrutiny Committee meeting will be from **Councillor Pickard, Portfolio Holder for Economic Growth.**

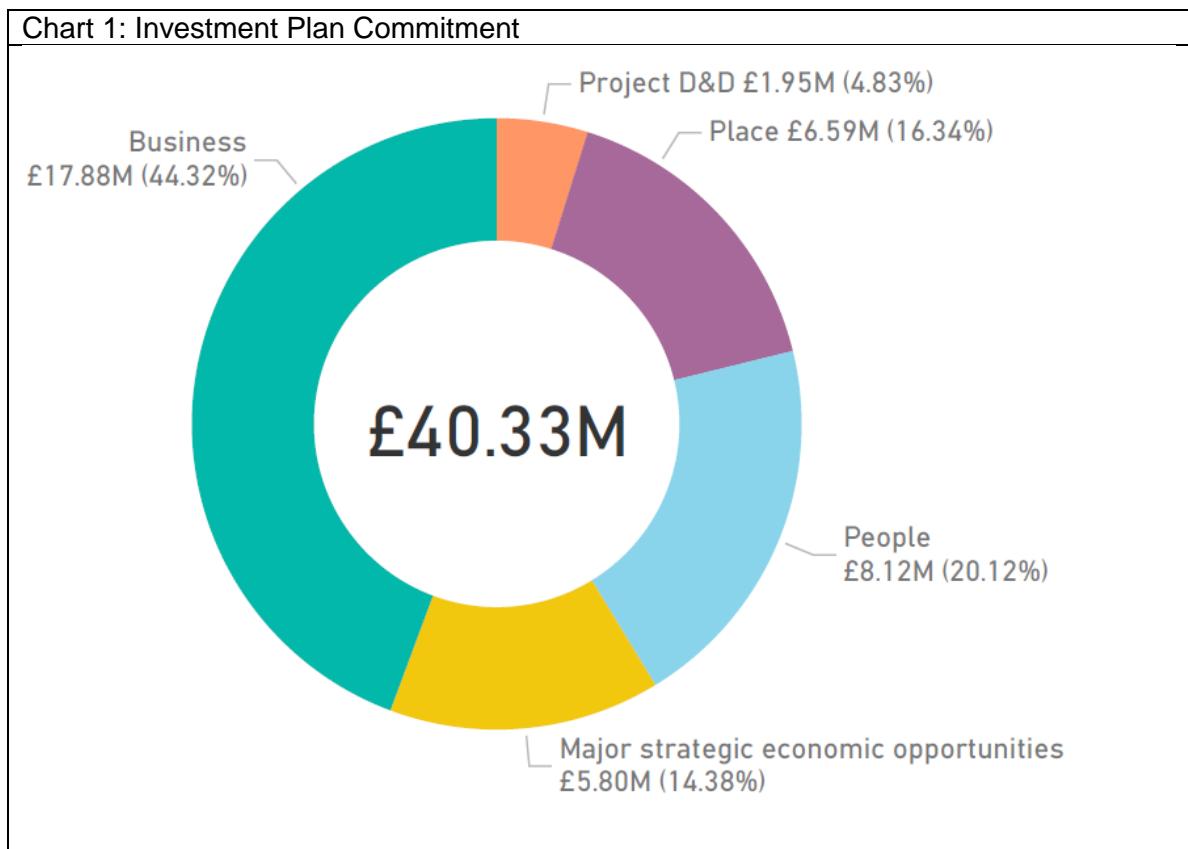
1. Economic Growth Portfolio

This portfolio is responsible for leading the management of the NTCA's Investment Programme, ensuring that there is a viable pipeline of robust projects and programmes associated with economic assets, regeneration, connectivity and skills. And that these are effectively developed, coordinated and delivered. The portfolio also covers any financial incentives that may be offered to support business scale up or those making a first investment in the area, and oversees the COVID-19 programme of support.

2. Investment Fund – update on progress in delivering the investment plan

- 2.1. In April 2019, the North of Tyne Cabinet agreed an Investment Plan for £100m, covering its first 5 years. It is split into the themes of Business, People, Place, Project development and 'Major Strategic Economic Opportunities' – with the latter intended to help the Combined Authority respond flexibly and at pace to new developments.
- 2.2. To date, just over £40m of funding has been formally approved by the NTCA, across 48 projects. This reflects activity across all the main programme themes (Chart 1). In addition to these projects, £10m of the investment fund has been reserved to meet the 5-year running costs of the organisation.
- 2.3. The following projects are intended to give Overview and Scrutiny Committee an idea of the breadth of projects being supported:
 - The Business theme includes the digital programme, where recent project approvals have been made for the National Innovation Centre for Data and SME Digital Adoption. A recent call is seeking to support projects which will provide a £5m boost to growth of the digital sector.
 - Projects supported under 'people' include the North of Tyne Returnships programme, which is exploring new ways to help people returning to work after an extended absence, for example after caring for family members.
 - Under place, projects supported include the North of Tyne tourism programme, which involves the planning, commissioning and delivery of an events programme over the next 3 years. Although the programme has been disrupted by COVID-19, it is hoped that it can play a major role in the recovery phase, helping showcase the North of Tyne to domestic and international audiences.

- The Major strategic economic opportunities programme includes the Advancing Circular Economy R&D Demonstrator, will be delivered by P&G. This is investigating the creation of more sustainable everyday cleaning products and finding new ways to reduce domestic water consumption from household tasks like cleaning dishes and washing clothes.



- 2.4. The NTCA devolution deal includes targets against jobs and private sector leverage. To date, the projects which have been approved are expected to create 2732 jobs (a quarter of the target) and £104.5m of investment (about 5% of the target). The jobs figures are significantly above profile for this stage in the programme, while the private sector investment is approximately on the expected profile. The NTCA usually makes investment fund payments in arrears and about £1.5m has now been paid out to projects, with about a further £2m expected to be paid out this quarter.

3. Inward Investment

- 3.1. Securing inward investment is one of the key elements of the NTCA's Investment Programme and this Portfolio. The first successful inward investment project supported by the NTCA is *Verisure UK Services Limited*, which was announced in the Summer. Verisure is a global security firm which intends to create 1,000 new jobs at its Quorum base, with the NTCA beating over 14 other locations which the company considered in the UK. Verisure has already started recruiting, with 65 staff taken on so far.
- 3.2. At the time of writing this report, a number of large and potentially significant inward investment projects are in the pipeline. Although all the details remain confidential, it is hoped that they will create hundreds more jobs. The welcome pick-up in inward investment activity follows a quiet period during the first COVID-19 lockdown, when a number of projects were put on hold.

4. North of Tyne Growth Fund and North of Tyne Rural Growth

- 4.1. The North of Tyne Growth Fund offers support for businesses looking to expand or establish new operations. The Rural Growth Fund is a similar scheme but also includes a business support offer. Both funds also benefit from ERDF funding and were kept separate to maximise opportunities from this source. The funds are available to small or medium sized businesses planning capital investment to expand productive capacity and / or to diversify into new markets or products. Grants are available of up to 30% of expenditure.
- 4.2. A number of projects for the Funds are going through the final stages of due diligence, but one of the first projects fully approved was an £80,000 grant to document management specialist company, Datatron. The investment in a new warehouse investment increases their capacity and has enabled them to successfully bid for a five-year NHS contract. It also creates long-term growth potential, enabling the company to bid for new work.

5. COVID-19 Response Funding

- 5.1. On 24th November, the NTCA Cabinet approved £10m of Investment Funds to proceed with a North of Tyne ‘Recovery Innovation Deal’ and delegated authority for finalising the detailed delivery arrangements and approval of individual awards through the fund, once established.
- 5.2. The Fund is intended to support post-COVID-19 adaptation and innovation – supporting our businesses, social enterprises and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis.
- 5.3. Practical examples of how this funding could be used include helping businesses adapt to digital ways of working; creating new COVID-19-secure spaces; and supporting the development of stronger local supply chains. This could be about a restaurant shifting to using online platforms; a small business investing in the means to keep its staff working remotely; or a social enterprise developing new lines of business that will support post-COVID-19 growth.
- 5.4. It is intended that this funding will complement the Government-funded COVID-19 Business Grants programme, which is targeted at businesses impacted by local and national restrictions and is administered directly by the local authorities. These grants are intended to support businesses legally forced to close; those in the hospitality, leisure and accommodation sectors severely impacted by the local restrictions prior to the 5th November; and provide targeted support for those in their supply chain.
- 5.5. The NTCA Innovation Recovery Deal follows agreement earlier this year of £5m of funding from the COVID-19 Capacity Fund, which is currently being used to support businesses and communities respond to the challenges of COVID-19. Delivered by the three local authorities, this funding is being used to support intensive 121 support sessions for businesses, to provide grants to VCS organisations which have found their finances stretched by the pandemic and to connect people to jobs and retraining.

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Agenda Item 5b



Overview and Scrutiny Committee Cabinet Member Briefing

The Overview and Scrutiny Committee has invited each Cabinet Member to a committee meeting to provide the committee with an update on the work and plans of their portfolio area.

This briefing at the 8 December 2020 Overview and Scrutiny Committee meeting will be from **Councillor Nick Forbes, Portfolio Holder for Business Competitiveness**.

1. Business Competitiveness Portfolio

The Combined Authority's Business Competitiveness Portfolio prioritises cross-sector innovation, entrepreneurship and investment in activities to support a more inclusive economy in the North of Tyne. It seeks to create and sustain jobs; promote the North of Tyne as a place to innovate and do business; and maximise the potential of our national assets and world-leading R&D capability - supporting our post-COVID economic recovery and our transition to net-zero.

Our goal within this Portfolio is to invest in the building blocks for transition to inclusive, green and innovative post-COVID growth - supporting the recovery of jobs and livelihoods, skills, and support for our future economy

2. Introduction

- 2.1 Over recent months, this work has been undertaken against the backdrop of the COVID-19 pandemic, which is having a significant impact across the region, on residents and businesses. The cross-sector response has been unprecedented. There were signs that many businesses were bouncing back after national lockdown, but a second lockdown has emphasised the fragility of recovery. We will need to do everything we can as a region to ensure we keep jobs and create routes to post-COVID-19 growth.
- 2.2 The priorities within this Portfolio – Digital, Ageing and Green Growth – are fundamental planks of a post-COVID-19 economy. They build on our existing strengths as a region – such as our National Innovation Centres for Data and Ageing, our Clean Energy sector, and our comparative advantages as a fundamentally interconnected urban, coastal and rural Combined Authority area.
- 2.3 Our approach is deliberately cross-sector: seeking to build public-private-social partnerships that can support innovation, shape future markets, and open opportunities for more of our residents. Investing in this innovation potential is a core part of the NTCA's Economic Vision and has been central to the growth pathways of several major global cities and regions.
- 2.4 Recovery from COVID-19 will not look or feel like a traditional crisis recovery process. This is because the nature of the crisis is cross-sector. It impacts on our economy, our places, our citizens and public services in ways that cannot be quickly 'corrected'.
- 2.5 The updates in this paper demonstrate the progress that has been made to date. These include:
 - NTCA's Digital Growth and Innovation Programme – a £10m programme with a range of interventions contributing to business resilience and the pandemic

recovery phase, as well as driving potential for growth. In addition, NTCA's reshaped Adult Education Budget (AEB) offer will provide extra digital skills support while the Local Full Fibre Programme is improving broadband infrastructure in rural Northumberland;

- Development of an NTCA Green New Deal Fund – a bold £10m initiative to stimulate innovation and business growth in the areas of energy efficiency, renewables and low carbon transport; and leverage significant additional resource to support the Net-Zero transition plans set out by each of our Constituent Authorities.
- Innovation in Ageing products and services -the development of our approach to position the North of Tyne as a leader in responding to ageing and the longevity economy.

2.6 We know that the region has significant vulnerabilities in the context of COVID-19 – including reliance on heavily impacted sectors such as tourism, culture and retail and pre-existing higher levels of unemployment and economic inactivity. In bringing forward and accelerating our plans for investment in sectors – to ensure we continue to deliver on Cabinet ambitions and devolution deal targets for jobs and productivity - we have prioritised approaches that build on existing assets, support collaboration and add value to local recovery.

3. Digital Sector: Digital Growth and Innovation Programme Update

3.1 In January 2020, NTCA Cabinet agreed a digital sector narrative and a set of initial priorities that form an ambitious NTCA Digital Growth and Innovation Programme – with an overall budget allocation of £10m. The programme objectives are to:

1. grow the number and scale of 'digital' companies in the North of Tyne – supporting the existing cluster to survive and thrive;
2. maximise the impact of data and digital across our whole economy – including the role of data and technology in driving productivity, efficiency, innovation, business resilience and COVID-19 recovery; and
3. support the digital inclusion of residents and overall digital skill levels in the NTCA area.

3.2 Overall, the programme will provide a balanced and future oriented strategy for the digital economy in the North of Tyne and will drive improved digital connectivity and the wider adoption of digital technology across society and the economy. Preparing our businesses and communities for the future is a key part of the long-term value add of the Combined Authority.

3.3 The NTCA Digital Growth and Innovation Programme sets out actions in four key areas, as shown below:

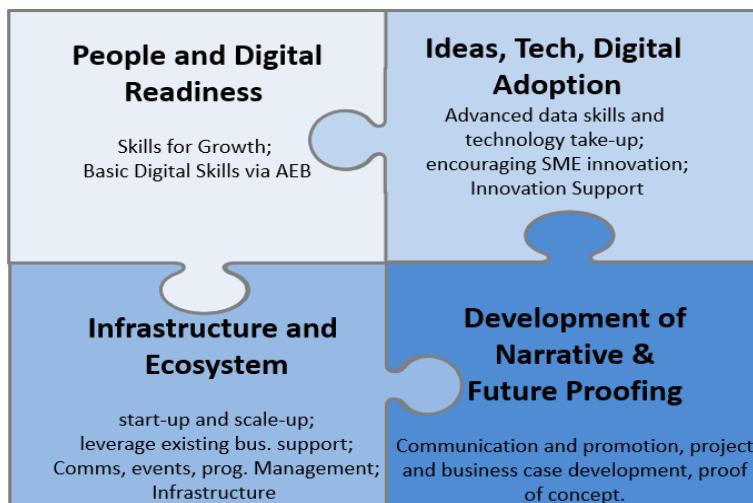


Figure 1 - NTCA Digital Growth and Innovation Programme

3.4 NTCA Cabinet has stated that the development of new technologies and the adoption at scale of digital solutions are central to remaining competitive and maintaining an economy which delivers good pay. The impact of COVID-19 on our economy and public services has further highlighted the importance of online channels in maintaining business and service continuity and agility. The following sections provide an update on key actions and priorities within the Combined Authority's Digital Growth and Innovation Programme.

Digital adoption:

- 3.5 The growth of data, digitalisation and technology continues to offer opportunities for diversification and growth. New markets are continually developing for innovative products and services. Technology will be essential when addressing some of society and the economy's forthcoming challenges – including the need to decarbonise transport, the development of new models of adult social care and ensuring a green and inclusive economic recovery.
- 3.6 The 'Digital Adoption North of Tyne' programme has now been approved by and leverages match funding from the national Digital Catapult and private sector co-investment. The £1.54m project will be delivered by Digital Catapult NE and Tees Valley, with the NTCA providing £0.75m of funding. Over the next three years, businesses will benefit from an initial phase of light touch basic digital adoption support and a significant package of in-depth and intensive advanced digital adoption support. Business needs will be assessed, as will the potential for improvements through better use of digital approaches. The project will provide support to at least 230 SMEs, with over half of these receiving at least 12 hours of guidance. It is expected that 30 jobs will be created and a further 50 jobs will be safeguarded.
- 3.7 A recent announcement has been made by Sage Plc that they are launching a £1.4m programme in the North of Tyne to help small businesses bounce back from COVID-19. The Small Business Growth Programme will provide up to 62,500 businesses with free training and software to help them recover from the impact of the coronavirus pandemic. Sage will also provide small businesses with five one-hour webinars covering topics such as financial advice and digital foundations. The webinars will be tailored to those thinking already running their business as well as those looking to start their own company. Up to 10,000 extended free trials of Sage Accounting software will also be made available to firms. It is expected that this programme will add significant value to the NTCA's wider Digital Growth and Innovation programme.

Investing in our Digital Assets:

- 3.8 Better use of data holds the key to addressing some of the most significant challenges confronting the NTCA area and the UK, whether that is tackling congestion and improving air quality, developing ground-breaking diagnosis systems to support our NHS, or making businesses more productive. Data-enabled innovation can also be used to personalise services and improve the consumer experience. It can form the basis of brand-new products across a range of sectors – from unlocking new healthcare treatments, to enabling smart devices.
- 3.9 In September, Cabinet approved funding for a project which will support NTCA based companies to make better use of their data, with the project delivered through a partnership between the NTCA and the National Innovation Centre for Data (NICD).
- 3.10 NICD is one of the strongest assets in the area, with the £30m investment joint funded by UK Government and Newcastle University. Its objectives are to:
- Address the availability shortage of data skills in the UK
 - Transfer practical data skills into the workforce of private and public sector organisations

- Empower organisations to gain insights from their data to:
 - optimise existing operations and create efficiencies
 - launch new products and services
 - Open access to a vibrant data ecosystem
- 3.11 Smarter use of data will be fundamental to managing post-COVID-19 recovery for our region. This proposed investment into, and partnership with, NICD will be foundational in building a North of Tyne Office for Data Analytics - a vital part of the devolution picture, developing the capability for cross-sector commissioning and analysis of the wider social, economic and health impact of our investments. It will also provide opportunities for us to explore the ways in which NICD's expertise can support productivity growth in what are traditionally understood as low-productivity and low-pay sectors such as social care, tourism and hospitality.
- 3.12 This £2.3m project will directly support over 200 businesses, with the NTCA providing £1.6m of the overall costs. Data scientists from NICD will work alongside businesses on collaborative projects, using data analysis and tools to unlock opportunities for improvements in productivity. Through this collaboration, staff within the businesses will be upskilled to enable the ongoing use of these advanced data techniques.
- Digital Ecosystem Support:**
- 3.13 In October NTCA launched an £5m Open Call for projects that provided an opportunity for a range of organisations and partnerships to come forward with ideas for projects, collaborations and co-investment with the potential to have a strategic and significant impact on the digital sector in the North of Tyne area, and the immediate and longer term performance and viability of the sector here.
- 3.14 The call was focussed on developing both the 'ecosystem' for the sector (supporting the growth of existing and new businesses) and strengthening the digital narrative (the way that we collectively showcase the digital sector in the North of Tyne area, both within and outside of the region).
- 3.15 The following are examples of outcomes that the NTCA expects as a result of activity funded through this call:
- Improved resilience and competitiveness of digital and tech businesses in the North of Tyne;
 - Significant new inward investment or research and development activity being undertaken by digital and tech sector businesses based in the North of Tyne;
 - Increased numbers of digital/tech start-up businesses and improved survival rates;
 - Increased levels of product, service and technology-led innovation;
 - Innovative and effective partnerships with other NTCA key sectors, especially offshore and renewables; culture and creative and ageing sectors;
 - Increased private sector investment and economic growth;
 - Improved regional and national profile for the NTCA area, as a significant cluster of digital and tech sector businesses, expertise and talent;
 - Leverage of private and public sector funding into the NTCA area.
- 3.16 The first 'Expression of Interest' stage closed on the 13 November and delivered a good number of potential proposals, which will be evaluated and considered by NTCA Investment Panel – with the strongest proposals being asked to submit a more comprehensive Green Book compliant business case, in line with NTCA Assurance Framework requirements. It is expected that the final projects shortlisted for investment will be agreed early in the coming financial year.

Digital infrastructure:

- 3.17 £12m of investment from Government is paving the way for a rollout of fibre internet connections to over 300 public buildings across the region, drastically improving the speed and reliability of digital connections across the entire area. The funding is focused on the region's rural areas, which have received less investment from the private sector broadband providers.
- 3.18 Contracts are now in place for the delivery of fibre broadband to public sector sites across Northumberland. Surveying has commenced and delivery is on track. In addition, engagement is ongoing with private sector to facilitate and remove barriers to commercial deployments across Newcastle and North Tyneside.

Digital skills:

- 3.19 The devolved Adult Education Budget (AEB) has provided NTCA with the opportunity to increase the funding for Digital Skills, which are becoming a near-universal requirement for employment. Over 4000 enrolment opportunities are planned for the delivery of digital skills this academic year; this includes a new statutory digital entitlement to enable residents aged 19+ to be fully funded for digital skills, up to and including level 1. The devolved AEB is also providing bespoke digital skills to support residents who are currently experiencing major barriers to accessing and engaging on-line information and advice, and who are at risk of becoming further marginalised during the COVID-19 pandemic.

Upcoming milestones:

- 3.20 These include further work this year on taking the next steps in providing a coherent and vibrant ecosystem of business support and investment in a Skills for Growth programme.

4. Green Growth Sector Update

- 4.1 The NTCA Cabinet has agreed a bold programme of investment, collaboration and change in clean energy, green growth, and adaptation to climate change.
- 4.2 The focus and level of investment signals the intent of North of Tyne authorities to play a clear national leadership role: working together on tangible investments that create jobs and growth through actively decarbonising our economy. This included a £10m Green New Deal Fund to stimulate low carbon growth - an Open Call to appoint a manager for this Fund has now been concluded and the preferred provider is progressing through further due diligence.
- 4.3 The Government estimated pre COVID-19, that the UK low carbon economy will grow at 11% p.a. between 2015 and 2030, four times faster than the rest of the economy. The Northern Powerhouse estimates this will create an additional 100,000 new jobs across the North by 2050. Accelerating delivery of these opportunities will support a green economic recovery from COVID-19, tackling climate change and building resilient communities.
- 4.4 As plans for recovery are developed at the North of Tyne and the wider North East level, there is a real opportunity to deliver on the twin benefits of stimulating the economy to create jobs while accelerating the green transition.
- 4.5 The NTCA Green New Deal Fund is focused on accelerating low carbon economic growth and creating green and decent jobs. The rationale for this level and type of investment was sound before COVID-19 and is even stronger now, with an opportunity to build on changes that have been made (such as increased active travel and remote working). The Green New Deal Fund presents an opportunity for North of Tyne to take

a real lead in an area that will be fundamental to future growth, recovery, and the achievement of net zero.

- 4.6 The intention is to ‘match and multiply’ – using NTCA funding aligned to Green New Deal ‘challenges’ to incentivise further investment from business and Government. NTCA will work with local and regional partners, Government and the private sector to match and multiply this commitment with additional funds to deliver a place-based approach to tackle emissions whilst delivering inclusive economic growth.
- 4.7 The explicit focus of this is about creating and supporting new green jobs – providing incentives for the private sector and Government to innovate in the areas where the most CO2 will need to be reduced:
- **Decarbonising Heat** – such as building retrofit and local clean energy production
 - **Decarbonising Transport** – such as innovations to support clean air, active travel & EVs
 - **Decarbonising Industry** – supporting companies to reduce their commercial emissions

The proposed objectives are to:

- Support ‘green growth’ by prioritising projects supporting new industry and jobs in areas where emission reductions are most needed.
- Maintain and enable positive environmental benefits in the recovery.
- Catalyse investment in green growth which complements and aligns with other regional and national funding and leverages private sector investment.
- Stimulate innovation (including new to market solutions) and business growth in the areas of energy efficiency, renewables, and low carbon transport.
- Take a programme level of view of proposals, identifying relevant gaps and opportunities.
- Address market failures for example where investment would unlock low carbon economic development opportunities.
- Align with the £2m green skills allocation as part of wider skills for recovery and growth programme

5. Ageing Sector Update and Looking Forward

- 5.1 The NTCA Devolution Deal identifies that the area has innovation assets of national and international importance in addressing the social challenges and economic opportunity presented by an ageing population in the North of Tyne and beyond.
- 5.2 Work is currently being undertaken to finalise specific investments that will capitalise on this expertise – putting the North of Tyne area at the vanguard of ageing and longevity focussed innovation; supporting innovative responses to demographic change and the need to improve the experiences of ageing for our residents.
- 5.3 A strategic plan and investment approach in support of this sector will be brought to Cabinet early next year. We continue to work with the National Innovation Centre for Ageing to explore proposals for investment that would boost the capacity of our region to improve the experience of aging across our society. By working across all sectors of our economy, we hope to unlock social and economic value and position the region as an international leader in ageing well and the ageing and longevity economy.

6. Looking forward

- 6.1 The COVID-19 pandemic has led to the biggest downturn in economic activity for over a century, although significant bounce-back is expected. The next few months are set to be critical, with the Job Retention – or furlough – Scheme being unwound and the

economic outlook heavily dependent on the future course of the virus. In addition to continuing with the digital, green growth and ageing programmes outlined above, the NTCA will consider any further COVID-19 response measures.

- 6.2 The UK has left the EU and the Transition Period (during which goods and services could flow freely across EU borders) is set to finish at the end of this year. At the time of writing, the nature of future trade arrangements between the UK and the EU remains unclear – particularly the extent to which there will be barriers to trade in the form of tariffs, quotas or additional regulatory requirements. As future arrangements become clearer, the NTCA will work closely with businesses within the area to understand more about the impact on their businesses and sectors, and any mitigating steps which can be taken.

Glossary

NTCA – North of Tyne Combined Authority

AEB – Adult Education Budget

R&D – Research and Development

SME – Small and Medium Sized Enterprises

NHS – National Health Service

UK – United Kingdom

EU – European Union

NICD – National Innovation Centre for Data

EV – Electric Vehicle

C02 – Carbon Dioxide

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Subject: COVID-19 Response and Recovery Proposals
Report of: Dr Henry Kippin, Director of Economic Growth

Report Summary

The purpose of this series of reports is to update the NTCA Overview and Scrutiny Committee on the role NTCA is playing in supporting COVID-19 response and recovery in the region. It builds on the framework set out in the report to October Overview and Scrutiny Committee – noting additional developments since that point including an early assessment of outcomes from the Spending Review.

Recommendations

The Overview and Scrutiny Committee is recommended to note the information and make any comments and/or recommendations as appropriate.

1. Background

- 1.1 I noted in the October report that the impact of COVID-19 has been deep, wide and cross-sector. This very much remains the case. At the time of writing, we are approaching the end of a national lockdown that will transition into a period for the North East (as an LA7) within Tier 3 of restrictions. Pending regular review processes, this is likely to mean ongoing social and economic restrictions in place for some time, in order to control the spread of the virus.
- 1.2 On 25 November, the Chancellor announced a Spending Review which set out the scale of what he called the ‘economic crisis’ facing the UK. He noted that the UK economy will contract by 11.3% this year with a budget deficit of 19%, projecting that it will take until the end of 2022 for the economy to return to its pre-pandemic size. The package of measures designed to address this – and the implications for our work as a region – are outlined below.
- 1.3 The region – via its Local Resilience Forum and a range of additional partners – maintains a collaborative response (overseen by a Strategic Coordination Group and recovery functions (through a Recovery Coordination Group). The LA7 Local Authorities – from Durham to Northumberland – are actively collaborating at a political and officer level, and the NTCA has played an ongoing role supporting these efforts.
- 1.4 NTCA Mayor and Cabinet rightly continue to press the need to sustain delivery of our key projects; and ensure that we are on the front foot to adapt to new measures, funding streams and delivery requirements. At November Cabinet, accordingly, Mayor and Cabinet Members were updated on a range of projects that are now accelerating into delivery – such as our Culture and Creative Recovery Fund, our Offshore Energy programmes, our Brownfield Housing programme and a forthcoming Recovery Innovation Deal.
- 1.5 I committed to keep committee members updated on the wellbeing of the staff team at NTCA – who continue, like their counterparts within our three Local Authorities, to bring impressive focus, commitment and passion to their work within challenging circumstances. We are all having to adapt to new ways of living, working and communicating – and are prioritising good communication, resilience building and strong collaboration in everything we do.

2. Role of NTCA

I noted at October Overview and Scrutiny Committee that the NTCA had been particularly active in a number of areas, which are updated below:

1. Ongoing Planning for Economic Recovery – including the submission of an economic recovery plan for the North of Tyne; and appropriate profiling of NTCA investments to support recovery within our three Local Authorities and the region more widely.
2. Supporting NE-wide plans for recovery and transport connectivity – including playing an active role in the NE-wide submission to CSR, and the development of an integrated transport connectivity plan for the region, and subsequent negotiations with Government.
3. Engagement in regional COVID-19 response arrangements - the Head of Paid Service and Director of Economic Growth continue to play a coordinating role across the region's SCG and RCG arrangements (alongside Constituent Authority Chief Executives, Directors of Public Health and senior officers), supporting ongoing efforts to coordinate our work across sectors as the crisis evolves.
4. Accelerating COVID-19 response and recovery funding – exemplified by the £5m COVID-19 Response Fund, through which Local Authorities have delivered business support, skills, VCS and staff interventions within their local areas. I will include an update on the distribution and impact of this Fund in my presentation at the November meeting. As noted above, Cabinet agreed the allocation of £10m from the NTCA investment fund to develop a 'Recovery Innovation Deal' – the rapid co-design of which has now begun.
5. Bringing forward funding to address digital divide in education and vulnerable settings – through NTCA investment in digital support (laptops and connectivity) for school-age children and vulnerable adults – delivered in partnership with our three Local Authorities. NTCA officers are working with their Local Authority counterparts to understand potential next steps in relation to digital exclusion, including adapting to nationally announced measures.
6. Augmenting national funding streams to maximise local benefit – such as augmented support for DWP measures – including playing an intermediary role within the KickStart scheme (which will be already enabling SMEs to take part); and working closely with DWP on proposals for augmented employment support and IAG (information, advice and guidance) through Youth Hubs.
7. Understanding the impact of the crisis on poverty and inequality – such as through the Inclusive Economy Board, which has been an important part of our cross-sector engagement during the crisis. The Board, chaired by Bishop Christine Hardman, has encouraged the development of a 'poverty truth commission', which Cabinet agree to take forward at its meeting on 24 November.

3. Outcomes from the Spending Review

Given the previous focus on NTCA submissions into the Spending Review, it is worth a note reflecting on early outcomes and implications. This is necessarily a snapshot rather than full detail, as there are a number of areas for which supporting guidance has not yet been provided. Headlines are as follows:

1. The SR largely focused on FY21/22 – reflecting the ongoing and immediate nature of the COVID-19 crisis, and a downgrade on earlier expectations of a multi-year review with the accompanying policy framework of a Devolution and Recovery White Paper. We are expecting a further fiscal event next year which will focus on longer-term economic recovery.
2. The SR contained a number of headline spending measures – including limited increases in schools and health budgets, the announcement of a new circa £3bn job-match scheme and a

focus on infrastructure spending. This included the announcement of a new infrastructure bank to be based in the North of England, and a £4bn ‘Levelling Up Fund’ to support capital projects up to £20m within local areas.

3. The SR also clarified a number of headline commitments that had been previously announced, including allocations of transport investment to city-regions (subject to some governance stipulations), climate-related spending such as on Electric Vehicle infrastructure, and further commitments on housing and Whitehall relocation. Some short-term detail on the Shared Prosperity Fund was brought forward. A number of these announcements will be relevant to NTCA and wider North East, and the team is working through the practical implications.
4. The statement was not a full Budget (and therefore not a detailed fiscal treatment), but did suggest the downstream implications of some of these spending commitments – such as a proposed cut in the international aid budget (previously fixed at 0.7% of GDP), and the possibility of future fiscal constraint.

4. Equalities Statement

The Overview and Scrutiny Committee is mindful of its duty under the Public Sector Equality Duty and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it; and also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

5. Inclusive Economy Statement

The Overview and Scrutiny Committee is mindful of the NTCA’s inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision has taken these fully into account. The Inclusive Economy ambitions are central to our recovery plans.

6. Climate Change Statement

The Overview and Scrutiny Committee is mindful that the NTCA’s and the three constituent Local Authorities have declared a Climate Emergency and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision has taken climate change fully into account.

7. Consultation and Engagement

The collaborative response measures have been overseen by a Strategic Coordination Group and recovery functions through a Recovery Coordination Group. All seven Local Authorities across the region are actively collaborating and the NTCA has played an ongoing role supporting these efforts. 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 Union and information is being shared with national Government.

8. Appendices

None

9. Background Papers

Working for you: Recover Redesign Reimagine (NTCA Recovery Proposals) can be found at the following link:

<https://www.northoftyne-ca.gov.uk/documents/working-for-you-recover-redesign-reimagine/>

2020 Spending Review can be found at the following link:

<https://www.gov.uk/government/publications/spending-review-2020-documents>

10. Contact Officers

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

11. Glossary

CSR	Comprehensive Spending Review
DfE	Department for Education
DWP	Department for Work and Pensions
IAG	Information, advice and guidance
LA	Local Authority
NTCA	North of Tyne Combined Authority
RCG	Recovery Coordination Group
SCG	Strategic Coordination Group
SME	Small and Medium Size Enterprise
SR	Spending Review
VCS	Voluntary and Community Sector

Overview and Scrutiny Committee

8 December 2020

Subject: Citizens' Assembly on climate change - update

Report of: Stuart Tarbuck, Head of Communications, Engagement, and Organisational Development

Report Summary

The purpose of this report is to update the Overview and Scrutiny Committee on the progress made to date on holding a Citizens' Assembly on Climate Change in the North of Tyne.

Recommendations

The Overview and Scrutiny Committee is recommended to note the progress made to date and make and recommendations or comments as appropriate.

1. Background Information, Proposals and Timetable for Implementation

- 1.1. A Citizens' Assembly is a particular methodology for engaging the public. It involves a randomly-selected but representative group of residents who are convened to consider a specific issue. They learn about the topic (hear evidence from expert witnesses), deliberate (weighing possible policy options), and make actionable recommendations.
- 1.2. A Citizens' Assembly is usually commissioned by a public authority – most in the UK to date have been commissioned by local authorities – that sets the broad topic to be considered. But once the topic has been agreed the commissioning authority steps back and allows the Citizens' Assembly to operate independently.
- 1.3. In February 2020 the NTCA Cabinet approved plans to hold a Citizens' Assembly on climate change and authorised the Interim Head of Paid Service, in consultation with the Investment Panel and Portfolio Holder (the Mayor), to finalise arrangements, working within a budget of £80,000. These arrangements included the appointment of a 'deliberative democracy provider' – an external organisation to design and facilitate the Citizens' Assembly and the establishment of an Oversight Panel to determine the topic and questions to be considered by the residents and members of the public who will make up the Citizens' Assembly.
- 1.4. Pre-COVID-19 it was envisaged that the Assembly would convene physically as a series of face-to-face plenaries and smaller-group meetings over the course of 2 weekends. Given the COVID-19 pandemic and associated restrictions potential suppliers were asked to consider different options for delivering the Citizens' Assembly. These could have included a hybrid online/offline approach or an online-only plan.

Selection of Deliberative Democracy Provider

- 1.5. Following consultation with the Mayor as portfolio holder, officers commenced a procurement process with the tender for this project published on the Government's Contracts Finder website and the NTCA's own portal on 28 July 2020. The 3-week period for potential suppliers to submit bids was in line with best practice for Citizens' Assembly projects (as seen across the UK) and NTCA's own procurement guidelines. The deadline for bids to be submitted was 18 August 2020.

- 1.6. In line with the established NTCA procurement process a technical Evaluation Panel was constituted to assess the bids including officers from the NTCA, its constituent local authorities, and an independent expert on Citizens' Assemblies.
- 1.7. The Evaluation Panel met to assess the bids on 20 August 2020 and following its deliberations, the Panel decided to unanimously recommend 'Shared Future CIC' as the preferred 'deliberative democracy provider'. Investment Panel endorsed this recommendation on 15 September 2020.
- 1.8. Given the ever-changing COVID-19 landscape Shared Future proposed holding an online-only Citizens' Assembly with short sessions to take place over the course of several weeks.
- 1.9. The contract to be awarded to the deliberative democracy provider has a maximum value of £50,000. The Cabinet decision anticipated other costs associated with the Citizens' Assembly, including reasonable costs incurred by expert witnesses, childcare costs of participants, the loan of any IT equipment needed to participate, and other sundry items - these items together are expected to cost up to £30,000, with defrayment of this funding subject to internal monitoring and control processes. All costs can therefore be accommodated within the overall £80,000 allocation agreed by Cabinet in February 2020.

The Oversight Panel

- 1.10. The composition of the Citizens' Assembly Oversight Panel was proposed to include officers from the NTCA and its 3 constituent authorities and stakeholders representing different interests in the wider community as follows:
 1. Independent Chair
 2. Officer (technical expert) from the North of Tyne Combined Authority
 3. Officer (technical expert) from Newcastle City Council
 4. Officer (technical expert) from North Tyneside Council
 5. Officer (technical expert) from Northumberland Council
 6. Academic expert on Citizens' Assembly methodology
 7. Academic expert on climate science and/or practical implications such as planning or transport
 8. Representative from business community
 9. Representative from unions
 10. Representative from voluntary sector
 11. Representative from environmental groups
 12. Secretariat provided by North of Tyne Combined Authority
- 1.11. In regular consultation with the Mayor as portfolio holder officers worked to identify suitable candidates for these positions taking into account expertise, the ultimate gender balance of the panel, and the need to reflect the unique geography of the North of Tyne region with its mix of city, coast and countryside.
- 1.12. The composition of the Oversight Panel was approved by a Delegated Decision by the Interim Head of Paid Service on 13 November 2020. Its composition is as follows:

	Role	Name	Organisation>Title
1	Independent Chair	Olivia Grant	Newcastle Futures
2	Officer (technical expert) from the North of Tyne Combined Authority	Leanne Wilson	Policy & Economy Advisor (Climate Change)
3	Officer (technical expert) from Newcastle City Council	Adrian McLoughlin	Climate Change Advisor
4	Officer (technical expert) from North Tyneside Council	Paul Nelson	Environmental Sustainability & Street Lighting Manager

5	Officer (technical expert) from Northumberland Council	Mark Roberts	Commercial Team Manager
6	Academic expert on Citizens' Assembly methodology	Dr Stephen Elstub	Newcastle University (Dept of Politics)
7	Academic expert on climate science and/or practical implications	Dr Sara Walker	Newcastle University (Director of Centre for Energy)
8	Representative from business community	Marianne O'Sullivan	North East Chamber of Commerce
9	Representative from unions	Sarah Kilpatrick	National Education Union
10	Representative from voluntary sector	Adrienne Attorp	Tyne & Wear Citizens
11	Representative from environmental groups	Dr Meryl Batchelder	UN-accredited climate change teacher / Extinction Rebellion
12	Secretariat provided by North of Tyne Combined Authority	Tom Sharman	Engagement Officer

- 1.13. The main role of the Oversight Panel is to determine the questions and approve the expert witnesses. In line with other Citizens' Assemblies elsewhere we are also proposing to consult the Oversight Panel on the recruitment criteria used to select participants and ask them to provide guidance throughout the process.
- 1.14. The Oversight Panel held its first meeting on 26 November 2020 and agreed that the question to be put to the Citizens' Assembly would be: "What should we do in the region to address climate change and its causes fairly, effectively and quickly?"

Next steps

- 1.15. A 'Citizens' Assembly Organising Group' composed of officers from the NTCA and its 3 constituent authorities and representatives from Shared Future meets on a weekly basis to resolve any logistical issues and to implement decisions made by the Oversight Panel.
- 1.16. It is anticipated that Shared Future will begin the recruitment of participants for the Citizens' Assembly in January 2021 with the first session of the Assembly scheduled for February 2021. The Assembly is expected to complete its work by April 2021. A report of its work with recommendations for the NTCA Cabinet will follow in due course.
- 1.17. We would be happy to keep the Overview and Scrutiny Committee informed of progress.
- 1.18. Normal practice is that Citizens' Assemblies are subject to peer review. An independent external evaluation, usually by an academic, takes place once their work has concluded. The evaluation covers the Citizens' Assembly project including the question chosen, the recruitment methodology, and the content of Assembly sessions. We have anticipated this and set aside a budget for this work.

2. Equalities Statement

- 2.1. The Citizens' Assembly on climate change aims to advance equality of opportunity for participants and foster good relations between people of diverse backgrounds, including those with experience of protected characteristics.
- 2.2. From the outset we aimed for an Oversight Panel with a diverse membership, paying particular attention on the need for gender balance and to give space and voice to individuals who are not included in similar panels as a matter of course.

3. Inclusive Economy Statement

- 3.1. The Citizens' Assembly on climate change explicitly requires a representative sample of the North of Tyne population to serve as Assembly members, enabling people from all segments of society to participate in the process.
- 3.2. The blueprint for the Oversight Panel explicitly required a mixture of stakeholders from different parts of the economy along with technical experts from the NTCA and its constituent authorities.

4. Climate Change Statement

- 4.1. The Citizens' Assembly will help drive forward action to tackle climate change in the North of Tyne.

5. Consultation and Engagement

- 5.1. A range of organisations were consulted and helped shape the plans for a Citizens' Assembly as outlined in the Cabinet agenda for 25 February 2020. These included deliberative democracy providers, facilitators and staff involved in other Citizens' Assemblies, academic experts on the methodology of Citizens' Assemblies, environmental groups, and the voluntary sector.
- 5.2. NTCA Investment Panel and the Portfolio Holder (the Mayor) were consulted on the appointment of a deliberative democracy provider and approved the plan to proceed.
- 5.3. The Portfolio Holder (the Mayor) was consulted on the membership of the Oversight Panel.

6. Appendices

- 6.1. None

7. Background Papers

- 7.1. None

8. Contact Officers

- 8.1. Tom Sharman
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9. Glossary

NTCA North of Tyne Combined Authority

Report Summary

The purpose of this report is to provide an update on Brexit issues facing the NTCA area and to update Overview and Scrutiny Committee on proposals recently discussed by the NTCA Cabinet. This follows previous discussions by the Overview and Scrutiny Committee on 12th February 2020.

Recommendations

The Overview and Scrutiny Committee is recommended to note the contents of this report.

1. Background Information, Progress and Proposals

Background

- 1.1 The UK left the EU on 31st January 2020, with the current 'Transition Period' lasting until 31st December 2020. The Transition Period closely mirrors arrangements prior to the UK leaving the EU, with the UK continuing to apply and be bound by all EU laws. Goods and services are allowed to flow freely across EU/UK borders. British nationals are no longer EU citizens, but free movement of travel continues as before. European funded programmes, including ERDF and ESF, continue. New arrangements between the EU and the UK will come into place from 1st January 2021. At the time of writing this report, the nature of these trade arrangements remains unclear. It is possible that there will be free trade deal, which would remove tariffs on many goods traded between the EU and UK. But, should a trade agreement not be concluded, trade between the UK and EU will be undertaken on World Trade Organisation [WTO] rules – which would lead to the introduction of significant tariffs on goods, together with regulatory obstacles.
- 1.2 Estimates previously produced by HM Treasury predict that the medium-term negative impact of Brexit is likely to be greater in the NE than any other UK region. It was predicted that the level of economic activity in the NE would be about 11% lower under a no-deal scenario by 2033, over twice the impact on the least affected region (London, 6% lower).¹ Under a free-trade deal, the estimated negative impact is roughly halved, with economic activity in the NE expected to be about 6.5% lower.
- 1.3 Recent discussions with businesses and their representative organisations have provided the following additional insights into the potential impact of Brexit:
 - There are significant risks to NE economy under no-deal, but risks remain even if a trade deal is agreed.
 - Potential opportunities from Brexit include supply chain consolidation and more sophisticated targeting of Government intervention/State Aid.
 - Even a comprehensive Free Trade Agreement would require actions by individual firms – they would need to adapt to new tariffs, regulatory issues and border issues; while there will be a new system for bringing in skilled workers from EU countries.

¹

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760484/28_November_EU_Exit_-_Long-term_economic_analysis_1_.pdf

- For most businesses and residents, dealing with the impacts of COVID-19 has had primacy over Brexit preparations this year. But there is also an interplay between the two. The economy contracted by over a fifth in the immediate aftermath of the pandemic and it is uncertain to what extent Brexit is slowing the recovery phase; for example, we have heard that Brexit uncertainty is delaying investment plans.

Update on NTCA Brexit Work programme

- 1.4 Brexit preparatory work has included activity informed by regular meetings with businesses and Government. This has included joint meetings with local authorities, businesses, the NE LEP and Government officials under the ‘NE EU Exit Implementation Group’. Detailed guidance for businesses has been developed through the Growth Hub’s ‘UK Transition Toolkit’, while training, guidance and advice has been promoted. Sectoral discussions have highlighted issues associated with the multi-country origin of automotive components, the need for the pharmaceuticals sector to have clarity about regulatory requirements associated with product certification and labelling; and the sensitivity of the NE farming sector to post-Brexit agricultural policy, subsidies and export tariffs. The NE’s response to consultations on migration have highlighted that any new points-based immigration system should take into account lower average wage levels outside London and the SE, due to lower costs of living.
- 1.5 The NTCA inward investment fund has been increased to £10million. This fund is intended to help make it easier for firms to make a first investment in the area, by helping reduce some of their upfront costs. Even if Brexit increases trade frictions with the EU, the NTCA area will remain an attractive destination for businesses. We are aware of interest from UK professional services firms considering opportunities to ‘Northshore’ their activities, particularly given costs in London, while seeking the relocation of Government departments is also an important part of the NTCA’s recovery plans. Recent discussions with businesses have highlighted that the quality of life, combined with excellent value for money, are particularly important components of the ‘offer’ for both inward investors and workers – alongside the usual skills and property issues. In addition to a focus on Northshoring, the NTCA’s ‘Recovery and Renewal Deal’ recently agreed by Cabinet include proposals to improve access to finance to businesses, as part of the ambition to develop the infrastructure needed for business to flourish. The Combined Authority has also supported the case for increased Department of International Trade resource for the North and sought Government help to meet the growth opportunities of specific companies. The NTCA is pressing Government to take a much more assertive approach to increasing UK content in offshore wind farms, for example by proper assessment of UK economic impact through the procurement process and post-contract monitoring.
- 1.6 Government recently announced a competition to select at least 7 Freeports across the country, with bids to be submitted by the beginning of February. The emerging NE proposal is for a multi-site, digitally-enabled, zone linking key manufacturing sites with ports, including key assets in the North of Tyne area. Under this model, goods that enter at a port would be registered and tracked along transport corridors to their arrival points at manufacturing sites using number plate recognition technology. Manufactured goods could also be tracked to ports before being exported, retaining the customs and tax benefits of the Freeport throughout. Business organisations have highlighted that a Freeport is likely to be particularly helpful for smaller exporters and may enable greater tax efficiencies across supply chains involving larger companies. They have also highlighted that a network of Freeports in other parts of the UK, but without one in the NE, could lead to displacement of firms out of the region. It is estimated that the NE Freeport proposal would lead to over 1000 new jobs.

Looking forward

- 1.7 The NTCA Cabinet recently agreed that the authority should continue to work closely with businesses to understand and monitor any potential impacts of Brexit on the economy, and to continue to highlight any issues and opportunities with Government.
- 1.8 They highlighted that Brexit-risks make it even more imperative that the area receives a significant COVID-19/Brexit economic stimulus package, including both one-off resources and longer-term replacement for EU funding, and that key sites in the North of Tyne area are given Freeport status.
- 1.9 Although the largest businesses in the region have well-prepared Brexit plans, covering a range of scenarios, most smaller exporting/importing businesses understandably remain significantly more focussed on COVID-19 than Brexit. There have been some reports of a small recent increase in the number of enquiries about Brexit to business support organisations.
- 1.10 Many businesses have indicated that they will review their processes once the nature of future EU-UK trade arrangements becomes clearer. Nevertheless, some preparations can be made in advance – including obtaining the necessary EORI number needed to move goods across the border; developing internal processes to comply with new tariffs, licenses and bureaucracy; and understanding the potential impact of any disruption to supply chains.
- 1.11 Discussions led by the Local Authorities have indicated that NE ports and Newcastle International Airport are well prepared, with much less likelihood for disruption than at crossings in the South of England. There is also the potential for some shift in demand to the NE, with importers choosing to use ports outside the SE to avoid disruption.
- 1.12 Cabinet recently agreed that the NTCA should use its website and social media channels to signpost businesses to specialist sources of Brexit-preparedness advice and support. This would be similar to the approach currently used to signpost towards advice and support related to the COVID-19 pandemic.

2. Equalities Statement

- 2.1 As required by Section 149 of the Equality Act 2010, the Combined Authority has considered its obligations regarding the Public Sector Equality Duty and there will be no anticipated negative impacts on groups with protected characteristics arising from the proposals highlighted in this report, which were recently also discussed with Cabinet. Although there are no anticipated impacts on these groups (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation) it is worth noting that any negative economic impacts associated with Brexit have the potential to have the biggest economic impact on those from the most deprived socio-economic backgrounds.

3. Inclusive Economy Statement

- 3.1 There are no direct inclusive economy implications arising from the proposals in the report itself. However, the report highlights the vulnerability of the NE to structural economic changes arising out of Brexit. Previously, economic disruption has had a disproportionately negative impact on those with lower skills and with less stable employment.

4. Climate Change Statement

4.1 There are no direct climate change implications arising from this report. However, Clean Growth is a particular economic opportunity for the NTCA post-COVID-19/Brexit. This is one of the key climate change priorities of the Combined Authority.

5. Consultation and Engagement

5.1 This report is based on a recent discussion with Cabinet, which in turn reflected extensive communications with Business representative organisations, other Local Authorities and the NELEP, including through the monthly EU Exit Implementation Group.

6. Appendices

None

7. Background Papers

None

8. Contact Officers

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9. Glossary

WTO - World Trade Organisation

Overview and Scrutiny Committee

8 December 2020

Subject: NTCA Q2 Budget Monitoring Report

Report of: Chief Finance Officer

Report Summary

The purpose of this report is to inform the Overview and Scrutiny Committee of the 2020-21 Q.2 Budget Monitor Report for the North of Tyne Combined Authority (NTCA).

Recommendations

Overview and Scrutiny Committee is recommended to note the report on the 2020-21 Budget Monitor Position Q2 that was submitted to and approved on the 24 November 2020, please see Appendix 1.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 At its meeting on the 24 November 2020 Cabinet Members considered the report on the 2020-21 Budget Monitor Position Q2 which was the second monitoring report on the 2020-21 financial position.
- 1.2 The report presented the forecast financial position for the NTCA at 31 March 2021 across the Corporate, Investment Fund and Adult Education Budget and also sets out the potential position of the reserves at year end. It also presented the Treasury Management Mid-Year update position.
- 1.3 The report included a six-monthly budget review of NTCA, North East LEP and INEE as requested by the Overview and Scrutiny Committee as part of its recommendations to Cabinet on the current budget. This also included a capital monitor update.
- 1.4 The Q3 Budget Monitor Position will be taken to Overview and Scrutiny Committee on 9 February 2020.

2. Equalities Statement

- 2.1 There are no direct equality implications arising out of the recommendations of this report. Please see Appendix 1 for equalities implications arising from the NTCA Q2 Budget Monitor report.

3. Inclusive Economy Statement

- 3.1 There are no direct inclusive economy implications arising out of the recommendations of this report. Please see Appendix 1 for inclusive economy implications arising from the NTCA Q2 Budget Monitor report.

4. Climate Change Statement

- 4.1 There are no direct climate change implications arising out of the recommendations of this report. Please see Appendix 1 for climate change implications arising from the NTCA Q2 Budget Monitor Report.

5. Consultation and Engagement

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

6. Appendices

Appendix 1 NTCA Q2 Budget Monitor Report

7. Background Papers

January 28, 2020 – 2024 Budget Report
Quarter 1 Budget Monitoring Report July 28, 2020 Cabinet

8. Contact Officers

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9. Glossary

NTCA	North of Tyne Combined Authority
INEE	Invest North East England
Q2 Q3	Quarter Two, Quarter Three

Cabinet

24 November 2020

Subject: NTCA Q.2 Budget Monitoring Report
Report of: Janice Gillespie, Chief Finance Officer
Portfolio: All

Report Summary

This report is the second quarter monitoring report to Cabinet on the 2020/21 financial position. The report brings together the forecast financial position for both the Corporate, Investment Fund and Adult Education Budget and provides an indication of the potential position of the Combined Authority at 31st March 2021. The report reflects a six-month detailed budget review undertaken for the Combined Authority and the potential position on reserves at the year end.

This report also presents the Treasury Management Mid-Year Review up to and including 30 September 2020.

Recommendations

The Cabinet is recommended to:

1. note the forecast budget monitoring position for the Combined Authority as set out in paragraphs 1.2 through to 1.7;
2. agree the distribution of the 75% Business Rates Retention Pilot surplus as set out in paragraph 1.3;
3. note the Treasury Management Mid-Year update position as set out in paragraph 1.8; and
4. Note the Capital Monitoring position as set out in paragraph 1.9.

1. Background Information, Proposals and Timetable for Implementation

1.1 Summary

Cabinet approved the 2020/21 budget on 28th January 2020. Included in that budget was estimated expenditure across the year for both the Corporate Budget, Investment Fund and the Adult Education Budget.

The budgets were set reflecting the continued development of the Combined 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. As part of the process to set the 2020-21 budget Overview and Scrutiny committee asked that a mid -year review of the budget was undertaken. This has been carried out as part of the normal monitoring process, where a

line by line review of the in-year position and its implications for the year end and future years has been considered. Employee budgets have been reviewed in full. Additional staff have been appointed in year with funding for the increased capacity being achieved through review of SLA budgets in light of requirements of the Combined Authority.

1.2 Corporate Budget

The Corporate Budget for 2020/21 approved at January 2020 Cabinet, set a zero-net income/expenditure position

Table 1 below sets out the forecast outturn position as at quarter two across the key income and expenditure heads. The forecast position for the year end, at this stage, continues to show a net balanced forecast position where additional income streams have allowed for a reduction in the in-year contribution from the Investment fund.

Table 1: Q2 Budget Monitoring 2020/21 Corporate Budget

	Budget	Forecast	Variance Over/(Under)
Expenditure	£'000	£'000	£'000
Staffing	2,400	2,210	(190)
Advisors External	70	362	292
Other costs	540	751	211
SLA's	403	286	(117)
Transport Levy	27,074	27,074	0
Total Expenditure	30,487	30,683	196
Income			
Mayoral Capacity Fund	(750)	(1,000)	(250)
Contributions from CAs	(111)	(111)	0
Investment Fund	(1,649)	(1,245)	404
Investment Fund workstream funded posts	(207)	(207)	0
AEB Implementation Fund	(130)	(130)	0
AEB contribution	(396)	(396)	0
Brownfield Housing Fund Revenue Stream	0	(195)	(195)
Interest Receivable	(170)	(325)	(155)
JTC Levy	(27,074)	(27,074)	0
Total Income	(30,487)	(30,683)	(196)
Net (Income)/Expenditure	0	0	0

Corporate Expenditure Variances

Staffing

Work has been undertaken in relation to workforce planning to explore the capacity of NTCA in the light of increasing numbers of projects and programmes, this covered recruitment, capacity management and the retention of a competent, productive and collegiate workforce with the aim of creating a long-term staffing plan. Progress has already been made in line

with this with 4 new key posts filled, two new Appraisal and Monitoring Officers, a Programme Officer and Good Work Pledge Officer. These are all funded from available programme funds. There are now 44 staff directly employed by the North of Tyne Combined Authority (NTCA).

Staffing estimates reflect a lower rate of employer superannuation (5.2%) from the introductory rate applied in 2019/20 (25.2%). This is a contributory factor in the underspend on staffing expenditure.

Advisors External

The increase reflected in the Advisors External forecast position is primarily in relation to the sector commissioning work which had originally been commissioned in 2019/20 as part of establishing the pipeline delivery in relation to the Investment Fund and the Adult Education Work (AEB). The delivery of this work will be completed in 2020/21 with the approval given at July Cabinet to carry forward the funding to cover this (£0.200m). Also included in the expenditure forecast position is the cost for the design of the new website (£0.030m) which is now up and running, and also the cost for year one of the new Management Information System to support project delivery (£0.057m).

Other Costs

This category forecasts an overspend (£0.211m). The anticipated uplift is in relation to recruitment and training costs (£0.050m), the assumed increase in accommodation costs for the Lumen for last two months of the year (£0.020m) and the contribution in relation to employee pension costs as part of the LEP transition (£0.140m), which is funded by the authority's saving on Pension contributions as planned.

Service Level Agreements

The Service Level Agreements (SLAs) cover IT, insurance, communications, payroll, governance, audit and HR. The approach to Service Level Agreements (SLA's), the aim is to maintain a cost effective, efficient and collegiate approach. Work has been undertaken in respect of the review of the SLAs for 2020/21 with the aim to renegotiate those which require adjustment, this has resulted in a decrease in forecast expenditure against the budget of £0.117m to date.

Joint Transport Committee levies

These will remain as per budget.

Income

The key source of income supporting the Corporate expenditure budget is the annual contribution from the Investment Fund, including income for posts funded from specific workstreams (£0.207m) within the Fund such as the Digital, Education Challenge and Returnship posts. In addition to these there is the £0.037m contribution received from each of the three constituent authorities (£0.111m in total).

The Mayoral Capacity Fund has been confirmed at an additional £0.250m for 2020/21 against the original expected allocation of £0.750m. This additional funding has helped towards the reduction in the level of Investment Fund contribution towards the Corporate budget. Mayoral Capacity Funding has been received from the year of inception in 2018/19 to 2020/21 for the purpose of supporting the establishment of the Combined Authority,

2020/21 is the final year this funding will be received. The first tranche of AEB devolution funding was received in July 2020 (£13.245m) for the part academic year to March 2021, this has provided an income stream to the Corporate Fund to support delivery of (£0.396m), together with the additional remaining amount of AEB Implementation funding (£0.130m).

Cabinet are aware that the authority will be delivering the Brownfield Housing Fund, a capital allocation of £24m over 5 years. In addition to the capital element a one-year revenue funding stream of £0.550m has been confirmed to help support capacity to deliver the fund. There is a requirement that the revenue allocation is spent in full during 2020-21, as we are still in the early stages of development of the fund this report sets out the current level of anticipated expenditure during this period. Work continues to ensure the maximum amount of eligible expenditure is identified across the NTCA and the constituent authorities to minimise the risk of losing any of this funding from the North of Tyne region.

Interest on investment income budget was set at a prudent level of £0.175m. The NTCA has now received its third amount of Devolution funding from MHCLG taking the total to £60.000m. As anticipated at this stage the majority of the funds are being invested, in line with the Treasury Management Strategy, with other Local Authorities to earn interest levels over and above what can be achieved with the Debt Management Office. The NTCA became the accountable body for the North East LEP on 1st April 2020 and is therefore responsible for managing their cashflow. The additional cash balances available to invest has widened the opportunity to invest longer term (up to 12 months) thereby achieving marginally higher interest rates. The anticipated level of interest income due in relation to NTCA investments alone is £0.324m. The Treasury Management mid-year in paragraph 1.8 provides more detail.

1.3

75% Business Rates Pilot.

Cabinet will recall that during 2019/20 the three constituent authorities took part in the 75% Business Rates Retention programme. As part of that, the position anticipated was that surplus Business Rates above the 49/50% retained by the three authorities would be retained in the region. The outcome is set out below:

Newcastle City Council Surplus £713,368
North Tyneside Council Surplus £1,841,479
Northumberland County Council Surplus £2,321,945

Total £4,876,792.

These values have been verified as part of the 2019/20 Audit of the Statement of Accounts by each external auditor and whilst not fully concluded these values are not subject to any outstanding questions and are therefore not expected to change. It is proposed that these surplus balances are issued to the Constituent Authorities in order to support the actions being taken as part of the management of issues arising from the impact of the COVID-19 Pandemic.

1.4

Investment Fund

Delivery on the Investment Fund is gathering momentum with a healthy pipeline of funding proposals to deliver across the NTCA priorities, working with portfolio holders to progress work around the key sectors, providing support to businesses and residents through this challenging time.

This is evidenced in the increase of committed and defrayed expenditure, in addition to the outcome's the projects are reporting. This includes the recruitment of people into new employment opportunities created as a direct result of our investment.

Projects

- The total Investment Fund commitment stands at £40.33m against 48 live contracts.

Jobs

- The number of forecast jobs to be created has increased from 2657 to 2732 (based on current commitments)
- The number of forecast jobs safeguarded stands at 1782.

Private Sector Leverage

- Forecast private sector leverage has risen to £104.56m (circa 5% of the £2.1bn target) representing a £460,000 increase due to the approval of NICD bespoke delivery programme for North of Tyne.

Claimed Funding

- Expenditure claimed to date stands at £1.15m with £0.363 paid out to projects in August.
- Q2 claim returns due at the end of October, is currently forecasting circa £2.00m expenditure.

Project & Programme Risk

The impact of the COVID-19 Pandemic on delivery had reduced slightly but continues to be closely monitored as infection rates and restrictions increase. Table 2 shows the approvals to date against the overall indicative programme Cabinet approved for the first 5 years of the plan.

Table 2 Commitment against Investment Fund Thematic Area

	Current 2018-2023 Committed	2018-2023 Allocation	% Allocated
	£m	£m	
Business	17.88	38.00	47%
People	8.12	16.30	50%
Place	6.59	13.70	48%
Major Strategic Economic Opportunities	5.80	17.50	33%
Business Case Development Fund	1.95	4.50	43%
	40.34	90.00	45%

The COVID-19 pandemic continues to have an impact on delivery across the programme, elsewhere on the agenda, within the Investment Fund update outlines a proposal to allocate £10m of Investment Funds to proceed with a North of Tyne Recovery Innovation Deal to support post-COVID-19 adaptation and innovation – supporting businesses, social enterprises

and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis.

Table 3 below shows the projected forecast expenditure for 2020/21 on the Investment Fund, as £15.845m reflecting the marked step change in volume of contracts and support of financial claims as projects come to fruition.

Table 3 Budget Monitoring Investment Fund

Investment Fund	Budget 2020/21	Forecast 2020/21	Variance
	Budget	Forecast	Variance
Expenditure	£'000	£'000	£'000
Work streams	13,773	14,100	327
Technical Support	250	500	250
Contribution to Corporate Costs	1,400	1,245	(155)
Total Expenditure	15,423	15,845	422
Income			
Investment fund	(20,000)	(20,000)	0
Total Income	(20,000)	(20,000)	0
Net (Income)/Expenditure	(4,577)	(4,155)	422
Investment Reserve brought forward	(36,840)	(36,840)	0
Net Investment Fund Reserve carried forward	(41,417)	(40,995)	422

1.5

Adult Education Budget (AEB)

The statutory order to devolve the Adult Education Budget to NTCA has now been made with the AEB transferred to NTCA for the academic year 2020-21 onwards.

With Cabinet approval the NTCA devolved AEB has been allocated to 29 education providers across 10 Grant Agreements and 21 Contracts for Services. Operational costs of delivery of the AEB are captured in the Corporate Budget and are illustrated in Table 4 with a contribution to corporate costs of £0.396m for the part-year of 2020/21.

Table 4 below reflects the high-level financial year plan for the AEB balanced budget with funding to be awarded to grant providers and other procured deliveries. All NTCA funded AEB providers have submitted a detailed delivery plan and payment profile for the funding year, which will provide the vehicle upon which the provider's performance will be monitored. Providers will be paid monthly, in arrears, against that profile, with reconciliation points throughout the year.

All 'in year' funding allocations and reconciliation processes will be guided by the commissioning principles set out in the AEB Strategic Skills Plan. NTCA will work closely with providers to ensure a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local skills needs, helping residents to improve their

quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.

Performance will be reviewed at quarterly monitoring points, the first of which is in November 2020. This will enable NTCA to have a more informed picture of delivery in the first quarter of 2020 and enable any gaps to be addressed and any growth to be supported. This ongoing monitoring will enable NTCA to respond to the ongoing COVID-19 crisis, any other ‘Economic Shocks’, unexpected fluctuations in the skills sector, and potential increases in digital entitlement.

Table 4: Adult Education Budget on Financial Yr. profile 2020-21 – 2023-2024

	4 Year Adult Education Budget Summary				
	2020-21	2021-22	2022-23	2023-24	Total
	£'000	£'000	£'000	£'000	£'000
Expenditure					
Grant Awards	8,014	15,369	15,369	15,369	54,121
Procured Services	4,869	6,659	6,659	6,659	24,846
Corporate Contribution	396	678	678	678	2,430
Total Expenditure	13,279	22,706	22,706	22,706	81,397
Income					
Funding Sources and Total Income	(13,279)	(22,706)	(22,706)	(22,706)	(81,397)
Net Position (Inc)/Exp	0	0	0	0	0

Table 5: Budget Monitoring AEB

	2020-21	2020-21 Q2 Spend	Forecast 2020-21
	£'000	£'000	£'000
Expenditure			
Grant Awards	8,014	1,933	8,014
Procured Services	4,869	887	4,859
Corporate Contribution	396	96	396
Total Expenditure	13,279	2,916	13,279
Income			
Funding Sources and Total Income	(13,279)	(2,916)	(13,279)
Net Position (Inc)/Exp	0	0	0

Academic Year 2020-21 COVID-19 Response allocation

A one year only amount of £959,064 was received in 2020-21 to invest in High Value Courses and sector-based work academy programmes as part of the Chancellor's announcement on the Plan for Jobs to support Young People during the COVID-19 crisis. Table 6 provides the breakdown of commitment against the £959,064.

Table 6 Additional Devolved AEB Allocation

NTCA Additional Devolved AEB Allocation	£959,064
3% Administration Costs	£28,772
Grant Allocations for High Value Course Offer	£419,932
Grant Allocations for Sector-based Work Academies	£476,006
Total Additional AEB allocated	£924,710
Amount Remaining to allocate	£34,354

1.6

Brownfield Housing Fund

The Brownfield Housing Fund was first announced in the March 2020 National Budget to support Mayoral Combined Authorities and their local areas develop housing on brownfield land. Overall, £276m has been allocated to the six northern city regions, North of Tyne Combined Authority has been awarded £24m over a 5-year period with a £0.550m revenue capacity support grant (for 2020-21 only).

Brownfield Housing Fund specifically supports sites with an identified market failure due to site conditions. The programme is part of a broader housing programme the Housing and Land Board have in development, that aims to bring forward a pipeline of sites shaping a longer-term strategic delivery approach. Different funding streams and partnership arrangements will be used to best meet priorities across the area.

Table 7: Brownfield Housing Fund

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
BFH Revenue	0.410	0.140				0.550
BFH Capital	5.000	8.100	6.700	3.100	1.100	24.000

The Brownfield Housing Fund is still in the early stage of development and therefore the profile of the revenue capacity funding is indicative at this stage. It is anticipated that a proportion will be allocated to Local Authority partners to aid their delivery, with the remaining balance to support in-house capacity and appraisal development.

1.7

Reserves

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 8.

Table 8: Movement in Reserves

Reserves Statement	Opening Balance 1 April 2020	Transfer In/(Out) during 2020/21	Closing Balance 31 March 2021
	£'000	£'000	£'000
Homeless Veteran Grant Reserve	91	(91)	-
Preparing to Exit Europe Grant	272	(91)	181
Business Rates Pilot 2019/20	4,877	(4,877)	-
Strategic Reserve	200	-	200
Investment Fund Reserves	36,840	4,155	40,955
Total General (Useable) Reserves	42,280	(904)	41,376

The Homeless Veteran Grant was received in 2018/19, since then the three constituent authorities have been working with the NTCA officers to agree the appropriate use of the grant. The impact of COVID-19 has led to a delay in some of the work, however, it is still anticipated that the grant will be drawn down during 2020/21.

Cabinet are aware that late in 2018/19 the Combined 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 at its meeting on 5 February 2019. Officers have worked with the LEP and have committed £0.091m to support additional capacity to assist in the delivery of a Brexit work programme over the North of Tyne and North East Combined Authority area. An additional £0.181m grant was 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 transferred into reserves pending a plan being agreed.

A new earmarked reserve has been set up of (£4.877m) in relation to the Business Rates Pilot undertaken in 2019-20, this includes Business Rates Pool monies from the three constituent authorities. As set out in paragraph 1.3 this will be distributed to the constituent authorities this financial year.

1.8 Treasury Management Mid-Year Review

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 2020/21 Treasury Management Strategy on 28th January 2020.

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.

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 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 9: NTCA Investment Limits

Type of institution	Financial Limit	Time Limit
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

The latest projection of investment income for 2020/21 is £0.324m. This represents an increase in the income forecast of £0.154m when compared to the budget of £0.170m. The original budget was set at a prudent level and based on primarily investing with the Debt Management Office (DMO). NTCA have now onboarded with brokers ICAP, Tradition and Imperial to enable investment with other Local Authorities for a term up to 12 months in line with the Treasury Management Strategy, which allows higher levels of interest to be achieved than that of the DMO.

NTCA became the accountable body for the North East LEP (LEP) from the 1st April 2020, as such NTCA is responsible for managing the cashflow of the LEP in addition to its own. As at quarter 2 the NTCA has £148m invested with other local authorities for a term no greater than 1 year. This investment total includes £69.245m of NTCA monies (£56m Investment Fund, and £13.245m AEB), and £75.870m of LEP monies invested (£14.9m Local Growth Fund, £23.5m Getting Building Fund and £6.9m repayment in relation to EZ and £30m NEIF balances carried over from NECA), the balance of investment reflects payments out already made within the year. Income from interest on these investments forecast to year-end is £0.679m to be split at year end between NTCA and LEP in proportion to level of income invested at this mid-year point the proportion of investment income due to NTCA and LEP is £0.324m and £0.355m respectively. The additional level of investment income has allowed investments to be placed for a longer-term (up to 1 year) attracting higher levels of interest.

Link Asset Services produces a quarterly Investment Benchmarking report that assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across other similar Authorities. In the most recent report that covers the position as at 30 September 2020, the Combined Authority achieved a weighted average rate of return of 0.459% on investments. This exceeds the risk adjusted expectations as defined in the benchmarking report of between 0.1800% and 0.3500%.

Given that average Money Market Fund return started at rates of 0.280% to 0.480% in April and have fallen to below 0.100% as at 30 September 2020, the achievement of an average rate of return of 0.459% is worth noting. This has been achieved through the placement of funds with a number of Local Authorities for up to 12 months at rates of 0.700% to 1.000%. Analysis of cash flow forecasts early in the year (March 2020, following the first cut to Bank Rate) identified that funds could be placed for this duration due to the increased level of investment income as a result of the additional LEP monies. This provided an opportunity to agree 'forward' deals with Local Authorities that were concerned about liquidity in the market and anticipated a need at that time.

It continues to be a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in-line with the Bank Rate. This is particularly the case following the two latest bank rate cuts in March 2020. Link Asset Services indicates in its forecast that there is no increase in Bank Rate expected within the forecast horizon ending on 31st March 2023.

All investments made are in line with NTCA's Treasury Management Strategy and are considered a low risk counterparty/instrument commensurate with the Authority's low risk policy, providing adequate security and liquidity before considering investment return.

1.9 Capital Spend Reporting

Like any other authority NTCA has to report on capital expenditure. To date there have been approvals of a capital nature through the Investment Fund and set out earlier in the report the Brownfield Housing Fund is a capital allocation. The capital profile also includes anticipated capital expenditure in relation to the Lumen fitout, which is to be funded from the Investment Fund Reserve.

To date Investment fund contracted capital projects includes the NU Futures project at £2m. and there are potentially a further £14.2m capital programmes/projects identified in the pipeline that have been identified for future consideration by the Investment Panel.

Taking theses into consideration the Capital Programme can be summarised below:

Table 10: NTCA Capital Programme Profile

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
Investment Fund	1.047	0.924	0.029			2.000
Brownfield Housing Programme	5.000	8.100	6.700	3.100	1.100	24.000
Lumen Fit out	0.200	0.100				0.300
Total Capital Investment	6.247	9.124	6.729	3.100	1.100	26.300

2. Potential Impact on Objectives

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

3. Key Risks

- 3.1 As highlighted in the report there is a key risk to programme delivery to the Investment Programme and Adult Education Budget as a result of Corvid-19, the mitigations for this is detailed in the report and reported through the Investment Fund update report to Cabinet. No other risks identified at this time.

4. Financial and Other Resources Implications

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

5. Legal Implications

- 5.1 The Combined 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

6. Equalities Implications

6.1 There are no direct equalities implications arising out of the recommendations in this report.

7. Inclusive Economy Implications

7.1 There are no direct inclusive economy implications arising out of the recommendations in this report.

8. Climate Change Implications

8.1 There are no direct climate change implications arising out of the recommendations in this report.

9. Consultation/Engagement

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

10. Appendices

10.1 None

11. Background Papers

11.1 January 28, 2020 – 2024 Budget Report
Quarter 1 Budget Monitoring Report July 28, 2020 Cabinet

12. Contact Officers

12.1 Janice Gillespie, Chief Finance Officer,
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Subject: 2021-2025 NTCA Budget Proposals

Report of: Chief Finance Officer

Report Summary

The purpose of this report is to inform Overview and Scrutiny Committee of the initial draft 2021-2025 Budget Proposals for the North of Tyne Combined Authority (NTCA) for 2021-22 and the medium-term financial plan for the period 2022-23 to 2024-25 which was taken and approved by Cabinet on the 24 November 2020.

Recommendations

The Overview and Scrutiny Committee is recommended to note the report on the 2021-2025 NTCA Budget proposals that was submitted and approved to Cabinet on 24 November 2020 see Appendix 1.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 At its meeting on 24 November 2020, Cabinet considered the report on the 2021-2025 NTCA Budget proposals.
- 1.2 The report presented initial budget proposals for 2021-22 and the medium-term financial plan for the period 2022-23 to 2024-25 in respect of the Corporate Budget, Investment Fund, Adult Education Budget (AEB) and new Brownfield Housing Fund. NTCA are the accountable body for the North East Local Enterprise Partnership (LEP) and as such this report includes proposals for the North East LEP Accountable Body Budget.
- 1.3 The report also outlined the context within which the budget proposals have been prepared in relation to Covid-19 and the delay of the Comprehensive Spending Review (CSR).
- 1.4 Overview and Scrutiny Committee will hold a workshop on 12 January 2021 to consider in detail the NTCA Budget proposals with recommendations made to Cabinet prior to the Final Budget proposals being approved.

2. Equalities Statement

- 2.1 There are no direct equality implications arising out of the recommendations of this report. Please see Appendix 1 for equality implications arising from the 2021-2025 NTCA Budget proposals report.

3. Inclusive Economy Statement

- 3.1 There are no direct inclusive economy implications arising out of the recommendations of this report. Please see Appendix 1 for Inclusive Economy implications arising from the 2021-2025 NTCA Budget proposals.

4. Climate Change Statement

- 4.1 There are no direct climate change implications arising out of the recommendations of this report. Please see Appendix 1 for climate change implications arising from the 2021-2025 NTCA Budget Proposals.

5. Consultation and Engagement

- 5.1 The creation of the North of Tyne Combined Authority has been subject to significant regional and national engagement. The 2020-21 Budget was 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.
- 5.2 Consultation with the Business Community and the Community and Voluntary Sector has continued through 2020-21 as part of the overall approach to engagement undertaken with these sectors. In addition, the attendance at Cabinet of both the Ambassador for Business and the Ambassador for the Community and Voluntary sector also added to the opportunity for engagement. Consultation with the providers of the AEB have been undertaken since 2018-19 and have continued as the proposals for delivery of the AEB have developed.
- 5.3 Following NTCA Cabinet on 24 November and subsequent publication of this year's proposals in the public papers, comments and questions will be taken via the NTCA website from residents about the budget. Residents will be able to comment from 2 December until the 12 of January. With any feedback being provided to Overview and Scrutiny Committee and Cabinet ahead of January's NTCA budget meeting.

6. Appendices

Appendix 1 NTCA 2021-2025 Budget Proposals

7. Background Papers

NTCA Economic Vision

8. Contact Officers

Janice Gillespie, Chief Finance Officer
Janice.gillespie@northoftyne-ca.gov.uk
0191 643 5701

9. Glossary

NTCA	North of Tyne Combined Authority
LEP	Local Enterprise Partnership
AEB	Adult Education Budget
CSR	Comprehensive Spending Review

Subject: 2021-2025 NTCA Budget Proposals
Report of: Interim Chief Finance Officer
Portfolio: All

Report Summary

The purpose of this report is for Cabinet to consider the initial draft budget for the North of Tyne Combined Authority (NTCA) for 2021/22, and the medium-term financial plan for the period 2022/23 to 2024/25. The report will outline the draft budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget and the new Brownfield Housing Fund. The report also outlines the context within which the budget proposals have been prepared in relation to COVID-19 and the delay of the Comprehensive Spending Review (CSR).

NTCA are the accountable body for the North East Local Enterprise Partnership (LEP) and as such this report includes proposals for the North East LEP accountable body budget.

Recommendations

The Cabinet is recommended to:

1. Agree the draft Corporate Budget for 2021/22 as set out in paragraph 1.1 which will then be subject to consultation with Overview and Scrutiny Committee
2. Agree the draft Investment Fund as set out in paragraph 1.2 which will then be subject to consultation with Overview and Scrutiny Committee
3. Agree the draft Adult Education Budget as set out in paragraph 1.3 which will then be subject to consultation with Overview and Scrutiny Committee
4. Agree the Brownfield Land Programme Budget as set out in paragraph 1.4 which will then be subject to consultation with Overview and Scrutiny Committee
5. Note the Tyne and Wear levies will be issued on the 15th February 2021
6. Agree to hold the reserves set out in paragraph 1.5 and note the Chief Finance Officer continues to keep the level of resources under review as the Authority develops and new information becomes available about the financial risks facing authority arrangements for managing risks.
7. Note the North East LEP Accountable Body Budget, paragraph 1.6

1. Background Information, Proposals and Timetable for Implementation

The draft budget and medium-term financial plan has been developed within the context of the strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the authority's strategic plans can be delivered within the financial resources available.

In developing these budget proposals, the Mayor and Cabinet have been clear in their approach to ensuring the North of Tyne Combined Authority is a lean organisation. The budget proposals include the anticipated capacity required to deliver the ambition of the Combined Authority. In the light of increasing numbers of projects and programmes, this has included recruitment, capacity management and retention of a competent, productive and collegiate workforce with the aim of creating a long-term staffing plan. The organisation may grow in the future and that will be based on a set of consistent set of agreed principles appropriate for the authority.

The 2021/22 Budget is being prepared in exceptional circumstances. Nationally, the Comprehensive Spending Review (CSR), which would have set out the Government's spending plans over the next three years, has been delayed and a one-year spending round is due to be announced by the Chancellor on 25 November 2020. There is an expectation this will delay any response to the authority's request for further devolution which was clearly set out in the submission to the CSR.

When the 2020/21 Budget and MTFP were agreed in February, nobody could have predicted the financial impact of the COVID-19 pandemic both nationally and locally. Reports published by both the Office for National Statistics and the Office for Budget Responsibility describe the significant economic impact that COVID-19 has had on public sector finances; this impact has also been felt locally.

Throughout the response to the pandemic, the Authority has worked with regional colleagues to support the submission for Recovery Support and Finance for the North East. In addition the Authority has taken a proactive approach to support for particular sectors impact by the Pandemic, some examples of this include the continuation of the support to enhance short-term skills, jobs and inclusive economy interventions – Kickstart, Youth Hubs, Good Work Pledge, Culture and Tourism Recovery, Climate innovation and Growth of the Digital Sector. Included in the Investment Fund update to Cabinet today is the proposed allocation of £10.000m of Investment Funds to proceed with a North of Tyne Recovery Innovation Deal to supporting our businesses, social enterprises and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis

It is important the Cabinet note these initial draft budgets are based on current information and trajectory of delivery of programmes and projects. As demonstrated in the authority's response to COVID-19 the need to remain flexible continues and as such the budgets will continue to be reviewed and changes recommended as appropriate.

1.1 Draft Corporate Budget

On 28 January 2020 Cabinet agreed the NTCA 2020/21 budget and medium-term financial plan for three years hence 2020/21 to 2024/25.

As NTCA continues to grow consideration has been given to the flexibility required of the Combined Authority. Table 1 below identifies the proposed core draft budget that is required to operate the Combined Authority and how it is to be funded.

Table 1: 2021 Budget and 2022-25 Financial Plan

	4 Yr. Corp Budget - Summary				
	2021/22	2022/23	2023/24	2024/25	Total
	£000	£000	£000	£000	£000
Expenditure					
Staffing	2,254	2,330	2,394	2,444	9,422
Mayor's Office	262	268	273	279	1,082
Other Costs	977	975	975	975	3,902
Transport Levy	27,074	27,074	27,074	27,074	108,296
SLAs	318	321	321	321	1,281
Total Expenditure	30,884	30,968	31,037	31,093	123,983
Income					
Grant Income	(3,810)	(3,894)	(3,963)	(4,020)	(15,687)
Transport Levy	(27,074)	(27,074)	(27,074)	(27,074)	(108,296)
Total Income	(30,884)	(30,968)	(31,037)	(31,094)	(123,983)
Net Position (Inc)/Exp	0	0	0	0	0

As the North of Tyne Combined Authority develops the Mayor and Cabinet has continued to work with officers to maximise the opportunities of the three constituent authorities working together efficiently and effectively with the North of Tyne Combined Authority.

The bulk of expenditure is funded through devolved funding secured through the devolution deal, and contributions from constituent authorities of £37,000 each and will be regularly reviewed as the delivery of key priorities and actions progress

Transport Levies

As for 2020/21 the authority will be required to raise the levies on the constituent authorities, so an important part of the budget setting process is ensuring the timetable meets the relevant statutory deadlines for the issuing of the Transport Levy. The relevant dates for the Joint Transport Committee meetings have been included within timetable at Appendix A.

1.2 Draft Investment Fund Budget

The Investment Fund sets out costs associated with the development, management of and delivery of projects to be funded through the Investment Fund.

Delivery on the programme is now in full swing, a healthy pipeline has been established and includes a broad range of funding proposals which will deliver across the authority's priorities. Project proposals continue to progress through the assurance framework with pace remaining an important focus. Work has continued with portfolio holders to progress work around the key sectors identified for investment and to provide support to businesses and residents through this challenging time.

During this current financial year there has been a rapid increase of committed and defrayed expenditure, and more importantly in the outcome's projects are reporting. This includes the recruitment of people into new employment opportunities created as a direct result of our investment.

To date the Investment Fund has achieved the following outcomes.

Projects

- The total Investment Fund commitment stands at £40.33m against 48 live contracts.

Jobs

- The number of forecast jobs to be created has increased from 2657 to 2732 (based on current commitments)
- The number of forecast jobs safeguarded stands at 1782.

Private Sector Leverage

- Forecast private sector leverage has risen to £104.56m (circa 5% of the £2.1bn target) representing a £460,000 increase since the last report to Investment Panel in October.

Claimed Funding

- Expenditure claimed to date stands at £1.15m with £0.363m paid out to projects in August.
- Q2 claim returns due at the end of October, currently forecast circa £2.00m.

Project & Programme Risk

- The impact of the COVID-19 Pandemic is recognised as a risk to delivery and continues to be closely monitored as infection rates and restrictions increase and change.

Based on the Mayor and Cabinet's current plans to deliver of the Vision the updated draft Investment Plan Budget is set out in Table 2 below. The Table sets out clearly the expected date of the 5-year Gateway review with an indication of cumulative spend at that stage. It is important to note that whilst the review will be in year 5 the authority was launched late in 2018/19 so the Table shows indicative spend for a period of just over 4 years.

Table 2: NTCA Investment Fund Budget 2021/22 – 2024/25

TCA Investment Fund Budget 2021/22 - 2024/25	Previous Years 2018-2021	21/22	22/23	Total at 5-Yr Gateway Review £'000	23/24	24/25
		£'000	£'000	£'000	£'000	£'000
Expenditure						
Business Case Development Fund	1,773	1,000	500	3,273	200	200
Investment Projects	13,720	26,800	25,000	65,520	20,000	10,000
Technical Support	500	250	250	1,000	200	100
Contribution to Corporate Costs 10% top slice	3,760	2,188	2,206	8,154	2,203	2,200
Total Expenditure	19,753	30,238	27,956	77,947	22,603	12,500
Income						
Funding Sources	(60,000)	(20,000)	(20,000)	(100,000)	(20,000)	(20,000)
Total Income	(60,000)	(20,000)	(20,000)	(100,000)	(20,000)	(20,000)
Net Position (Inc)/Exp	(40,247)	10,238	7,956	(22,053)	2,603	(7,500)
Cumulative Position	(40,247)	(30,009)	(22,053)		(19,450)	(26,950)

Included in the budget is provision for Technical Support, this is a requirement of the Assurance Framework that Investment Fund proposals are subject to external independent testing. Any unspent Investment Fund will be held and transferred to a specific reserve at the year end to support the delivery of the programme of work in future years.

1.3 Draft Adult Education Budget (AEB)

As part of the devolution deal the Adult Education Budget was devolved to the authority with an effective start date of xx 2020. This provides the Authority with significant new powers and responsibilities in delivering both Mayoral and Cabinet priorities alongside the national skills agenda and priorities.

The geographical spread of provision for the devolved AEB aligns with travel to learn patterns in NTCA and that residents in rural parts of Northumberland and North Tyneside have access to local provision.

All NTCA funded AEB providers have submitted a detailed delivery plan and payment profile for the funding year, which will provide the vehicle upon which the provider's performance will be monitored. Providers will be paid monthly, in arrears, against that profile, with reconciliation points throughout the year.

All 'in year' funding allocations are guided by the commissioning principles set out in the AEB Strategic Skills Plan, working closely with providers to ensure a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local skills needs, helping residents

to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.

Funding allocations as a result of performance management and demand will not exceed the overall devolved AEB funding and will be guided by the commissioning principles set out in the AEB Strategic Skills plan.

NTCA will review the performance of the devolved AEB at quarterly monitoring points, the first of which is in November 2020, this will include performance management reviews which will inform allocations with an update to be taken to March Cabinet. This will enable NTCA to have a more informed picture of delivery in the first quarter of 2020 and enable any gaps to be addressed and any growth to be supported. This ongoing monitoring will enable NTCA to respond to any 'Economic Shocks', unexpected fluctuations in the skills sector, and potential increases in digital entitlement.

AEB operational costs are collected within the Corporate budget with a contribution of 3% of overall AEB income made towards Corporate support costs.

Table 3 below reflects a high-level balanced Budget with funding awarded to grant providers and other procured deliveries. The split between grant and procured service is detailed, based on historic delivery. This profile may change as the review of delivery changes develop as detailed above.

Table 3: Adult Education Budget 2020/21 – 2024/25

	AEB 5-Yr Financial Profile				
	21/22	22/23	23/24	24/25	Total
	£'000	£'000	£'000	£'000	£'000
Expenditure					
Grant Awards	15,369	15,369	15,369	15,369	70,441
Procured Services	6,659	6,659	6,659	6,659	30,520
Admin Costs and contribution to Corporate	678	678	678	678	3,108
Total Expenditure	22,706	22,706	22,706	22,706	104,069
Income					
Funding Sources	(22,706)	(22,706)	(22,706)	(22,706)	(104,069)
Total Income	(22,706)	(22,706)	(22,706)	(22,706)	(104,069)
Net Position (Inc)/Exp	0	0	0	0	0
Cumulative Position	0	0	0	0	0

1.4 Brownfield Housing Fund

The Brownfield Housing Fund was first announced in the March 2020 National Budget to support Mayoral Combined Authorities and their local areas develop housing on brownfield land. Overall, £276m has been allocated to the six Northern city regions, North of Tyne Combined Authority has been awarded £24m over a 5-year period with a £0.550m revenue capacity support grant (for 2020-21 only).

Brownfield Housing Fund specifically supports sites with an identified market failure due to site conditions. The programme is part of a broader housing programme the Housing and Land Board have in development that aims to bring forward a pipeline of sites shaping a longer-term strategic delivery approach. Different funding streams and partnership arrangements will be used to best meet priorities across the area.

Table 4 below shows the profile of both the capital and linked revenue support grant over the life of the project.

Table 4: Brownfield Housing Fund

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
BFH Revenue/Reserves	0.410	0.140				0.550
BFH Capital	5.000	8.100	6.700	3.100	1.100	24.000

The revenue support grant is required to be spent in the first year of the project, with a marginal carry over into 2021/22.

1.5 Reserves

As set out in the budget report to Cabinet on 4th December 2018, a Corporate reserve of £200k was created. The level of reserve will remain under review as the Combined Authority develops and new information becomes available about the financial risks facing NTCA and the arrangements in place for managing those risks.

1.6 LEP Accountable Body Budget Proposals

NTCA is the accountable body for the North East Local Enterprise Partnership (North East LEP) and this report therefore includes proposals for the budget for providing corporate support as its accountable body.

All seven local authorities (LA7) in the North East area currently contribute £10,000 to meet the costs of the North East LEP Accountable Body role.

The budget for the North East LEP Accountable Body role (£116,400) primarily covers Service Level Agreement (SLA) charges (£91,600) and external costs (£24,640) funded from estimated interest on investment income on the NEIF and the LA7 contributions. The budget will need to be kept under review for any new areas of work that are identified over and above the budget that is agreed, the 2021/22 North East LEP Accountable Body Budget is proposed to be maintained at the same level as the current year which results in a net balanced budget position. Table 5 shows the 2021/22 North East LEP Accountable Body Budget.

Table 5: 2021/22 North East LEP Accountable Body Budget

North East LEP Accountable Body Budget 2021/22	
Expenditure	£
Service Level Agreements	91,600
External Support	24,640
Total Expenditure	116,240
Income	
LEP Accountable Body Contributions	(70,000)
Interest Income (NEIF)	(46,240)
Total Income	(116,240)

Service Level Agreements are in the process of being standardised in relation to the North East LEP on transition across to the new accountable body, it was agreed 2020/21 SLA charges were kept at the same level, at this stage however, SLA's for 2021/22 are under review but is not expected that the overall budget will change and that the Local Authority contributions will remain at the current level.

2. Potential Impact on Objectives

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

3. Key Risks

- 3.1 There are no specific risks relating to this report.

4. Financial and Other Resources Implications

- 4.1 The financial implications arising from the outcomes of this report will be appraised as part of the decisions made as to what will be included in the Authority's 2021-2025 Financial Plan, incorporating the 2021/22 Budget-Setting process.
- 4.2 The Mayor and Cabinet need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year Financial Plan for 2021-2025 in accordance with the Authority's Reserves and Balances Policy.

5. Legal Implications

- 5.1 The Authority is required to agree a balanced budget annually and to monitor that budget throughout the year. The Authority must also make provision for an adequate level of un-earmarked reserves. It is also required to ensure that good financial governance arrangements are in place.

6. Equalities Implications

- 6.1 The Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equality's legislation are considered prior to any decision being made.
- 6.2 The Authority will continually monitor the effect of our Budget-setting process and decision-making by using equality impact assessments.
- 6.3 Full impact Equality Impact Assessments (EIA) will be included in all proposals for inclusion with the initial Budget proposals in November 2020 in order to be available to the Mayor and Cabinet when it further considers the Financial Plan and Budget proposals on 24 November 2020.

7. Inclusive Economy Implications

- 7.1 There are no direct inclusive economy implications arising from the recommendations in this report. However, EIA's include inclusive economy implications and NTCA has adopted socio-economic disadvantage as a protected characteristic.

8. Climate Change Implications

- 8.1 There is no direct climate changed implications arising from the recommendations in this report. However, climate change is considered within an EIA for projects.

9. Consultation and Engagement

- 9.1 The creation of the North of Tyne Combined Authority has been subject to significant regional and national engagement. The 2020/21 Budget was 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.
- 9.2 Consultation with the Business Community and the Community and Voluntary Sector has continued through 2020/21 as part of the overall approach to engagement undertaken with these sectors. In addition, the attendance at Cabinet of both the Ambassador for business and the Ambassador for the Community and Voluntary sector will add to the opportunity for engagement. Consultation with the providers of the AEB has been undertaken since 2018/19 and have continued as the proposals for delivery of the AEB have developed.

10. Appendices

Appendix A Budget Timetable

11. Background Papers

NTCA Economic Vision

12. Contact Officers

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13. Glossary

MTFS	Medium Term Financial Strategy
AEB	Adult Education Budget
MCA	Mayoral Combined Authority
NTCA	North of Tyne Combined Authority

Appendix A Budget Setting Timetable

DATE	EVENT/MEETING	ACTION
29 September 2020	Cabinet Meeting	To consider and agree 2021/22 budget process/timetable for both the Authority and Mayoral budgets.
13 October 2020	NTCA Overview and Scrutiny Committee	Update on the Budget process and timetable for both the Authority and Mayoral budget
24 November 2020	Cabinet Meeting	Consider and agree the draft budget proposals in respect of the Authority
8 December 2020	NTCA Overview and Scrutiny Committee	Receive the Authority's draft Budget proposals
15 December 2020	Joint Transport Committee	Consider and agree draft transport budget/levy for consultation
12 January 2021	NTCA Overview and Scrutiny Committee Workshop	Workshop to consider in detail the Authority's draft budget proposals and recommendations to Cabinet.
26 January 2021 Note: The Mayor's draft Budget must be presented before 1 February in any financial year.	Cabinet Meeting	To consider outcomes of consultation and recommendations from Overview and scrutiny and agree final proposals for the Authority's Budget Receive the Mayors draft budget proposals Formally agree to issue the Transport Levy to constituent authorities.
2 February 2021 15 February 2021 - Date by which Transport levies must be issued in line with Transport Levying Bodies Regulations	Joint Transport Committee/Tyne and Wear Sub-Committee	Consider and agree Transport budget and levy proposals.
Before 8 February 2021 (additional meeting needed)	Cabinet	Cabinet meet to agree recommendation to the Mayor in respect of the draft Mayoral budget.
09 February 2021	Overview and Scrutiny Committee	Consideration of Authority's and Mayor's final budget proposals
23 February 2021	Cabinet	Cabinet consider O&S Final Recommendations and approve the Authority's and Mayor's Budget.