

## North of Tyne Overview and Scrutiny Committee

Tuesday 9 February 2021 at 10.00 am

The meeting will be held remotely. To view the meeting follow the link below:

[https://youtu.be/fB-CT\\_LE4II](https://youtu.be/fB-CT_LE4II)

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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 8 December 2020</b>	<b>1 - 14</b>
5. <b>Cabinet Members Portfolio Update</b>	
(a) <b>Housing and Land</b>	<b>15 - 20</b>
In attendance: Mayor Redfern, Cabinet Member for Housing and Land	
Attached: Report	

(b) **Business Competitiveness** **21 - 28**

In attendance: Cllr Nick Forbes, Cabinet Member for Business Competitiveness

Attached: Report

6. **Covid-19 NTCA Response and Recovery Plans** **29 - 32**

In attendance: Dr Henry Kippin, Director of Economic Growth

Attached: Report

7. **North East LEP Update** **33 - 64**

In attendance: Helen Golightly, Chief Executive and Lucy Winskell, Chair of the LEP Board

Attached: Report

8. **Brexit Update** **65 - 68**

In attendance: Rob Hamilton, Chief Economist

Attached: Report

9. **Q3 Budget Monitoring** **69 - 80**

In attendance: Janice Gillespie, Chief finance Officer

Attached: Report

10. **Cabinet's response to the Committee's recommendations on the 2021-2025 Budget Proposals** **81 - 130**

In attendance: Elizabeth Kerr, Governance and Scrutiny Manager

Attached: Report

11. **Work Programme Update**

131 - 134

In attendance: Elizabeth Kerr, Governance and Scrutiny Manager

Attached: Report

12. **Date and Time of Next Meeting**

23 March 2021 at 10.00am. The meeting will be held virtually

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## **Overview and Scrutiny Committee** Draft Minutes for Approval

8 December 2020

(10.00 am - 12.40 pm)

The meeting was held remotely and live streamed

### **Minutes**

#### **Present:**

Chair: Cllr G A Roughead

Vice Chair: Cllr L Wright

Councillors: S Fairlie, G Stewart, S Graham, M Hall, G Stone and L Dunn

#### **79 WELCOME AND INTRODUCTIONS**

The Chair welcomed everyone to the virtual meeting.

#### **80 APOLOGIES**

Apologies were received from Cllr S Dungworth, Cllr A Lower and Cllr P Earley. Cllr L Dunn attended as a substitute for Cllr Dungworth and Cllr G Stone attended as a substitute for Cllr Lower.

#### **81 DECLARATIONS OF INTEREST**

None

#### **82 AGREE THE MINUTES OF THE MEETING HELD ON 13 OCTOBER 2020**

The minutes of the meeting held on 13 October 2020 were agreed as a correct record and were signed by the Chair via email.

#### **83 CABINET MEMBERS PORTFOLIO UPDATE**

(a) **Economic Growth**

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

Cllr Pickard provided a verbal update on his portfolio highlighting the following points:

The North of Tyne Investment Plan was allocated £100m to cover its first 5 years. To date, just over £40m of funding has been approved across 48 projects and various projects are ongoing.

The Combined Authority has been successful in securing 2 inward investments. The first successful inward investment project supported by the NTCA is Verisure UK Services Limited. Recruitment has started and 65 staff employed so far. The second project has been impacted by Covid and is currently on hold.

In relation to the North of Tyne Growth Fund and North of Tyne Rural Growth Fund, both are progressing well. A panel has been set up to assess and allocate funding. 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.

On 24th November, Cabinet approved £10m of Investment Funds to proceed with a North of Tyne 'Recovery Innovation Deal' The Fund is intended to support post-COVID-19, supporting business, social enterprises and Local Authorities to proactively innovate business models, enabling progression towards the use of digital platforms, sustain jobs in sectors that have been hit by the crisis and provide training for those who have recently been made redundant as a result of the impact of COVID-19 on the business sector; providing new employment opportunities for those effected by the pandemic.

Other projects included a £9m Green Deal programme; a Culture and Creative Recovery Fund, providing assistance to the Arts and Culture sector; government funding has been received to support brown field housing. Work is in progress to identify suitable sites. The North of Tyne has been successful in acquiring funding from the European Social Fund for the development of the employment and skills programme. A £5m Digital Provision Fund, overseen by the North East LEP; the LA7 are working together to deliver the projects; 50% of the funding will be provided by the North East LEP and the remaining funding to be equally split between the LA7.

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

- A member referred to training for those who have been made redundant and whether the North of Tyne will make use of community facilities, ensuring that access to training is easy to reach and affordable. In response Cllr Pickard referred to the Adult Education Budget (AEB) and how the NTCA can realign the training to be more local and address what is needed; work was underway with the DWP and the three local authorities to do this and he undertook to feed the members comments back to the team.

- Reference was also made to the digital offer and community libraries which are now struggling with traditional book learning. Cllr Pickard was asked if the digital offer could be made available to libraries. Cllr Pickard advised that Members should progress within their own local authorities.
- Reference was made to the levelling up agenda and funding to be passed to Combined Authorities. A question was asked as to whether the North of Tyne have the resources in place to respond and deliver projects. Cllr Pickard confirmed that resources are in place and the authority worked well with and had strong input from the North East LEP, private industry and the voluntary sector.
- A member made reference to the Inward Investment Fund and whether feedback had been received in terms of promotion of the North of Tyne region and what level of response has been received. Cllr Pickard confirmed that inward investment is working extremely well. As well as the project currently progressing and the one on hold due to Covid, there are another two in the pipeline. One is technology related and the other is a large project. At the time of the meeting Cllr Pickard was not able to provide exact details due to sensitivity.
- A Member referred to the variety of investments across businesses and asked if a breakdown was available regarding take up/innovations, as the digital sector appeared to be more prominent; and, if the manufacturing sector was included. In response Cllr Pickard advised that take up covered the private, public and voluntary sector. Whilst the Combined Authority is not able to support all industries it does support existing businesses including those in the manufacturing sector who have redeveloped to provide items such as Personal Protection Equipment (PPE).
- Referring to the Culture and Creativity fund and how Culture and the Arts have been severely impacted by the coronavirus pandemic, Cllr Pickard was asked how the fund will be used to support the smaller organisations across the region. Cllr Pickard advised that a panel has been set up across the 3 local authorities feeding into how the funding will be allocated. There is a variety of uses for the funding. Cllr Pickard agreed to circulate the remit for the fund to Committee Members. A £3m fund was already in place to support activities such as festivals and events in the 3 local authority areas; unfortunately that has been put on hold because of the coronavirus pandemic. Committee were advised that further information on the brief planned for post pandemic could be provided to a future meeting.

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

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

(b) **Business Competitiveness**

In the absence of Cllr Forbes who was delayed due to other engagements and submitted his apologies to the committee, H Kippin presented the portfolio update. A copy of the briefing note was circulated and attached to the Official Minutes.

In presenting the update H Kippin highlighted the following points:

There is some overlap with the Economic Growth portfolio update in respect of the Investment Fund portfolio area relating to cross sector innovation, stimulating entrepreneurship with an emphasis on digital, clean energy and green growth; focussing on jobs and businesses for the future. The update also includes the transition to net zero emissions and a resurgence towards green growth.

H Kippin proceeded to provide a brief summary of the key portfolio areas:-

Digital Sector - Digital Growth and Innovation Programme Update.

NTCA Digital Growth and Innovation Programme agreed by Cabinet in January 2020 has an overall budget allocation of £10m with agreed programme objectives.

There is a large digital sector in the region with excellent networks.

Green Growth Sector Update – the development of the Green New Deal Fund (£10m) to stimulate low carbon growth and new business ideas. Four key areas for action are:-

People and Digital readiness,; ideas, tech and digital adoption; infrastructure and ecosystem and development of narrative and future proofing. Information in respect of the 4 key areas was detailed in section 3 of the report.

The 'Digital Adoption North of Tyne' programme has now been approved 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. The project will provide support to at least 230 Small, Medium Enterprises, 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.

The North of Tyne have also invested in its capacity to support the use of big data to drive productivity. The National Innovation Centre will support North of Tyne based companies. The centre is one of the strongest assets in the area, with the £30m investment joint funded by UK Government and Newcastle University. H Kippin explained that the North of Tyne are looking at how it can make best use of the data revolution to the benefit of businesses in the area.

Within the digital sector programme the North of Tyne have launched a £5m Open Call for projects designed to support the digital ecosystem, supporting the growth of new and existing business. At the time of the meeting the North of Tyne had received a huge response in terms of expressions of interest.

The North of Tyne has invested £12m to improve Digital Infrastructure across the 3 local authority areas and contracts are now in place for the delivery of fibre broadband to public sector sites across Northumberland.

Ageing Sector Update and Looking Forward – the report reflects on the work undertaken as to how the Combined Authority can address the social challenges and economic opportunities presented by an ageing population in the North of Tyne and beyond; adding best value to what is a growing population. Referring to Brexit and trading with the European Union, H Kippin advised that the North of Tyne 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.

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

- A Member referred to skills as one of the key drivers which will enable the North of Tyne to respond to the needs of business growth and asked Officers if the labour market in the region has the necessary skills to address business competitiveness. In response H Kippin explained that the region does have a good quality labour market however the skills necessary to address future employment opportunities are as yet unknown but the majority of programmes do have a skills element. R Hamilton provided further information on the advantages of good labour market intelligence. He referred to digital skills and the benefits of the AEB with meaningful relationships with providers and links to their extensive networks.
- A Member questioned the flexibility of the Combined Authority and whether it can adapt to market conditions. In response H Kippin explained why the Cabinet had chosen to focus on certain priorities and the work undertaken to detail the advantages already existing across the sector. In terms of flexibility H Kippin explained the funding of priorities and the assurance process to test the market. Expressions of interest enables the Combined Authority to look at the robustness of the interests shown and whether economic value can be added. He added that comparative advantages are in evidence across the sector in terms of work life balance; the 'place' identity of the North of Tyne; excellent research facilities and cohesion between communities.
- Questions were asked in respect of a) digital adoption and assurance sought that the Combined Authority was not parochial in that just one small part has a combined approach to working; b) digital infrastructure and the programme to provide fibre broadband in public buildings and if there is a joined up approach in respect of the digital programmes, thereby avoiding duplication of work and c) joined up approaches, in particular the green growth sector looking at more energy efficiency. An example was given of the borderland coal fields who are considering the creation of an investment company to provide local energy to the borderlands area. H Kippin was asked if there was potential for the Combined Authority and the north east region to work with the borderlands and d) the government announcement that the Tees Valley Combined Authority were to become the UK's central hub for the use of hydrogen energy for the transport sector and whether the North of Tyne should move away from electric vehicles and look to hydrogen as an alternative source for transport. In responding H Kippin referred to the wider regional connectivity, working with Catapult and the LA7 Transport and Connectivity Plan. It was noted that investments in activities are specifically to the North of Tyne. There is very strong coordination and collaboration among teams and partner authorities, working together on

activities/programmes and public sector improvements. With regards to borderlands, there is a specific reference in the NTCA Recovery and Renewal deal, submitted to government, that the Combined Authority will look to maximise the impact on the borderlands as much as possible. In terms of the use of hydrogen to power transport, its use for trains and industrial processes would likely come before cars and that the local industrial strategy covers the LA7 and not just the NTCA.

The Chair thanked both H Kippin and R Hamilton for presenting the report and extended the invite to Cllr Forbes to attend a meeting at a future date.

**RESOLVED** - that the Overview and Scrutiny Committee noted the report.

## 84 **COVID-19 NTCA RESPONSE AND RECOVERY PLANS**

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

H Kippin introduced the report which is one of a series of reports updating 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.

During the presentation Members received a quick snap shot with the following points:

Spending Review - The spending review has provided some clarity for the 2021/22 financial year but is not the comprehensive settlement expected. As a result of Covid there has been a 10% shrinkage in businesses leading to high unemployment levels and a budget deficit; spending on public services is now limited across the public sector and there is still a huge gap between resources allocated during Covid and what has been received back from government; in terms of skills and jobs there are substantial funds in the system which can be built into the Adult Education Budget (AEB); levelling up funds and an Infrastructure Plan for the North and a mix of measures to stimulate the North East Economy. Implications for the Combined Authority are a one year view with a multi-year settlement and policy framework to follow; adapting to central measures, however, the North of Tyne does have credible delivery mechanisms; there are still uncertainties relating to Brexit and the impacts of Covid.

NTCA Capacity Fund – the objective of the Capacity Fund is to support coronavirus response; Cabinet agreed an allocation of £5m from the investment fund to support local business, the voluntary sector and local residents in the North of Tyne area; supporting the Digital Inclusion programme through the provision of laptops and connectivity for school-age children and vulnerable adults, delivered in partnership with the three Local Authorities. Members received a breakdown on the areas of spend in the three local authority areas with an emphasis on areas of need in each locality. Information was provided on progress made at the time of the meeting relating to the number of enterprises who have received support, jobs safeguarded,

residents supported into volunteering, spaces created or safeguarded for community and business activities and participants supported with employment skills. Three examples were given of organisations who have benefited from support: DW Styling in Blyth, Footsteps Children's Services in Benwell and a response to a Back to Work Programme.

NTCA Recovery Innovation Fund – H Kippin advised that the Innovation Fund is relatively new and was work in progress. At its November meeting Cabinet agreed the establishment of an Innovation Fund with five sets of criteria; flexible and adaptable with maximised Combined Authority support, adding value, co-design to innovate in design and delivery of the fund, turn innovative ideas into quick progress and the ability to adapt over time.

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

- A Member acknowledged the urgency in allocating resources across the North of Tyne area and asked how the Combined Authority can prove that 416 jobs have been safeguarded, how can the Overview and Scrutiny Committee be reassured that the correct approach has been taken and have any lessons been learnt. H Kippin explained that the Investment Panel has a commitment to ensure that interim feedback is received on where funding has been allocated and whether resources have been allocated to where it is most needed. In relation to how does the Authority know that funding has gone to where it is most needed Members heard that the Authority is constantly learning and sharing best practise across the three local authorities. The fund has been designed to be flexible and can respond to a changing environment. Officers capture outcomes and inputs and monitor the fund. Each local authority is requested to provide evidence of fund allocations. Confirmation was given that the Investment Panel membership includes representation from the Cabinet and a senior officer from each local authority.
- Reference was made to the Innovation Deal and a comment made that whilst there are aspirations and flexibility there is no firm content. In responding H Kippin advised that Cabinet have approved the creation of a headline fund to enable tangible projects. The funding is a mix of directly commissioned projects and pipeline developments. The flexibility allows sufficient time for projects to be developed.
- A member referred to the Poverty Truth Commission which was to include local members from the three local authorities; ideally this would encourage backbench Members to participate and could be spread geographically. It was also queried whether parish councillors, who tend to be the first point of contact, could be involved. In response R Redfern, the NTCA Director of Policy and Performance, advised that the Authority are currently engaging and listening to peoples' experiences and enabling access to those people who are hard to reach and whose poverty may be unseen through partnership working with the voluntary sector; Members are encouraged to participate. The prime intention is to aid the development of those who require assistance to achieve goals and aspirations, gaining the confidence

to seek employment. Committee were advised that the work will take time and support from Committee Members would be appreciated.

- R Redfern welcomed a comment regarding the involvement of local communities and community halls who have an abundance of local knowledge, agreeing that work could be undertaken to see how this can be utilised.

The Committee agreed that an update on the work of the Poverty Truth Commission be brought back to a future formal meeting.

**RESOLVED** that –

- The Overview and Scrutiny Committee noted the report.
- An update on the work of the Poverty Truth Commission be brought back to a future formal meeting.

## 85 **CITIZENS' ASSEMBLY ON CLIMATE CHANGE - UPDATE**

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

T Sharman, Engagement Officer for the NTCA, presented the report the purpose of which was 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. Peter Bryant – Shared Future (Citizen's Assembly) was also in attendance for this report.

T Sharman briefly outlined the background regarding the establishment of a Citizens Assembly on Climate Change. Cabinet have approved a budget of £80,000 and delegated responsibility to the Interim Head of Paid Service, in consultation with the Investment Panel and the Mayor, to finalise arrangements.

Preparatory work was paused during the coronavirus pandemic to consider how the Citizens Assembly could function within government restrictions. Once resumed Shared Future CIC were appointed to design and facilitate the Assembly and to establish an Oversight Panel, a mix of internal and external experts, to determine the topic and questions to be considered by the residents and members of the public who will make up the Citizens' Assembly.

The composition of the Oversight panel was detailed in section 1.4 of the report. At its first meeting in November it was agreed that the question should be: "What should we do in the region to address climate change and its causes fairly, effectively and quickly?" The next steps for the Oversight Panel are to agree a list of expert witnesses who will address the Assembly and to consider the recruitment criteria suggested by Shared Futures as to how participants will be selected. They will also provide general oversight and guidance during the Assembly's work.

Officers anticipate that the first meeting of the Citizen's Assembly will be held in February and conclude its work by April 2021.

T Sharman responded to comment/questions from Members:

- Responding to a question as to the number of participants on the citizens Assembly T Sharman explained that there will be 50 people drawn equally from across the 3 local authorities. Members heard from P Bryant how the recruitment process will work. Using a promotional organisation, random letters will be delivered by the Royal Mail. Recipients will be invited to respond use a phone-in number provided on-line. Once all responses have been received 50 people will be selected.
- Assurances were given that the Assembly will be chosen from a broad section of the community.
- A Member commented that the process seemed to be more about gathering opinions rather than evidence and questioned how the Authority will ensure that only valid expert evidence is put forward as Climate Change is a scientific problem. T Sharman explained that the purpose of the assembly was for it to be made up of ordinary people. In response P Bryant explained that there are two sets of experts; the citizens who will act as experts in their communities and the expertise from the expert witnesses. There will be people who are experts on climate science and people who are experts on the practical implications of Climate Change.
- Clarification was sought from Officers that before any suggested recommendations made by the Citizens Assembly are actioned, they will be channelled through the democratic process i.e. Scrutiny and Cabinet. T Sharman confirmed that the Citizens Assembly powers are to recommend, they do not have any legal powers to enact any recommendations. At some point the recommendations will be presented to the North of Tyne Cabinet for consideration. P Bryant added that Shared Futures make provision for an observer to attend the meetings of the Assembly; this opportunity was offered to Members of the Overview and Scrutiny Committee. It was agreed that an invitation would be circulated to Committee Members via email.
- A member referred to the composition of the Oversight Panel and suggested that experts in rurality and urbanisation could be included; this would reflect the different impacts of climate change in the two areas. T Sharman gave reassurances that the representative from the Voluntary Sector is a Tyne and Wear citizen, is also a PhD student and does have lots of experience in rural research. Officers have strived to ensure that the Panel members have a broad range of experience. P Bryant also confirmed that Shared Futures will be recruiting people from the rural areas. Also, whilst the 'question' for consideration is quite broad, the Assembly members will have the opportunity to decide on further questions as a focus for future meetings. Shared Futures already have experience in the organisation and oversight of other Assemblies in mixed rural/urban areas.

**RESOLVED** that the Overview and Scrutiny Committee –

- i) Noted the report.

- ii) Agreed that Committee Members be invited to attend the Citizens Assembly in an observer capacity.

## 86 BREXIT UPDATE

Submitted: Report of the Chief Economist (previously circulated and a copy attached to the Official Minutes).

Members considered the report the purpose of which was 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.

R Hamilton reported on the current Brexit position and the likelihood of the UK leaving the EU without a deal. Points highlighted during the presentation of the report:

The current transition period will end on 31 December 2020. The rules and regulations governing individuals and trade currently remain largely the same. The situation post 31 December 2020 remains unclear however, it will have a more significant effect on the economy of the North East, reflecting the high levels of exporting to the EU and the number of foreign owned companies.

Issues highlighted by businesses are the manner in which the trade of goods and services are transacted.

There are opportunities in terms of the supply chain and accommodation for those businesses who relocate towards the end point of production within the UK. State aid support and government intervention to support industry could be directed towards the UK's priorities.

In the event that a deal is agreed there will still be changes that will impact on businesses in terms of new regulations and customs procedures.

The Combined Authority are actively supporting businesses through regular meetings with local authorities, businesses, the North East LEP and government officials under the 'NE EU Exit Implementation Group'. Training, guidance and advice have also been promoted.

The North of Tyne inward investment fund has been increased to £10million to help make it easier for firms to make a first investment in the area, by helping reduce some of their upfront costs.

The North East LEP are submitting a proposal to government to be chosen as one of the seven Freeports to be created which would provide opportunities for companies to have less bureaucratic customs procedures and provide benefits to smaller businesses, in terms of greater tax efficiencies across supply chains involving larger companies.

The Cabinet have agreed to work closely with businesses and to the sharing of prosperity funds when available. Discussions continue across the partner authorities to negate business disruption.

R Hamilton responded to comment/questions from Members which included:

- Reference was made to the creation of Freeports and whether this would include all ports, large and small in the North East. R Hamilton explained that it will be a complicated model with two types of sites; tax sites whereby businesses will benefit from all tax incentives and custom sites, these sites will benefit from less bureaucratic crossing procedures. It was also noted that there will be associated costs for both sites.
- R Hamilton responded to a further question with regards to opportunities for small ports to benefit from tax free sites explaining that there are 20 major ports in England and competition will be intense. He also stressed the importance of securing a Freeport for the region.
- A Member referred to micro/macro businesses and asked what the Combined Authority is doing in terms of support to prevent further closures. R Hamilton emphasised the importance of providing support to all small businesses, many who have not fully prepared themselves for Brexit. The Chair requested that an update on whether there were particular businesses which the Authority was concerned about and what advice and/or support could be offered by it be provided in the new year.

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

## 87 **6-MONTH REVIEW OF 2020-21 BUDGET & Q2 BUDGET MONITORING**

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 2020-21 Budget Monitor Position Q2 that was submitted to Cabinet on the 24 November 2020.

Points highlighted during the presentation included:

Referring to the Corporate Budget Committee were advised that some spend has been delayed for 2019/2020 to 2020/2021.

A small overspend on costs in relation to the Brownfield Housing fund.

An additional £0.250m for Mayoral Capacity Fund 2020/21.

An increase in the Advisors External forecast position is primarily related 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 Budget Work (AEB).

Table 4 provided more details on the Brownfield Housing Fund. It was anticipated that the majority of the fund will need to be spent in the current financial year. The Combined Authority were awarded £24m over a 5 year period.

There were no material changes to reserves.

Reference was made to the 75% Business Rates Pilot. Cabinet have agreed to redistribute to the 3 local authorities.

The Chief Finance Officer responded to comment/questions from Members which included:

- A member asked if any progress had been made regarding the Joint Transport Committee, particularly regarding the forecasted budget and deficit. J Gillespie advised that the discussions were on going.
- Reference was made to staffing (page 40/41 of the report), and the new key posts filled which included two new Appraisal and Monitoring Officers. Clarification was sought that as there has previously been some confusion between the statutory Monitoring Officer position and these it was suggested that the title of the 2 new staffing posts should be changed, thereby avoiding any further confusion and differentiating between the two roles. J Gillespie accepted the suggestion.
- A further question was asked in respect of borrowing and whether the Combined Authority would be granted borrowing powers from Government given the challenges caused by the coronavirus. The Chief Finance Officer advised that this is still subject to discussions and the pandemic has made this more difficult to progress. However, discussions will continue with the aim of moving forward as quickly as possible.
- A further question was asked relating to the list of investments detailed in table 9, including investments with local authorities and the potential risks. J Gillespie was asked if a list of the local authorities could be circulated to members. The Chief Finance Officer agreed to do so.

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

## 88 INITIAL BUDGET PROPOSALS

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

The purpose of the report was 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.

Committee were reminded that the North of Tyne budget is very different to that of local authorities as there are fixed amounts of funding to be allocated. The key point is how the Combined Authority decides to spend the funding.

Key points included:

The Corporate Budget has been update based on staffing assumptions in light of the various activities undertaken. At the time of the report the Chief Finance Officer has not assumed that the Mayoral Capacity Fund will continue as this was initially proposed as a two year fund. Lobbying is in progress to attempt to secure the funding beyond 2021.

Some assumptions have been made regarding the transport levy (income and expenditure).

The draft Investment Fund is based on planned work and those projects approved to date.

Referring to the Adult Education Budget, Members were advised that a range of grants have been awarded and services procured.

It was noted that the Brownfield Housing fund is the first capital fund awarded to the Combined Authority. The linked revenue support grant is to be spent over the life of the project.

In terms of the North East LEP accountable body proposals, there is a £116,000 budget which primarily covers Service Level Agreement (SLA) charges (£91,600) and external costs (£24,640) funded from estimated interest on investment income on the North East Investment Fund and the contributions from its seven member local authorities

The Chief Finance Officer responded to comment/questions from Members which included:

- A Member referred to the draft Corporate Budget, in particular the growth of the organisation over 4 years, and asked J Gillespie how the Mayor's office has an increase of £17k over the 4 year period. The Chief Finance Officer confirmed that this was an inflationary increase.
- The Chief Finance Officer responded to a question in respect of the LEP and Invest North East England regarding future attendance at the Overview and Scrutiny Committee, confirming that she would look at the possibility of North East England attending.

J Gillespie advised Committee that there is no proposal to raise a precept and provided details on budget engagement. Budget proposals will be published on the North of Tyne website and all members are welcome to take part in discussions.

**RESOLVED** – that the Overview and Scrutiny Committee noted the report, the budget setting timetable and the budget workshop scheduled for January.

## 89 **DATE AND TIME OF NEXT MEETING**

9 February 2021 at 10.00am. This will be a virtual meeting.

There will be a budget workshop on Tuesday 12 January at 10.00am. The workshop will be held virtually.

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 9 February 2021 Overview and Scrutiny Committee meeting will be from **Mayor Norma Redfearn, Portfolio Holder for Housing and Land and Deputy Mayor of the North of Tyne Combined Authority.**

The following pages provide a brief overview of the portfolio, followed by an update on some key delivery priorities.

#### 1. Overview of the Housing and Land Portfolio

- 1.1. The Housing and Land portfolio is an important strategic priority for NTCA. Its focus is on creating the conditions for more and better new homes to be built across our region, and to provide opportunities for innovation, creative design and greater investment and capacity to accelerate delivery.
- 1.2. The mandate for the portfolio comes from the original North of Tyne Devolution Deal, which set out a goal to increase the number of net new homes from a baseline of 1,800 a year up to 3,000 a year by 2032.
- 1.3. Our approach is collaborative and proactive – the NTCA team works hand-in-glove with our Local Authority partners, with regular advice and oversight from a Housing and Land Board comprised of senior level private, public and social sector partners. Appropriate governance of this work is ensured by Mayor Redfearn as portfolio holder (and Housing and Land Board Chair), and NTCA Cabinet.
- 1.4. Progress over the last 12 months has been considerable. We have agreed a robust forward view and set of operating principles with our Cabinet; unlocked NTCA investment fund to support critical early work on our pipeline and underlying infrastructure needs; and, since Summer 2020, have established rapid delivery arrangements for our £24m Brownfield Housing programme. Practical remediation work is now beginning on a number of sites.
- 1.5. Specific deliverables during the last 12 months include:
  - Establishing a set of operating principles underpinning our work that have been developed in partnership with our Local Authorities, and which were formally ratified by Cabinet in April 2020.
  - Unlocking a £500,000 Housing Business Case Development Fund - providing resource to support the development of business cases and unlock the necessary capacity to accelerate early delivery.
  - Setup and early-stage delivery of a five year, £24m Brownfield Housing Fund – moving to ‘spades in the ground’ within months of funding award as a result of rapid and focused work from NTCA Cabinet and NTCA/LA teams.

- Formalising of our working relationship with Homes England (the Government's housing accelerator) based on a joint pipeline of sites across the North of Tyne and the potential to unlock further resources and capacity.
- Development of a 'joint infrastructure' plan for North of Tyne – including the completed delivery of detailed work on the economic value of transport schemes to underpin this.
- Embedding our shared housing and land ambitions within North of Tyne and cross-regional recovery strategies; and within major infrastructure schemes such as the Northumberland – North Tyneside – Newcastle line.

The following sections focus in particular on our Brownfield programme, our Strategic Pipeline and our Infrastructure Statement:

## 2. Accelerating Brownfield Housing Sites

- 2.1. The NTCA was awarded £24m of funding in July 2020, following a Government commitment to supporting Mayoral Combined Authorities within its Brownfield Land Programme within March 2020 Budget. This is a *per capita* award – allocated on the basis of population size, and hinged to clear deliverables (enabling over 1,500 and up to 2,000 homes) and stretch spending targets (expectation to award circa 20% of total funding by March 2021).
- 2.2. Local Authority and NTCA teams have worked quickly and collaboratively to be in a position to hit an ambitious year one spend profile. An award of £550,999 of additional revenue funding has supported this work, and has been distributed in a way that supports the capacity of our Local Authority teams to develop business cases at pace.
- 2.3. Cabinet, Investment Panel and Housing & Land Board endorsed a position whereby Local Authority sites would be prioritised within the fund. If and where suitable sites were lacking, private sector sites would be considered where the Local Authority in question was working in collaboration with a developer.
- 2.4. Approximately 20 sites were longlisted by the three Local Authorities. NTCA commissioned the housing consultancy Savills to undertake initial gateway assessments of each scheme and provide holistic advice and support to each Local Authority. This was done in a Treasury Green Book compliant way – mirroring the assessment that each project would ultimately undergo as part of the external appraisal process, as well as incorporating elements of the criteria from the terms and conditions of the funding passed down by MHCLG.
- 2.5. From the initial shortlisting process, 18 schemes were identified and are included at Appendix 1. These 18 schemes represent a £23m funding pipeline that would, if successful, result in the enabling of well over 2,000 homes. We anticipate a further 12 schemes to come forward from the three Local Authorities.
- 2.6. Cabinet have been keen to ensure that each Local Authority is able to identify projects reflecting their need and requirement for the funding (recognising all are at different points within the planning cycle and have different strategic priorities). In line with best practice, we have also ensured that the pipeline is 'over-programmed' by around 30% to ensure that we have backup projects should other projects not materialise or drop off. We are also mindful to keep building a wider pipeline of brownfield sites to ensure that we can be as proactive as possible as further funding becomes available.
- 2.7. The first two sites to be approved in December 2020 were Scotswood Phase 2 and Newbiggin Hall, with Commissioner's Quay and the North Shields Masterplan Area due for approval shortly.
  - Scotswood Phase 2 is part of a five phase, regeneration programme in the west end of Newcastle that has market creation at its heart. Funding was awarded to deal with unexpected abnormalities on the site relating to its steep topography and

elements of the funding will help to address this through the building of retaining walls.

- Newbiggin Hall is another regeneration project which will see a disused 1970s shopping precinct demolished to make way of 43 new homes. Funding will be used towards addressing legacy issues including the grouting and drilling of disused coal mine workings under the boundary of the site.
- Commissioners Quay and North Shields Masterplan sites are due for final approval during this month – a verbal update will be provided for O&S members as appropriate.

2.8. The programme will accelerate delivery of a range of new housing types in line with the strategic vision of the Housing and Land Board, such as:

- new council-owned properties
- affordable homes for first time buyers
- land remediation in regeneration areas
- unlocking development on strategically important sites
- new, age-friendly homes for our ageing population
- a new community-led housing scheme.

### **3. Building a Joint Pipeline of Strategic Sites**

3.1. The North of Tyne Devolution Deal signed with Government noted a commitment to work collaboratively with Homes England to advance strategic sites across the North of Tyne area. These are sites that are important to each Local Authority, and which tend to be large areas and/or those that are hindered by complexity.

3.2. The purpose of creating a joint pipeline is to bring these sites together, analyse the barriers to development and viability, and unlock resources to address presenting issues using LA, NTCA, Homes England and wider resources.

3.3. Local Authorities have nominated sites which include:

- Forth Yards,
- the Centre for Ageing and Vitality
- Newburn Riverside and Scotswood Phases 4 and 5
- Killingworth Moor
- Tanners Bank;
- Northumberland Line Economic Corridor
- Hexham cluster and Berwick cluster.

3.4. Analysis of these sites is ongoing. To date, NTCA has externally commissioned six reports on specific sites, with plans to commission work on three more in the coming months. These are high level reports intended to summarise the legal, financial, planning and development work that has been undertaken on each site to date – in order to identify gaps and funding requirements more specifically.

3.5. It will not always be financial interventions that are needed on sites. As part of the collaborative approach we have encouraged, each partner will reflect on what resources and capacity they have to help move a site forward. For example, it could be that Homes England, with its larger staff base and considerable bank of knowledge, could assist with planning or technical advice. On the other hand, where there are gaps identified within the knowledge bank for each project, H&LB may consider the further use of its Housing Business Case Development Fund in order to undertake the gap analysis, technical due diligence and financial appraisals required to move the site along.

3.6. Each site will be approached holistically and, working on a tripartite basis, each partner will take responsibilities for specific actions that will progress the sites to the next stage of the development process. It is important to note that each Local Authority will inevitably be at a

different stages with regards to their sites. It is our intention to build a pipeline that is a mix of more immediate and longer term priorities, with flexibility built in.

- 3.7. The 'tripartite' meetings noted above are scheduled within each Local Authority over the next month, and will form the basis for a draft action and delivery plan for each site with tangible responsibilities for each partner and a set of mutually agreed deadlines. Any resulting actions will of course be subject to appropriate governance and oversight from each Local Authority and from the NTCA.

#### **4. Creating a Joint Infrastructure approach**

- 4.1. The development of a 'Joint Infrastructure Statement' is a commitment within the original NTCA Devolution Deal. This effectively brings together the Infrastructure Delivery Statements of each Local Authority, but also considers the strategic, cross-regional infrastructure requirements – and opportunities – that will support future housing and growth.
- 4.2. Ultimately, the purpose is to evidence a set of investable propositions for the region that will form our long-term investment strategy, and deliver big benefits to communities. NCTA Cabinet and Housing & Land Board have been clear about the need to consider infrastructure holistically - aligning with wider work done at a cross-regional level within 'Connected North East': our transport and digital connectivity recovery plan.
- 4.3. Accordingly, the NTCA team have commissioned analysis that considers economic, residential, transport and digital infrastructure. By synthesising a range of recent strategies (for example, the North East Transport Plan, the Connected North East Blueprint among others) and mapping these out visually, we can outline areas of broad growth and target our infrastructure investment in a precise way that will ensure a maximum return on investment.
- 4.4. This work – which has been externally tendered and is due for completion in September 2021 – considers how transport investment can unlock new residential and economic opportunities around growth corridor areas. Within the work, there will be an interactive map allowing stakeholders to see the spatial impact of investments and allow for a spatial element to future investment ensuring that those areas where growth is occurring will see the transport network around them strengthened.
- 4.5. One important and completed early deliverable is a cross-regional (North of Tyne) transport planning framework which sets out a long term pipeline of schemes, a mechanism for understanding the economic and productivity benefits of these schemes, and a 'multi-criteria analysis tool' that will support prioritisation. This was delivered through funding secured via the North of Tyne business case development fund.

#### **5. Next Steps**

Our priorities for the coming months are clear:

1. Push forward with delivery of our £24m Brownfield programme – ensuring that we meet spending targets and progress as much work on-site as possible within the quickest time. This forms the bulk of work for our small housing team, and requires ongoing collaboration across NTCA and Local Authority teams.
2. Continue to develop our Strategic Pipeline and joint delivery approach with Homes England: specifically, completing viability analysis on the range of sites, and identifying gaps and resourcing requirements in order to unlock further investment and technical expertise.
3. Deliver our Joint Infrastructure Statement, and continue to actively collaborate with partners on key schemes and development areas within the region – such as the North Shields Masterplan area, the Northumberland – North Tyneside – Newcastle rail corridor, and the ongoing development of strategic city centre sites in Newcastle.

We will continue to ensure the programme is transparent, collaborative and enjoys the full support of Cabinet and Investment Panel, led by Mayor Redfearn as portfolio holder. Our ambitions in this portfolio are high – and we will make sure that visible progress through 2020 is more than matched by accelerated delivery over the forthcoming twelve months.

**Brownfield Pipeline as of January 2021**

Forth Yard Pottery Lane, Newcastle  
Newbiggin Hall, Westerhope  
Buddle Road, Co-Hut Community Led Housing Development, Scotswood  
Scotswood The Rise Phase Two, Scotswood  
Ouseburn Mouth, Ouseburn  
Walker Riverside, Walker

North Shields Master Plan Area, North Shields  
MMC Programme, North Tyneside  
Tynemouth Library, Tynemouth

Hadston Industrial Estate, Hadston  
Phase 3 and 4 at Former Ellington Colliery, Ellington  
Moorside, Newbiggin  
Potland Burn, Ashington  
Commissioners Quay, Blyth

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 9 February 2021 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 the initial national lockdown, but another national 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 the recovery and growth of our key 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 digital and tech 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:

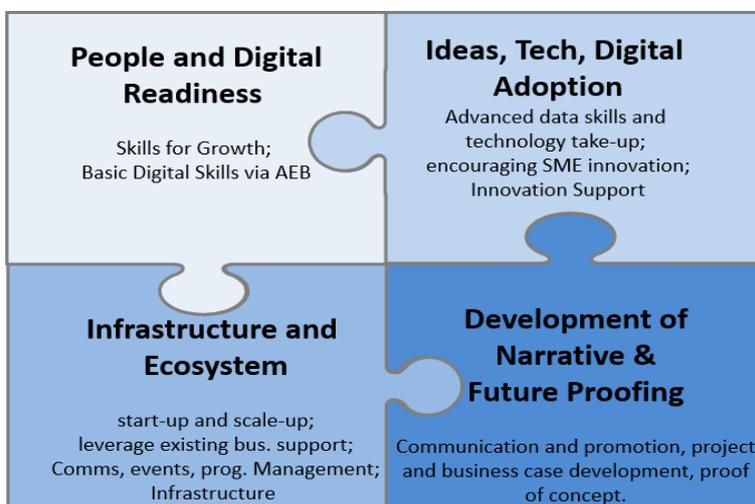


Figure 1 - NTCA Digital Growth and Innovation Programme

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 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 economic impact of COVID-19 and also encourage the creation of new businesses. Sage will also provide small businesses with free webinars covering topics such as financial advice and building strong digital foundations - 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 and will be available from mid-February.

**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 areas strongest assets and at its core is underpinned by a £30m investment 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 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 investment. Data scientists from NICD will work alongside businesses on collaborative projects, using data analysis skills and tools to unlock opportunities for improvements in productivity and innovation. Through this collaboration, staff within the businesses will be upskilled to enable the ongoing use of these advanced data techniques leaving a long-lasting legacy.

#### **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. Officers are now actively engaged in the final stage of

development of proposals with applicants and it is expected that the final projects and 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 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 this 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 was experienced prior to the current national lockdown. 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 and the rollout of vaccination. 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 and the EU agreed a Trade and Co-operation Agreement on 24th December, which set out the relationship between the two from 1st January of this year. The agreement allows for a zero-tariff, zero-quota, trade deal. As these 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 or opportunities that emerge.

### **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  
CO<sub>2</sub> – Carbon Dioxide

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Subject: COVID-19 Response and Recovery Update  
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 December 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 previous reports 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 in the third national lockdown period since the onset of the virus. Transmission and death rates remain relatively high country-wide (albeit with regional variation and week-to-week fluctuation), and ongoing restrictions and distancing measures have effectively closed down certain sectors of the economy.
- 1.2 Measures to accelerate vaccination and targeted community testing are ongoing. A national vaccination strategy has been published, and Government efforts to create secure supply chains and distribution mechanisms have been complemented by a massive collective effort within towns, cities and regions. Economic support measures are ongoing; including an extended period of furlough, further discretionary grant funding to certain businesses and Local Authorities, and a proposed extension of the Universal Credit uplift that was put into place (unconfirmed at the time of writing). Feedback from businesses and communities suggest that considerable gaps in provision remain.
- 1.3 Government has also pushed ahead with certain measures to mitigate what the Treasury estimates could be an unemployment rate of up to 7.5% by this Summer. These include the Kickstart programme, extended incentives for apprenticeships, and an extended adult education offer that will be delegated to Mayoral Combined Authorities to augment existing AEB devolution. A national 'Restart' programme will see a number of prime contractors responsible for extending employment support to those out of work for a long period, with details on implementation (and implications for localities) still to be finalised.
- 1.4 I noted at the December meeting of the committee that the Spending Review had set out the scale of what the Chancellor 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. Certain measures announced at the Review – including a Levelling Up Fund and year one of a post-EU Shared Prosperity Fund – are expected to be finalised in the run up to the next Budget in early March.
- 1.5 All of the above takes place in an incredibly difficult day-to-day context for many of our communities, businesses, places and public services. Lives, livelihoods and patterns of living, working and socialising have been lost. It is reasonable to expect that recovery will take some time, and that we will not simply revert to the way things were pre-pandemic. The resilience and collective determination shown by the region has been phenomenal.

- 1.6 The region – via its Local Resilience Forum and a range of additional partners – continues to collaborate strongly in 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 and leading elements of recovery planning.
- 1.7 NTCA Mayor and Cabinet rightly continue to emphasise ongoing delivery of our key projects; and ensure that we remain on the front foot to adapt to new measures, funding streams and delivery requirements. At January Cabinet, accordingly, Mayor and Cabinet Members were updated on a range of projects that are now accelerating into delivery, as well as agreeing budget proposals for the short and medium term. By way of example, the Committee will be updated on good progress with our housing programme by Mayor Redfearn.
- 1.8 I have committed to keep committee members updated on the wellbeing of the staff team at NTCA – and am grateful to Overview and Scrutiny Committee Members for the opportunity to do this. The whole team continues, much like their counterparts within our three Local Authorities, to bring ongoing focus, commitment and passion to their work within challenging circumstances. I have noted that we are all having to adapt to new ways of living, working and communicating. This remains the case, and has been made particularly acute over the last month by the closure of schools and the balance between home-school and work this has necessitated for some. Across the board we continue to prioritise good communication, resilience building and strong collaboration in everything we do. We recognise this is a difficult period and looking after our collective mental wellbeing is crucial.

## **2. Role of NTCA**

I noted at previous 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. Most recently this has included preparation of a recovery ‘roadmap’ with RCG partners.
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 which are ongoing.
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. In November 2020 Cabinet agreed the allocation of £10m from the NTCA investment fund to develop a ‘Recovery Innovation Deal’. We committed to a period of co-design with partners in order to develop an appropriate delivery plan, with proposals due to be considered by Investment Panel in February.
5. Delivering 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 continue to work with their Local Authority counterparts to understand potential next steps in relation to digital exclusion, including through our Digital Adoption programme. We continue to engage with private

and social sector partners in this space – as evidenced by the announcement from software company Sage to support digital adoption for small businesses building on the NTCA programme.

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 already be 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. I will verbally update Members on the progress of these schemes using the most up-to-date data before the February meeting.
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. This is now being operationalised following agreement on a delivery plan by NTCA Investment Panel and a report is expected to the Overview and Scrutiny Committee in March 2021.

### **3. Progress on Spending Review & Recovery Announcements**

At the December committee meeting I set out early reflections on the Spending Review. Whilst some of these measures are yet to translate into detailed funding streams or delivery plans, it is worth noting progress on the following areas:

1. Two major funding streams – the Levelling Up Fund (£4bn) and the Shared Prosperity Fund (likely sub-£1bn in year one) – are being designed by Government colleagues, and we expect further detail to be published in the run up to March Budget. Mayoral Combined Authorities – along with a number of other stakeholders – have been given some limited opportunity to input into this design process. We have emphasised the need for local influence, alignment with existing plans and recovery strategies, and building on the collaborative work that is already happening within places and regions.
2. The SR also announced a number of skills and job interventions noted briefly in the paragraphs above. Whilst we await final details, we expect most of these initiatives to be nationally determined (rather than devolved), but with opportunities for joint delivery through and with Local Authorities and Combined Authorities. In some cases, MCAs will be incorporated as delivery agents (such as for level three training budgets, building on AEB). We continue to press the case that citizen and employer engagement are best done at a local level; and that any major new schemes should not fragment and over-complicate what can already be perceived as a confusing skills and welfare landscape.
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. Work to translate these commitments into benefits for the North of Tyne is ongoing.
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. This is likely to be further expanded on by the Chancellor at March Budget.

### **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**

Cabinet agenda 26 January 2021

## **10. Contact Officers**

Henry Kippin, Director of Economic Growth, [henry.kippin@northoftyne-ca.gov.uk](mailto:henry.kippin@northoftyne-ca.gov.uk)

## **11. Glossary**

AEB	Adult Education Budget
CSR	Comprehensive Spending Review
DWP	Department for Work and Pensions
IAG	Information, advice and guidance
LA	Local Authority
NE	North East
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



**Subject: North East LEP – Funding Decisions Update**  
**Report of: Helen Golightly, North East LEP Chief Executive**

### Report Summary

The purpose of this report is to update Cabinet on the work and decisions of the North East LEP from September to December 2020 with a focus on project funding decisions related to the programmes managed by the North East LEP, for which NTCA is the accountable body since 1 April 2020. It provides summary information about the LGF, GBF, EZ, and NEIF programmes including decisions related to the £5m COVID-19 rapid response fund established using uncommitted LEP resources. In addition, it provides information about new appointments to the North East LEP advisory boards and substitute arrangements.

### Recommendations

The Overview and Scrutiny Committee is recommended to

1. Note the report which provides information on the work and decisions of the North East LEP from September to December 2020.

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

- 1.1 The report provides an update on the North East LEP project funding decisions made since September 2020. The North East LEP manages the Local Growth Funding (LGF), North East Investment Fund (NEIF) and the Enterprise Zone (EZ) programmes. More recently it was tasked by the government to manage the Getting Building Fund (GBF) programme for which the North East was allocated £47m.
- 1.2 Project funding decisions are made in line with the North East LEP Constitution and scheme of delegation. Decisions can be made by the North East LEP Board, the Investment Board or through delegated decision.
- 1.3 NTCA, as the LEP accountable body, is the legal entity which issues the grant and loan agreements to project applicants and as such must satisfy itself of the legal and financial probity of any decisions it implements on behalf of the North East LEP. This means that LEP project funding decisions also need to be authorised through NTCA decision-making.
- 1.4 Project funding decisions made and implemented between 1 September 2020 and 30 November 2020 are as follows:
  - £500,000 of NEIF loan to Stephenson Quarter Developments Ltd for the Boiler Shop project
  - £1,750,000 GBF grant and an additional EZ capital loan award of up to £500,000 to Northumberland County Council to support the Northumberland Energy Park project;
  - £800,000 LGF grant to Newcastle City Council to support the Pattern Shop project, on the Stephenson Quarter;
  - £455,859 LGF revenue grant to the North East LEP to deliver the North East Ambition phase 2 project;
  - £1,450,000 EZ capital loan award to the Port of Tyne and South Tyneside Council for the Holborn 2 Enterprise Zones site phase 1 remediation works;
  - 2,500,000 GBF grant to Sunderland City Council to support the Hillthorn Business Park project;

- £4,500,000 GBF grant to Sunderland City Council to support the Next Generation Digital Connectivity and Riverside Sunderland Strategic Infrastructure Works project;
- £2,000,000 GBF grant to Gateshead Council to develop a Multi Storey Car Park as part of the Newcastle Gateshead Quays project;
- £2,000,000 GBF grant and re-allocate £200,000 of NEIF capital grant to the North East LEP to deliver the North East Commercial Property Investment Fund Pilot Project.
- £5,685,000 GBF grant to NEXUS to support the Tyne Ferry Landing project;
- £2,100,000 GBF grant and an additional EZ funding of £1,900,000 to Port of Tyne to support the Holborn 2 Enterprise Zone (Phase 2) project;
- £1,396,493 LGF (subject to agreed project funding conditions being fulfilled) to North East Property Partnership to support the Kingsway North, Team Valley Industrial Units project;
- £3,240,000 NEIF loan to Sunderland City Council to support the Skills Academy for Sustainable Manufacturing and Innovation Acquisition and Retrofit project;
- 14 LGF capital grant awards ranging from £49,935 to £150,000 from the COVID 19 Response Fund – VCSE Mini-funding Programme (total value: £1,250,925) to 14 individual Voluntary, Community and Social Enterprise (VCSE) led projects (see Appendix B)

1.5 In addition to the VCSE mini-funding programmes, the following grants were awarded through delegated authority by the North East LEP Chief Executive, as one of the NTCA Designated Officers for LEP matters only:

- 12 grants ranging from £15,000 to £25,000 under the Cluster development Programme (please see Appendix A)
- 6 grants ranging from £29,084 to £50,000 under the Health and Life Sciences Development Programme (please see Appendix A)
- 12 grants ranging from £2,822 to £25,000 under the Health and Life Sciences Patent Protection Scheme (please see Appendix B)

1.6 In addition, 8 High Potential Business Start-up grants were also allocated and reported to the North East LEP Board (please see Appendix B).

1.7 Going forward, a number of project funding decisions, approved by the North East LEP Investment Board at the December 2020 meeting, will be going through NTCA decision-making late December 2020 / early January 2021. These include:

- £5,951,000 GBF grant to Newcastle City Council for the Newcastle City Council Transformation project
- £5,000,000 GBF grant to Gateshead Council for the Gateshead Quays Link Road project
- £1,115,000 Grant funding (including £225,000 LGF revenue grant) to the North East LEP Strategy Team to deliver the Green Energy Accelerator programme

1.8 In addition, it is expected that approximately 10 to 13 new project funding decisions will be considered by the North East LEP before going through the NTCA delegated decision process by the end of the 2020/21 financial year. These will include the 8 remaining GBF grant funding applications.

1.9 Appendices A and B provide additional information about the position of all programmes and details on the specific projects set out in this report. Please note the latest North East LEP Board was held on 28 January 2021.

1.10 New NTCA appointments have been made to the North East LEP Board and North East LEP advisory boards since the last update with formal confirmation of Cllr Sanderson's appointment to

the North East LEP Business Growth Advisory Board at Cabinet on 26 January 2021. The Authority's representation on the North East LEP's boards and panels will then be:

<b>Board/Panel</b>	<b>NTCA Representative</b>
North East LEP Board	Mayor Norma Redfearn (Vice Chair) Mayor Jamie Driscoll Cllr Nick Forbes Cllr Glen Sanderson (Observer)
Investment Board	Cllr Bruce Pickard
Innovation Delivery Advisory Board	Cllr Nick Forbes
Business Growth Advisory Board	Cllr Glen Sanderson
Skills Advisory Panel	Cllr Joyce McCarty

## **2. Equalities Statement**

- 2.1 All North East LEP funded projects are required to be delivered in accordance with the objectives set out under s149 of the Equalities Act 2010.

## **3. Inclusive Economy Statement**

- 3.1 The North East LEP follows the policies set out in its North East Strategic Economic Plan that promote sustainable economic growth across the region. The core objective of the North East SEP is to support the creation of 100,000 'more and better' jobs in the region by 2024/25.
- 3.2 Several of the projects brought forward through the GBF and LGF, support a more inclusive economy for the North East.

## **4. Climate Change Statement**

- 4.1 Several of the projects brought forward through the GBF and LGF support a greener economy for the North East.

## **5. Consultation and Engagement**

- 5.1 Proposals have been developed through normal LEP Board and Investment Board processes.

## **6. Appendices**

Please note that the two appendices below are confidential – Not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, Information 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Appendix A: Extract from item 6 from the North East LEP Board meeting held on 1 October 2020  
Appendix B: Extract from item 6a from the North East LEP Board meeting held on 3 December 2020

## **7. Background Papers**

None

## **8. Contact Officers**

- 8.1 Helen Golightly, Chief Executive  
North East LEP

**9. Glossary**

LEP – Local Enterprise Partnership  
LGF – Local Growth Fund  
EZ – Enterprise Zone  
NEIF – North East Investment Fund  
GBF – Getting Building Fund

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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of the Local Government Act 1972.

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Subject: Brexit Update

Report of: Chief Economist

## Report Summary

The purpose of this report is to provide a short update to Overview and Scrutiny Committee on the EU-UK Trade and Co-operation Agreement, which came into effect from 1st January of this year. This follows on from a discussion by the Overview and Scrutiny Committee on Brexit issues on 8th December 2020.

The EU-UK Trade and Co-operation Agreement allows for zero-tariff, zero-quota, trade in goods; in the absence of such an agreement, most economic forecasts had predicted large negative economic impacts, particularly for the NE of England. Nevertheless, exporters of goods will need to complete additional customs declarations whilst some businesses will face additional regulatory hurdles. It is likely that the economic effects of the Agreement on the NE will not be known for some time.

At the time of writing this report, proposals for a NE Freeport are in development, ahead of expected submission to Government on 5th February. A verbal update can be provided to the committee meeting.

## Recommendations

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

### 1. Background Information, Progress and Proposals

- 1.1 The UK and the EU agreed a Trade and Co-operation Agreement on 24th December, which set out the relationship between the two from 1st January of this year. The agreement allows for a zero-tariff, zero-quota, trade deal. Reaching an Agreement has been welcomed by the CBI and other business representative organisations.
- 1.2 As discussed with Overview and Scrutiny in December, the absence of a deal between the UK and the EU would have led to significant barriers to trade between the two. Trade between the UK and EU would have been undertaken on World Trade Organisation [WTO] rules – leading to the introduction of significant tariffs on goods, together with regulatory obstacles which may have both led to disruption at the borders and had significant impacts on businesses reliant on cross-border trade.
- 1.3 The deal also provides clarity around a number of other issues:
  - The EU agreed to cut its fishing quotas in UK waters by 25%
  - The deal is underpinned by 'level playing field' provisions around environmental and employment rights, state aid and tax. Tariffs could be subsequently introduced if there is future divergence, meaning that the current no-tariff deal may eventually evolve into something far more complex.
  - Rules of origin restrictions require a certain percentage of their inputs sourced from the EU or UK. For example, in the automotive sector 50-55% of vehicle components must be made in the EU or UK, although there is a six-year phase-in for electric vehicle (EV) components
  - The deal also provides for co-operation and co-ordination in certain areas. For example, the UK could pay into and remain eligible for many scientific and technological co-operation programmes organised by the EU.
  - The TCA creates simplified rules around public procurement, allowing UK and EU companies to bid on government tenders on an equal basis.

- 1.4 Despite the zero-tariff regime, there will be some barriers to trade between the UK and the EU:
- The deal does not cover trade in services; some sectors (e.g. financial services) will be unable to access EU markets directly
  - UK exporters will be required to make customs declarations at borders
  - Goods which do not comply with 'Rules of origin' will be subject to tariffs and/or quotas
  - Manufactured goods for sale in the UK and EU market will have to be certified separately by product regulators in each jurisdiction. This includes, for example, pharmaceutical products.
  - Animal exports will have to be certified under both UK and EU standards.
- 1.5 Discussions with business representatives in the NE have indicated that the impact of the change in trading arrangement may not be apparent for some time. Critically, it may depend on a range of factors including:
- How the relationship with the EU evolves over time and the detailed interpretation of the rules – nineteen Committees have been set up on issues including Rules of Origin and Level Playing Field.
  - The medium-longer term response of individual companies/multi-nationals. For example, the agreements around 'rules of origin' could encourage supply-chain consolidation in the UK, with positive economic impacts for the NE, or conversely existing companies could choose to relocate out of the region.
- 1.6 **Freeport**  
On 16<sup>th</sup> November 2020, Government announced a competition to select 7 Freeports across England, setting the objectives to:
- a. establish Freeports as national hubs for global trade and investment across the UK
  - b. promote regeneration and job creation – our lead policy objective
  - c. create hotbeds for innovation
- 1.7 The UK's model of Freeports includes both 'customs' and 'tax' sites. Under this model, goods that enter the region through a participating port could be registered and moved along a predetermined transport corridor to a customs site in the region, with businesses only paying import duties on goods which leave the customs site for the rest of the UK. Businesses located on tax sites experience financial benefits in an approach similar to Enterprise Zones, but in this case employers pay reduced National Insurance Contributions, as well as reduced business rates. A NE Freeport has the potential to create thousands of jobs, by reducing costs and thereby helping attract globally mobile inward investors – while some existing businesses could benefit from the knock-on impact of reduced supply chain costs.
- 1.8 Partners across the region – including the local and combined authorities, the North East LEP, universities, innovation organisations, CBI, local entrepreneurs, North East ports and Newcastle Airport are developing proposals, based on key assets in the region.
- 1.9 At the time of writing this report, these proposals remain in development, ahead of submission to Government on 5<sup>th</sup> February. A verbal update on progress will be provided to the Scrutiny Meeting.

## 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 update highlighted in this report. 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 report itself. However, previous reports to the Committee have highlighted 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 As recommended by the NTCA Cabinet, the NTCA remains in 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**

Rob Hamilton, Chief Economist, [rob.hamilton@northoftyne-ca.gov.uk](mailto:rob.hamilton@northoftyne-ca.gov.uk)

### **9. Glossary**

NTCA	North of Tyne Combined Authority
EV	Electric Vehicle

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**Subject: NTCA Q.3 Budget Monitoring Report**  
**Report of: Janice Gillespie, Chief Finance Officer**

### Report Summary

The purpose of this report is to inform the Overview and Scrutiny Committee of the 2020-21 Q.3 Budget Monitor Report for the North of Tyne Combined Authority (NTCA) as taken to Cabinet on 26 January 2021.

### Recommendations

The Overview and Scrutiny Committee is recommended to note the report on the 2020-21 Q.3 Budget Monitor position that was submitted to Cabinet on 26 January 2021 and attached as Appendix 1.

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

### 1.1 Introduction

- 1.1.1 At its meeting on 26 January 2021 Cabinet considered the report on the 2020-21 Budget Monitor Position Q3 which was the third monitoring report on the 2020-21 financial position.
- 1.1.2 The report presented the forecast financial position for the NTCA as at 31 March 2021 across the Corporate, Investment Fund, the Adult Education Budget, and the Brownfield Housing Fund in addition to the potential position on reserves at the year end.
- 1.1.3 The NTCA 2020-21 Outturn position will be brought to Overview and Scrutiny on the 29 June 2021, after submission to Cabinet on 8 June 2021.

## 2. Equalities Statement

- 2.1 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. There are no direct Equalities implications arising from this report, please see Appendix 1 for any Equalities implications arising from the Q.3 Budget Monitor Report.

## 3. Inclusive Economy Statement

- 3.1 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. There are no direct Inclusive Economy Implications arising from this report, please see Appendix 1 for any Inclusive Economy Implications arising from the Q3. Budget Monitor Report.

#### **4. Climate Change Statement**

- 4.1 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. There are no direct Climate Change implications arising from this report, please see Appendix 1 for any Climate Change Implications arising from the Q.3 Budget Monitor Report.

#### **5. Consultation and Engagement**

- 5.1 The 2020-21 Budget proposals were approved at Cabinet on 28 January 2020 and were subject to consultation with the Public, Voluntary and Business Sector. The Q.3 Budget Monitoring Report attached as Appendix 1 monitors expenditure and income against this budget.

#### **6. Appendices**

Appendix 1 NTCA Q.3 Budget Monitor Report

#### **7. Background Papers**

January 28, 2020-2024 Budget Report  
Q.2 NTCA Budget Monitor Report

#### **8. Contact Officer**

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

#### **9. Glossary**

NTCA	North of Tyne Combined Authority
Q.3	Third quarter end of the Financial year being October – December 2020
Outturn Position	The year-end final spend position for NTCA as at 31 March 2021



**Subject: NTCA Q.3 Budget Monitoring Report**

**Report of: Chief Finance Officer**

**Portfolio: All**

## Report Summary

This report is the third quarter monitoring report to Cabinet on the 2020/21 North of Tyne Combined Authority (NTCA) financial position. The report brings together financial and performance information with the intention of explaining the current financial position in the context of the strategic priorities and policy decisions made by the Mayor and Cabinet. It provides the latest indication of the forecast financial position at 31 March 2021, on the Corporate Budget, the Investment Fund, the Adult Education Budget (AEB) and, the Brownfield Housing Fund in addition to the potential position on reserves at the year end.

The report reflects the response of the Combined Authority to COVID-19, which has continued to have a major impact on the region. Throughout the response to the pandemic, NTCA has worked with regional colleagues to support the submission for Recovery Support and Finance for the North East. The Combined Authority has taken a proactive approach to support for particular sectors impacted by the Pandemic, including the continuation of support to enhance short-term skills, jobs and inclusive economy interventions such as Kickstart, Youth Hubs, Good Work Pledge, Culture and Tourism Recovery, Climate innovation and Growth of the Digital Sector. In addition to this is the approved allocation of £10.000m of Investment funds to proceed with a North of Tyne Recovery Innovation Deal supporting businesses, social enterprises and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis which was approved by Cabinet in November. Progress has been made during this quarter against these interventions and this is reflected within the Investment Fund budget monitor update (section 1.5). Delivery of elements of the Adult Education Budget has come become strained due to the COVID-19 pandemic, this report highlights the steps proposed to mitigate against the impact (section 1.7).

## Recommendations

The Cabinet is recommended to note the forecast budget monitoring position as set out in paragraphs 1.2 -1.7.

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

#### 1.1. Background

- 1.1.1. Cabinet approved the 2020/21 budget on the 28<sup>th</sup> January 2020. Included in the budget was the estimated expenditure across the year for the Corporate Budget, Investment Fund and Adult Education Budget.
- 1.1.2. 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.

#### 1.2. Corporate Budget

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

1.2.2. 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: Q3 Budget Monitoring 2020/21 Corporate Budget**

	Budget	Forecast	Variance Over/(Under)
	£'000	£'000	£'000
<b>Expenditure</b>			
Staffing	2,400	2,244	(156)
Advisors External	70	362	292
Other costs	540	751	211
SLA's	403	286	(117)
Joint Transport Levy	27,074	27,074	0
<b>Total Expenditure</b>	<b>30,487</b>	<b>30,717</b>	<b>230</b>
<b>Income</b>			
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)	(241)	(34)
AEB Implementation Fund	(130)	(130)	0
AEB contribution	(396)	(396)	0
Brownfield Housing Fund Revenue	0	(195)	(195)
Interest Receivable	(170)	(325)	(155)
Joint Transport Levy	(27,074)	(27,074)	0
<b>Total Income</b>	<b>(30,487)</b>	<b>(30,717)</b>	<b>(230)</b>
<b>Net (Income)/Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 1.3 Corporate Expenditure Variances

#### 1.3.1 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 continued into quarter 3 with an additional 3 new Tourism Policy Officers recruited in addition to the Appraisal and Monitoring Officers, a Programme Manager and the Good Work Pledge Officer which were recruited in quarter 2. These posts are all funded from available programme funds. There are now 47 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 and budgeted for (25.2%). This is a contributory factor in the underspend on staffing expenditure.

#### 1.3.2 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 from 2019/20 to cover this (£0.200m). Also included in the expenditure forecast position is the one-off 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).

### **1.3.3 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), due to the ongoing COVID-19 pandemic there is a strong likelihood this will be delayed, however, it is yet to be confirmed absolutely. 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 is also a contributory factor to the overspend in this area.

### **1.3.4 Service Level Agreements**

The Service Level Agreements (SLAs) cover IT, data protection and risk, procurement, Finance, health and safety, communications, legal services, payroll, governance, internal audit and HR and occupational health. The approach to Service Level Agreements (SLA's), 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.

### **1.3.5 Joint Transport Committee levies**

These will remain as per budget.

## **1.4 Corporate Income Variances**

1.4.1 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 (£0.241m) within the Fund such as the Digital, Education Challenge and Returnship posts and Tourism Policy Officers. In addition to this there is the £0.037m contribution received from each of the three constituent authorities (£0.111m in total).

1.4.2 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.

1.4.3 Pending the devolution of AEB in July 2020, the Department of Education (DfE) supported the set up and operating costs through a one-off grant (AEB Implementation Fund) up to a maximum of £0.537m, subject to equal match funding. This was to support transition costs including contracting and commissioning. The remaining balance (£0.130m) is due to be paid in 2020/21. The first tranche of AEB devolution funding was received in July 2020 (£14.198m), for the part academic year to March 2021. There is no separate administration budget from DfE, NTCA, like other Combined Authorities, are expected to resource strategic management, administration and assurance functions, including the funding of a small team through the Adult Education Budget. The costs for which represent approximately 3% of the AEB budget (£0.396m) in 2020/21.

- 1.4.4 Brownfield Housing Fund, NTCA secured a capital allocation of £24.000m over 5 years, in addition to this NTCA secured £0.550m in revenue funding to support the acceleration of delivery in the earlier years of the programme. Table 1 reflects the recovery of the corporate costs (£0.195m) incurred in delivering the project in 2020/21.
- 1.4.5 Interest on investment income budget was set at a prudent level of £0.175m. The NTCA became the accountable body for the North East LEP on 1<sup>st</sup> April 2020 and therefore is 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 to NTCA in respect of their investments alone is £0.324m.

## **1.5 Investment Fund**

- 1.5.1 The Investment Fund programme is firmly under way, with £40.330m of projects committed to 31 March 24 and advanced plans to bring forward a further £20.000m in the next few months. This includes a broad range of funding proposals across all Cabinet portfolio areas, in addition to interventions designed to unlock growth opportunities amongst our key sectors.
- 1.5.2 This quarter has seen progress on support for the key sectors; calls have been issued for project proposals to support offshore infrastructure investments; expansion of the digital offer, progress on the delivery of a £10.000m Green New Deal Fund in addition to establishing a £3.250m Culture and Creative Recovery Fund focusing on the restart and recovery phases for the sector. In the coming months these submissions will be progressing into delivery, providing support to businesses and residents during this challenging time.
- 1.5.3 The impact of the investment made is evidenced in the increase of committed and defrayed expenditure, in addition to the project outcomes reported. Including SME business growth, inward investment to the area, new employment opportunities and sustaining existing jobs as a direct result of our investment.

### **Projects**

- The total Investment Fund commitment stands at £40.330m to 2023/24 against 48 live contracts. Although this is at the same level reported at quarter 2, this is expected to increase significantly in the coming months as projects move into a delivery phase, particularly in respect of our key sectors investments as described above.

### **Jobs**

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

### **Private Sector Leverage**

- Forecast private sector leverage is £104.560m (circa 5% of the £2.1bn target) , this is also expected to increase in line with commitments as a number of large investment programmes come on stream.

### **Claimed Funding**

- Expenditure claimed to date totals £3.090m with £1.900m paid out to projects in respect of the Q2 claim period.
- Q3 claim returns due at the end of January, is currently forecasting circa £4.000m expenditure.

## **1.5.4 Project & Programme Risk**

The impact of the COVID-19 pandemic on delivery has reduced slightly but continues to be closely monitored as infection rates and restrictions increase. During periods of lockdown there has been a reduction in enquiries from businesses looking to expand operations. It is anticipated that interest

will increase in Spring when restrictions are hopefully lifted, as was experienced in the Summer period. Although, a number of existing projects have adapted to the current situation by shifting from physical to virtual models to ensure outcomes continue to be met.

**Table 2: Commitment against Investment Fund Thematic Area**

	<b>Current 2018/19- 2023/24 Committed</b>	<b>2018/19- 2023/24 Allocation</b>	<b>% Allocated</b>
	<b>£m</b>	<b>£m</b>	
<b>Business</b>	<b>17.88</b>	<b>38.00</b>	<b>47%</b>
<b>People</b>	<b>8.12</b>	<b>16.30</b>	<b>50%</b>
<b>Place</b>	<b>6.59</b>	<b>13.70</b>	<b>48%</b>
<b>Major Strategic Economic Opportunities</b>	<b>5.80</b>	<b>17.50</b>	<b>33%</b>
<b>Business Case Development Fund</b>	<b>1.95</b>	<b>4.50</b>	<b>43%</b>
	<b>40.34</b>	<b>90.00</b>	<b>45%</b>

- 1.5.5 In November, Cabinet approved the £10.000m Innovation Recovery Deal, to support post-COVID-19 business recovery for innovations that will make a difference now and leave a legacy that lasts beyond the immediate crisis. Since then, the Combined Authority has been undertaking detailed design on this programme with the constituent Local Authorities, Voluntary Community Sector (VCS) and business representative organisations on how best to support the recovery phase, with the intention to have a programme in place to support the period when lockdown restrictions begin to ease.
- 1.5.6 In September, the NTCA agreed to play a leading role in supporting young people through the development and co-delivery of the national Youth Hubs and Kickstart programmes. The NTCA has agreed to become a Representative/Intermediary for the Kickstart scheme, helping smaller employers to create new 6-month job placements for young people who are currently on Universal Credit and at risk of long-term; unemployment. Subject to business case, the NTCA has also agreed to co-invest with DWP in Youth Hubs, which will provide both a physical and a digitally co-ordination system of 'end to end' support for all young people in the area.
- 1.5.7 Elsewhere on the agenda is the Investment Fund Update Report which will provide updates against the above allocations approved, future budget monitor reports will reflect spend and delivery as it occurs within the allocations.

Table 3 shows the forecast spend on the Investment Fund end of financial year 2020/21.

**Table 3: Budget Monitoring Investment Fund**

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

**1.6 Brownfield Housing Fund**

- 1.6.1 NTCA secured £23.850m from Government's £400.000m national Brownfield Housing Fund. The funding is intended to support the development of at least 1,500 new homes, by remediating and revitalising brownfield sites across the North of Tyne area. In addition, NTCA secured £0.550m in revenue funding to support the acceleration of delivery in the earlier years of the programme. The Brownfield fund is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach to supporting housing and economic recovery.
- 1.6.2 The Brownfield Housing Fund specifically supports sites with an identified market failure and the pipeline of proposals. The first 14 schemes have now been accepted onto the Programme with a funding requirement of £21.200m. It is usual with programmes like this that some schemes do not progress, so the NTCA will be seeking additional schemes in subsequent phases of the Programme, with a further requirement of about £10.000m.
- 1.6.3 The first two projects to be approved from the Brownfield Housing Programme are Scotswood Phase 2 (£2.948m) unlocking 243 homes, and Newbiggin Hall (£0.500m) to enable construction of 43 new dwellings through funding of the demolition and clearance of the existing neighbourhood centre at Newbiggin Hall.
- 1.6.4 Table 4 shows the spend profile of both the revenue and capital items. The revenue allocation and the first tranche of capital funding for 2020/21 have now been received from MHCLG.

**Table 4: Brownfield Housing Revenue and Capital Funding Profile**

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
<b>BFH Revenue</b>	0.471	0.079				<b>0.550</b>
<b>BFH Capital</b>	5.000	8.100	6.700	3.100	1.100	<b>24.000</b>

1.6.5 The profile of the revenue capacity funding includes allocations to the three constituent authorities to support development of business cases and commission any feasibility work (£0.276m in total). The remaining balance of funding is to support in-house capacity and appraisal development.

## 1.7 Adult Education Budget (AEB)

1.7.1 In August 2020 the NTCA took control of a £23.145million Adult Education Budget (AEB), secured as part of the devolution deal. With Cabinet approval the devolved AEB was allocated to 29 education providers across 10 Grant Agreements and 21 Contracts for Services (via the establishment of a procurement framework).

1.7.2 Delivery of the AEB commenced on the 1<sup>st</sup> August 2020 and the impact of COVID-19 is being closely monitored, both in terms of learner engagement during the pandemic and providers performance against delivery plans and payment profiles that were set out at the beginning of the academic year. Performance against delivery is reviewed at quarterly monitoring points the first of which was in November 2020.

1.7.3 All NTCA funded AEB providers submitted a detailed delivery plan and payment profile for the academic year 2020/21. Providers are paid monthly, in arrears, against their payment profile, with reconciliation points throughout the year.

Table 5 below reflects spend against the provider payment profiles at the review point in November.

**Table 5: Adult Education Budget 2020-21 Financial Yr. Profile**

	2020-21	2020-21 Q3 Spend	Forecast 2020-21
	£'000	£'000	£'000
<b>Expenditure</b>			
Grant Awards	9,687	4,911	9,687
Procured Services	4,115	2,355	4,115
Corporate Contribution	396	396	396
<b>Total Expenditure</b>	<b>14,198</b>	<b>7,662</b>	<b>14,198</b>
<b>Income</b>			
<b>Funding Sources and Total Income</b>	<b>(14,198)</b>	<b>(7,662)</b>	<b>(14,198)</b>
<b>Net Position (Inc)/Exp</b>	<b>0</b>	<b>0</b>	<b>0</b>

1.7.4 The purpose of the quarterly performance review in November 2020 was to monitor individual providers performance against their delivery and financial profiles as well as gather intelligence on the impact of COVID-19 on delivery during the first 3 months of the academic year.

1.7.5 All providers reported disruption to delivery as a result of the pandemic and outlined actions they have taken. Six of the Contract for Service providers requested a re-profile at the review and to receive payments on 'actual' delivery from January 2021 rather than profiled delivery to avoid any 'over payment' in this academic year.

1.7.6 As a result of the COVID-19 disruption many learners will start programmes later than planned and will be carried in to the 2021/22 academic year. Providers were concerned that if allocations were not maintained or were reduced this would impact on delivery and staffing levels in 2021/22.

- 1.7.7 As a result of NTCA consultation in November on the impact of COVID-19 two additional funding flexibilities are to be introduced in January 2021. These flexibilities include the 'non-regulated' formula funded learning designed to re-engage learners in provision. Providers fed back that this would be particularly welcome for learners who have low confidence and wellbeing issues. The fully funded offer for employed residents was also welcomed as an opportunity to re-engage those residents in work and with employers.
- 1.7.8 Curriculum planning for 2021/22 is already underway so indicative allocations for 2021/22 is essential.
- 1.7.9 A full performance review will take place between 8th February and 19<sup>th</sup> February which will inform any recommendations regarding funding flexibilities, reconciliation or clawback and will be provided in a Delegated Decision report with a Cabinet report submitted to March 2021 providing a full progress update on devolved AEB for the first 6-month period. AEB Officers are continuing to monitor delivery on a monthly basis.

#### 1.7.10 Academic Year 2020-21 COVID-19 Response allocation

A one year only amount of £959,064 was awarded 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. At the point of Quarter 3 £0.172m has been committed against High Value Courses.

**Table 6: Additional Devolved AEB Allocation**

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

## 1.8 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 7 below.

**Table 7: Movement in Reserves**

<b>Reserves Statement</b>	<b>Opening Balance 1 April 2020</b>	<b>Transfer In/(Out) during 2020/21</b>	<b>Closing Balance 31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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
<b>Total General (Useable) Reserves</b>	<b>42,280</b>	<b>(904)</b>	<b>41,376</b>

- 1.8.1 The Homeless Veteran Grant (£0.091m) is being allocated equally across the three constituent authorities with each project being awarded £0.030m. To date Newcastle City Council and Northumberland County Council have submitted proposals for the use of their share of the funding.
- 1.8.2 For Newcastle City Council's project, the funding will be used to provide support to veterans to access and sustain a tenancy through help with a deposit and home set up costs. Veterans will be referred through the Council's existing Homelessness Services and Armed Forces Outreach Service.
- 1.8.3 Northumberland County Council has identified that veterans are often referred to Armed Forces Outreach Officers at the point of crisis with little time available to prevent the veteran becoming homeless. To complement this service provision it has therefore been identified that there is a need for the development of closer links to the Discharge Teams that sit across the Armed Forces, for example at Albemarle Barracks and Catterick Garrison, that will support service personnel in the lead up to their discharge for the service at an earlier point to ensure a more planned, proactive move to a civilian home, rather than being a reactive response at a challenging time. The proposal is that the grant allocation would be used to fund a 1-year fixed term post to develop proposals for, and help the co-ordination of the implementation of, earlier contact with service personnel who are soon to be discharged.

Both of these projects are very much in keeping with the aims and objectives of the programme.

- 1.8.4 North Tyneside Council's proposal is to follow.
- 1.8.5 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.

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

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**

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 COVID-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**

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

## **5. Legal Implications**

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 Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance on Local Government Investments.

## 6. Equalities Implications

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

## 7. Inclusive Economy Implications

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

## 8. Climate Change Implications

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

## 9. Consultation and Engagement

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

None

## 11. Background Papers

January 28, 2020 – 2024 Budget Report  
Quarter 2 Budget Monitoring Report November 24, 2020 Cabinet

## 12. Contact Officers

Janice Gillespie, Chief Finance Officer,  
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## 13. Glossary

NTCA	North of Tyne Combined Authority
AEB	Adult Education Budget

## 14. Sign-off

1) Mayor and Cabinet Member Yes	2) Lead Chief Exec/Director/SMT Yes	3) Chief Finance Officer: Yes	4) Monitoring Officer: Yes	5) Head of Paid Service: Yes
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**Subject:** Cabinet's response to the Committee's recommendations on the 2021-2022 Budget Proposals  
**Report of:** Elizabeth Kerr, Governance and Scrutiny Manager

## Report Summary

The purpose of this report is to inform the Overview and Scrutiny Committee of Cabinet's response to the committee's recommendations on the 2021-2022 Budget Proposals and includes the final proposals as agreed at Cabinet on 26 January 2021.

## Recommendations

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

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

#### 1.1 Introduction

1.1.1 At its meeting on 26 January 2021 Cabinet approved the 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 NTCA are the accountable body for the North East Local Enterprise Partnership (North East LEP) and as such proposals for the North East LEP accountable body budget were also included. The final proposals are attached as appendix B.

1.1.2 Councillor Roughead, as Chair of the Overview and Scrutiny Committee, attended the meeting to present the committee's recommendations on the draft budget made after they had scrutinised the proposals in line with the Budget and Policy Framework Rules of Procedure (Part 3.2 of the Constitution).

#### 1.2 Overview and Scrutiny Committee's recommendations

1.2.1 After receiving the draft budget proposals at its meeting on 8 December 2020 and holding a budget workshop on 12 January 2021, the committee submitted a report to Cabinet which noted the proposals and considered that Cabinet should agree the recommendations as set out in the budget proposals and had no specific recommendations to make on the individual elements which make up the budget.

1.2.2 The report, which provides information on the role of the committee in the budget setting process, what information it has received and its comments and recommendations to Cabinet, is attached as appendix A.

1.2.3 At the meeting the Chair of the Committee referred to the transport levies, which are included in the budget proposals as the NTCA is required to raise the levies on the constituent authorities and pass to the North East Combined Authority (NECA) as the Accountable Body for Transport. The Chair acknowledged that the transport powers are the responsibility of the Joint Transport Committee but in the spirit of collegiate working passed on an observation from a Councillor that it would appear that the levy for transport might need to be increased in the next few years.

1.2.4 The Chair welcomed the beginnings of a process for engaging with the public on the budget proposals and reminded Cabinet of an earlier recommendation from the committee regarding publishing decisions on the Forward Plan in advance of the statutory minimum of 28 days, where possible, to give more notice of what decisions might be taken when; and expressed the view that

the North of Tyne region with its geography and diverse population was an ideal place to pilot national initiatives and would welcome any opportunity to do so.

### **1.3 Cabinet's response**

- 1.3.1 The Mayor welcomed the report and referenced the good working relationship he and Cabinet had with the Chair and the Overview and Scrutiny Committee itself as he was keen for scrutiny to be an integral part of the work of the NTCA.
- 1.3.2 The Mayor agreed to pass on the feedback to the Joint Transport Committee on the transport levies and agreed that a budget consultation was not likely to invoke a lot of interest but the Authority did want to have good engagement with the public on programme and project design as these would make a difference to residents' day to day lives.
- 1.3.3 The Mayor stated that he believed government ministers and civil servants would be tired of hearing him talk about the North of Tyne region being a microcosm and was an ideal area to pilot any projects or initiatives; if it worked in the North of Tyne it would work everywhere.
- 1.3.4 Cabinet formally accepted the report as the response from the Overview and Scrutiny Committee to the 2021-2025 Budget proposals for the North of Tyne Combined Authority and took its comments and observations into account when agreeing the Budget.

## **2. Equalities Statement**

- 2.1 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.

## **3. Inclusive Economy Statement**

- 3.1 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.

## **4. Climate Change Statement**

- 4.1 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.

## **5. Consultation and Engagement**

- 5.1 The Overview and Scrutiny Committee is a consultee in the budget setting process and this report informs the committee of cabinet's response to its comments and recommendations.

## **6. Appendices**

- Appendix A Report from Overview and Scrutiny Committee to Cabinet on the North of Tyne Combined Authority 2021-2025 Budget Proposals
- Appendix B 2021-2025 NTCA Final Budget Proposals including the 2021/22 North East Local Enterprise Partnership and 2021/22 Invest North East England budget proposals.

**7. Background Papers**

Overview and Scrutiny Committee Work Programme 2020/21  
NTCA Constitution  
Minutes of the Cabinet meeting held 26 January 2021

**8. Contact Officer**

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**9. Glossary**

NTCA North of Tyne Combined Authority

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# Overview and Scrutiny Committee Report to Cabinet

26 January 2021

**Subject: North of Tyne Combined Authority 2021-2025 Budget  
Proposals**

**Report of: Overview and Scrutiny Committee**

**Portfolio: All**

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## Report Summary

This report presents to Cabinet the response of the Overview and Scrutiny Committee to its proposals for 2020-24 Budget for the North of Tyne Combined Authority. It provides information on the role of the committee in the budget setting process, what information it has received and its comments and recommendations to Cabinet.

## Recommendations

The Overview and Scrutiny Committee recommends Cabinet accepts this report as the response from the Overview and Scrutiny Committee to the 2021-25 Budget proposals for the North of Tyne Combined Authority and takes its comments and observations into account when agreeing the Budget at its meeting on 26 January 2021.

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

#### 1.1 Introduction

In accordance with the Budget and Policy Framework Rules of Procedure (Part 3.2 of the Constitution) the Overview and Scrutiny Committee has a particular role in the setting of the North of Tyne Combined Authority's (NTCA) budget. Cabinet must present to the committee the budget setting process, the initial proposals and have regard to any recommendations and/or observations from the Overview and Scrutiny Committee when finalising the Authority's budget.

#### 1.2 Process

- 1.2.1 At its 13 October 2020 meeting the Overview and Scrutiny Committee received a report on the 2021-2025 Financial Planning and Budget Process which provided information in relation to the proposed 2021-25 Financial Planning and Budget process, including the development of a Medium-Term Financial Strategy (MTFS), the development of the detailed budgets for 2021-22 and the timetable for key decision milestones and dates for the setting of the budget.
- 1.2.2 Cabinet met on 24 November 2020 to consider the initial draft budget for NTCA for 2021/22 and the medium-term financial plan for the period 2022/23 to 2024/25 which included a draft budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget and the Brownfield Housing Fund. NTCA are the accountable body for the North East Local Enterprise Partnership (North East LEP) and the report included proposals for the North East LEP accountable body budget. The Overview and Scrutiny Committee received these proposals on 8 December 2020.
- 1.2.3 At its meeting on 8 December 2020 the committee sought clarification on the assumptions made with regards to growth for the next 4 years and the engagement process with the business and voluntary and community sectors and the public in general.

### 1.3 Budget Workshop

- 1.3.1 The committee also held a workshop on 12 January 2021 to discuss and scrutinise the proposals and provide a formal response to Cabinet. The Chief Finance Officer (Interim Section 73 Officer) attended the workshop to present information on what had changed since the draft proposals were considered by the committee in December and to answer any questions.
- 1.3.2 The committee were reminded of the key aspects of the initial proposals report and then informed that the NTCA had been awarded a £1m Mayoral Capacity fund grant for 2021/22 only as part of the provisional local government financial settlement. It was anticipated that this funding would be used to fund coronavirus recovery work. This was the only material change, the transport levies had been confirmed, which included a one-off rebate, and there was more detail on the investment fund to show what was capital and revenue funding, this more accurately reflected the activity rather than a change to the funding.
- 1.3.3 Members asked questions relating to the Adult Education Budget (AEB) and the monitoring of the impact of COVID-19 on the delivery of the programme; the details of what lay behind the figures committed in the last 12 months and what projects had been earmarked as this would help to understand the whole picture across the NTCA; how the NTCA anticipated ensuring the team had capacity to successfully deliver its projects whilst remaining a lean organisation; and the different requirements of capital grants, which the authority will begin to receive.
- 1.3.4 In relation to engagement, the committee was informed that the Chief Finance Officer had consulted with the business community and the voluntary and community sector since the initial proposals had been published. A page on the NTCA website had been created to allow members of the public to submit any questions or comments, which was highlighted through a number of posts on social media. This consultation exercise was open from 2 December 2020 until 12 January 2021. By Monday 11 January the social media posts had been seen by a total of 1,849 people and engaged with 43 times. No questions or comments had been received.
- 1.3.5 It was acknowledged that engaging with the budget of the NTCA during the coronavirus pandemic was probably not at the forefront of people's minds and a combined authority budget was very different from a local authority budget with fewer lines and options. The engagement exercise was welcomed as a first step and part of the wider work of the authority to engage the residents of the North of Tyne region with its work and purpose and the committee looked forward to seeing how this would develop for next year.

### 1.4 Conclusions

- 1.4.1 The Overview and Scrutiny Committee noted the proposals and considered that Cabinet should agree the recommendations as set out in the budget proposals and had no specific recommendations to make on the individual elements which make up the budget.
- 1.4.2 The committee welcomed the beginnings of a process for engaging with the public on the budget proposals and supported the inclusion of similar exercises in future budget setting processes. To assist the process of increasing the awareness of the work of the NTCA, it was suggested that Cabinet be reminded of an earlier recommendation from the committee regarding publishing decisions on the Forward Plan in advance of the statutory minimum of 28 days where possible to give more notice of what decisions might be taken when.
- 1.4.3 The committee thanked the officers involved in drafting the report and making the presentations to the committee and answering their questions throughout the process.
- 1.4.4 The committee agreed as part of its budget monitoring work to receive more detailed information on the unallocated funds and the delivery of the projects and would amend its work programme accordingly.

1.4.5 The committee supports the Combined Authority's work to attract new funding and considered that the North of Tyne region with its geography and diverse population was an ideal place to pilot national initiatives and would welcome any opportunity to do so.

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

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

## **3. Key Risks**

There are no specific risks relating to this report.

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

There are no direct financial and resource implications arising from the recommendations in this report. The financial implications of the proposals are set out in full in the report to Cabinet from the Chief Finance Officer.

## **5. Legal Implications**

There are no direct legal implications arising from the recommendations in this report. The legal implications of the proposals are set out in full in the report from the Chief Finance Officer to Cabinet.

## **6. Equalities Implications**

There are no direct equalities implications arising from the recommendations in this report. 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.

## **7. Inclusive Economy Implications**

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. The budget proposals will support the Authority in meeting these ambitions.

## **8. Climate Change Implications**

There is no direct climate changed implications arising from the recommendations in this report

## **9. Consultation and Engagement**

The Overview and Scrutiny Committee is a consultee in this budget setting process.

## **10. Appendices**

None

**11. Background Papers**

[2021-25 Financial Planning and Budget Process Report to Cabinet, 29 September 2020](#)

[NTCA Budget Proposals 2021-2025 Report to Cabinet, 24 November 2020](#)

[Minutes of NTCA Overview and Scrutiny Committee meetings held on 13 October and 8 December 2020](#)

[North of Tyne Constitution](#)

**12. Contact Officers**

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**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 approve the 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 present the 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). The draft budget proposals were brought to 24 November Cabinet, the only substantial change to the budget since this date is the Mayoral Capacity Funding for 2021/22 (£1.000m) announced as part of the provisional Local Government Finance Settlement. There continues to be no additional cost to local taxpayers or local authorities in the current budget proposals.

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 Corporate Budget for 2021/22 as set out in paragraph 1.2 taking into account comments made by Overview and Scrutiny Committee.
2. Agree the Investment Fund as set out in paragraph 1.3 taking into account comments made by Overview and Scrutiny Committee.
3. Agree the Adult Education Budget as set out in paragraph 1.4 taking into account comments made by Overview and Scrutiny Committee.
4. Agree the Brownfield Land Programme Budget as set out in paragraph 1.5 taking into account consultation with Overview and Scrutiny Committee
5. Agree the Tyne and Wear levies approved that will be issued on the 15<sup>th</sup> February 2021
6. Agree to hold the reserves set out in paragraph 1.6 and note the Chief Finance Officer continues to keep the level of resources under review as the Combined Authority develops and new information becomes available about the financial risks facing the Combined Authority arrangements for managing risks.
7. Note the North East LEP Accountable Body Budget, paragraph 1.7 and **Appendix C**
8. Agree the Treasury Management Strategy as set out in paragraph 1.8 and Appendix B

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

### **1.1. Introduction**

- 1.1.1. The 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 Combined Authority's strategic plans can be delivered within the financial resources available.
- 1.1.2. 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 Combined Authority.
- 1.1.3. The 2021/22 Budget has been prepared in exceptional circumstances. Nationally, the Comprehensive Spending Review (CSR), which sets out the Government's spending plans over the next three years, was delayed, a one-year spending round was announced by the Chancellor on 25 November 2020. The Combined Authority's request for further devolution was clearly set out in the submission to the CSR however, there was no firm response on this matter.
- 1.1.4. 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.
- 1.1.5. Throughout the response to the pandemic, the Combined Authority has worked with regional colleagues to support the submission for Recovery Support and Finance for the North East In addition the Combined 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
- 1.1.6. It is important the Cabinet note these budgets are based on current information and trajectory of delivery of programmes and projects. As demonstrated in the Combined 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.

### **1.2. Corporate Budget**

- 1.2.1. 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.
- 1.2.2. As NTCA continues to grow consideration has been given to the flexibility required of the Combined Authority. Table 1 overleaf identifies the proposed core 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
<b>Expenditure</b>					
Staffing	2,302	2,380	2,444	2,495	9,621
Mayor’s Office	262	268	273	279	1,082
Other Costs	1,699	988	988	988	4,663
Transport Levy	26,801	27,074	27,074	27,074	108,023
SLAs	276	276	276	276	1,104
<b>Total Expenditure</b>	<b>31,340</b>	<b>30,986</b>	<b>31,055</b>	<b>31,112</b>	<b>124,493</b>
<b>Income</b>					
Grant Income	(4,539)	(3,912)	(3,981)	(4,038)	(16,470)
Transport Levy	(26,801)	(27,074)	(27,074)	(27,074)	(108,023)
<b>Total Income</b>	<b>(31,340)</b>	<b>(30,986)</b>	<b>(31,055)</b>	<b>(31,112)</b>	<b>(124,493)</b>
<b>Net Position (Inc)/Exp</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 1.2.3. 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.
- 1.2.4. 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. The provisional Local Government Finance Settlement published on the 17 December indicated a further £1.000m Mayoral Capacity Fund for the financial year 2021/22 only. This will be used to support one-off activity as part of the authority’s response to recovery and to provide capacity where needed as the implications of the recovery deal are realised – such as we have seen with the Brownfield Housing Fund . The proposal would be to create a Recovery Contingency fund with Cabinet approval required for its use.
- 1.2.5 **Transport Levies**

As for 2020/21 the Combined Authority is required to raise the levies on the constituent authorities, this must be done before the 15 February 2021 to enable the constituent councils to take the levies and other contributions into account in setting their own budgets. The Joint Transport Committee (JTC) met on the 19<sup>th</sup> January 2021, to approve the 2021/22 Transport levies. Due to the exceptional circumstances surrounding the COVID-19 pandemic and in recognition of exceptional financial pressures faced by the five Tyne and Wear Councils, the JTC has also provided a one off £1.200m rebate (the equivalent of a 2.0% levy reduction), to the five Tyne and Wear Councils in 2021/22. The 2021/22 Levy is reflected in Table 1 above, with indicative levy budgets going forward.

### **1.3. Investment Fund Budget**

- 1.3.1. The Investment Fund sets out costs associated with the development, management of and delivery of projects to be funded through the Investment Fund.
- 1.3.2. 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 Combined 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.
- 1.3.3. 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.
- 1.3.4. To date the Investment Fund has achieved the following outcomes:

#### **Projects**

- The total Investment Fund commitment stands at £40.330m 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 £104.560m (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 £1.150m with £0.363m paid out to projects in August.
- Q3 claim returns due at the end of January, currently forecast circa £4.000m.

#### **Project & Programme Risk**

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

- 1.3.5. Based on the Mayor and Cabinet's current plans to deliver of the Vision the updated Investment Plan Budget is set out in Table 2 overleaf. 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 Combined 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	£'000
<b>Expenditure</b>						
Business Case Development Fund	1,773	1,000	500	3,273	200	200
Investment Projects	13,720	26,757	25,000	65,477	20,000	10,000
Technical Support	500	250	250	1,000	200	100
Contribution to Corporate Costs 10% top slice	3,760	2,231	2,206	8,197	2,203	2,200
<b>Total Expenditure</b>	<b>19,753</b>	<b>30,238</b>	<b>27,956</b>	<b>77,947</b>	<b>22,603</b>	<b>12,500</b>
<b>Income</b>						
Funding Sources	(60,000)	(20,000)	(20,000)	(100,000)	(20,000)	(20,000)
<b>Total Income</b>	<b>(60,000)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>(100,000)</b>	<b>(20,000)</b>	<b>(20,000)</b>
<b>Net Position (Inc)/Exp</b>	<b>(40,247)</b>	<b>10,238</b>	<b>7,956</b>	<b>(22,053)</b>	<b>2,603</b>	<b>(7,500)</b>
<b>Cumulative Position</b>	<b>(40,247)</b>	<b>(30,009)</b>	<b>(22,053)</b>		<b>(19,450)</b>	<b>(26,950)</b>

1.3.6. 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.

1.3.7. Table 3 reflects the capital expenditure included within the Investment Fund programme to date. This will continue to be updated in the usual Financial Management Reports to Cabinet .

**Table 3: Capital Funding included within the Investment Fund**

	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£	£	£	£	£	£
<b>NTCA IF Capital</b>	31,498	1,014,950	924,419	29,133	-	2,000,000
<b>Capital Match</b>	95,617	3,081,066	2,806,240	88,439	-	6,071,362
<b>Total Capital</b>	<b>127,115</b>	<b>4,096,016</b>	<b>3,730,659</b>	<b>117,572</b>	<b>-</b>	<b>8,071,362</b>

#### 1.4. Adult Education Budget (AEB)

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

1.4.2. 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.

- 1.4.3. 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.
- 1.4.4. 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.
- 1.4.5. 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.
- 1.4.6. NTCA will review the performance of the devolved AEB at quarterly monitoring points, the first of which was in November 2020, this included performance management reviews to 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 (academic year basis) 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.
- 1.4.7. AEB operational costs are collected within the Corporate budget with a contribution of 3% of overall AEB income made towards Corporate support costs.
- 1.4.8. Table 4 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 4: Adult Education Budget 2021/22 -2024/25**

	AEB 5-Yr Financial Profile				
	21/22	22/23	23/24	24/25	Total
	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>					
Grant Awards	15,369	15,369	15,369	15,369	61,476
Procured Services	6,659	6,659	6,659	6,659	26,636
Admin Costs and contribution to Corporate	678	678	678	678	2,712
<b>Total Expenditure</b>	<b>22,706</b>	<b>22,706</b>	<b>22,706</b>	<b>22,706</b>	<b>90,824</b>
<b>Income</b>					
Funding Sources	(22,706)	(22,706)	(22,706)	(22,706)	(90,824)
<b>Total Income</b>	<b>(22,706)</b>	<b>(22,706)</b>	<b>(22,706)</b>	<b>(22,706)</b>	<b>(90,824)</b>
<b>Net Position (Inc)/Exp</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cumulative Position</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 1.5. Brownfield Housing Fund

- 1.5.1. The Brownfield Housing Fund was first announced in the March 2020 National Budget to support Mayoral Combined Authorities and their local areas to 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).
- 1.5.2. 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.

- 1.5.3. Table 5 below shows the profile of both the capital and linked revenue support grant over the life of the project.

**Table 5: Brownfield Housing Fund**

<b>Year</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>BHF Revenue/ Reserves</b>	0.471	0.079				<b>0.550</b>
<b>BHF Capital</b>	5.000	8.100	6.700	3.100	1.100	<b>24.000</b>

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

## 1.6. Reserves

As set out in the budget report to Cabinet on 4<sup>th</sup> 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.

## 1.7. LEP Accountable Body Budget Proposals

- 1.7.1. 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.
- 1.7.2. 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.
- 1.7.3. 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 6 shows the 2021/22 North East LEP Accountable Body Budget.

**Table 6: 2021/22 North East LEP Accountable Body Budget**

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

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.

## **1.8. NTCA Treasury Management Strategy**

- 1.8.1. The Combined Authority is required to approve a Treasury Management Strategy before the start of each financial year, this is attached as Appendix B for approval. The Combined Authority defines its treasury management activities as: "The management of the Combined Authority's borrowing, investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.8.2. Borrowing - at this current time the Combined Authority does not have powers to borrow other than for Transport responsibilities. A proportion of the outstanding balance of the loans and investments in relation to Transport (based on the share of Tyne and Wear population in each Combined Authority area) is shown in the balance sheets of the two Combined Authorities as part of their year-end accounts. A summary therefore of the actual loans outstanding and authorised borrowing limit in relation to Transport is reflected in the Treasury Management Strategy of the NTCA. NTCA are pursuing borrowing powers in addition to the Transport borrowing powers and is requesting Cabinet to authorise an authorised borrowing limit of £20.000m in advance of obtaining their own borrowing powers. At this point the Combined Authority will also come back to Cabinet with a Minimum Revenue Provision Strategy for the NTCA.
- 1.8.3. Investment Strategy – The Combined 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. It should be noted that now the Combined Authority is the accountable body for the North East LEP any investment balances managed on a day-to-day basis will include balances relating to the North East LEP as well as the Combined Authority. The Treasury Management Investment Strategy reflects the investment activities of the North East LEP in addition to the Combined Authority.

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

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

## **3. Key Risks**

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 Combined 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 Combined Authority's Reserves and Balances Policy.

## **5. Legal Implications**

The Combined Authority is required to agree a balanced budget annually and to monitor that budget throughout the year. The Combined 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 Combined Authority

6.2 The Combined 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) have been 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 26 January 2021.

## **7. Inclusive Economy Implications**

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**

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 Combined 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. The Mayor and Cabinet will be updated and respond to recommendations made by Overview and Scrutiny Committee at the Cabinet Meeting on 26 January 2021.

## **10. Appendices**

Appendix A Budget Timetable

Appendix B Treasury Management Strategy

Appendix C 2021/22 North East Local Enterprise Partnership and 2021/22 Invest North East England proposed budgets

## **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
IF	Investment Fund
MRP	Minimum Revenue Provision
CFR	Capital Financing Requirement
NTCA	North of Tyne Combined Authority
North East LEP	North East Local Enterprise Partnership

## Appendix A Budget Setting Timetable

DATE	EVENT/MEETING	ACTION
29 September 2020	Cabinet Meeting	To consider and agree 2021/22 budget process/timetable for <b>both</b> the Combined Authority and Mayoral budgets.
13 October 2020	NTCA Overview and Scrutiny Committee	Update on the Budget process and timetable for <b>both</b> the Combined Authority and Mayoral budget
24 November 2020	Cabinet Meeting	Consider and agree the draft budget proposals in respect of the Combined Authority
8 December 2020	NTCA Overview and Scrutiny Committee	Receive the Combined Authority's draft Budget proposals
12 January 2021	NTCA Overview and Scrutiny Committee Workshop	Workshop to consider in detail the Combined Authority's draft budget proposals and recommendations to Cabinet.
19 January 2021	Joint Transport Committee	Consider and agree draft transport budget/levy for consultation.
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 Combined 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 Combined 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.

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**North of Tyne Combined Authority**

**Treasury Management Policy Statement & Strategy 2021-22**

**Background**

The Combined Authority is required to operate a balanced budget, which means that cash raised during the year will meet cash expenditure. A key part of the Combined 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 Combined Authority's low risk policy, providing adequate security and liquidity before considering investment return.

Another key element of the treasury management function is the management of the funding associated with the Combined Authority's capital investment plans. These capital plans provide a guide to any potential borrowing needs of the Combined Authority, essentially the longer-term cash flow planning to ensure that the Combined 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. Although the Combined Authority has not identified any imminent borrowing plans other than in respect of the relevant share of the Joint Transport Committee liabilities, it is engaged in discussions with Government to obtain borrowing powers so that these are in place when borrowing is required.

The contribution the treasury management function makes to the Combined Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or on larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security and liquidity of the sums invested.

**Statutory Requirements**

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 Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance on Local Government Investments.

The CIPFA Treasury Management Code requires the Combined Authority to approve a treasury management strategy before the start of each financial year.

In addition, the MHCLG guidance requires the Combined Authority to approve an investment strategy before the start of each financial year.

The CIPFA Treasury Management Code and the Prudential Code are closely linked. The Combined Authority is required to have regard to the Prudential Code when setting limits to the level of its affordable borrowing. The 2017 update to the Prudential Code drew together the reporting requirements of the Prudential Code and the Treasury Management Code resulting in the requirement for the Combined Authority to produce a capital strategy that includes specific requirements in respect of debt and borrowing and treasury management. An investment strategy will be produced when the Combined Authority has determined potential borrowing limits through dialogue with the Treasury.

### **Effective Treasury Management**

The Combined Authority will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of treasury management activities
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the Combined Authority will seek to achieve its policies and objectives and detail how it will manage and control treasury management activities.

### **Reporting**

The following reports will be issued during the financial year for approval by Cabinet:

- An annual report on the Combined Authority's treasury management strategy and plan to be pursued in the coming year. This will include an investment strategy and will be considered by Cabinet as part of the budget approval process.
- A mid-year review report. This will update members on the progress of the capital position, show amended prudential indicators where required and performance against the strategy.
- An annual report, after year end closure on the performance of the treasury management function, on the effects of decisions taken and the transactions executed in the past year, and any circumstances of non-compliance with the treasury management strategy and TMPs.

### **Responsibilities**

The Combined Authority delegates responsibility for the implementation and regular review of its treasury management policies and practices and for the execution and administration

of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Combined Authority's policy statement and TMPs and if that officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management. Cabinet has responsibility to ensure the implementation and regular monitoring of its treasury management policies delegates the responsibility for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's policy statement and TMPs.

Responsibility for ensuring effective scrutiny of the treasury management strategy and policies is delegated to Overview and Scrutiny Committee.

The Combined Authority's treasury management function is managed under a service level agreement with North Tyneside Council.

The Treasury Management functions of the Joint Transport Committee are approved as part of the North East Combined Authority budget setting process in their role as Accountable Body. A review of the NECA Treasury Management Strategy has been undertaken and is in line with that of the Combined Authority.

## **Training**

The CIPFA Treasury Management Code requires the responsible officer to ensure those members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

## **Treasury Management Policy Statement 2021-22**

The Combined Authority defines its treasury management activities as:

"The management of the Combined Authority's borrowing, investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

## **Risk Management**

The Combined Authority regards the successful identification, monitoring and control of risk to the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage those risks.

## **Value for Money**

The Combined Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

## **Borrowing Policy**

At this current time the Combined Authority does not have the powers to borrow other than for Transport responsibilities, the borrowing that will be reflected in this Combined 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.

## **Investment policy**

The Combined Authority's primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of the Combined Authority's services is an important, but secondary, objective.

The Combined Authority will have regard to the MHCLG Guidance on Local Government Investments and will approve an investment strategy each year as part of the treasury management strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.

## **Treasury Management Strategy for 2021-22**

The proposed strategy for 2021-22 in respect of the following aspects of the treasury management function is based upon the treasury management officers' view on interest rates, supplemented with market forecasts provided by to North of Tyne Combined Authority's treasury advisor, Link Group. This strategy covers:

- Treasury management consultants
- The current treasury portfolio position;
- Prospects for interest rates;
- The borrowing strategy;
- Sources of borrowing
- Policy on borrowing in advance of need;
- The investment strategy;
- Financial investments;
- Creditworthiness;
- Liquidity management;
- Non-financial investments; and
- Policy on the use of financial derivatives

### **Treasury Management Consultants**

Whilst the Combined Authority has appointed external treasury management advisors it recognises that responsibility for treasury management decisions remains with the Combined Authority at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, that from any appointed treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Combined Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

### **Current Treasury Portfolio Position**

The Combined Authority's Investment position as at December 2020 is set out in Table 1 below:

**Table 1: Current Treasury Portfolio as at 31<sup>st</sup> December 2020**

Investments	Average level of Investment	Average Rate Interest earned
	£m	%
Local Authorities	125	0.59
<b>Total</b>	<b>125</b>	

The Combined Authority became the accountable body for the North East LEP (LEP) from the 1<sup>st</sup> April 2020, as such NTCA is responsible for managing the cashflow of the LEP in addition to its own. This has increased the level of funds available to invest to £125m as at December 2020. This is currently invested with other local authorities this being considered a low risk counterparty/instrument commensurate with the Combined Authority's low risk policy, providing adequate security and liquidity before considering investment return.

### Prospects for Interest Rates

The Combined Authority agreement with North Tyneside Council for treasury management services currently has access to Link Group as its external treasury advisor and part of their service is to assist the Combined Authority to formulate a view on interest rates. The table below sets out Link Group professional view of interest rates.

**Table 2: Link Group forecast interest rates – (November 2020)**

Link Group Interest Rate View 9.11.20													
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
<b>BANK RATE</b>	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, and MPC decisions, will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geographical developments, especially in the EU, could also

have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be dependent on economic and political developments.

### Investment and Borrowing Rates

Investment returns are likely to remain low during 2021-22 and, as noted in the table above, are forecast to remain at current low levels over the next few years to support the economic recovery from the Covid-19 pandemic.

Borrowing interest rates are currently near record low levels and little change is expected over the next few years, as the low interest rate environment is expected to remain in place, as noted above.

### Borrowing Strategy

At this current time the Combined Authority does not have the powers to borrow other than for Transport responsibilities, the borrowing that will be reflected in the Combined 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. A proportion of the outstanding balance of the loans and investments (based on the share of Tyne and Wear population in each Combined Authority area) will be shown in the balance sheets of the two Combined Authorities as part of their year-end accounts. A summary of the actual loans outstanding and authorised borrowing limit at the date of the preparation of this report is shown in table 3 below.

**Table 3: Transport Loans Outstanding and Authorised Borrowing limit as at December 2020**

	Principal	Interest Due	Total	NECA Share	NTCA Share
	£000	£000	£000	£000	£000
Capital Financing Requirement	195,895		195,895	108,636	87,259
Actual External Debt	171,000	2,330	173,330	96,123	77,207
Authorised Borrowing Limit			210,000	116,458	93,452

Additional borrowing of £5m was taken out in relation to Enterprise Zone activity, this was taken out by North East Combined Authority (NECA) in 2019-20 when NECA was the accountable body for the North East LEP. NECA will continue to manage this borrowing on behalf of North of Tyne Combined Authority now accountable body responsibility for the North East LEP is with North of Tyne Combined Authority.

The North of Tyne are pursuing borrowing powers and as these are granted an authorised borrowing limit of £20m is to be proposed in addition to the borrowing limit above.

	£000
North of Tyne Combined Authority Authorised Borrowing Limit	20,000

## **Prudential Indicators and Minimum Revenue Provision.**

Prudential Indicators and Minimum Revenue Provision (MRP) Policy The new arrangements set out in the NECA (North East Combined Authority) and NTCA Orders require decisions about the Transport Revenue budget and Levies and the Transport Capital Programme to be determined by the Joint Transport Committee (JTC). The transport functions and assets still rest with each Combined Authority but can only be exercised or deployed through the decisions of the Joint Transport Committee (see link [Joint Transport Committee Borrowing.pdf](#)).

Once borrowing powers to the NTCA are granted officers will come back to members with a Minimum Revenue Provision (MRP) strategy for the NTCA.

## **Annual Investment Strategy**

### **Investment policy**

The Combined 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. It should be noted that the Combined Authority is now the accountable body for the North East LEP, and any investment balances managed on a day-to-day basis will include balances relating to the North East LEP as well as the Combined Authority.

The Combined 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.

Both the CIPFA Treasury Management Code and MHCLG guidance require the Combined Authority to invest any funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.

The above Code and guidance also emphasise the importance of the management of risk within treasury management functions. This Combined Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- Credit ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. Any assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Combined Authority will engage with its advisors to maintain a monitor on market pricing such as credit default swaps and overlay that information on top of the credit ratings.
- Other information sources used will include the financial press, share prices and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- The Combined Authority has defined a list of types of investment instruments that the treasury management function is authorised to use. There are two lists in under the categories of 'specified' and 'non-specified' investments.

## **Financial Investments**

The CIPFA Treasury Management Code and the MHCLG guidance has now extended the meaning of 'financial investments' to include the following:

- Specified investments;
- Loans; and
- Non-specified investments.

## **Specified Investments**

Specified investments 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.

## **Loans**

Loans could be to local enterprises, local charities, wholly owned companies and joint ventures as part of a wider strategy for local economic growth. In some cases, these loans may not be seen as prudent if adopting a narrow definition of prioritising security and liquidity. To allow such loans to be made whilst continuing to have regard to the MHCLG guidance Local Authorities must be able to demonstrate in their strategy that:

- Total financial exposure to these types of loans is proportionate;
- That an allowed "expected credit loss" model for loans and receivables as set out in IFRS 9 Financial Instruments has been adopted to measure the credit risk of a portfolio;
- That appropriate credit control arrangements to recover overdue repayments is in place; and

- The Combined Authority has formally agreed the total level of loans by type that it is willing to make, and their total loan book is within their self-assessed limit.

### Non-specified Financial Investments

Non-specified investments are any investment not meeting the definition of a specified investment (less high credit quality, may be for periods in excess of 12 months, and are more complex instruments which require greater consideration by members and officers before being authorised for use).

The following table provides a list of specified investment instruments that are authorised to be used by the Combined Authority, subject to cash limits and time limits indicated:

**Table 3: Specified Investment Instruments**

	<b>Credit Criteria</b>	<b>Maximum Deposit</b>	<b>Maximum Period</b>
Debt Management Agency Deposit Facility	UK Government backed	£50m	Unlimited
UK Local Authorities	N/A	£10m each	1 year
UK Government Treasury Bills	UK Sovereign Rating	£10m	1 year
Term deposits with banks and building societies	Blue /Orange Red Green No Colour	£10m each	12 months 6 months 100 days Not for use
Certificate of Deposits with banks and building societies	Blue /Orange Red Green No Colour	£5m each	12 months 6 months 100 days Not for use
Money Market Funds	AAA	£10m each	Liquid
Local Authority Controlled companies in the NTCA area		£5m	5 years

The following table provides a list of non-specified investment instruments that are authorised to be used by the Combined Authority, subject to the cash limits and time limits indicated:

**Table 4: Non-specified Investment Instruments**

	<b>Credit Criteria</b>	<b>Maximum Deposit</b>	<b>Maximum Period</b>
UK Local Authorities	N/A	£5m each	3 year
Commercial Property Investment Fund Loans (LEP)	N/A	£30m	Unlimited
Property Funds	N/A	£5m	Unlimited

The Combined Authority has determined that it will limit the maximum total exposure to non-specified investments as being 25%.

Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

All investments will be denominated in sterling.

The Combined Authority will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

### **Creditworthiness Policy**

The minimum credit ratings criteria the Combined Authority use will be a Short-Term rating (Fitch or equivalents) of F1 and a Long-Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings, but they may still be used. In these instances, consideration will be given to the whole range of ratings available or other market information, to support their use.

The Combined Authority also applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit rating from the three main credit rating agencies; Fitch, Moody's and Standard & Poor's. Link Group supplement the credit ratings of counterparties with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to provide early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness

of counterparties and are used by the Authority to determine the suggested duration of investments.

This service uses a wider array of information other than just primary ratings and by using a risk weighted scoring system it does not give undue preponderance to one agency's ratings.

The Combined Authority is alerted to changes to ratings of all three agencies through its use of the Link Group creditworthiness service.

If a downgrade results in the counterparty no longer meeting the Combined Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings the Combined Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website. Extreme market movements may result in downgrade of an institution or removal from the Combined Authority's lending list. Sole reliance will not be placed on the use of this external service. In addition, this Combined Authority will also use market data and market information on any external support for banks to help support its decision-making process.

As a result, in the change in accounting standards for 2018-19 under IFRS 9, the Combined Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year.

## **Liquidity Management**

Officers providing treasury management services to the Combined Authority use purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk to the authority of being forced to borrow on unfavourable terms to meet its financial commitments.

## **UK Banks – Ring Fencing**

The largest UK banks are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1<sup>st</sup> January 2019. This is known as ring-fencing. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and small and medium-sized enterprise (SME) deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day to day core transactions, whilst more complex and riskier activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Combined Authority will continue to assess the new formed entities in the same way that it does others and those with sufficiently high ratings, will be considered for investment purposes.

### **Non-Financial Investments**

The MHCLG guidance defines an investment as all of the financial assets of a Local Authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. The definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party.

The Combined Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Combined Authority will ensure that all the organisation's investments are covered in the investment strategy and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Combined Authority will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

### **Policy on the use of Financial Derivatives**

Local Authorities generally have made use of financial derivatives embedded into loans and investments both to reduce interest rate risk and to reduce costs or increase income at the expense of greater risk. The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over Local Authorities powers to use standalone financial derivatives such as swaps, forwards, futures and options. However, the Combined Authority's policy is not to currently use these instruments.

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**Subject: 2021/22 North East Local Enterprise Partnership and  
2021/22 Invest North East England**  
**Report of: Interim Chief Finance Officer, Janice Gillespie**  
**Portfolio: All**

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## Report Summary

The purpose of this report is to apprise Members of the North East Local Enterprise Partnership (LEP) indicative Outturn position for 2020/21 and indicative Revenue Budget for 2021/22 which are to be reported to the LEP Board on the 28 January 2021. This report will also provide an update on the Invest North East England (INEE) 2020/21 Outturn position and indicative Revenue Budget for 2021/22. The North of Tyne Combined Authority became the Accountable Body for both the LEP and INEE on 1<sup>st</sup> April 2020. This report will provide a brief background of the principles agreed in relation to the Accountable Body role and a brief overview of the budget and funding of both the North East LEP and INEE with the LEP Revenue Budget report presented in Appendix A to the report and INEE Revenue Budget as Appendix B.

## Recommendations

The Cabinet is recommended to note the contents of this report and in doing so note the update on the 2020/21 North East LEP Revenue Budget and the 2020/21 Invest North East England Revenue Budget and note the provisional estimate for the 2021/22 Revenue Budget for both the North East LEP and Invest North East England.

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

- 1.1 The Combined Authority became the Accountable Body for the North East LEP and Invest North East England as of 1<sup>st</sup> April 2020.
- 1.2 As the accountable body for the North East LEP, at the time when decisions relating to the 2021/22 Budget must be taken, the North of Tyne Combined Authority Budget report will include information about the funds available to the North East LEP and its proposed budget for 2021/22, which will be agreed by the North East LEP Board. The budget will need to reflect decisions about the level of government grant available to support the North East LEP costs as well as the guidance and resource requirements needed to meet grant conditions.
- 1.3 **North East LEP Budget**
  - 1.3.1 The North East LEP core team activity is part funded from a Government Grant of £0.500m, which is required to be matched by £0.250m local authority contributions. It is proposed the current level of match funding contributions continue to be provided in 2021/22 by the seven North East Councils contributing £35,714.29 each.
  - 1.3.2 As detailed in the NTCA 2021-25 Budget report as Accountable Body for the North East LEP, NTCA will receive £10,000 from each of the North East Councils to support this role.
  - 1.3.3 In addition to the LEP core funding, the LEP have also secured £6.257m of external funding, to help support the delivery of the of the North East Strategic Economic Plan.
  - 1.3.4 The original net budget for the current financial year approved in May LEP Board was a deficit of £0.157m. The forecast net outturn is for a surplus of £0.010m, representing a significant improvement on the budget which reflects confirmation of external funding which was not confirmed at the time of setting the original budget.

1.3.5 The net budget position for 2021/22 is a deficit of £0.285m, which will be met from contributions from the Enterprise Zone account (as previously approved from the LEP Board) unless further funding is approved. A copy of the North East LEP Budget report is attached at Appendix A.

#### **1.4 Invest North East England Budget**

1.4.1 The Invest North East England (INEE) team coordinates inward investment activity across the North East, including responding to investor opportunities for investment to the region. The gross budget for INEE is £0.460m funded in part from a contribution of £20,000 from each of the seven local authorities within the North East LEP area, matched by £0.140m funding from the North East LEP. The forecast outturn is £0.395m an in-year underspend due to reductions on lead regeneration as a result of COVID-19.

1.4.2 At this stage it is recommended that the budget for 2021/22 is set at £0.460m with the contribution of £20,000 per local authority being retained, and funding of £0.140m from the LEP and a further contribution from the LEP of £0.170m from the Enterprise Zone account. A copy of the North East LEP Budget report is attached at Appendix B.

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

The proposals of this report put into effect the principles of the Accountable Body role.

### **3. Key Risks**

There are no key risks at this time.

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

4.1 The Deed of Co-Operation sets out the requirement that “there shall be no financial or operational detriment to the North East LEP operations as a consequence of the New Order or any change in the Host Combined Authority”. This also includes no detrimental financial implication for the North of Tyne Combined Authority.

### **5. Legal Implications**

5.1 The legal implications have been considered within the Deed of Co-operation.

### **6. Equalities Implications**

6.1 The Combined 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. In respect of the NTCA specifically the Combined Authority will continue to monitor the effect of their budget-setting process and decision-making by using equality impact assessments (EIA).

### **7. Inclusive Economy Implications**

7.1 There are no direct inclusive economy implications arising from this report.

### **8. Climate Change Implications**

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

### **9. Consultation and Engagement**

9.1 The LEP Budget Report presenting the provisional budget for 2021/22 will be taken to LEP Board in January 2021.

9.2 The NTCA Budget 2021-25 **report details the consultation** undertaken as part of the NTCA Budget process.

## 10. Appendices

Appendix A North East Local Enterprise Partnership indicative outturn and 2021/22 Budget  
Appendix B Invest North East England indicative outturn and 2021/22 Budget

## 11. Background Papers

As detailed on the individual reports within the Appendices.

## 12. Contact Officers

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## 13. Glossary

NTCA	North of Tyne Combined Authority
North East LEP	North East Local Enterprise Partnership
INEE	Invest North East England

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## North East Local Enterprise Partnership Board



28<sup>th</sup> January 2021

### **ITEM X: Update on 2020/21 Revenue Budget; and a Provisional Estimate for the Revenue Budget for 2021/22**

#### **1. Introduction**

- 1.1 The purpose of this report is to provide an update to the Board on the North East Local Enterprise Partnership (North East LEP) Revenue Budget position for the current financial year (2020/21), and to provide an indicative Budget for next financial year (2021/22). This report also provides an updated Budget position in relation to the Enterprise Zone account, and an update on the Local Growth Fund (LGF), the new Getting Building Fund (GBF), and the North East Investment Fund (NEIF).
- 1.2 As in previous years it is intended to provide an outturn report for 2020/21 and an updated indicative Budget for 2021/22 with latest information about funding and a three-year Budget projection at the May Board.
- 1.3 As of 1<sup>st</sup> April 2020, the North of Tyne Combined Authority became the new accountable body for the North East LEP, the 2020/21 indicative outturn and 2021/22 indicative Budget position reflects this.

#### **2. North East LEP 2020/21 Revenue Budget**

- 2.1 During 2020/21 there has been a significant increase in funding on specific programmes, in particular Government funding, which has resulted in additional activity in the year, resulting mainly in increases in operational cost (including the costs of short-term secondments) and an increase to the staffing budget.
- 2.2 The North East LEP (LEP) core Budget covers LEP operational activity and also management of the Local Growth Fund, NEIF and Enterprise Zone programmes. Table 1 provides a summary of the Revised Revenue Budget for the year compared with the Revenue Budget reported in January 2020, and the subsequent updated Revenue Budget reported in May 2020, with supporting notes provided below.
- 2.3 The North East LEP Board agreed a provisional Revenue Budget for 2020/21 of £4.909m in January 2020 and an updated Revenue Budget of £5.368m in May 2020. With a higher Gross Income estimate of £5.211m in May, the projected drawdown from the LEP reserve had reduced from £0.327m in January to £0.157m, leaving an estimated reserve of £0.500m at the end of the year, in May.

- 2.4 Total revenue expenditure in 2020/21 is now estimated to be £7.097m, which is £1.729m higher than estimated in the May. However, this increase is funded by matched income streams of £1.796m increasing the Gross Income Budget to £7.107m. The additional funding streams relate primarily to the Getting Building Fund, supplementary Growth Hub funding, Skills and Business advice and Brexit preparation activity. The net effect was a reduction in a net cost for the year from £0.157m in May to (£0.010m) net income position.
- 2.5 This follows the pattern in previous years, where a cautious view on income and a prudent provision for costs, results in an estimated call on reserves at the start of the year, and additional income or lower costs in the year reduces the call on reserves at the year end. The estimated level of North East LEP Reserve to be carried into 2021/22 is estimated to be £0.613m.
- 2.6 In terms of grant income, many of the specific grants are subject to claims for actual expenditure in the year. If eligible expenditure is lower in the year, then the amount of grant receivable for the year will also reduce to reflect the actual level of eligible expenditure that has been incurred.
- 2.7 The main budget variations are summarised below.

### **Employee Costs**

- 2.7.1 In relation to employee costs there is an estimated increase of £0.136m when compared with May 2020 Budget Update. This is due in the main to the extension of fixed term contracts and recruitment in relation to continuation of existing as well new funding streams. There was also a 2.75% national pay award agreed for 2020/21, this increased the overall staffing budget by approximately £0.030m. A budget for staff allowances is also included in the budget total of £0.020m.

### **Other Costs**

- 2.7.2 Other operational cost budgets reflected in the 2020/21 Revised Budget relate to new grant income streams, including the Innovation Challenge COVID (£0.464m), Peer Networks (£0.510m), Skills funding, DfE (£0.158m) and EY Foundation (£0.135m). Getting Building Fund was awarded in 2020/21 providing £47.000m funding over two years to deliver 'shovel ready' capital projects to support the economic recovery from the impact of COVID-19 pandemic. A percentage of the grant can be used to fund programme management costs (£0.205m), this includes the requirement for Legal and Financial advice.

**Table 1: North East LEP 2020/21 Revenue Budget**

	2020/21 TOTALS			
	Original Budget 2020/21 (January '20)	Updated Budget 2020/21 (May '20)	Revised Budget 2020/21	Variance
	£'000	£'000	£'000	£'000
Employees	2,624	3,084	3,220	136
LEP Chair Renummeration	-	20	20	-
Premises	190	190	207	17
Communications	252	250	250	-
Transport LGF Monitoring	72	20	26	6
Growth Hub Operational Costs	93	74	74	-
Growth Hub Supplementary Funding (COVID-19)	-	290	309	19
Invite (Horizon 2020) Operational Costs	23	60	72	12
Innovation Challenge - Covid	-	-	464	464
Other Operational Costs	626	600	636	36
North East Ambition Operational Costs (ESF)	312	165	144	(21)
Peer Networks	-	-	510	510
Covid Intelligence	-	-	40	40
LGF High Potential Operational	319	189	164	(25)
Brexit Policy Work Programme	110	109	73	(36)
Energy Programme Operational Costs	23	23	23	-
Skills Operational Costs (DfE/CITE /EY)	-	109	364	255
Inward Investment Contribution	140	140	140	-
LGF Programme Management Costs	125	45	78	33
Getting Building Fund Project Management	-	-	205	205
<b>GROSS EXPENDITURE</b>	<b>4,909</b>	<b>5,368</b>	<b>7,097</b>	<b>1,729</b>
LEP Core & Strategy Grant from DCLG	(500)	(500)	(500)	-
GBF Capacity Funding	-	-	(100)	(100)
Local Authority Match Contributions	(250)	(250)	(250)	-
<b>CORE FUNDING</b>	<b>(750)</b>	<b>(750)</b>	<b>(850)</b>	<b>(100)</b>
Local Growth Fund (Programme Mgmt )	(850)	(768)	(747)	21
Getting Building Fund (Programme Mgmt)	-	-	(357)	(357)
Interest Generated on Funds to fund INEE	(80)	(140)	(140)	-
Growth Hub	(410)	(410)	(410)	-
Growth Hub Supplementary Funding (COVID-19)	-	(370)	(370)	-
Peer Networks	-	-	(510)	(510)
Enterprise Adviser grant - CEC	(150)	(239)	(279)	(40)
Education Challenge	(97)	(144)	(144)	-
European Social Fund North East Ambition	(620)	(618)	(547)	71
LGF match North East Ambition	(472)	(389)	(314)	75
Skills Funding (DfE/CITE/EY)	(65)	(162)	(577)	(415)
Invite (Horizon 20/20)	(63)	(74)	(74)	-
Innovation Challenge Covid	-	-	(464)	(464)
Innovation Development funding (LGF)	-	-	(79)	(79)
Academic Health Science/Digital/ERDF	(75)	(80)	(80)	-
NEIF Contribution to cover activity costs	(125)	(124)	(124)	-
EZ Contribution to cover activity costs	(160)	(139)	(139)	-
LA Contributions re ESIF Co-ordinator	-	(20)	(20)	-
LGF High Potential	(336)	(237)	(211)	26
Brexit Policy Work Programme	(121)	(146)	(146)	-
Energy Programme BEIS/TVCA/RCEF/Misc. Contributions	(129)	(251)	(277)	(26)
Contribution Pension - NTCA	-	(140)	(147)	(7)
Other Income	(79)	(10)	(23)	(13)
<b>EXTERNAL FUNDING</b>	<b>(3,832)</b>	<b>(4,461)</b>	<b>(6,257)</b>	<b>(1,796)</b>
<b>GROSS INCOME</b>	<b>(4,582)</b>	<b>(5,211)</b>	<b>(7,107)</b>	<b>(1,896)</b>
<b>NET BUDGET</b>	<b>327</b>	<b>157</b>	<b>(10)</b>	<b>(167)</b>
Increase in LEP Reserves/(Contribution from Reserve)	(18)	(103)	10	
EZ Reserve (Contribution)	(309)	(54)	-	
<b>RESERVES INCREASE/(DECREASE)</b>	<b>(327)</b>	<b>(157)</b>	<b>10</b>	
<b>FUNDING GAP</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B/F LEP RESERVE</b>	<b>(550)</b>	<b>(603)</b>	<b>(603)</b>	
<b>C/F LEP RESERVE</b>	<b>(532)</b>	<b>(500)</b>	<b>(613)</b>	

### **3. LEP 2021/22 Revenue Budget**

- 3.1 The indicative revenue Budget for 2021/22 reflects the latest known information of income for 2021/22 with the employee and operational costs required to meet the delivery associated with the individual income streams.
- 3.2 The estimates in this report are an indicative estimate, which will be refined in March and it is intended that a three-year Medium Term Budget is again presented in May, when the outturn position for 2020/21 is clear and more information about grant income available for 2021/22 should be known.
- 3.3 A summary of the indicative Budget for 2021/22 is set out in the table below. The indicative figures show a 23% decrease in Gross Expenditure from £7.097m to £5.462m matched with a 27% decrease in Gross Income from £7.107m to £5.177m. The overall effect is an indicative net cost of £0.285m. This is less than the original net cost of £0.327m illustrated for the 2020/21 Budget in the January 2020 Budget Report and less than the net cost estimate of £0.554m for 2021/22 that was illustrated in May 2020 Budget Report.
- 3.4 In terms of employee costs there is an increase of £0.293m (9.1%) when compared with the Revised Budget for 2020/21. The estimate takes into account the full year effect of new posts appointed at the end of 2020/21 and incremental increases through the pay scales, however, does not reflect any inflationary increase due to the announcement of a pay freeze in the spending review. This assumes the continuation of a 0% employers' contribution that the LEP would have received had it remained with the North East Combined Authority (NECA) this is reflected as an income contribution from the North of Tyne Combined Authority (£0.147m and £0.156m in 2020/21 and 2021/22 respectively).
- 3.5 The main changes in income reflect reduced short-term grant income from BEIS, DfE and Brexit Grant income; and a reduced contribution for LGF Programme management as we near the end of the programme. The North East LEP is bidding for additional grants and any grants secured will be included in the Budget as they are announced.
- 3.6 Other significant changes in the estimates are summarised overleaf:

**Table 2: North East LEP 2021/22 Revenue Budget**

	Revised Budget 2020/21	2021/22 Indicative Budget	Variance
	£'000	£'000	£'000
Employees	3,220	3,513	293
LEP Chair Renumeration	20	20	-
Premises	207	207	-
Communications	250	250	-
Transport LGF Monitoring	26	-	(26)
Growth Hub Operational Costs	74	60	(14)
Growth Hub Supplementary Funding (COVID-19)	309	222	(87)
Invite (Horizon 2020) Operational Costs	72	-	(72)
Innovation Challenge - Covid	464	-	(464)
Other Operational Costs	636	600	(36)
North East Ambition Operational Costs (ESF)	144	192	48
Peer Networks	510	-	(510)
Covid Intelligence	40	-	(40)
LGF High Potential Operational	164	99	(65)
Brexit Policy Work Programme	73	-	(73)
Energy Programme Operational Costs	23	-	(23)
Skills Operational Costs (DfE/CITE /EY)	364	10	(354)
Inward Investment Contribution	140	140	-
LGF Programme Management Costs	78	55	(23)
Getting Building Fund Project Management	205	94	(111)
<b>GROSS EXPENDITURE</b>	<b>7,097</b>	<b>5,462</b>	<b>(1,635)</b>
LEP Core & Strategy Grant from DCLG	(500)	(500)	-
GBF Capacity Funding	(100)	-	100
Local Authority Match Contributions	(250)	(250)	-
<b>CORE FUNDING</b>	<b>(850)</b>	<b>(750)</b>	<b>100</b>
Local Growth Fund (Programme Mgmt )	(747)	(447)	300
Getting Building Fund (Programme Mgmt)	(357)	(298)	59
Interest Generated on Funds to fund INEE	(140)	(140)	-
Growth Hub	(410)	(410)	-
Growth Hub Supplementary Funding (COVID-19)	(370)	(370)	-
Peer Networks	(510)	(100)	410
Enterprise Adviser grant - CEC	(279)	(279)	-
Education Challenge	(144)	-	144
European Social Fund North East Ambition	(547)	(1,310)	(763)
LGF match North East Ambition	(314)	(43)	271
Skills Funding (DfE/CITE/EY)	(577)	(121)	456
Invite (Horizon 20/20)	(74)	-	74
Innovation Challenge Covid	(464)	-	464
Innovation Development funding (LGF)	(79)	-	79
Academic Health Science/Digital/ERDF	(80)	(76)	4
NEIF Contribution to cover activity costs	(124)	(110)	14
EZ Contribution to cover activity costs	(139)	(110)	29
LA Contributions re ESIF Co-ordinator	(20)	(20)	-
LGF High Potential	(211)	(148)	63
Brexit Policy Work Programme	(146)	-	146
Energy Programme BEIS/TVCA/RCEF/Misc. Contributions	(277)	(189)	88
Contribution Pension - NTCA	(147)	(156)	(9)
Other Income	(23)	(100)	(77)
<b>EXTERNAL FUNDING</b>	<b>(6,257)</b>	<b>(4,427)</b>	<b>1,830</b>
<b>GROSS INCOME</b>	<b>(7,107)</b>	<b>(5,177)</b>	<b>1,930</b>
<b>NET BUDGET</b>	<b>(10)</b>	<b>285</b>	<b>295</b>
Increase in LEP Reserves/(Contribution from Reserve)	10	(113)	
EZ Reserve (Contribution)	-	(172)	
<b>RESERVES INCREASE/(DECREASE)</b>	<b>10</b>	<b>(285)</b>	
<b>FUNDING GAP</b>	<b>-</b>	<b>-</b>	
<b>B/F LEP RESERVE</b>	<b>(603)</b>	<b>(613)</b>	<b>(10)</b>
<b>C/F LEP RESERVE</b>	<b>(613)</b>	<b>(500)</b>	<b>113</b>

### **LGF Funding**

3.6.1 This remains a significant funding stream (£270.1m over six years) but is declining due to completion in March 2021. Swap funding will be available beyond this to cover necessary continued monitoring and evaluation. This has enabled local project priorities to be supported over the longer-term, including revenue projects, and also helped to attract matched funds. Consequently, there will be a tail of funds to support existing project funding agreements and necessary ongoing monitoring and evaluation plans through to 2024.

### **Getting Building Fund**

3.6.2 A revenue stream to fund programme management costs on Getting Building Fund is reflected in 2020/21 (£0.357m) and reducing in 2021/22 (£0.298m), in line with delivery on the programme.

### **BEIS Funding**

3.6.2 BEIS has provided funding in respect of Peer Networks (£0.510m) in 2020/21 which is assumed to reduce to £0.100m in 2021/22. Growth Hub Supplemental funding in relation to COVID-19 has been received from BEIS of £0.370m in both 2020/21 and 2021/22. New posts have been appointed in January 2021 in relation to this funding although the full year cost of these posts in 2021/22 is met by a reduction in operational costs on the programme.

### **Brexit Funding**

3.6.3 This is one off funding included in the 2020/21 forecast but not confirmed to be available in 2021/22.

### **LGF High Potential**

3.6.4 The reduced income stream (£0.148m) is matched with a reduction in operational costs.

### **LGF Innovation Pipeline**

3.6.5 This is a one-off project grant for 2020/21.

### **North East Ambition (ESF)**

3.6.6 An extension to North East Ambition (NEA) 1 has been applied for and is waiting to be confirmed, however, NEA 2 funding has been confirmed

which will allow existing fixed-term posts to be extended through to August 2022.

#### **4. North East LEP Revenue Balances**

- 4.1 The estimate for 2020/21 and 2021/22 shows that the North East LEP revenue balance as at 1 April 2020 was £0.603m and this is shown as increasing slightly to £0.613m at 31 March 2021. It is important to maintain a reasonable balance to deal with future uncertainties.
- 4.2 The balancing figure of £0.172m in the indicative 2021/22 Revenue Budget is a call on the Enterprise Zone surplus from the previously agreed £0.5m per annum budget.
- 4.3 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income surplus of up to £0.5m per annum could be utilised to support the Revenue Budget if required. To date there has not been a requirement to use this facility and therefore in effect saving £2.0m of potential spend from the EZ account. The intention is to reduce the call on the EZ account by the year end though additional income and cost savings.
- 4.4 The balance on the Enterprise Zone account is estimated to grow from £3.047m to £3.347m this year and £3.779m next year, as illustrated in section 5 below.

#### **5. North East Enterprise Zones**

- 5.1 Ten Round 1 Enterprise Zones are located across four local authority areas: Newcastle, North Tyneside, Northumberland and Sunderland. In April 2017 these were joined by a further ten Round 2 sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside and Sunderland with the International Advanced Manufacturing Park (IAMP) site launched on the 1<sup>st</sup> April 2018 to complete the coverage of our 21 Enterprise Zones.
- 5.2 Business rates growth generated on Enterprise Zones accrues to the North East LEP for a 25-year period, in accordance with national regulations. This income is used to fund the capital financing costs of approved Enterprise Zone capital infrastructure, revenue administration costs, and a contribution towards Inward Investment activity. The financial administration of Enterprise Zones is managed in accordance with the local Enterprise Zone Business Rates Income Pooling Agreement. This agreement helps to pool and manage risk relating to borrowing undertaken by councils to fund Enterprise Zone capital works; helps to minimise costs and to helps to avoid additional revenue costs for council. The administration of the agreement has succeeded in achieving a positive cash flow on the Enterprise Zone account, which has

enabled a cumulative surplus to be generated. This acts as a contingency to help mitigate the risk of income shortfalls.

- 5.3 Table 3, below, provides a summary of the Enterprise Zone account income and costs for 2019/20 (actual) and the estimated income and expenditure figures for 2020/21 and 2021/22. The Business Rate Income figures includes an element of contributions from the Section 31 grant provided by MHCLG to compensate for the under-indexation of the business rate multiplier, which should have been increased by the Retail Price Index. This grant has been confirmed as 20/499<sup>th</sup> of rates in 2020/21 and 26/499<sup>th</sup> in 2021/22.

**Table 3: Enterprise Zone Account**

<u>Enterprise Zone Account</u>	<u>2019/20</u>	<u>2020/21</u>		<u>2021/22</u>
	Actual	July 2020 Estimate	Latest Estimate	Estimate
	£000	£000	£000	£000
<b><u>Business Rate Income</u></b>				
<b><u>Round 1 Sites</u></b>				
Newcastle (Neptune)	508	463	483	489
North Tyneside (Swans)	160	188	138	161
Northumberland (Blyth)	308	282	309	308
Sunderland (A19)	752	724	754	763
<b><u>Round 2 Sites</u></b>				
Northumberland	40	37	38	63
Sunderland (Port)	0	0	0	0
Gateshead (Follingsby)	242	221	217	346
IAMP	0	561	667	674
Durham (Jade)	0	0	46	108
Newcastle (Airport)	0	0	51	126
Business Rate Income	2,010	2,521	2,703	3,038
Interest of Account Balance	20	20	15	17
<b>Total Income</b>	<b>2,030</b>	<b>2,541</b>	<b>2,718</b>	<b>3,055</b>
<b><u>Expenditure</u></b>				
Capital Financing Costs	1,696	2,101	2,101	2,300
INEE Team Contribution	66	170	170	170
EZ Account Operation	128	144	150	150
<b>Total Costs</b>	<b>1,890</b>	<b>2,415</b>	<b>2,421</b>	<b>2,620</b>
<b>Annual Surplus</b>	<b>140</b>	<b>126</b>	<b>297</b>	<b>435</b>
<b>Cumulative Surplus</b>	<b>3,047</b>	<b>3,173</b>	<b>3,344</b>	<b>3,779</b>

- 5.4 The increase in income in 2020/21 is mainly due to the completion and occupation of 3 buildings on the IAMP site and income from the Durham (Jade) and Newcastle Airport EZ sites being received earlier than planned. Forecast income increases for 2021/22 primarily come from full year rates being payable for occupiers on Durham (Jade) and Newcastle Airport and the Gateshead (Follingsby) Enterprise Zone sites.
- 5.5 While income in 2020/21 is expected to be slightly higher than the prudent estimate made in July 2020, it is still significantly lower than the projections made in May 2018, when income was estimated at £6.9m for 2020/21 and £8.4m in 2021/22. The lower estimates of income were

reported in July 2020 and it is currently estimated that income will grow significantly from 2022/23 onwards as new buildings are constructed and occupied on the Follingsby and other Enterprise Zone sites.

- 5.6 The costs mainly relate to capital financing costs including borrowing costs (which includes interest) and the repayment of previous interest free loans from the LEP's North East Investment Fund (NEIF) and the repayment of LGF funding swaps. Capital financing costs are lower than previously estimated in 2021/22 due to the potential impact of Getting Building Fund swaps, which will reduce interest costs on borrowing that will now be undertaken later than previously planned.
- 5.7 The cumulative surplus is expected to increase both this year and next, with increasing surpluses in future years. In July 2020 the lifetime surplus was estimated to be £270m, which after performance incentive reward payments was estimated to be £232m. The growing likelihood of a significant annual surplus from 2023/24 gave some confidence that the LEP could allocate £8.000m of its North East Investment fund to expand the Getting Building Fund programme from £47m to £55m. The £8m initial allocation from the NEIF is intended to be repaid from annual EZ surpluses generated from 2024/25 onwards. This use of £8m of the potential future years EZ surplus was agreed by the LEP and the seven councils that are party to the EZ BRGI pooling agreement in July 2020. This early boost to the Getting Building Fund activity was considered to have significant regional economic benefits.
- 5.8 One of the agreed uses of the Enterprise Zone surplus is to underwrite the costs of the LEP Team budget of up to £0.500m each year. The original 2020/21 LEP Team budget, agreed in January 2020, envisaged a potential call on the EZ surplus of £0.309m. This was reduced in May 2020 to £0.054m and the latest estimate is that no contribution will be required in 2020/21. This follows a similar pattern to previous years, where the use of the EZ surplus was not called on at the year end. In the latest draft 2021/22 Revenue Budget, a potential contribution of Enterprise Zone Surplus of £0.172m is required. It is envisaged that this contribution will fall as additional income or cost savings are identified during 2021/22. In the event of a contribution actually being required, this will reduce the Enterprise zone cumulative surplus, estimated to be £3.979m by the end of 2021/22. More information will be reported in March and a detailed report on the projected lifetime surplus on the account, which is still estimated to be over £200m will be presented to the May Investment Board and the full Board.

## **6. North East Investment Fund (NEIF)**

- 6.1 The North East Investment Fund (NEIF) was set up using £25m Growing Places Fund (GPF) and Regional Growth Fund (RGF) £30m. It is used to fund Enterprise Zone projects as noted above in paragraph 5.6. There have been £78.m loans made to date with reinvestment of repayments. No write offs have been made to date. The current available balance on

the NEIF is approximately £20m plus future repayments. The intention is to use NEIF balances to launch the Commercial Property Investment Fund. A full update on the NEIF position will be brought to the May LEP Board as part of the 2020/21 Outturn position and 2021/22 Budget and 3-year Medium Term Report.

## **7. Recommendations**

7.1 The Board is requested to:

- i. Note the positive Budget outturn position for 2020/21.
- ii. Note the indicative Budget for 2021/22, with an update on the 2021/22 Budget being reported to the LEP Board in May along with a three-year estimate.
- iii. Note the estimated end of year position of the Enterprise Zone account.

## **Invest North East England 2020-21 Indicative Outturn and 2021-22 Budget.**

### **Overview**

Invest North East England (INEE) acts as the strategic inward investment service in the North East. It works collaboratively with its seven local authority partners, two combined authorities, and other key stakeholders such as the North East LEP, Department of International Trade, and Universities to increase the levels of inward investment flowing into the region from both UK-owned and foreign-owned businesses.

Operationally, INEE's work has a few key guiding principles:

- INEE's primary function is to focus on attracting new inward investment to the NE (rather than seeking to secure re-investment in existing companies).
- INEE works closely with, and on behalf of, all seven constituent authorities, its aim being to maximise levels of inward investment regardless of location in North East (a 'North East First' principle).
- INEE activity aims not to duplicate but add value to activities undertaken by the constituent local authorities.
- INEE engages in proactive lead generation activity which is sector-based, focussed on: Digital Technology; Energy; Life Sciences; Advanced Manufacturing; Financial, Professional and Business Services.
- INEE focus of activity will be on strategic inward investment projects which require regional-level promotion, coordination, and collaboration in the first instance, before a focus on a specific site.
- As far as possible, INEE will aim to attract investment opportunities which will lead to significant numbers of high-quality jobs (more and better Jobs).

### **Performance**

After a very challenging year, dealing with the negative impact on inward investment of the COVID-19 pandemic and Brexit, the INEE Team is confident that 2021/22 will bring increased activity. The Team is involved in several very significant projects and is developing new approaches with partners in a number of areas including developing strategies to attract new north shoring and electrification projects, as well as significant offshore wind supply chain activity.

The Outturn for 20-21 and the proposed budget for 2021-22 is set out in Table 1 overleaf.

**Table 1: Invest North East England 2020-21 Indicative Outturn and 2021-22 Budget**

	<b>2020-21 Original Budget</b>	<b>2020-21 Indicative Outturn</b>	<b>Variance from Original Budget</b>	<b>2021-22 Proposed Budget</b>
<b>Expenditure</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Salaries	166,000	165,000	(1,000)	166,000
Staff training	2,000	10,000	8,000	2,000
Travel and subsistence (include international travel)	9,000	2,000	(7,000)	9,000
Web, telecoms, computers	8,000	15,000	7,000	8,000
Marketing/Comms/Events	100,000	70,000	(30,000)	100,000
Membership Fees (e.g. Sector bodies)	3,000	4,000	1,000	3,000
Visit hospitality costs	7,000	2,000	(5,000)	7,000
Professional consultancy	20,000	15,000	(5,000)	20,000
Lead generation/representation (London)	110,000	70,000	(40,000)	110,000
Research resource licenses	25,000	25,000	0	25,000
Propositions refresh	10,000	17,500	7,500	10,000
<b>Total</b>	<b>460,000</b>	<b>395,500</b>	<b>(64,500)</b>	<b>460,000</b>
<b>Income</b>				
Budget source				
Local Authority Contributions (£20,000 per Authority)	(140,000)	(140,000)	0	(140,000)
Department for International Trade (DIT)/Private Sector (contributions to events)	(10,000)	(6,306)	3,694	(10,000)
North East LEP	(310,000)	(249,194)	60,806	(310,000)
<b>Total</b>	<b>(460,000)</b>	<b>(395,500)</b>	<b>64,500</b>	<b>(460,000)</b>



**Subject: Overview and Scrutiny Committee Work Programme  
2020-21 Update**  
**Report of: Elizabeth Kerr, Governance and Scrutiny Manager**

## Report Summary

The purpose of this report is to update the committee on progress against the work programme and seek agreement to establish a working group on co-production to examine the different approaches and models and consider how co-production could be applied to the work of the NTCA.

## Recommendations

The Overview and Scrutiny Committee is recommended to:

1. Agree to establish a working group on co-production.
2. Agree its membership.
3. Agree the proposed remit for the working group as set out in paragraph 1.3 of the report or amend as appropriate.

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

#### 1.1 Role of Overview and Scrutiny Committee

1.1.1 The role of the North of Tyne Combined Authority's (NTCA) Overview and Scrutiny Committee is to:

- Review or scrutinise decisions made, or other actions taken, by the Cabinet or the Mayor in connection with the discharge of any functions which are the Cabinet's or the Mayor's responsibility.
- Make reports or recommendations to the Cabinet or the Mayor (as appropriate) with respect to the discharge of their functions or on matters of strategic importance that affect the North of Tyne area or inhabitants.
- Review the performance of the Cabinet and Mayor against objectives within their strategies and policies.
- Facilitate the exchange of information about the work of the Cabinet and the Mayor and share information and outcomes from reviews.

#### 1.2 2020/21 Work programme

- 1.2.1 In June, the committee agreed a work programme mindful that it would need to be flexible to respond to the demands of the coronavirus pandemic and the Authority's response to events and plans for recovery.
- 1.2.2 The committee also agreed that consideration should be given to undertaking some scrutiny work outside of the confines of a formal committee meeting, either through a Scrutiny in a Day session or by establishing a working group.
- 1.2.3 Since the June 2020 meeting, the work programme has been met with additional items presented to the committee on the NTCA Citizens Assembly and Brexit. Added to the March 2021 meeting is a report on the proposed Poverty Truth Commission.

- 1.2.4 The Mayor and all Cabinet Members have attended or been invited to a committee meeting.
- 1.2.5 The committee members have also attended a joint briefing with the Overview and Scrutiny Committee of the North East Combined Authority (NECA) on the regions response to the coronavirus pandemic and work is underway to develop a closer working relationship with the NECA committee and the North East Joint Transport Overview and Scrutiny Committee.
- 1.2.6 In December 2020 the committee members were asked to propose topics for possible in-depth scrutiny for discussion at its workshop in January. At the workshop the topic of co-production was proposed and it was agreed that it should be put to the committee at its next meeting for formal agreement.

### 1.3 **Proposed Co-production working group**

1.3.1 Co-production is not a new approach and has many definitions but for the purposes of this proposed working group the basic principle of “nothing about us without us” will be at its core. Co-production is essentially sharing the design and delivery of services with users and enables those involved to have equal power and influence over the decisions taken. Co-production is something the NTCA is interested in promoting and it is proposed that the Overview and Scrutiny Committee establish a temporary working group to examine the different approaches and models and consider how co-production could be applied to the work of the NTCA.

1.3.2 The work would have added value to the NTCA as it would provide:

- A cross constituent authority view on the adoption of a co-production strategy for NTCA.
- A guide and assessment of the best co-production approach for different types of project/objectives to assist NTCA officers choose the right framework for their project.
- A mapping exercise of existing practice to identify good practice and opportunities for cross authority working which can be utilised by our constituent authorities.

1.3.3 Questions which could be considered as part of its work are:

- What are the different approaches to co-production and their advantages and disadvantages?
- How would co-production work at a Combined Authority?
- What are our constituent authorities already doing? How do we ensure we don't duplicate existing networks/partnership working?
- How would the organisations and individuals which form part of the co-production working group be selected?
- Which cohorts would need to be involved?

1.3.4 The proposed topic allows for cross authority working and for the committee to engage with the public and community groups about the work of the NTCA and understand more about their neighbouring authorities.

1.3.5 It is proposed that the work would take place over the spring with a report of its findings to be submitted to the first Overview and Scrutiny Committee meeting of the new municipal year in June 2021.

1.3.6 The membership of the working group should be between four to six members to enable it to work flexibly and quickly, ideally with at least one member from each constituent authority.

## 2. **Equalities Statement**

2.1 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.

### **3. Inclusive Economy Statement**

- 3.1 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.

### **4. Climate Change Statement**

- 4.1 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.

### **5. Consultation and Engagement**

- 5.1 The Overview and Scrutiny Committee, including the substitute members, were asked in December to propose topics for possible in-depth scrutiny for discussion at the workshop in January. At the workshop the topic of co-production was discussed and agreed that it should be put to the committee at its next meeting for formal agreement. As part of the preparation for the proposed remit of the working group, officers from the NTCA Inclusive Economy Team and the Director of Policy and Performance were consulted to provide advice on the timeliness and added value of the committee looking into this topic.

### **6. Appendices**

None

### **7. Background Papers**

Overview and Scrutiny Committee Work Programme 2020/21  
Minutes of the Overview and Scrutiny Committee meeting held 30 June 2020  
NTCA Constitution

### **8. Contact Officers**

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### **9. Glossary**

NTCA North of Tyne Combined Authority

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