

Subject: Inclusive Economy Innovation Fund
Report of: Leigh Mills, Head of Inclusive Growth
Portfolio: Education, inclusion and skills

Report Summary

The purpose of this report is to approve a prospectus for NTCA's Inclusive Economy Innovation Fund, in line with the delegation agreed by NTCA's Cabinet in September 2020. The prospectus will be used to initiate and support conversations with stakeholders to ascertain appetite for co-investment alongside NTCA in the current and future phases of NTCA's Inclusive Economy Innovation Fund. Subject to strong market signals and appetite for co-investment from stakeholders, consideration will be sought in the budget setting process for 2023-28 for any additional resources required.

Recommendation

The Head of Paid Service, in consultation with the Cabinet Portfolio Holder, is recommended to finalise next steps in taking forward market engagement to inform the current and future phases of the Fund, including approving a supporting Prospectus (attached Appendix A) in line with the Delegation agreed by Cabinet in September 2020.

1. Background Information, Proposals and Timetable for Implementation

1.1 At its meeting on 29 September 2020 Cabinet agreed to:

1. Note the progress in relation to the development of an Inclusive Economy Innovation Fund for the North of Tyne.
2. Authorise the Head of Paid Service, in consultation with the Cabinet Portfolio Holder, to finalise next steps in taking forward the Fund, including approving a supporting Prospectus.
3. Welcome the consideration by NTCA Investment Panel of a future report setting out the delivery plan and operational processes for the Inclusive Economy Innovation Fund once finalised, following a period of consultation with potential co-investors.

1.2 In April 2019 Cabinet agreed that up to £12 million could be allocated from the NTCA Investment Fund to prioritise innovative inclusive economy investment activities from the initial five-year budget of the Combined Authority – this funding represents the first phase of the fund. In October 2019 Cabinet approved priorities for investment for this phase of funding, as part of suite of measures to support the delivery of an inclusive economy. This included prioritising people and groups which traditionally experience social disadvantage and economic exclusion, primarily:

- Residents who are out of employment
- In-work, low-earning individuals
- Individuals with low skills
- Young people not in education, employment or training

1.3 Cabinet agreed that the £12 million allocation it approved should be used to attract co-investment with an ambition of achieving a ratio of 3:1 leverage on the NTCA commitment. Crowding-in co-investment to the Inclusive Economy Innovation Fund (IEIF) intended to raise the profile of the Fund, maximise the value for money NTCA could achieve and contribute towards the principles of the Fund agreed as:

- **Impact at scale:** creating a Fund which can go further, faster
- **Innovation:** in both structure and delivery

- **Citizen engagement:** co-developing the fund with our residents and their representative groups
- **Business engagement:** creating a natural place for conversations about new economic and investment models to take place

1.4 Co-investment and match funding has been secured on a project-by-project basis to date. The production of a Prospectus represents an effort to introduce the Fund to potential co-investors more proactively and to drive more strategic co-investment opportunities at a fund level. The draft Prospectus is Appendix A of this report. Based on the timetable presented in the report Cabinet also agreed that the following key milestones:

2023-33	Fund lifetime
2021	Co-creation phase: Co-investor engagement and Fund design
2022	Fund mobilisation
2023	Fund goes live

This timetable, as per the original Cabinet report, agreed the following parameters:

- NTCA should seek to make investment available for a minimum period of five years from the point that the delivery plan and mechanisms associated with the Fund are agreed. This will mean committing funds beyond the Combined Authority’s initial Gateway Review in 2023.
- Consideration would be given in the budget setting for 2023-28 to ensure that, subject to strong market signals and appetite for co-investment from stakeholders, consideration will be sought in the budget setting process for 2023-28 for any additional resources required beyond funds already approved.

1.6 To adhere to the timetable outlined by Cabinet as part of this decision, and develop the IEIF in-line with NTCA’s Assurance Framework, officers intend to:

1. Utilise the IEIF prospectus to support discussion with a range of potential co-investors into the current and future phases of the IEIF
2. Once appetite for co-investment is known, scope out a detailed plan for mobilisation. This will include, but not be limited to:
 - Next steps in securing funds required from NTCA and potential co-investors for the longer-term ambition for the fund beyond the current investment period to 2023
 - Options for fund management arrangements and vehicles, including any appropriate procurement exercises
 - Governance considerations – arrangements to be in-line with NTCA Assurance Framework and to enable a range of innovative funding approaches where deemed appropriate e.g. loans, equity investments
 - Potential structure of funding programme(s)

2. Potential Impact on Objectives

2.1 NTCA’s vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region’s future.¹ We are committed to giving everyone the opportunity to thrive – to achieve a fair wage, and access good jobs, and by working in partnership with business and civil society to achieve this. Our Inclusive Economy Policy Statement reinforces this by committing NTCA to developing an investment approach that explicitly links growth with inclusion.² This includes specific ambitions to create a more social and inclusive economy, addressing inequality and poverty, and drive better coordination of education, skills,

¹ Corporate Plan, North of Tyne Combined Authority, June 2021

² Inclusive Economy Policy Statement, North of Tyne Combined Authority, June 2021

employment and health activities. – delivered by projects including the Inclusive Economy Innovation Fund.

3. Key Risks

3.1 The following key risks have been identified in relation to the proposals:

Area	Risk	Mitigation
Scope of work	Proposed activities fall outside of NTCA’s powers & accountabilities.	NTCA officers have provided advice to the Portfolio holder and NTCA’s Directors to ensure the proposed activities are appropriate and proportionate.
Approach to market	The intent or scope of the Fund is not clearly articulated, creating reputational risk.	NTCA has sought specialist advice to ensure the approach is suitable for the ambitions of the Fund. Subject to approval, NTCA officers will work closely with the Head of Communications on the final Prospectus.

3.2 The IEIF has the opportunity to be an important exemplar approach for the delivery of an inclusive economic recovery from the COVID-19 crisis.

4. Financial and Other Resources Implications

4.1 The proposals as set out in this report require resources of up to £12m from the NTCA Investment Fund to be made available for the launch of a strategic and co-invested IEIF. Due to the long-term nature of the approach proposed, investment should be made available for a minimum period of five years from the point that the delivery plan and mechanisms associated with the Fund are agreed – this requires funds to be committed beyond the Combined Authority’s initial Gateway Review in 2023. Based on the expected timetable outlined in the original Cabinet report consideration will be sought in budget setting for 2023-28 to ensure that funds are available and can be defrayed throughout the period to 2028. This will include working with NTCA’s Investment Panel and senior officers to scope and address the implications of any innovative financing mechanisms proposed for the Fund e.g. loans or equity investments.

5. Legal Implications

5.1 The Interim Monitoring Officer’s comments have been included in this report.

6. Equalities Implications

6.1 It is anticipated that NTCA’s IEIF will have limited negative impact on any groups with protected characteristics, under the terms of the Equality Act 2010. Moreover, by developing an IEIF which is responsive to the needs of particular places in the North of Tyne it will specifically deliver the aims of the 2010 Equality Act to advance equality of opportunity for all, especially for residents experiencing low pay/socio-economic disadvantage.

7. Inclusive Economy Implications

7.1 The IEIF is part of NTCA’s Education, inclusion and skills policy priority, developing activities and interventions which achieve local economic resilience via strengthened communities, and more and good jobs. The IEIF will specifically support the development of an inclusive economy in line with the following characteristics:

- Participation – Delivering a people-centred approach to local economic development by co-designing and delivering the Fund with civil society specialists and our local residents.
- Equity – By maximising the value of NTCA funding and building a coalition of committed co-investors tackling inequality in the North of Tyne.
- Growth – By building a Fund which supports good jobs and work opportunities and tackles in-work poverty, directly targeting poorer communities, families and individuals.

8. Climate Change Implications

There are limited climate change implications to this report, however the IEIF will offer NTCA the opportunity to learn from co-investors in areas of ethical and sustainable investment, of which low carbon and net zero are important considerations.

9. Consultation and Engagement

9.1 Following Cabinet approval of the priorities for the IEIF in late 2019 NTCA officers, under the direction of Portfolio holders, worked with our constituent local authority partners to conduct exploratory conversations with a small number of prospective co-investors to understand the landscape, appetite and interest in the IEIF policy concept and potential approaches.

9.2 As the COVID-19 crisis unfolded officers continued to work closely with the Portfolio holder and Newcastle, North Tyneside and Northumberland local authorities to ensure the proposal evolved in an effective and relevant way. The Mayor has also been consulted throughout.

10. Appendices

A – Inclusive Economy Innovation Fund Prospectus

11. Background Papers

Inclusive Economy Innovation Fund Presentation, 4 August 2020

Employability and Inclusion Portfolio Update, [Report to Cabinet](#), October 2019

Inclusive Economy Innovation Fund, Report to Cabinet, September 2020

12. Contact Officers

Leigh Mills
 Head of Inclusive Growth
 07855 100179 leigh.mills@northoftyne-ca.gov.uk

13. Glossary

IEIF	Inclusive Economy Innovation Fund
NTCA	North of Tyne Combined Authority

14. Sign-off

1) Portfolio holder Yes	2) Director/SMT Yes	3) Chief Finance Officer: Yes	4) Monitoring Officer: Yes
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