

Cabinet

Tuesday, 7 June 2022 at 2.00 pm

Meeting to be held: Committee Room, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

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WORKING TOGETHER: OUR CORPORATE PLAN



2022-2023



ge 1



NORTH
OF TYNE
~~~~~  
COMBINED  
AUTHORITY



Agenda Item 6

# WHY WE CAME TOGETHER... TO IMPROVE THE LIVES OF RESIDENTS

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# OUR TOP FIVE ACHIEVEMENTS SO FAR...



**4586+**  
new jobs in the pipeline  
for growing businesses



**2679**  
jobs saved in a tough  
economic climate



**46 862**  
courses taken  
up by local  
people to get  
good jobs



**2390**  
businesses  
supported with  
advice and  
guidance



Launched our  
**£18m**  
Green New Deal  
fund, investing  
in low carbon  
projects



MAYOR JAMIE DRISCOLL



DEPUTY MAYOR NORMA REDFEARN

These statistics meet nationally recognised standards, outlined in our [Outputs Guidance](#). This guidance is followed by all partners and projects we invest in. You can find it on our website.

# INTRODUCTION

## WELCOME TO THE NORTH OF TYNE COMBINED AUTHORITY'S CORPORATE PLAN FOR 2022-2023.

Last year's Corporate Plan set out a three year vision for our Mayor and Cabinet, with ambitious delivery plans underscoring their vision to see a more vibrant and inclusive economy in the North of Tyne. I want to place on record my thanks to the NTCA team and our partners, who have continued to deliver this vision over the last twelve months with hard work, expertise, and a passion for achieving better outcomes through collaboration.

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DR HENRY KIPPIN

This refresh of the Corporate Plan offers the opportunity to reflect on how we have done so far, and what we will prioritise in another critical year for the Combined Authority and the region:

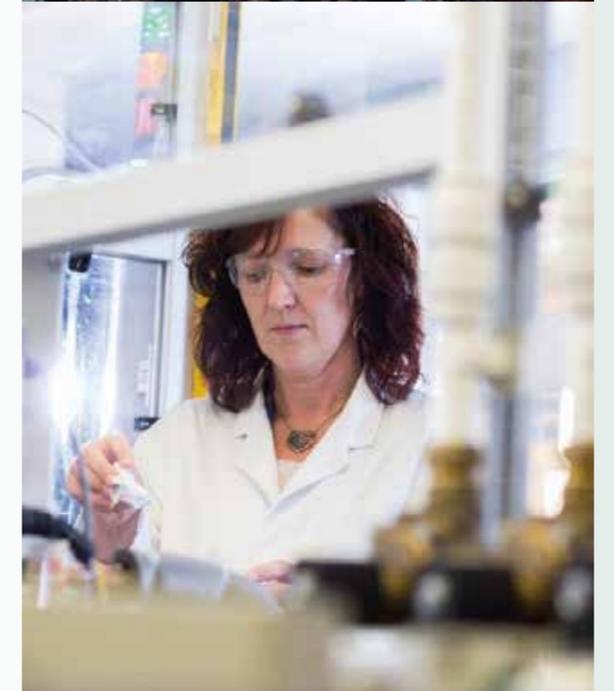
**Delivering in a Shifting Context.** 2021/2022 has been a year of adaptation and change. Covid19 continues to influence our working patterns, investment decisions and the speed with which we and our partners can translate strategic plans into real-world delivery. We have also seen some important policy shifts, notably through COP26, the Levelling Up White Paper and the emerging implications of Brexit. It is vital that we continue to adapt and deliver – which is why we are doing more than ever in 2022/2023 on team resilience and capacity.

**Expanding our Programmes.** The last twelve months has seen a significant expansion of our work programme – with new Cabinet commitments driving investment in areas like the digital economy, rural growth and poverty prevention. Government has also conferred new investment and responsibility on NTCA in areas like brownfield housing, adult skills and nature recovery. This year's delivery plans show how we will translate this investment into tangible activities and outcomes.

**Accelerating Delivery.** It will not surprise anyone to hear that our top corporate priority for 22/23 is to press ahead with delivery. As our Gateway Review baseline report has noted, we are already making great strides. All credit to the team and our partners for that. In the coming year we need to be relentless in pursuit of more – so that families, communities and businesses in the region can feel the benefits of the bold vision set out by our Cabinet.



IT WILL NOT SURPRISE ANYONE TO HEAR THAT OUR TOP CORPORATE PRIORITY FOR 22/23 IS TO PRESS AHEAD WITH DELIVERY.



## OUR CORPORATE PLAN

**WE ARE THE NORTH OF TYNE COMBINED AUTHORITY – A STRONG CROSS-PARTY, CROSS-REGIONAL COLLABORATION LED BY A MAYOR AND CABINET WORKING HARD TO CREATE INCLUSIVE, SUSTAINABLE GROWTH THROUGH DEVOLUTION.**

This is our Corporate Plan. It outlines the things that we are doing and will do in the future - using the powers and resources from our Devolution Deal - to drive jobs, inclusion, new homes and positive economic change in our region, by building on the rapid progress we have already made.

The Plan outlines how, through strong collaboration and real innovation, we are helping to build an exemplar post-Covid city-region that truly delivers on the promise of levelling up. It shows how a true cross-sector collaboration is being built in the region, and sets out the tangible, real-world impact of our work – right now and for the next three years – enabling positive change from the Tyne to the Borders.

We are collectively prepared to do whatever it takes to secure our recovery and help shape the future. The following pages show how we will do this in practice.

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## OUR VISION

**OUR NORTH OF TYNE 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.**

We work in partnership, We create connections between programmes and projects and we are inclusive. Devolution has given us the chance to make our own decisions about our own future so we are targeting investment where we know we need it most, making a strong connection between economic growth and providing people with the skills, education and confidence to benefit from every opportunity.

## NORTH OF TYNE... A SNAPSHOT

### OUR ECONOMY HAS RECOVERED SIGNIFICANTLY FROM THE PANDEMIC...

Major job announcements and inward investment: British Volt, JDR Cables, Version 1 and Verisure.

12,000 fewer North of Tyne residents are claiming unemployment benefit than at the peak of the pandemic. We are only marginally above the national average.

### BUT CHALLENGES AND RISKS REMAIN

Long-term unemployment has increased, with nearly half accessing benefits for 2 years or more. Up 20% from pre-pandemic.

Business start-ups and innovation below national average. The gap is equivalent to an extra 360 businesses per year.

The number of people in work has fallen by 19,000 people since before the pandemic.

The pace of UK recovery has slowed and the risks to our growth have increased.

### ... AND THE COST OF LIVING CRISIS MEANS THAT MANY HOUSEHOLDS WILL SEE BILLS GOING UP THIS YEAR BY MORE THAN THEIR INCOME.

Household's average energy bills increased by £700 when the energy price cap was lifted in April and there are potentially further increases to come.

Spending power also held back by higher National Insurance contributions and inflation, which rose to 7% in March.

### LOOKING FURTHER AHEAD, OUR REGION CAN LEAD THE RECOVERY TOWARDS A MORE SUSTAINABLE AND INCLUSIVE ECONOMY:

We are powering the UK's green economy, including investment and new jobs in offshore energy and battery manufacturing.

We are unlocking inclusive innovation in our businesses by strengthening our links to our world-class health, digital, research, Catapult and innovation assets.

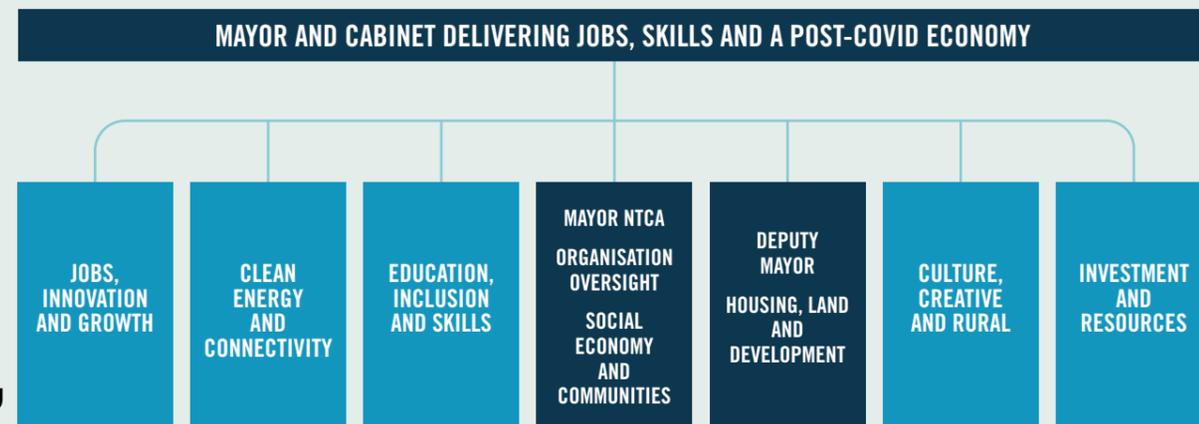
We are seeing an increased commitment to Good Work, which now covers 40,000 employees across 56 organisations.

We are helping to build the profile of the region and have become known for our natural and cultural assets, and our world-class events.

## DELIVERING TOGETHER...



WE ARE ADDRESSING THESE REGIONAL CHALLENGES THROUGH A BOLD PROGRAMME OF INVESTMENT AND REFORM WHICH IS DESIGNED, DELIVERED AND GOVERNED THROUGH COLLABORATION. OUR CABINET HAS OVERSEEN RAPID PROGRESS AND WORKS TOGETHER TO ENSURE THAT WE DELIVER THE BIGGEST SOCIAL, ECONOMIC AND CLIMATE RETURN POSSIBLE.



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Cabinet Members lead specific portfolios and give collective strategic direction and oversight of our work. Cabinet is made up of representatives from Newcastle City Council, North Tyneside Council and Northumberland County Council, it is led by our Mayor and Deputy Mayor.

Ensuring that local priorities are reflected, we maximise the connection between our urban, rural and coastal geographies and our unique local assets and strengths.

The Mayor chairs the Cabinet, provides oversight of the programme, and plays a key role engaging with citizens, businesses, voluntary sector partners and with Government.

All are supported by an executive team built on close partnership between NTCA and constituent Local Authority officers.

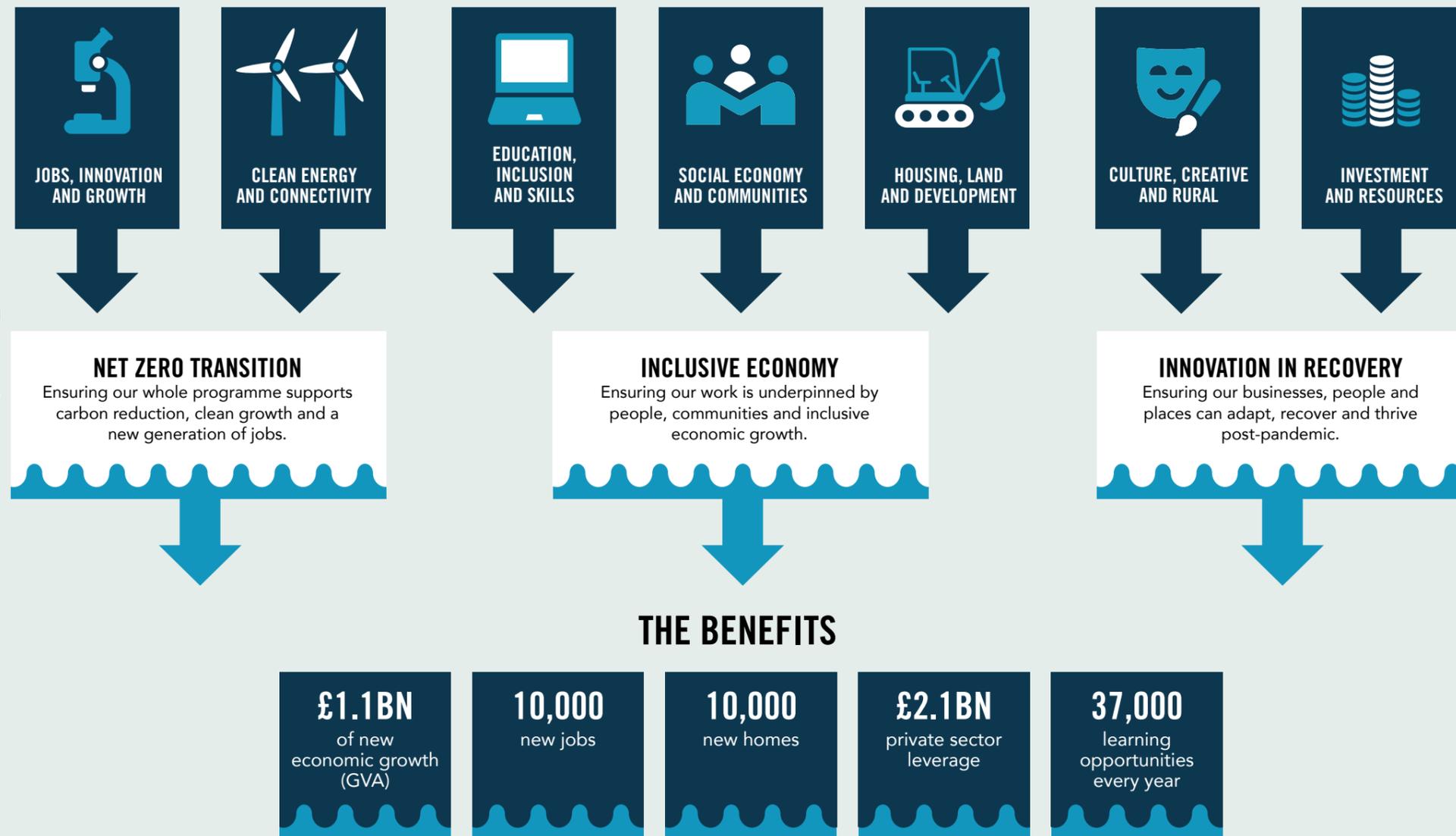
## OUR CABINET LED PORTFOLIOS...



|                                                                                                                                    |                                                                                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>JOBS, INNOVATION AND GROWTH</b></p>      | <p><b>Building our capacity to innovate and create future jobs</b> – through major investment in our transition to clean growth, green jobs and a modern, digitally connected economy.</p>                                       |
|  <p><b>CLEAN ENERGY AND CONNECTIVITY</b></p>    | <p><b>Driving our clean energy revolution and connecting the region</b> – leading the national charge through multi-million clean energy partnerships, innovation in offshore wind and bold transport connectivity projects.</p> |
|  <p><b>EDUCATION, INCLUSION AND SKILLS</b></p>  | <p><b>Expanding opportunities through skills, education and inclusion</b> – through our £690m devolved adult education budget, new inclusion, education and employment and skills programmes.</p>                                |
|  <p><b>SOCIAL ECONOMY AND COMMUNITIES</b></p> | <p><b>Supporting community resilience and readiness for change</b> – through investment, engagement and co-production with communities in our climate assembly, social economy incubator and anchor institutions programme.</p>  |
|  <p><b>HOUSING, LAND AND DEVELOPMENT</b></p>  | <p><b>Accelerating new housing and regenerating our places</b> – through bringing new resources to re-mediate land, and in major place-based schemes like the Northumberland line, North Shields and Newcastle city centre.</p>  |
|  <p><b>CULTURE, CREATIVE AND RURAL</b></p>    | <p><b>Boosting the productivity of our rural, cultural and creative economies</b> – by investing in innovation, digital connectivity and recovery from the impacts of Covid</p>                                                  |
|  <p><b>INVESTMENT AND RESOURCES</b></p>       | <p><b>Investing in inclusive growth that benefits all of our communities</b> – with a £600m devolved investment fund, and major programmes of investment focused on inclusive growth, skills and innovation.</p>                 |

## OUR CROSS-CUTTING THEMES

Our portfolios and programmes of work are underpinned by three cross-cutting themes. They are net zero, an inclusive economy and innovation in recovery. Together these portfolios and themes form our strategic plan.



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# MAYOR AND CABINET



## OVERSEEING POLICY AND INVESTMENT PRIORITIES



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## HOW WE WORK



WE KNOW THAT THE WAY WE WORK IS JUST AS IMPORTANT AS WHAT WE DELIVER.



**Driven by our mission** – with clear goals, ambitious targets and a restless focus on ensuring long-term impact for our people, businesses and places. The evidence for this is in our investment fund commitments, recovery deal and Cabinet decisions on investment.



**Collaborative by design** – supporting a system response to complex challenges, and collaborating strongly in everything we do with our local, national and cross-sector partners. The evidence for this is in the number of partnerships we have grown and curated within the region and beyond.



**Innovative and agile in delivery** – a small team, proactively looking for new ways of working, delivering, and ensuring we add value, learn and adapt in a constantly changing context. The evidence for this is in our innovative funding models and the way we have adapted our delivery programme through Covid.



**Inclusive and aware** – celebrating difference and living by our values, including through ambitious equalities and social value policies and balanced headline investment fund commitments. The evidence for this is in our policies, our team values and behaviours, and in the strong focus on inclusion within our programme.



**Showing leadership** – being brave and investing early in areas where we can make a difference and leverage additional resource and collaboration. The evidence for this is in the foundational investments we are making in climate, digital, energy, housing and creative sector growth.

## FUNDING, INVESTMENT AND RESOURCES



**THIS SECTION EXPLAINS WHERE OUR MONEY COMES FROM AND HOW IT IS ALLOCATED. THE CABINET ARE ACCOUNTABLE FOR OUR INVESTMENT DECISIONS AND FOR ENSURING THAT THIS HAS IMPACT. THE PROCESS IS OVERSEEN BY THE NORTH OF TYNE INVESTMENT PANEL.**

The foundation of our investment is a £600m fully devolved investment fund, which delivers £20m per year over a thirty-year period. The purpose of this fund is clear: to support accelerated, inclusive growth which creates new jobs and skills opportunities, and which helps build the foundation for long term, sustainable growth in the region.

Our Investment Fund is augmented by new funding streams worth almost £700m which have been secured since the original devolution deal – supporting adult skills, the remediation of brownfield sites, community renewal and SME growth.

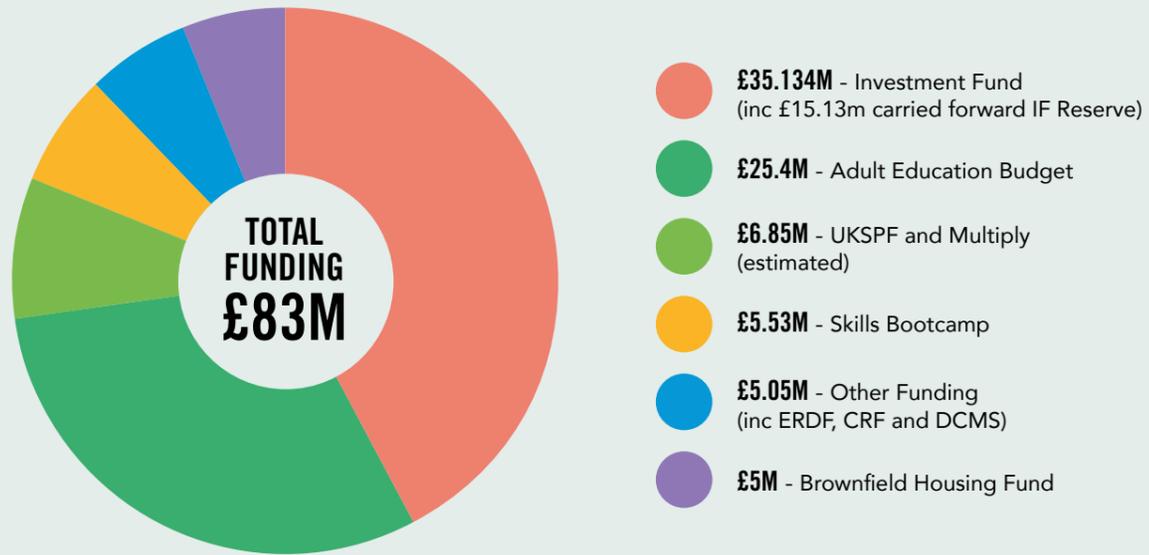
The North of Tyne Cabinet agreed a headline Investment Plan in April 2019 – which set out ambitions for delivery across a five-year period utilising the first £100m of Investment funds. This plan covers ‘business’, ‘people’ and ‘place’ elements as well as providing flexibility for us to pursue strategic opportunities as they arise. In addition, a small proportion is used to enable the Combined Authority to realise and effectively manage project delivery. Towards the end of 2020/21 legislation was put in place to secure borrowing powers that allow the Combined Authority to consider appropriate opportunities to increase the level of investment.

Over £90 million of this initial tranche has been committed and invested into tangible projects. This has helped attract a further £282m of private sector investment. This is reflected in the delivery plans on the next page.

A proportion of our funds will also be recycled through recoverable grants, loans, and equity investments – through new investment and delivery vehicles such as the Green New Deal Fund and the Culture and Creative Recovery Fund. This helps to maximise the value of our interventions.

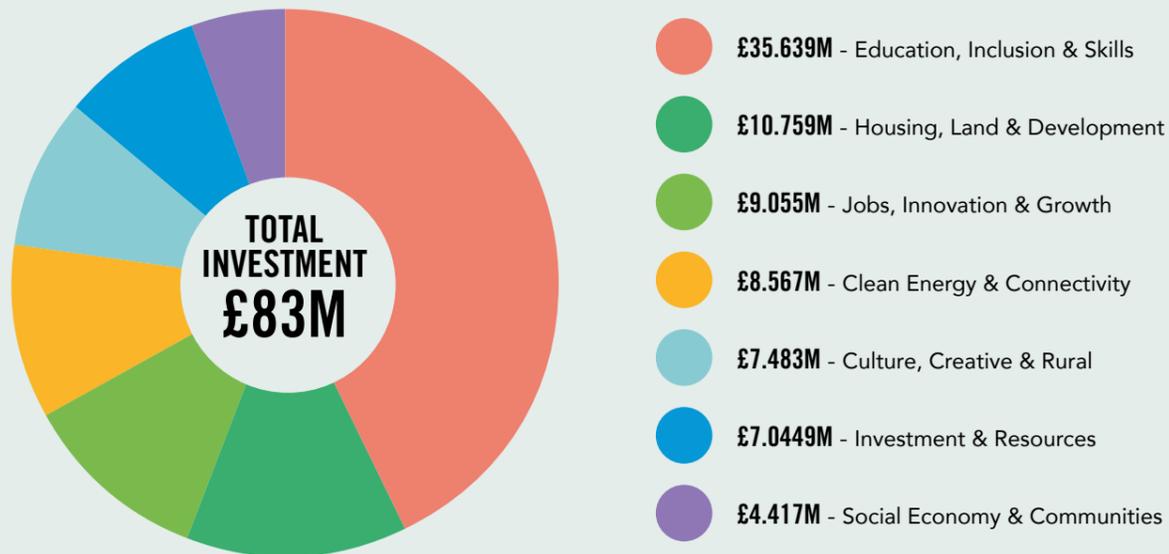


## WHERE OUR FUNDING COMES FROM IN 2022-2023

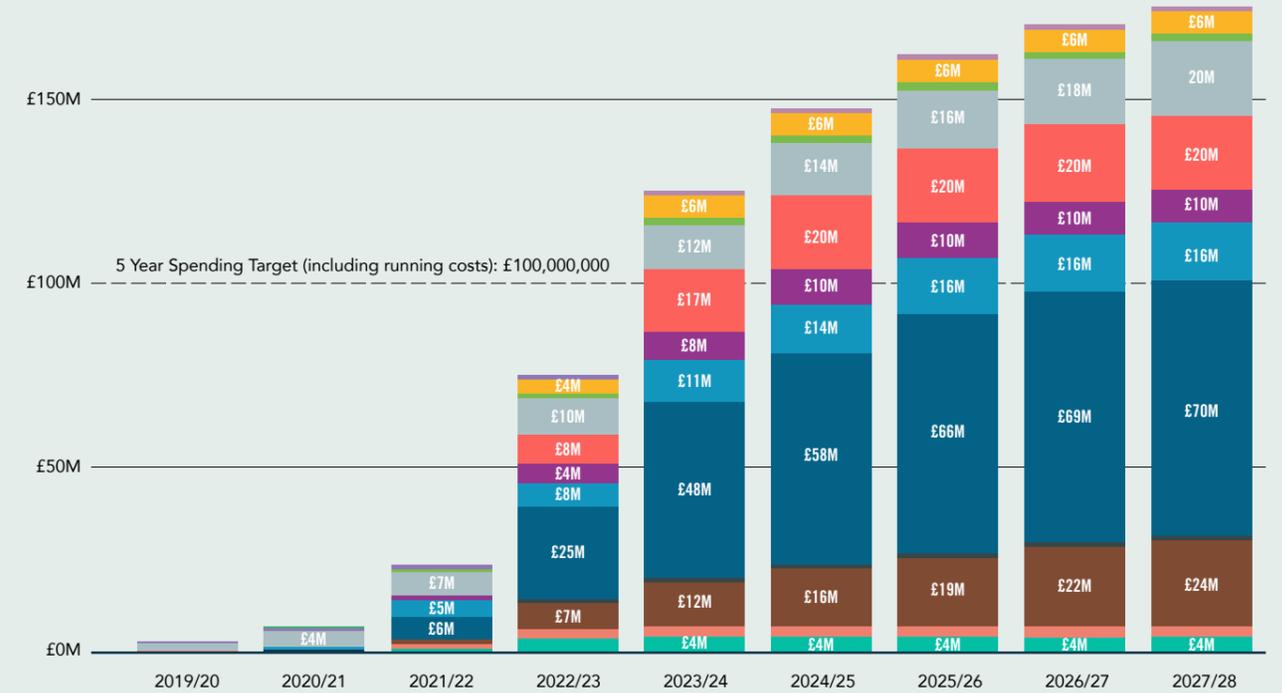


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## WHERE OUR MONEY IS GOING IN 2022-2023



## FORECAST INVESTMENT FUND EXPENDITURE FROM 2019 TO 2029



## WORKSTREAMS

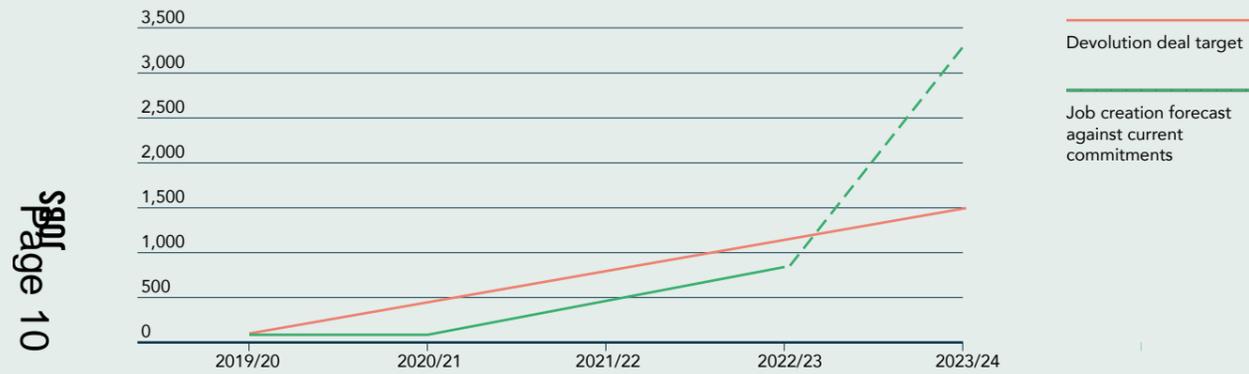
- Business and Enterprise Support
- Business Case Development Fund
- Culture, Creative and Tourism
- Digital/Transport Infrastructure
- Growth of Key Sectors
- Inclusive Economy Innovation Fund
- Inward Investment
- Major Strategic Economic Opportunities
- NTCA Running Costs
- Rural Fund
- Skills for Growth
- Stem and Digital Skills

## MEASURING OUR IMPACT

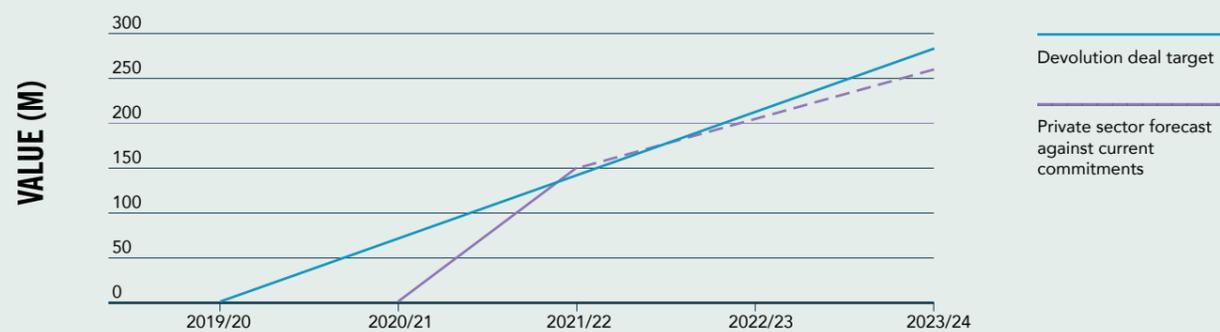
### OUR TARGETS

The devolution deal committed us to adding an additional £1.1bn GVA to the economy, delivering 10,000 new jobs and leveraging over £2.1bn in private sector investment. This is a 'job a day' through the lifetime of the deal, with every £1 invested generating a further minimum of £3.50 of private sector investment. We are on track to meet and exceed these targets, with over 4,500 projected new jobs already in the pipeline which we will work hard to turn into real, sustainable careers for our citizens.

10,000 JOBS IN 30 YEARS



£2.1BN PRIVATE SECTOR INVESTMENT IN 30 YEARS



## FORECASTS

| FORECASTS TO HELP MEASURE IMPACT (CUMULATIVE)                            | 2022 / 2023 | 2024 / 2025 | 2027 / 2028 |
|--------------------------------------------------------------------------|-------------|-------------|-------------|
| Jobs created (contracted)                                                | 5,000       | 7,000       | 10,000      |
| Jobs safeguarded (contracted)                                            | 3,000       | 4,000       | 5,000       |
| Amount of additional private sector money leveraged (contracted)         | £300m       | £450m       | £700m       |
| Number of residents accessing employability support                      | 14,100      | 28,100      | 50,000      |
| Number of courses enrolled on by residents to develop their skills (AEB) | 113,000     | 148,000     | 188,000     |
| Businesses supported (actual)                                            | 1900        | 2500        | 4000        |
| Employers committed to the Good Work Pledge                              | 150         | 500         | 900         |
| Schools supported                                                        | 150         | 230*        | 360*        |
| Children living in poverty supported                                     | 2,500       | 5000*       | 10,000*     |
| Units of land made available for new homes                               | N / A       | 2,100       |             |

\*subject to funding

## UNDERSTANDING IMPACT



### WE KNOW THAT IMPACT IS EVERYTHING. THIS IS WHY WE HAVE ESTABLISHED A ROBUST MONITORING AND EVALUATION FRAMEWORK THAT SHOWS:

- How our priorities, mission and values translate into mechanisms for delivery
- How these mechanisms create value
- How we understand, measure and learn from the impact that we are making.

### SUMMARY OF OUR APPROACH:



This journey from issue-to-impact is outlined in the evaluation model below. It is used to evaluate the delivery priorities set out within this corporate plan, and helps us account for the impact we make to partners in the region and within Government.

Our policy priorities are drawn from NTCA's devolution deal, the Mayor's Manifesto, and the strategic direction shaped by our Cabinet. This framework ensures that NTCA is accountable for the investments that we make, and that we can learn, adapt and improve the way that we work in a changing environment.

### EVALUATION MODEL...



# DELIVERY PLAN



Corporate plan 2022-2023



## WHAT WE WILL DELIVER...



### THE DELIVERY ACTIVITY OUTLINED HERE IS AN EVOLUTION OF OUR PROGRAMME, FROM THE ORIGINAL DEVOLUTION DEAL THROUGH TO OUR POST-COVID RENEWAL PLANS.

It shows a journey from past to present and future - giving confidence about our direction of travel, and the political direction of our Mayor and Cabinet.

|                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>JOBS, INNOVATION AND GROWTH</b></p>      | <ul style="list-style-type: none"> <li>• A Green New Deal Fund which will deliver game-changing investment in green jobs</li> <li>• Bold investment in our digital economy, supporting jobs, growth and inclusion</li> <li>• Investment to secure our recovery from Covid through economic and public service innovation</li> </ul>                  |
|  <p><b>CLEAN ENERGY AND CONNECTIVITY</b></p>    | <ul style="list-style-type: none"> <li>• Multi-million pound investments into offshore wind infrastructure and supply chains</li> <li>• Connecting rural communities to super-fast broadband</li> <li>• Ensuring the Northumberland train line investment creates a corridor of jobs, skills and prosperity</li> </ul>                               |
|  <p><b>EDUCATION, INCLUSION AND SKILLS</b></p>  | <ul style="list-style-type: none"> <li>• Delivering great adult education that supports learners back into work and opportunity</li> <li>• Shaping the skills of the future in partnership with our employers, colleges and providers</li> <li>• Delivering targeted, bespoke interventions to help young and vulnerable people into work</li> </ul> |
|  <p><b>SOCIAL ECONOMY AND COMMUNITIES</b></p> | <ul style="list-style-type: none"> <li>• Creating real opportunities for citizens to influence policy and shape our net zero goals</li> <li>• Helping more employers to create opportunities for 'Good Work'</li> <li>• Becoming the exemplar Combined Authority in support of new zero investment and transition to a green economy</li> </ul>      |
|  <p><b>HOUSING, LAND AND DEVELOPMENT</b></p>  | <ul style="list-style-type: none"> <li>• Delivering more new homes through investing in brownfield sites</li> <li>• Delivering a sustainable housing and infrastructure plan to underpin our places</li> <li>• Investing in critical regeneration priorities and our capacity to reduce carbon from housing</li> </ul>                               |
|  <p><b>CULTURE, CREATIVE AND RURAL</b></p>    | <ul style="list-style-type: none"> <li>• Investing in the future of our creative sector through our Culture and Creative Innovation Fund</li> <li>• Delivering a pipeline of major events to bring people together and help our places recover</li> <li>• Investing in innovation and connectivity to support our rural SMEs</li> </ul>              |
|  <p><b>INVESTMENT AND RESOURCES</b></p>       | <ul style="list-style-type: none"> <li>• Delivering an Investment Programme that creates jobs, skills and growth in the region</li> <li>• Bringing real new jobs in to the region through our Inward Investment Fund</li> <li>• Ensuring our investment and operations are robust, best in class, and continually adding value</li> </ul>            |



## JOBS, INNOVATION AND GROWTH



### THIS PORTFOLIO DELIVERS ACTIVITIES TO SUPPORT JOB CREATION, PRODUCTIVITY GROWTH AND BUILDS OUR CAPACITY FOR INNOVATION.

It does this through major investment into future growth sectors and economic opportunities – such as our digital economy, low-carbon jobs, healthy ageing, and post-Covid urban renewal.

The three workstreams within this portfolio are: digital growth and innovation, Green New Deal, and health economy.

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## OUR ROLE

- NTCA and cross-North East activities to support economic response and medium-term recovery.
- Attract investment to directly provide additional job and growth opportunities.
- Create sectoral growth and innovation programmes, including 'readiness' of businesses to transition to digital.
- These sectoral programmes include digital growth, innovation, and healthy ageing economy.
- Unlock economic opportunities associated with 5G and future technologies.
- Invest in collaborative open innovation approaches to industrial research, and accelerating commercialization, including:
  - the development and delivery of Insights North East – a cross-sector collaboration to support better decision making
  - development of a cross-sector inclusive innovation narrative with partners
- Supporting green jobs in sectors through our energy, green growth and climate change programme, which includes our Green New Deal Fund.
- Creating support eco-system for SMEs to grow and decarbonise, resulting in locally anchored job opportunities for all, at all skill levels.

## AMBITION

- Create 10,000 new jobs over 30 years.
- Build the basis of long term investment plans for key sectors in the North of Tyne that are ambitious but grounded in the reality of our economic assets and market opportunities.
- Position the North of Tyne as a innovative forward-thinking test bed for the future economy and an exemplar of levelling up in action.
- Raise levels of private and public sector R&D and innovation activity to national average (outside 'golden triangle'), leveraging the government's levelling-up white paper targets.
- Take a real lead in enabling green growth that will be fundamental to future growth, recovery, and the achievement of net zero.

## METRICS TO INFLUENCE

### NTCA Outputs:

- Direct jobs created.
- Direct jobs safeguarded.
- Indirect jobs created.
- Indirect jobs safeguarded.
- Enterprises receiving support.
- Enterprises introducing new to market products.
- Creation, or safeguarding, of space for business activities.
- Open workspace created or safeguarded for SMEs.

### Wider outcomes/results:

- Start-up and business survival/growth rates.
- Private sector investment including inward investment from outside of the region.
- Increase in GVA.
- Reduced carbon emission.



## CLEAN ENERGY, AND CONNECTIVITY



**THIS PORTFOLIO DELIVERS ACTIVITIES TO BOOST THE INVESTMENT READINESS, INNOVATION POTENTIAL AND REGION-WIDE CONNECTEDNESS OF OUR WORLD-LEADING CLEAN ENERGY SECTOR.**

It does this through major investment in river and port infrastructure, supply chain innovation, digital connectivity and flagship transport projects like the Northumberland Line.

The three workstreams within this portfolio are: clean energy, transport and mobility, and digital connectivity.

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### OUR ROLE

- Accelerate the development of low carbon energy – including offshore wind and battery technologies – bringing forward a pipeline of key sites, infrastructure and innovation.
- Develop our transport and digital infrastructure and connectivity vision statements – setting out our joint ambition with constituent LAs and an associated pipeline of projects ready for government investment at scale.
- Co-design 5G and future connectivity proposals with partners and build the business case for catalytic investment to support industry adoption.
- Lead on the development of a Future Connectivity Partnership, as a first step coordinating the Digital Connectivity Infrastructure Accelerator programme to unlock the roll-out of 5G and mobile connectivity.
- Support efforts to secure package of funding to support the development Northumberland Line physical works.
- Develop and co-ordinate proposals for an economic corridor along the Northumberland Line and secure investment for implementation.
- Convene the Tyne Taskforce, helping maximise economic and social potential.

### AMBITION

- North of Tyne area secures significant numbers of jobs in low-carbon energy production – including in offshore wind and battery manufacturing supply chain.
- The area is recognised as one of the leading centres for offshore wind manufacturing, servicing and innovation.
- Economic future of the Tyne and Blyth assured, with investment in sites, infrastructure.
- Northumberland Line successfully introduced, radically transforming connectivity to south east Northumberland, and with associated economic and social benefits.
- Greener transport options help reduce carbon emissions.
- Radical improvement to broadband, as part of a world-class digital infrastructure offer - including 5G and future connectivity, fibre connection to Europe, data centres and urban broadband.

### METRICS TO INFLUENCE

#### NTCA Outputs:

- Direct jobs created.
- Direct jobs safeguarded.
- Indirect jobs created.
- Indirect jobs safeguarded.
- Enterprises receiving support.
- Enterprises introducing new to market products.
- Creation or safeguarding of space for business activities.
- Open workspace created or safeguarded for SMEs.

#### Wider outcomes/results:

- Start-up and business survival and growth rates.
- Private sector investment in the region.
- Increase in GVA.
- Reduced carbon emissions.
- Access and take-up of fibre Connectivity, 5G and other new technologies.
- Increased number of premises with access to Superfast and full fibre connectivity.
- Reduction in number of residents who are digitally excluded by lack of technology, connectivity or confidence.
- Improved journey times to work and study in south east Northumberland.



## EDUCATION, INCLUSION AND SKILLS



**THIS PORTFOLIO DELIVERS ACTIVITIES THAT WIDENS OPPORTUNITIES, CREATES NEW TRAINING AND JOB OPENINGS, CLOSES GAPS AND PROVIDES THE SKILLS PIPELINE FOR OUR FUTURE INDUSTRIES AND SECTORS.**

It does this through major investments in adult education, employability and inclusion, and through innovation in employment support in partnership with DWP. A joint school improvement programme across North of Tyne maximises DfE investment to best support all children, with a focus on our most vulnerable.

The three workstreams within this portfolio are adult education and skills, inclusive economy and education improvement.

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### OUR ROLE

- Work collaboratively with national and local stakeholders to ensure that skills investment is driven by local employer needs and the current/future profile of labour market opportunities, as set out in the NTCA Strategic Skills Plan, are achieved.
- Develop our strategic approach to an inclusive economy in collaboration with members of the NTCA Inclusive Economy Board, in line with our policy statement.
- Encourage individuals to engage with employability support, to raise the aspirations within the community, and support individuals' transition into good employment.
- Collaborate across our education system to add value, supporting schools to raise the standard of education and the improve life chances for the young people we serve.
- Work with government to be proactive in addressing inequality and poverty, putting residents at the heart of the design.

### AMBITION

- Address inequality, by recognising its fundamental role in perpetuating poverty and economic disadvantage. This will enable residents to access opportunities, at every stage of their life.
- Drive the better coordination of education, skills, employment and health services across the North of Tyne area to increase the number of residents moving into work and progressing in work.
- Address digital inequality, driving down digital exclusion for our residents.
- Support our schools to improve outcomes, close gaps and prepare all children North of Tyne for a successful future.
- Address childhood poverty by addressing its symptoms and root causes.
- Implement our Wellbeing Framework to address the social, economic, environmental and democratic priorities of residents.
- Promote area-wide adoption of the Good Work Pledge.
- Support ongoing collaboration with DWP through our employment framework agreement.

### METRICS TO INFLUENCE

- Participants in education/training or employment (including self-employment) upon leaving school.
- Unemployed participants supported into employment (including self-employment).
- Participants gaining their first level 2 qualification.
- Participants gaining their first level 3 and above qualification.
- Economically inactive participants engaged in job searching.
- Residents supported into volunteering.
- Number of apprenticeship/traineeship opportunities.
- Employed participants, including self employed receiving support.
- Progress against NTCA Equalities objectives.
- Progress against NTCA Wellbeing Framework and its ten Outcomes.



## SOCIAL ECONOMY AND COMMUNITIES



**THIS PORTFOLIO DELIVERS ACTIVITIES AIMED AT BUILDING THE LONG-TERM CAPACITY, AGENCY AND COMMUNITY WEALTH OF OUR COMMUNITIES, AND ENABLE OUR TRANSITION TO NET ZERO CARBON.**

It does this through Investment, engagement and co-production - such as via our community hubs programme, our Climate Change Citizens' Assembly, and our approach to social value and community asset building.

The three workstreams within this portfolio are citizen engagement, social value and community wealth, and climate change policy.

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### OUR ROLE

- Supporting improvements in the foundational economy (including productivity/working conditions and through promoting alternative business models).
- Driving up the quality of employment by encouraging adoption of the Good Work Pledge and engagement in an Anchor network.
- Developing initiatives that tackle poverty and inequality – including specific promotion of equalities with our programme, informed by our Poverty Truth Commission and underpinned with our Inclusive Economy Policy Statement.
- Convening partnerships to advance social value and stronger place-based investment across key anchor institutions and via our community hubs investment.
- Increasing the use of community engagement platforms and civic crowdfunding as tools to improve reach and consultation with business and communities.
- Exploring potential for regional wealth building and improved access to finance - amplifying partner and LA work on social value and inclusive procurement in support of recovery.
- Promoting innovative and cohesive responses to carbon reduction and climate change that maximise social and economic benefits and achieve a just transition.

### AMBITION

- Create a more social and inclusive economy by keeping more wealth in the local economy which will create good local jobs for all and embed a culture of exceptional local procurement.
- A clear approach to building community assets and wealth – through investment and supporting collaboration.
- A network of community hubs through which long term social innovation can be strengthened.
- Strengthened local supply chains and community involvement within our recovery innovation programmes.
- A strong network of community engagement – in particular around climate change and inclusion challenges, including schools, children and young people.
- Address regional access to finance and investment – in support of longer term progress towards a people's bank.

### METRICS TO INFLUENCE

#### NTCA Outputs:

- Residents supported into volunteering.
- Creation or safeguarding of space for shared community and/or business activities.
- Jobs and learning opportunities - including for those marginalised from the labour market.
- Enterprises supported.

#### Wider outcomes/results:

- Increased engagement with residents and businesses.
- Providing leadership to help address local priorities.
- Making a substantive contribution to regional carbon reduction goals.
- Citizen and young people awareness and engagement in climate change, green growth opportunities and inclusive economy issues.
- Increasing prevalence of 'good work' agenda across the business sector.
- Make progress in-line with NTCA's Equality Objectives 2022-25.



## HOUSING, LAND AND DEVELOPMENT



**THIS PORTFOLIO DELIVERS ACTIVITIES TO ACCELERATE THE DELIVERY OF NEW HOMES IN OUR REGION, SUPPORTS THE REGENERATION OF OUR PLACES, AND MAXIMISES THE OPPORTUNITY OF NEW INFRASTRUCTURE INVESTMENT.**

It does this through major investments in brownfield land remediation and the creation of a strategic pipeline of development sites and growth corridors.

The three workstreams within this portfolio are brownfield land programme, joint infrastructure planning, and town and high street innovation.

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### OUR ROLE

- Establish a strategic housing and place investment strategy in collaboration with our partners.
- Accelerate the pace of delivery through enabling access to NTCA and wider government funding.
- Develop collaborative design principles to influence future delivery models.
- Complement and augment capacity within our Local Authorities.
- Use our convening power to better effect a range of partnership working.
- Co-ordinate the development of a business case for an at-scale housing retrofit programme.
- Develop a place regeneration deal with government – building on our recognised expertise in ageing, digital, construction and clean energy.
- Develop the town and high streets innovation programme focused on three high streets.

### AMBITION

- Accelerate delivery of new homes in the region above and beyond our devolution deal commitments.
- Accelerate development of strategic place/corridor developments along the Northumberland Line, in North Shields Masterplan Area, and in City Centre.
- Better coordinate infrastructure investment to ensure broad-based growth across the area.
- Bring forward an at-scale retrofit programme across the North of Tyne area.
- Position North of Tyne as a leading region in the development of age-ready models of housing.
- Unlock transformative strategic development opportunities in the area.
- Build and expand on our reputation as a trusted delivery partner.
- Develop new delivery models and approaches to transform high streets.

### METRICS TO INFLUENCE

#### NTCA Outputs:

- Area of site reclaimed, (re)developed or assembled.
- Area of brownfield land remediated.
- Number of new homes bought forward.
- Jobs created and safeguarded.
- Businesses supported.

#### Wider outcomes/results:

- Private sector investment including investment from outside of the region.
- Increased sustainability of new and existing homes (EPC/SAP ratings).
- Improved affordability of housing and different types and tenures.
- Growth of existing and new SMEs.
- Increased wellbeing of residents.
- Increase in GVA.
- Reduced carbon emissions.



## CULTURE, CREATIVE AND RURAL



**THIS PORTFOLIO DELIVERS ACTIVITIES TO BOOST THE ECONOMIC POTENTIAL OF OUR CULTURE, CREATIVE, EVENTS AND TOURISM SECTORS, AND DELIVERS OPPORTUNITIES FOR RURAL PLACES AND BUSINESSES.**

It does this through major investments and programmes of work on cultural and creative sector recovery, region-wide events, and through specific funding mechanisms to support rural enterprise.

The three workstreams within this portfolio are culture and creative, events and tourism; and rural place-based Initiatives.

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### OUR ROLE

- Shape long term strategy and deliver key programmes of investment in collaboration with partners.
- Stimulate recovery of the culture and creative sector post-pandemic.
- Establish culture and creative zones in collaboration with our Local Authorities and stakeholders.
- Support the development of the visitor economy within a regional approach.
- Develop, deliver and promote an events and tourism programme in collaboration with our LA partners.
- Stimulate rural enterprise – including through our rural growth service, rural design centre and strong collaboration with National Innovation Centre for Rural Enterprise.
- Develop a coordinated stewardship and rural growth investment plan.

### AMBITION

- Promote the growth of culture and creative sectors, and the skills pipeline to meet future demand.
- Support the culture and creative industries in North of Tyne to develop the businesses, skills and services to grow the sector.
- Attract more visitors who stay longer and do more.
- Create a tourism industry with expanded season, niche product offering and high-quality employment opportunities.
- Establish year-round events programme of high-quality cultural and sporting events capable of achieving regional, national and international profile.
- Increase levels of rural productivity and employment.
- Integrate stewardship and rural growth activity, putting our natural capital and assets at the heart of our rural growth agenda.

### METRICS TO INFLUENCE

#### NTCA Outputs:

- Number of cultural and tourism events taking place.
- Number of attendees participating in a cultural tourism event.
- Direct jobs created.
- Direct jobs safeguarded.
- Indirect jobs created.
- Indirect jobs safeguarded.
- Enterprises receiving support.
- Creation or safeguarding of space for business activities.
- Open workspace created or safeguarded for SMEs.

#### Wider outcomes/results:

- Culture and creative start-up and business growth and survival rates.
- Increased visitor numbers, spend per visit, and length of stay.
- Increased employment opportunities.
- Improved employment and wage levels in rural areas.
- Becoming carbon negative and biodiversity positive.
- Private sector investment including inward investment from outside of the region.
- Increase in GVA.



## INVESTMENT AND RESOURCES



**THIS PORTFOLIO OVERSEES OUR FINANCIAL PROCESSES AND IS ALSO RESPONSIBLE FOR THE ATTRACTION OF NEW COMPANIES TO THE REGION THROUGH INWARD INVESTMENT.**

Working closely with the Mayor and other Cabinet members this includes: oversight of our Investment Fund, our financial processes and progress with our Inward Investment Fund.

These functions are core to our work, providing the underlying basis for investment, programme development, corporate coherence and attracting new jobs to the region.

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## OUR ROLE

- Ensure that our investment fund is well managed, accountable, and clearly adds value across the region.
- Create long term alignment between our investment and the strategic goals of the region – putting the building blocks in place for future growth.
- Ensure that new funding and responsibilities are integrated effectively within the investment programme and Assurance Framework.
- Provide leadership and support for the Mayor and team in corporate business planning – supporting a coherent programme which is clearly understood and endorsed by Cabinet.
- Ensure that we are proactive in securing inward investment opportunities that deliver new jobs.
- Oversight' to Oversee the business support landscape.

## AMBITION

- Position the area as a prime inward investment location – maximizing new investment into the region using our Inward Investment Fund to create new jobs.
- Fully utilise all resources available to support inclusive economic growth, including the newly acquired borrowing powers to maximise investment opportunities.
- Deliver through a strong corporate core, ensuring consistent collaboration and integrity; and appropriate staff base aligned to purpose and delivery.
- Be fully prepared for the Authority's five-year Gateway Review, collating the required evidence to demonstrate current impact, and conduct forward planning to provide government with full confidence in our ability to deliver.
- Become the exemplar Combined Authority – ensuring our processes are robust and stand up to scrutiny, meeting a significant level of assurance as part of our audit processes.
- Securing the Government's Shared Prosperity Fund and other regeneration funding for North of Tyne and the region more widely.

## METRICS TO INFLUENCE

- All investments will support the delivery of our outputs in addition to realising the wider ambitions and outcomes associated with our delivery themes.

# OUR VISION FOR A DYNAMIC AND INCLUSIVE ECONOMY



**WHAT SUCCESS LOOKS LIKE**

- £1.1BN** of new economic growth (GVA)
- 10,000** new jobs
- 10,000** new homes
- £2.1BN** private sector leverage
- 37,000** learning opportunities every year

**WHAT WE ARE DOING**

|                                    | INCLUSIVE ECONOMY                    |                                        | NET ZERO TRANSITION                    | INNOVATION IN RECOVERY               |                                    |                                 |
|------------------------------------|--------------------------------------|----------------------------------------|----------------------------------------|--------------------------------------|------------------------------------|---------------------------------|
|                                    |                                      |                                        |                                        |                                      |                                    |                                 |
| <b>JOBS, INNOVATION AND GROWTH</b> | <b>CLEAN ENERGY AND CONNECTIVITY</b> | <b>EDUCATION, INCLUSION AND SKILLS</b> | <b>SOCIAL ECONOMY AND COMMUNITIES</b>  | <b>HOUSING, LAND AND DEVELOPMENT</b> | <b>CULTURE, CREATIVE AND RURAL</b> | <b>INVESTMENT AND RESOURCES</b> |
| Digital Growth & Innovation        | Clean Energy                         | Adult Education & Skills               | Citizen Engagement & Corporate Affairs | Brownfield Land                      | Culture & Creative                 | Investment Fund Management      |
| Green New Deal                     | Transport & Mobility                 | Education Improvement                  | Social Value / Community Wealth        | Strategic Sites                      | Events & Tourism                   | Inward Investment               |
| Health & Urban Recovery            | Rural Digital Connectivity           | Inclusive Economy                      | Climate Policy                         | Infrastructure Planning              | Rural Initiatives                  | Corporate & Financial Planning  |

**OUR VALUES**

INCLUSIVE COMMUNITY • COLLABORATE • CURIOUS • EMPATHETIC • RESPECT • TAKE OWNERSHIP

Underpinning all we do

**CONTEXT**

|                                                                                 |                                                                                                           |                                                                                                                   |                                                                                                                      |
|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| A strong digital and health economy, with the potential to improve productivity | A diverse economy with some sectoral vulnerabilities - but with significant potential to change and renew | A great quality of life - which is driving businesses and people to relocate to North of Tyne                     | An opportunity for the North of Tyne area to lead the green economy, for example in offshore energy and battery tech |
| Young people economically vulnerable post-pandemic                              | Covid-19's economic impact and legacy is unevenly spread                                                  | A low 'base-line' of many economic indicators, even before Covid-19, such as in employment, productivity, and R&D | Specific challenges in rural and coastal communities, such as over reliance on major employers or sectors            |

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**Subject: 2021/22 NTCA Provisional Outturn Report,  
including North East LEP and Invest North East England**

**Report of: Chief Finance Officer**

## Report Summary

The purpose of this report is to advise Cabinet on the provisional 2021/22 outturn position of the North of Tyne Combined Authority (NTCA) including the Corporate Fund, Investment Fund, Adult Education Budget, and Brownfield Housing Fund. The outturn position will be subject to external audit as part of the Audit of the 2021/22 Statutory Accounts and therefore the figures in this report will remain provisional until the completion of the accounts.

The North of Tyne Combined Authority became the Accountable Body for the North East LEP and Invest North East England from 1 April 2020. This report will also include the 2021/22 Outturn position for the North East LEP and Invest North East England in addition to reporting on the Accountable Body Budget.

## Recommendations

The Cabinet is recommended to note:

1. Note the NTCA provisional 2021/22 Outturn position for the Corporate Fund (section 2), Investment Fund (section 3)
2. Note performance against the Brownfield Housing Capital Budget and Investment Fund Capital Budgets (section 4).
3. Note performance against the Adult Education Budget (section 5)
4. Note the position on Reserves (section 6).
5. The Accountable Body Budget Outturn position and the funding position (section 7).
6. The Combined Authority's Treasury Management performance (section 8).
7. The North East LEP 2021/22 Outturn position and 2-year Outline Budget position (Appendix A).
8. The Invest North East England 2021/22 Outturn position (Appendix B).

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

- 1.1 This report sets out the provisional outturn position to be included in the Statutory accounts for 2021/22. The Accounts and Audit Regulations 2020/21, which took effect from 31 March 2021 revised the requirement for the audited accounts to be published from 31 July to 30 September. With the exercise of public rights, common inspection date being removed, and the draft accounts published no later than 1 August. This will require the Chief Finance Officer to certify the draft accounts by 31 July 2022 with the approval of the Accounts by Audit and Standards Committee taking place in November 2022. Audit and Standards have been briefed on these changes. The figures in this report will remain provisional until the completion of the Accounts.
- 1.2 The Accounts are a statutory document which set out the Authority's financial position and performance for the year in a series of formal accounts prepared according to specific and

regulatory framework. Successive changes to local government accounting practice and the way in which the Combined Authority is structured have made the accounts a very technical document. This report sets out the Authority's financial performance in an outturn report. This reflects the Combined Authority's structure and is set out in a similar basis to the quarterly budget monitoring reports presented to Cabinet throughout the year.

- 1.3 The 2021/22 Budget was set and agreed by Cabinet in January 2021 at a time when the country was just starting to come out of the pandemic. Throughout the response to the pandemic, the Combined Authority worked with regional colleagues to support the submission for Recovery Support and Finance for the North East. In addition, the Authority has taken a proactive approach to support for particular sectors impacted 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.
- 1.4 The Mayor and Cabinet have continued to be clear in their approach to ensuring the North of Tyne Combined Authority is a lean organisation. The outturn performance reflects this with an underspend against budget of £0.477m. The outturn position reflects the increasing numbers of projects and programmes, this has included recruitment, capacity management and retention of a competent, productive, and collegiate workforce with the aim of creating a long-term staffing plan. The organisation may grow in the future and that will be based on a set of consistent set of agreed principles appropriate for the authority.
- 1.5 As part of statutory reporting regulations, there is a requirement to ensure there is a clear audit trail between the outturn figures reported to Cabinet and those published in the Statement of Accounts. For 2021/22, there are no specific statutory accounting adjustments that will apply directly to the Combined Authority, however, the statutory accounts will include an element of the accounts for the North East Combined Authority that relate to transport activities that can be attributed to the North of Tyne Authorities. The North East LEP and Invest North East England figures will be incorporated into the NTCA Statement of Accounts as their Accountable Body. For this purpose, the Accountable Body Budget outturn position is reflected in section 1.8 including the funding sources.
- 1.6 **Outturn and Reserves**
- 1.6.1 The budget for 2021/22 was approved by full Cabinet at its meeting of 26 January 2021. Included in that budget was estimated expenditure across the year for both the Corporate Budget, Investment Fund, Brownfield Housing Fund and Adult Education Budget. The Corporate Budget was set at a net zero position covering the costs associated with capacity to deliver. The Investment Fund Budget was set at £30.238m reflecting the costs associated with continuing development of proposals to be delivered from the Investment Fund. The Adult Education Budget (£22.706m) reflected the first full academic year of delivery August to March 2022. The Brownfield Housing Fund showed a profiled capital budget for year 2 of £8.179m. The Outturn for 2021/22 indicates a net income position of (£0.477m) for the Corporate Budget based on the budgeted level of contribution from the Investment Fund of (£2.231m).
- 1.6.2 The reserves position reflects the position on the Investment Fund Reserve at the end of the financial year 2021/22 and shows the Strategic Reserve maintained at £0.200m.

## 2. Corporate Budget Outturn

2.1 The Corporate Budget Outturn is presented in Table 1. The narrative below provides more detail.

**Table 1 NTCA Corporate Outturn 2021/22**

| <b>Corporate Budget 2021/22</b>                    | <b>2021/22 Budget</b> | <b>2021/22 Outturn</b> | <b>Variance</b> |
|----------------------------------------------------|-----------------------|------------------------|-----------------|
| <b>Expenditure</b>                                 | <b>£m</b>             | <b>£m</b>              | <b>£m</b>       |
| Staffing/Secondments                               | 2.564                 | 2.672                  | 0.108           |
| Advisors External                                  | 0.080                 | 0.074                  | (0.006)         |
| Use of Reserves (EU Exit Grant)                    | 0.000                 | 0.132                  | 0.132           |
| Other Expenditure                                  | 1.619                 | 1.439                  | (0.180)         |
| SLA with Constituent Authorities                   | 0.276                 | 0.288                  | 0.012           |
| JTC Levy                                           | 26.801                | 26.801                 | 0.000           |
| <b>Gross Expenditure</b>                           | <b>31.340</b>         | <b>31.406</b>          | <b>0.066</b>    |
|                                                    |                       |                        |                 |
| <b>Income</b>                                      |                       |                        |                 |
| Investment Fund Contribution                       | (2.231)               | (2.231)                | 0.000           |
| Mayoral Capacity Fund                              | (1.000)               | (1.000)                | 0.000           |
| Adult Education Budget Contribution                | (0.678)               | (0.723)                | (0.045)         |
| Contributions from Constituent Authorities         | (0.111)               | (0.111)                | 0.000           |
| Programme support costs recovered from IF          | (0.241)               | (0.386)                | (0.145)         |
| Brownfield Housing Programme Costs                 | (0.103)               | (0.137)                | (0.034)         |
| Other Grants and Contributions                     | 0.000                 | (0.161)                | (0.161)         |
| Use of Reserves                                    | 0.000                 | (0.132)                | (0.132)         |
| Investment Interest Receivable                     | (0.175)               | (0.201)                | (0.026)         |
| JTC Levy                                           | (26.801)              | (26.801)               | 0.000           |
| <b>Gross Income</b>                                | <b>(31.340)</b>       | <b>(31.883)</b>        | <b>(0.543)</b>  |
| <b>Net (Income)/Expenditure</b>                    | <b>0.000</b>          | <b>(0.477)</b>         | <b>(0.477)</b>  |
|                                                    |                       |                        |                 |
| <b>2021/22 Outturn/Transfer to General Reserve</b> | <b>0.000</b>          | <b>(0.477)</b>         | <b>(0.477)</b>  |

- 2.1.1 Gross expenditure outturn position for the year was £31.406m including the JTC Levy, reflecting a marginal variance of £0.066m increase over budget. Overall, within this marginal variance there are some variances reflected; staffing budget reflects an increase to budget of £0.108m due to recruitment of new staff to deliver on Investment Funded projects, this is matched with an increase in income from the Investment Fund Programme.
- 2.1.2 External Advisor costs were £0.083m, £0.003m over budget. SLA costs also showed an increase against budget due to an increase in the insurance premium, which is reflected within this budget heading, the increase was due to an increase in number of employees and other inflationary factors.
- 2.1.3 Other Expenditure shows an underspend against budget of £0.180m due to underspend against training, travel and subsistence and stationery due to the early half of the year staff working primarily from home due to COVID.
- 2.1.4 Gross Income exceeded budget in the year by £0.543m. Delivery on new programmes funded through the Investment Fund, such as Tourism and Education Challenge reflected increased

income of £0.145m over the budgeted amount, this aligns with the increase in employee expenditure detailed in 2.1.1. In addition, external funding was secured for Community Renewal Fund (CRF) which the Combined Authority were responsible for administering provided additional funding (£0.071m) and Kickstart funded through the DWP provided funding towards administering the programme (£0.028m), the ongoing ERDF programme for North of Tyne Growth Fund also provided income of £0.052m. The drawdown from the Exit EU Reserve (£0.132m) also contributed to the positive income variance against budget.

### 3. Investment Fund

3.1 At the end of financial year 2021/22 the Investment Fund total commitments stood at £82.9m against 96 live contracts. A strong pipeline of high-quality projects is in development with several significant investments planned over the coming months. This includes interventions to grow our digital and ageing sectors, as well support for our residents, creating opportunities to develop new skills and progress into employment.

- These projects will attract £282m of private sector leverage and are forecast to deliver 4530 new jobs and safeguard a further 2679.
- Of these, the first 819 have been confirmed as created as a direct result of NTCA investment, and 1,773 confirmed as safeguarded.

Table 2 below sets out the commitments against the key themes of the Investment Fund.

**Table 2 Investment Fund Key Themes Commitments**

|                                        | <b>Committed</b> | <b>Allocation</b> | <b>%Allocated</b> |
|----------------------------------------|------------------|-------------------|-------------------|
|                                        | <b>£m</b>        | <b>£m</b>         | <b>%</b>          |
| Business                               | 40.96            | 45.30             | 49.41             |
| People                                 | 13.15            | 17.30             | 15.87             |
| Place                                  | 19.33            | 13.25             | 23.32             |
| Major Strategic Economic Opportunities | 7.34             | 9.65              | 8.85              |
| Business Case Development Fund         | 2.12             | 4.50              | 2.55              |
|                                        | <b>82.90</b>     | <b>90.00</b>      |                   |

3.2 Table 3 shows the actual expenditure across the year in terms of funding issued to projects.

**Table 3: Investment Fund Outturn 2021/22**

|                                          | <b>2021/22<br/>Budget</b> | <b>2021/22<br/>Outturn</b> | <b>2021/22<br/>Variance</b> |
|------------------------------------------|---------------------------|----------------------------|-----------------------------|
|                                          | <b>£m</b>                 | <b>£m</b>                  | <b>£m</b>                   |
| <b>Expenditure</b>                       |                           |                            |                             |
| Business Case Development Fund           | 1.000                     | 0.260                      | (0.740)                     |
| Workstreams                              | 26.757                    | 13.613                     | (13.126)                    |
| Technical Support                        | 0.250                     | 0.275                      | 0.025                       |
| Corporate Contribution                   | 2.231                     | 2.231                      | 0.000                       |
| <b>Total Expenditure</b>                 | <b>30.238</b>             | <b>16.379</b>              | <b>(13.859)</b>             |
| Income                                   | (20.000)                  | (20.000)                   | 0.000                       |
| <b>Total Income</b>                      | <b>(20.000)</b>           | <b>(20.000)</b>            | <b>0.000</b>                |
|                                          |                           |                            |                             |
| <b>Net (Income)/Expenditure Position</b> | <b>10.238</b>             | <b>(3.621)</b>             | <b>(13.859)</b>             |

- 3.3 The financial performance reported in Table 3 is actual spend against the plan during 2021/22, but clearly Table 2 illustrates the significant progress made in decision and actions to deliver the overall programme. Delivery against the Investment Fund Programme has been delayed for a couple of specific reasons. Firstly, the impact of Covid-19 Pandemic has been felt across the programme, impacting pace of delivery as projects have had to revise delivery mechanisms to enable activity to continue. This has led to a number of projects having to re-profile expenditure into future years. This remains the highest programme risk, along with pressure on resources as activity both on developing pipeline and contract management increases, and has been regularly reported to Investment Panel
- 3.5 Following the exit from the European Union, Officers continue to work with the organisations applying for funding to understand the State Aid requirements that are set out in the UK approach to Subsidy Control. This has led to some delay in agreeing grant/funding agreements. NTCA Officers have worked proactively with legal colleagues to understand the changes and develop solutions to reduce the risk of ongoing delays. These solutions have been embedded into the application and contracting processes, and, it is anticipated this issue will reduce over the course of 2022-23.
- 3.6 Whilst delivery has been delayed in some areas, the quality of delivery continues to be strong. Relationships with grant recipients remain strong and organisations have been keen to work with NTCA to design and embed innovative delivery approaches, ensuring that projects can continue to meet the aims, objectives, and outputs that they set out to achieve.
- 3.7 Within the above investment fund workstream there are the following projects which include capital schemes:

**Table 4 Investment Funded Capital Schemes**

|                                              | 2021/22<br>£m | 2022/23<br>£m | 2023/24<br>£m | 2024/25<br>£m |
|----------------------------------------------|---------------|---------------|---------------|---------------|
| NU Futures                                   | 1.690         | 0.222         | 0.211         | 0.054         |
| NoT Science Education Enrichment             | 0.099         |               |               |               |
| North Bank of Tyne                           |               | 0.400         | 0.400         |               |
| North Shields Fish Quay                      | 0.346         | 1.194         |               |               |
| Swans Energy Park                            |               | 2.000         |               |               |
| Spirit of North Tyneside                     | 0.450         | 0.050         |               |               |
| Community Hubs Northumberland                | 0.375         | 0.121         |               |               |
| CCZ - North Tyneside                         |               | 0.562         | 0.582         | 0.192         |
| Energy Central Learning Hub (ECLH)           |               | 1.500         | 0.500         |               |
| Towns High Streets Innovation Newcastle      |               | 0.830         | 1.070         |               |
| Towns High Streets Innovation North Tyneside |               | 0.830         | 1.070         |               |
| TownsHigh Streets Innovation Northumberland  |               | 0.830         | 1.070         |               |
| <b>Total</b>                                 | <b>2.960</b>  | <b>8.539</b>  | <b>4.903</b>  | <b>0.246</b>  |

#### 4. Brownfield Housing Fund

- 4.1 In July 2020, NTCA was awarded £23,853,618 to deliver the Brownfield Housing Fund to unlock between 1,500 and 2,500 new homes. NTCA was also awarded an additional £550,000 in revenue funding to accelerate delivery of the programme. The BHF is the first housing fund allocation for NTCA and represents an important opportunity to help meet the organisation's housing objectives and to leverage further private sector investment. NTCA Cabinet approved the overall approach to delivery of the Fund in September 2020, and officers have been working alongside applicants from

constituent Local Authorities, registered providers and private housing developers to ensure that a balanced and bottom-up pipeline is developed, which reflects North of Tyne collective priorities.

- 4.2 So far, NTCA has approved and entered into Grant Funding Agreements with 6 schemes, expected to deliver 1,339 homes drawing on £12,510,935 of the total BHF allocation, equivalent to 90% of outputs and 50.4% of Funds awarded in 2020. In addition to ongoing land remediation and infrastructure investment, the construction of 104 units has already commenced in these 6 schemes with the completion of 62 units recorded so far. These new homes are net additional homes for our region and represent a significant economic and social benefit to our communities.
- 4.3 An extension to BHF was announced in February 2022 by the Department for Levelling-Up, Housing and Communities (DLUHC) in the Levelling Up White Paper. Mayoral Combined Authorities (MCAs) were awarded £120 million nationally, to be allocated to each MCA based on population. NTCA has been allocated £7.96 million bringing the total amount of NTCA BHF funding to £31.8 million. The additional funding is linked to the unlocking of an additional 600 housing units to the 1,500-2,500 units identified in July 2020. This required the BHF pipeline to be increased.
- 4.5 Good progress is being made with the NTCA's Brownfield Housing Programme. The programme is expected to significantly over deliver in terms of outputs and to deliver excellent value for money. A number of challenging sites and regeneration priorities will have been addressed. Nevertheless, there have been challenges in terms of delivery against spend profile. In addition to challenges on individual schemes, all of which are not viable in the absence of BHF, the NTCA's programme has been affected by a number of national factors:
- Challenges associated with Covid-19 and national lockdowns
  - Delays in contracting with DLUHC, which meant that delivery slipped from year 1 to year 2
  - Uncertainties associated with the change from state aid to subsidy control
  - Skills shortages
  - Cost inflation
  - Local authority capacity
- 4.6 Delivery on Brownfield Housing Fund has taken time to mobilise, grant monies were received late in 2020/21 and therefore this year (Year 2) has been the first full year of delivery. Covid and difficulties experienced in accessing supplies, which have been experienced nationally, have also hampered delivery on site. Annual reports are provided to DLUHC detailing spend and outputs against profile. There is no risk presently of clawback as NTCA can demonstrate through the pipeline of projects that there is the commitment to spend over and above the grant profile. Table 5 shows the reprofiled programme spend across the 5 years as reported to DLUHC on the basis of the second Annual Report.

Table 5 below shows the reprofiled programme spend with the additional allocation of funds.

**Table 5 Reprofiled Projected Programme Spend at end of 2021-22**

|                                             | <b>Total</b>  | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b> | <b>Year 4</b> | <b>Year 5</b> |
|---------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                             | <b>£m</b>     | <b>£m</b>     | <b>£m</b>     | <b>£m</b>     | <b>£m</b>     | <b>£m</b>     |
| <b>Original Funding Profile</b>             | <b>23.854</b> | 4.854         | 8.100         | 6.700         | 3.100         | 1.100         |
| <b>Reprofiled Projected Programme Spend</b> | <b>31.819</b> | 0.568         | 3.386         | 10.564        | 12.908        | 4.393         |

## 5. Adult Education Budget (AEB)

- 5.1 The NTCA has successfully managed the devolved Adult Education Budget (AEB) for eligible local residents aged 19 and over since the beginning of Academic Year (AY) 2020/21. 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).
- 5.2 NTCA's devolved AEB for the period 1 August 2021 to 31 July 2022 is £23,551,493 plus an additional £1,641,588 for the delegated Lifetime Skills Guarantee. This brings the total AEB for AY 2021/22 to £25,193,081.
- 5.3 Through the NTCA Scheme of Delegation for devolved AEB, 97% (including 3% for administration costs) of the allocation for AY 2021/22 including the delegated funds for the Lifetime Skills Guarantee which has been allocated through extensions to Grant Funding Agreements and procured Contract for Services.
- 5.4 Procurement exercises are underway to utilise the remaining AEB funding during AY 2021/22. These have been informed by consultations with employers, providers and wider stakeholders as well as analysis of delivery data to date.
- 5.5 Table 6 below shows the actual expenditure on AEB for 2021/22

**Table 6 Adult Education Budget 2021/22 Outturn**

|                                               | <b>Budget<br/>£m</b> | <b>Actual<br/>£m</b> | <b>Variance<br/>£m</b> |
|-----------------------------------------------|----------------------|----------------------|------------------------|
| Grant Awards                                  | 15.369               | 16.109               | 0.740                  |
| Procured Services                             | 6.659                | 2.973                | (3.686)                |
| High Value Courses                            | 0.000                | 3.520                | 3.520                  |
| Swaps (Carry In)                              | 0.000                | 0.124                | 0.124                  |
| Corporate                                     | 0.678                | 0.723                | 0.045                  |
| <b>Total Expenditure</b>                      | <b>22.706</b>        | <b>23.450</b>        | <b>0.744</b>           |
| Devolved AEB                                  | (22.706)             | (23.551)             | (0.845)                |
| Delegated Lifetime Skills Guarantee           | 0.000                | (1.642)              | (1.642)                |
| <b>Total Income</b>                           | <b>(22.706)</b>      | <b>(25.193)</b>      | <b>(2.487)</b>         |
| <b>Net Income carried forward to Reserves</b> | <b>0.000</b>         | <b>(1.743)</b>       | <b>(1.743)</b>         |

- 5.6 Delivery of the AY 2021/22 AEB commenced on the 1 August 2021 and the impact of COVID-19 continued to be 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.
- 5.7 Providers have implemented innovative plans to ensure delivery continues. This has included transferring provision on-line, supporting vulnerable learners through one-to-one video calls and where classrooms have been able to open, delivering to groups of learners with effective safety measures in place.

## 6 Reserves

6.1 Reserves held at 31 March 2022 are detailed below in Table 8.

| Reserves Statement                                           | 2020/21       | Movement (from)/to Reserves | 2021/22       |
|--------------------------------------------------------------|---------------|-----------------------------|---------------|
|                                                              | £m            | £m                          | £m            |
| Preparing to Exit EU                                         | 0.182         | (0.132)                     | 0.050         |
| Strategic Reserve                                            | 0.200         | 0.000                       | 0.200         |
| Investment Fund Reserve                                      | 49.950        | 4.098                       | 54.048        |
| Adult Education Budget                                       | 0             | 3.220                       | 3.220         |
| Other grant reserves: Kickstart, Bootcamps, Defra Rural, CRF | 0             | 1.095                       | 1.095         |
| <b>Total General (Useable) Reserves</b>                      | <b>50.332</b> | <b>8.281</b>                | <b>58.613</b> |

6.2 Useable Reserves have increased by £8.281m to £58.613m, reflecting a small increase to the Investment Fund Reserve (£4.098m), and a reduction of £0.132m to the Preparing to Exit EU Grant Reserve which has been issued to contribute towards delivery on Infrastructure plans. Adult Education Budget works on an academic year and therefore at the end of the 2020/21 financial year there was still grant left to spend movement in year reflects the position at end of academic year 2020/21 (£1.477m) and also grant currently held at the end of financial year 2021/22 (£1.743m). Other grant reserves include Kickstart (£0.066m), Bootcamp Skills (£0.072m), Defra grants received late in the financial year in advance of delivery (£0.026m) and Community Renewal Fund (£0.931m) these grants are carried forward to meet delivery in 2022/23.

6.3 Brownfield Housing is a capital grant and therefore any unspent capital grant received and not yet spent (£9.520m) is carried forward as capital grants unapplied within the Statement of Accounts as per proper capital accounting treatment and therefore is not reflected in the above Reserves table.

## 7 Accountable Body Budget

7.1 All seven local authorities (LA7) in the North East area currently contribute £0.010m to meet the costs of the North East (LEP) Accountable Body role. This funding covers the SLA providing support to the North East LEP in 2021/22.

7.2 Additional costs over and above the SLA charges (£0.025m) relate to finance and legal advisory costs. These costs are funded from interest earned on investment income on the North East Investment Fund (NEIF) balances. Table 9 shows the 2021/22 North East LEP Accountable Body Outturn.

**Table 9 North East LEP Accountable Body 2021/22 Outturn**

| 2021/22 Accountable Body Outturn     |              |
|--------------------------------------|--------------|
| Expenditure                          | £m           |
| Service Level Agreements             | 0.070        |
| External Support                     | 0.025        |
| <b>Total Expenditure</b>             | <b>0.095</b> |
| Income                               |              |
| Accountable Body Contributions (LA7) | (0.070)      |
| Interest Income (NEIF)               | (0.025)      |

## 8 Treasury Management

- 8.1 In line with the CIPFA Code of Practice on Treasury Management in the Public Services, the Authority is required to approve a treasury management strategy before the start of each financial year and to monitor/report performance against the strategy (with a mid-year review). Cabinet approved the 2021/22 Treasury Management Strategy on 26 January 2021.
- 8.2 A key part of the Authority's treasury management function is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk policy, providing adequate security and liquidity before considering investment return.
- 8.3 A key element of the treasury management function is the management of the funding associated with the Authority's capital investment plans. These capital plans provide a guide to any borrowing needs of the Authority, essentially the longer-term cash flow planning to ensure that the Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses.

### 8.4 Borrowing

- 8.4.1 During 2021/22 discussions were held with HM Treasury in relation to securing wider borrowing powers for the Combined Authority alongside a number of other Mayoral Combined Authorities who were not included in previous regulations. A report taken to 30 November 2021 Cabinet gave consent to the HM Treasury to make the necessary regulations allow NTCA to be included in the regulations which were to be laid by Central Government in January 2022. Confirmation of NTCA borrowing powers was received late March. This will mean that NTCA will have these borrowing powers in future years. A Capital Investment Strategy and a Minimum Revenue Provision Strategy which are a requirement that the Combined Authority has in accordance with the Prudential Code, will be brought to Cabinet in the near future. The debt cap for each year will be agreed with HM Treasury on an annual basis.
- 8.4.1 An authorised borrowing limit of £20.000m in advance of obtaining the borrowing powers was agreed in 2021/22 Treasury Management Strategy. Pending confirmation of the borrowing powers.

### 8.5 Investment Strategy

- 8.5.1 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 as the accountable body for the North East LEP and Invest North East England (INEE) any investment balances managed on a day-to-day basis will include balances relating to the North East LEP, INEE 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.

## 8.6 Financial Investments

- 8.6.1 The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Authority's investment strategy will consider 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.
- 8.6.2 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.
- 8.6.3 To date the authority has invested solely in investments defined as Specified Investments these are investments which are denominated in sterling; repayable within 12 months (either because of an expiry date or through a non-conditional option); not defined as capital expenditure by legislation; and invested with a body or in an investment scheme described as high quality or invested with one of: the UK Government; a Local Authority; or a Parish Council or Community Council The authority's financial limits against this type of investment is shown in Table 10 below:

**Table 10 NTCA Investment Financial Limits**

| Type of institution                                       | Financial Limit | Time Limit                                       |
|-----------------------------------------------------------|-----------------|--------------------------------------------------|
| UK central government (Debt Management Office)            | £50m            | Unlimited                                        |
| Money Market Funds AAA                                    | £5m each        | Liquid                                           |
| Term deposits with Bank and Building Societies            | £5m each        | 12 months<br>6 months<br>100 days<br>Not for use |
| UK Local authorities                                      | £10m each       | 1 year                                           |
| Certificate of Deposits with banks and building societies | £5m each        | 12 months<br>6 months<br>100 days<br>Not for use |
| UK Government Treasury Bills                              | £10m each       | 1 year                                           |
| Local Authority controlled companies in the NTCA area     | £5m             | 5 years                                          |

- 8.6.4 Investment income earned in 2021/22 for NTCA was £0.176m, marginally higher than the budget (£0.175m). Interest earned is lower than achieved in 2020/21 (0.373m), this is due to the low interest rates offered on investment as a result of the pandemic, at points during the year Debt Management Office interest rates ran into negative.
- 8.6.5 As accountable body for the North East LEP (LEP) NTCA is responsible for managing the cashflow of the LEP in addition to its own. As at 31 March 2022 NTCA, including LEP balances, had a portfolio of £130.000m with an average rate of 0.27% invested earning in total £0.341m net interest from investments with other local authorities for a term no greater than 1 year. The interest has been split at year end across NTCA and LEP according to balances invested, the LEP proportion of investment income is £0.140m with £0.025m contributing to funding of the Accountable Body costs, see section 7 above. The additional level of investment income has allowed investments to be placed for a longer-term (up to 1 year) attracting higher levels of interest.

- 8.6.6 Link Asset Services produces a quarterly Investment Benchmarking report that assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across other similar Authorities. The average rate of return earned by NTCA (0.27%) exceeds the risk adjusted expectations as defined in the benchmarking report of 0.19%.
- 8.6.7 Link Asset Services report on the reflection over 2021/22 was that investment returns remained close to zero for much of the year, with local authority lending managing to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.
- 8.6.8 All investments made are in line with NTCA's Treasury Management Strategy and are considered a low risk counterparty/instrument commensurate with the Authority's low risk policy, providing adequate security and liquidity before considering investment return.

## **9 Impact on Objectives**

- 9.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority. The 2021/22 Outturn against which the budget is monitored, demonstrates the Authority has properly discharged its functions and assisted in delivering the Authority's vision, policies, and priorities.

## **10 Key Risks**

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

## **11 Financial and Other Resources Implications**

- 11.1 This report sets out in full the financial and resource implications that have arose over the past financial year 2021/22.
- 11.2 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 in accordance with the Authority's Reserves and Balances Policy.

## **13 Legal Implications**

- 13.1 Under the Accounts and Audit (Coronavirus) Amendment Regulations 2020 (SI 2020/404) the statutory audit deadline for all local and combined authorities was extended from 31 July to 30 November 2022, the Combined Authority is required to publish their draft accounts by 31 July 2022. The Authority is required to agree a balanced budget annually and to monitor that budget throughout the year. The Authority must also make provision for an adequate level of un-earmarked reserves. It is also required to ensure that good financial governance arrangements are in place.
- 13.2 The Combined Authority is required to agree a balanced budget annually and to monitor performance against 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.

## **14 Equalities Implications**

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

## 15 Inclusive Economy Implications

15.1 There are no direct inclusive economy implications arising from the recommendations in this report.

## 16 Climate Change Implications

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

## 17 Consultation and Engagement

17.1 The creation of the North of Tyne Combined Authority has been subject to significant and regional consultation. The 2021/22 budget was subject to wide consultation across the North of Tyne Region. The constituent authorities have been consulted directly on the production of the outturn statement.

## 18 Appendices

Appendix A: North East LEP 2021/22 Outturn and 2022/23 Budget Report

Appendix B: Invest North East England 2021/22 Outturn and 2022/23

## 19 Background Papers

26 January 2021 NTCA Cabinet Papers

27 May 2022 LEP Board Papers

## 20 Contact Officers

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## 21 Glossary

|                |                                         |
|----------------|-----------------------------------------|
| AEB            | Adult Education Budget                  |
| INEE           | Invest North East England               |
| LA7            | 7 Tyne and Wear Local Authorities       |
| NTCA           | North of Tyne Combined Authority        |
| North East LEP | North East Local Enterprise Partnership |

**19th May 2022**

**ITEM 5: LEP budget: Financial Outturn 2021/22; Update on 2022/23  
and 2023/24 Budget Estimates**

**1. Introduction**

- 1.1 The purpose of this report is to provide an update to the Board on the final outturn revenue budget position for 2021/22, including the performance on the Enterprise Zone account, Local Growth Fund (LGF), Getting Building Fund (GBF) and the North-East Investment Fund (NEIF). A small revenue surplus of £0.088m was generated on the LEP's core revenue budget.
- 1.2 This report also provides the Board with an update on the current budget position for financial years 2022/23 and 2023/24. The budget estimates for 2022/23 and 2023/24 reflect the outcome from the recent LEP Review which announced a reduced level of LEP Core Funding from £0.500m to £0.375m and a reduction in Growth Hub Funding from £0.780m to £0.390m. It also shows reduced funding from both LGF and GBF as the programmes are tapered towards their close.

**2. LEP 2021/22 Revenue Budget Outturn**

- 2.1 The LEP core budget for 2021/22 covers core operational activity of the LEP and also management of the LGF, GBF, NEIF and Enterprise Zone (EZ) programmes. Table 1 provides; the original approved budget from May 2021, revised forecast reported to the Board in January 2022 and the actual spend for the year, with further details explaining significant variations provided below.
- 2.2 The original budget for 2021/22 presented in May 2021 comprised gross expenditure of £7.906m and gross income of £7.764m, projecting a drawdown requirement from the EZ Account of £0.142m. The update to the LEP Board in January revised the 2021/22 forecast gross expenditure to £7.956m and gross income to £8.092m, providing a forecast increase to LEP reserves of £0.136m.
- 2.3 Actual total revenue expenditure in 2021/22 amounted to £7.427m, which is £0.530m lower than the January forecast. Actual income also reduced this by £0.577m to £7.515m. Overall the LEP recorded a £0.088m surplus for the financial year.

**Table 1: North East LEP 2021/22 Outturn**

|                                                  | 2021/22 TOTALS                         |                                         |                      |                        |
|--------------------------------------------------|----------------------------------------|-----------------------------------------|----------------------|------------------------|
|                                                  | Original Budget<br>2021/22<br>(May 21) | Revised Budget<br>2021/22<br>(Jan 2022) | Projected<br>Outturn | Under/ (Over)<br>Spend |
|                                                  | £'000                                  | £'000                                   | £'000                | £'000                  |
| Employees                                        | 3,700                                  | 3,353                                   | 3,335                | 18                     |
| Employee - Allowances                            | 21                                     | 8                                       | 0                    | 8                      |
| LEP Chair Remuneration                           | 20                                     | 20                                      | 22                   | (2)                    |
| Premises                                         | 225                                    | 225                                     | 207                  | 18                     |
| Communications                                   | 250                                    | 256                                     | 256                  | 0                      |
| Other Operational Costs (Core)                   | 670                                    | 675                                     | 447                  | 227                    |
| Growth Hub Operational Costs                     | 250                                    | 256                                     | 246                  | 10                     |
| Growth Hub Cluster Management                    | 85                                     | 0                                       | 0                    | 0                      |
| Peer Networks                                    | 160                                    | 212                                     | 149                  | 63                     |
| Made Smarter                                     | 217                                    | 520                                     | 516                  | 4                      |
| LGF High Potential Operational                   | 0                                      | 158                                     | 115                  | 43                     |
| Life and Health Sciences                         | 0                                      | 135                                     | 140                  | (5)                    |
| Energy Commissioning and Studies                 | 85                                     | 125                                     | 91                   | 34                     |
| Future Markets Accelerator Fund                  | 0                                      | 0                                       | 23                   | (23)                   |
| Challenge North of Tyne                          | 0                                      | 0                                       | 8                    | (8)                    |
| Innovation Challenge - Covid                     | 313                                    | 313                                     | 273                  | 41                     |
| Brexit Policy Work Programme (Strategy & Policy) | 85                                     | 123                                     | 0                    | 123                    |
| Trade and Export Strategy                        | 46                                     | 70                                      | 70                   | 0                      |
| NP11                                             | 0                                      | 30                                      | 60                   | (30)                   |
| North East Ambition Operational Costs 1          | 144                                    | 76                                      | 109                  | (34)                   |
| North East Ambition Operational Costs 2          | 192                                    | 0                                       | 64                   | (64)                   |
| Skills Operational CEC, EY, CITE, DfE            | 714                                    | 512                                     | 625                  | (113)                  |
| INEE Contribution                                | 140                                    | 140                                     | 0                    | 140                    |
| EZ, NEIF Costs                                   | 405                                    | 405                                     | 125                  | 280                    |
| Future Markets Accelerator Fund                  | 0                                      | 79                                      | 0                    | 79                     |
| CPIF                                             | 0                                      | 0                                       | 218                  | (218)                  |
| LGF Project Management                           | 51                                     | 101                                     | 151                  | (50)                   |
| GBF Project Management                           | 133                                    | 165                                     | 176                  | (11)                   |
| <b>GROSS EXPENDITURE</b>                         | <b>7,906</b>                           | <b>7,956</b>                            | <b>7,427</b>         | <b>530</b>             |
| LEP Core & Strategy Grant from DCLG              | (500)                                  | (500)                                   | (500)                | 0                      |
| Local Authority Match Contributions              | (250)                                  | (250)                                   | (250)                | 0                      |
| <b>CORE FUNDING</b>                              | <b>(750)</b>                           | <b>(750)</b>                            | <b>(750)</b>         | <b>0</b>               |
| LGF Project Management                           | (454)                                  | (604)                                   | (601)                | (3)                    |
| GBF Project Management                           | (320)                                  | (370)                                   | (358)                | (13)                   |
| Interest Generated on Funds                      | (140)                                  | (140)                                   | (140)                | 0                      |
| Growth Hub                                       | (780)                                  | (780)                                   | (780)                | 0                      |
| Growth Hub Business Support                      | (85)                                   | (40)                                    | (69)                 | 29                     |
| Peer Networks                                    | (410)                                  | (375)                                   | (314)                | (61)                   |
| Made Smarter                                     | (288)                                  | (600)                                   | (600)                | 0                      |
| LGF High Potential                               | (41)                                   | (197)                                   | (154)                | (43)                   |
| ERDF + Digital Catapult                          | (42)                                   | (42)                                    | 0                    | (42)                   |
| Academic Health Science Network (AHSN)(LGF)      | (47)                                   | (135)                                   | (140)                | 4                      |
| Energy Accelerator                               | (143)                                  | (143)                                   | (85)                 | (58)                   |
| Energy Strategy BEIS / TVCA (Strat & Policy)     | (277)                                  | (258)                                   | (234)                | (24)                   |
| Innovation Challenge Covid                       | (313)                                  | (313)                                   | (273)                | (41)                   |
| Future Markets Accelerator Fund                  | 0                                      | 0                                       | (34)                 | 34                     |
| Challenge North of Tyne                          | 0                                      | 0                                       | (18)                 | 18                     |
| Brexit Policy Work Programme (Strat & Policy)    | (144)                                  | (40)                                    | (40)                 | 0                      |
| Trade and Export Strategy                        | (46)                                   | (70)                                    | (70)                 | 0                      |
| NP11                                             | 0                                      | (30)                                    | (60)                 | 30                     |
| European Social Fund North East Ambition 1       | (1,378)                                | (203)                                   | (397)                | 194                    |
| European Social Fund North East Ambition 2       | 0                                      | (845)                                   | (614)                | (231)                  |
| Enterprise Adviser grant - CEC                   | (617)                                  | (397)                                   | (509)                | 111                    |
| Education Challenge                              | (115)                                  | (115)                                   | (94)                 | (21)                   |
| EY Foundation                                    | (86)                                   | (85)                                    | (108)                | 23                     |
| DfE                                              | (137)                                  | (137)                                   | (172)                | 36                     |
| DFE - One Vison                                  | (351)                                  | (351)                                   | (207)                | (144)                  |
| Future Markets Accelerator Fund                  | 0                                      | (79)                                    | 0                    | (79)                   |
| NEIF Contribution to cover activity costs        | (418)                                  | (485)                                   | (330)                | (154)                  |
| EZ Contribution to cover activity costs          | (96)                                   | (236)                                   | (128)                | (108)                  |
| LA Contributions re ESIF Co-ordinator            | (20)                                   | (20)                                    | (20)                 | 0                      |
| Contribution Pension - NTCA                      | (168)                                  | (154)                                   | (146)                | (8)                    |
| Other Income                                     | (100)                                  | (100)                                   | (70)                 | (30)                   |
| <b>EXTERNAL FUNDING</b>                          | <b>(7,014)</b>                         | <b>(7,342)</b>                          | <b>(6,765)</b>       | <b>(577)</b>           |
| <b>GROSS INCOME</b>                              | <b>(7,764)</b>                         | <b>(8,092)</b>                          | <b>(7,515)</b>       | <b>(577)</b>           |
| <b>NET BUDGET</b>                                | <b>142</b>                             | <b>(136)</b>                            | <b>(88)</b>          | <b>(48)</b>            |
| <b>BROUGHT FORWARD BALANCE</b>                   | <b>(613)</b>                           | <b>(613)</b>                            | <b>(613)</b>         |                        |
| <b>Use or (Contribution) LEP Reserves</b>        |                                        | <b>(136)</b>                            | <b>(88)</b>          |                        |
| <b>EZ Contribution</b>                           | <b>(142)</b>                           | <b>0</b>                                | <b>0</b>             |                        |
| <b>CARRY FORWARD BALANCE</b>                     | <b>(613)</b>                           | <b>(749)</b>                            | <b>(702)</b>         |                        |

## 2.4 Expenditure

Gross Expenditure at the end of the 2021/22 financial year was £0.530m lower than the Revised Budget for the year reported to January 2022 LEP Board. The key variances making up this underspend are detailed below:

### 2.5 Employee Costs

Employee expenditure totalled £3.335m, which is £0.018m lower than the revised budget position however, it is £0.365m lower than the original budget position taken to the May 2021 LEP Board at the beginning of the financial year. This underspend reflects staff leaving the organisation and a hold on recruitment to fill vacant posts pending the outcome of the LEP Review.

### 2.6 Other Operational Costs funded from Core Budget

Other operational expenditure budgets reflect additional budget provision, funded from LEP Core Funding, provided to the individual sectors to fund key supplementary operational activity. This budget area reflects an underspend of £0.227m against a budget of £0.674m. This variance is mainly due to a cautious approach to spend on some operational activities pending the LEP Review. The sector teams have requested to carry forward any surplus budget to meet salary funding and operational activity in future years.

### 2.7 Business Growth Team Operational Costs

The Business Growth Team operational costs includes Growth Hub, Made Smarter, Peer Networks and LGF High Potential. All of these areas have specific related funding attached. Peer Networks is reflecting grant reduction of £0.063m against operational costs due directly to five cohorts being handed back to BEIS from the 26 allocated for the year, this was due to difficulty experienced in recruiting the required number of participants within the timeframe. Other operational expenditure on areas within the Business Growth Team is as anticipated within budget.

### 2.8 Energy Strategy Budgets

The Energy Team is funded from various funding streams such as, LGF, ERDF, contributions from North of Tyne and Tees Valley Combined Authorities and the Offshore Renewable Energy Catapult (OREC). Funding mainly covers salary costs with some operational costs in relation to commissioning costs and studies. A small underspend of £0.033m is reflected on operational expenditure.

### 2.9 Strategy, Policy and Analysis

The key areas of activity within the Strategy, Policy and Analysis Team are EU Exit Policy and work programme, Trade and Export and NP11. Operational activity in this area reflected an underspend in relation to the EU Exit activity.

### 2.10 Skills Team

The Skills Team covers a number of funding streams, ESF North East Ambition, Careers and Enterprise Company (CEC), EY and DfE One Vision and DfE Skills Advisory Panel. Expenditure on operational activity across the

various funding streams totalled £0.796m, reflecting an overspend against budget of £0.210m. This overspend on operational activity is fully funded from the respective grant funding streams in year, the variance to January budget is more of a reflection of a change in the balance of spending to cover more operational activity.

#### 2.11 Innovation Team

The Innovation Team were successful in their bids for grant funding in relation to two key schemes Future Markets Acceleration Fund through CRF (Community Renewal Fund) and Challenge North of Tyne. In addition to this the Team delivered the Innovation Challenge Covid LGF Scheme (£0.272m).

#### 2.12 Invest North East England Contribution

Previously the North East LEP has contributed £0.140m towards the Invest North East England Team funded from interest on funds invested. The level of LEP funding has declined with LGF funding ceasing in March 2021, therefore, the LEP is meeting this cost from the Enterprise Zone account.

#### 2.13 Investment Team

The Investment Team manages the following four funding streams: LGF, GBF, NEIF and the Enterprise Zone account, as well as the new Commercial Property Investment Fund (CPIF). Operational activity in this area was £0.670m in total and relates to commissioning activity and external advice to support programme delivery.

#### 2.14 Income

The 2021/22 outturn position reflected gross income of £7.367m reflecting a reduction in funding of ££0.725m compared to the revised budget position reported in January. The reduction in gross income reported at year end links directly to reduced expenditure on salary and operational activity. The key areas of underspend against budgeted funding relate to DfE One Vision (£0.143m) with any surplus funding carried forward for delivery in future years. NEIF and EZ funding (£0.262m) is also lower than anticipated spend on delivery.

2.15 The Business Growth Team's funding amounted to £2.057m in total including Made Smarter Fund (£0.600m), Peer Networks (£0.314m) and Growth Hub Funding (£0.780m). Growth Hub Funding has been one of the core areas of delivery for the North East LEP and is an area identified as receiving reduced 50% less funding from Government in 2022/23.

2.16 The Skills Team funding amounted to £2.101m including ESF North East Ambition (£1.011m) and CEC Funding (£0.508m). Funding of £0.967m across all Skills Sector budgets has been carried forward to fund delivery in future years. It should be noted however, payment of the first three funding claims made to the ESF Managing Authority were substantially delayed due to DWP administration pressure. Assurance was provided that the claims would be paid in full, and operations should continue on Programme. All claims are now fully paid and up to date.

2.16 As mentioned in 2.11 the Innovation Team drew in funding for delivery on the CRF Future Market Acceleration Fund (£0.358m, £0.334m in 2022/23) and Challenge North of Tyne, total funding £0.879m, £0.498m in 2022/23 and £0.363m in 2023/24. The current financial year showed the initiation of this project delivery with £0.034m income in relation to the CRF Future Market Acceleration Fund and £0.018m income in relation to Challenge North of Tyne drawn in to recover salary and overheads in the last two months of the financial year. LGF funding was also utilised to deliver on the Innovation Challenge Covid Scheme (£0.272m).

### 3. North East LEP Revenue Balances

3.1 Table 2 below shows the North East LEP revenue balance as at 31<sup>st</sup> March 2022. The reserve has increased by £0.088m over the year to £0.702m (rounded).

Table 2 – Revenue Balances

| Budget Area | Opening Balance<br>£000 | Movement in<br>2021/22<br>£000 | Closing Balance<br>£000 |
|-------------|-------------------------|--------------------------------|-------------------------|
| LEP Reserve | 613                     | 88                             | 702                     |

### 4. North East Enterprise Zones

4.1 Round 1 Enterprise Zones (EZ) are located across four local authority areas: Newcastle, North Tyneside, Northumberland and Sunderland. Business rates growth generated on these designated sites accrues to the benefit of the North East LEP for a 25-year period with 2021/22 being the ninth year of the Round 1 EZ life.

4.2 In April 2017 these were joined by a further ten 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. With the exception of the IAMP, it is the fourth year of the round 2 sites life. Ramparts (Northumberland), and Follingsby North (Gateshead) have generated Business Rates Growth Income during 2021/22, as the result of occupation on parts of the sites requiring no capital investment to enable occupation to occur.

4.3 The 2021/22 EZ Account Outturn figures are summarised in Table 3 below, which shows business rate income in 2021/22 of £2.953m for the year, which is higher than the previous year, but £1.208m lower than the estimate for the year. This is mainly because the rateable value of buildings on two of the EZ sites (Newcastle International Airport and the IAMP EZ sites), have not had their rateable values assessed by the Valuation Office and the rateable value of the Faltec building on the IAMP site has only just been received. The estimated business rate income due from these sites for 2020/21 and 2021/22, but now receivable in 2022/23 is £2.020m, as summarised in Table 4. When

this income is taken into account, the business rates income figure for 2021/22 would have been higher than the budget estimate of £4.161m.

- 4.4 In terms of other reductions in business rate income, - the lower income on the Swans' site is due to a backdated rateable value reduction on one building and a number of empty units in the refurbished CFI building; and a delay in the completion and occupation of the new buildings on the Holborn 1 site until 2022/23.
- 4.5 In terms of capital financing costs, the outturn figure of £2.171m includes in year interest costs paid to councils for projects in construction (£0.096m), annuity loan borrowing costs (of £1.436m) paid to councils and NECA, funding in year feasibility costs (£0.119m) and repayment of NEIF loans (£0.519m) previously used to fund capital costs on EZ sites. Capital financing costs are slightly lower than the estimate due to slippage of capital expenditure in the year resulting in lower interest payments to councils.

**Table 3: Enterprise Zone Account 2021/22 Outturn**

|                                                | 2020/21<br>Actual | 2021/22<br>Estimate | 2021/22<br>Actual | Variation       |
|------------------------------------------------|-------------------|---------------------|-------------------|-----------------|
| <b>ROUND 1 EZ SCHEMES</b>                      | <b>£000</b>       | <b>£000</b>         | <b>£000</b>       | <b>£000</b>     |
| Newcastle - Neptune Yard                       | 537               | 593                 | 638.8             | 45.8            |
| North Tyneside - Swans                         | 143               | 217                 | 157.9             | -59.1           |
| Northumberland - Blyth Estuary / Port of Blyth | 334               | 326                 | 319.1             | -6.9            |
| Sunderland A19 Corridor                        | 628               | 692                 | 830.7             | 138.7           |
| <b>ROUND 2 EZ SCHEMES</b>                      |                   |                     |                   |                 |
| Durham - Jade                                  | 51                | 142                 | 185.1             | 43.1            |
| Gateshead - Follingsby                         | 255               | 1,289               | 258.6             | -1,030.4        |
| Newcastle - International Airport              |                   | 137                 | -                 | -137.0          |
| Northumberland - Ramparts (Berwick)            | 34                | 38                  | 34.5              | -3.5            |
| South Tyneside - Holborn                       |                   | 60                  |                   | -60.0           |
| Sunderland/ South Tyneside IAMP                | 581               | 667                 | 527.9             | -139.1          |
| <b>TOTAL BRGI</b>                              | <b>2,563</b>      | <b>4,161</b>        | <b>2,953</b>      | <b>-1,208.4</b> |
| Interest                                       | 14                | 15                  | 15.0              | 0.0             |
| <b>Total Income</b>                            | <b>2,577</b>      | <b>4,176</b>        | <b>2,968</b>      | <b>-1,208.4</b> |
| <b>Expenditure</b>                             |                   |                     |                   | 0.0             |
| Capital Financing Costs                        | 1,805             | 2,174               | 2,170.7           | -3.3            |
| Revenue Operating Costs                        | 99                | 108                 | 95.5              | -12.5           |
| Contribution to INEE Team Costs                | 65                | 157                 | 157.0             | 0.0             |
| <b>Total Costs</b>                             | <b>1,969</b>      | <b>2,439</b>        | <b>2,423.2</b>    | <b>-15.8</b>    |
| <b>Annual Surplus</b>                          | <b>608</b>        | <b>1,737</b>        | <b>544.4</b>      | <b>-1,192.6</b> |
| <b>Use of the Surplus</b>                      |                   |                     |                   |                 |
| - Project Development Fund                     | -                 | 500                 | -                 | 500.0           |
| <b>Cumulative Pooled Surplus.</b>              | <b>3,655</b>      | <b>4,892</b>        | <b>4,199.4</b>    | <b>-692.6</b>   |

**Table 4 – Estimated Business Rates 2022/23**

| <b>Estimated Rates due in 2022/23</b> | <b>2020/21</b> | <b>2021/22</b> | <b>Total</b> |
|---------------------------------------|----------------|----------------|--------------|
|                                       | <b>£000</b>    | <b>£000</b>    | <b>£000</b>  |
| Newcastle International Airport       | 88             | 152            | 240          |
| Gateshead - Follingsby                |                | 1,174          | 1,174        |
| South Tyneside/Sunderland - IAMP      | 404            | 202            | 606          |
|                                       | <b>492</b>     | <b>1,528</b>   | <b>2,020</b> |

- 4.6 Revenue operating costs were lower than the estimate for the year and the contribution to the INEE team was in line with the budget for the year.
- 4.7 The Revenue Account generated an in-year surplus of £0.544m, which increased the cumulative surplus to £4.199m.
- 4.8 The original approved budget for the year envisaged that the EZ surplus could be used to meet up to a £0.5m contribution to the LEP annual budget and could fund up to £1.5m of Development Fund projects. In January it became clear that a contribution to the LEP budget would not be required in 2021/22 and the estimate of funding for potential Development Fund costs was reduced to £0.5m. The actual Development Fund costs in 2021/22 were lower than anticipated and have been fully met in the first instance by the approved budget contribution from the NEIF. As a result, the EZ surplus has not been used in 2021/22 and will be carried over in full to 2022/23.
- 4.9 Capital expenditure and the cost of feasibility studies in 2021/22 was lower than anticipated at £4.690m. Expenditure to be funded by EZ loans slipped back into future years as the use of grant funding from the LGF and GBF were taken up first before the use of EZ funding.

**Table 5: Capital Expenditure and Feasibility Costs in 2021/22**

|                                                            | Previous Forecast | 2021/22 Outturn | Variation      |
|------------------------------------------------------------|-------------------|-----------------|----------------|
| <b>ROUND 1 EZ SCHEMES</b>                                  | £000              | £000            | £m             |
| Northumberland, Port of Blyth - Bates site                 | 60.8              | 60.8            | -              |
| Port of Tyne Royal Quays Feasibility                       | 1.6               | 1.6             |                |
| Northumberland - Energy Park (East Sleekburn) site         | 893.8             | 1,092.3         | 198.5          |
| <b>ROUND 1 TOTAL</b>                                       | <b>956.2</b>      | <b>1,154.7</b>  | <b>198.5</b>   |
| <b>ROUND 2 EZ SCHEMES</b>                                  |                   |                 |                |
| Newcastle - International Airport - Phase 1                | 38.6              | 34.3            | (4.3)          |
| Newcastle - International Airport - Site A Master Planning | 50.0              | 40.4            | (9.6)          |
| Northumberland - Ashwood Business Park                     | 1,162.2           | 1,060.5         | (101.7)        |
| Northumberland - Fairmoor (Feasibility Study)              | 27.2              | 9.0             | (18.2)         |
| South Tyneside - Holborn Phase 1                           | 12.4              | 12.4            | -              |
| South Tyneside - Holborn Phase 2 Feasibility               | 68.4              | 68.4            |                |
| South Tyneside - Holborn Phase 2 (Tyne Dock)               | 1,900.0           | 1,900.0         | -              |
| Sunderland - Port of Sunderland                            | 697.0             | 410.1           | (286.9)        |
| <b>ROUND 2 TOTAL</b>                                       | <b>3,955.9</b>    | <b>3,535.1</b>  | <b>(420.7)</b> |
| <b>TOTAL Investment</b>                                    | <b>4,912.0</b>    | <b>4,689.8</b>  | <b>(222.2)</b> |

## 5. Local Growth Fund

- 5.1 The LGF programme delivered over £8.100m of activity during 2021/22 across the SEP themes utilising the LGF legacy grant funding available, of which £0.601m related to project management costs.

### Getting Building Fund

- 5.2 The GBF programme fully expended the budget allocation of £23.5m with project spend exceeding £25.6m. The outturn position is considerably lower than what had been anticipated throughout the year (£30.6m), this being due to underspends across a number of projects, £0.358m related to project management costs. Returned GBF funding swaps money from 2020/21 and local funding from the NEIF/EZ account will be used to fund expenditure falling in 2022/23 and 2023/24.

### North East Investment Fund

- 5.3 The NEIF's initial £55m allocation was made up of £25m Growing Places and £30m Regional Growth Funding (RGF). The Regional Growth Funding element had originally tighter restrictions on how it was used, however, we worked with government to close the original RGF programme and release this funding to be used to support the Commercial Property Investment Fund (CPIF). The NEIF supports a number of projects through loans which are now making repayments, recycling the funding available for reinvestment in new projects and other opportunities.

- 5.4 To support projects within the programme, opportunity is available to suspend loan repayment within an agreed time frame in line with Government loan deferral schemes. This is being made available upon request and some requests for loan rescheduling were received and considered. Projects where loan rescheduling has been approved continue to make regular payments of interest and contributions to principal repayment.
- 5.5 The commitment of up to £10m approved for the NorthEast Property Development Fund in 2020/21 resulted in £7.5m being drawn against the facility in 2021/22. The additional funding for the North East Property Development Fund operated by FW Capital Ltd, supports small developers in the region to bring forward residential and commercial development with investment of up to £2m on a secured basis. To the end of March 2022, FW Capital as Fund Manager for the North East Property Fund, had been successful in bringing forward 39 investments since 2018 when the fund started with no defaults, creating 128 jobs, 163 housing units and 3,504sq m of commercial floorspace.

### **Commercial Property Investment Fund (CPIF)**

- 5.6 At the year-end some £20.3m is available from the NEIF to support new activity. This is envisaged to be used to fund Inward Investment Activity and to support the proposals for a new Commercial Property Investment Fund, which has been previously agreed by the Board. CPIF has been developed during the year with revenue spend for 2021/22 of £0.218m to enable the successful procurement of a fund manager for the CPIF, with its launch to take place shortly. It is estimated that the £35m CPIF investment which will be made over the four years (including other NEIF returned funds and cash flow) will be loaned out several times (three or more cycles are envisaged) and repaid in full at the end of the 15-year period, plus interest of c£10.3m and the potential of surplus of £6m, potentially rising to £8m if the bad debt provision is not called upon.

## **6 LEP Revenue Budget 2022/23 to 2023/24**

- 6.1 The budget position for 2022/23 was reported to the North of Tyne Combined Authority (NTCA) as the accountable body for the North East LEP on 25 January 2022, and the North East LEP Board on 28 January 2022. Since then, the Government issued their Levelling Up White Paper and subsequently the outcome of the LEP Review.
- 6.2 The key point coming out of the LEP Review was that every LEP across the country are entering a period of transition over the coming years as Government works with local areas on devolved deals. In terms of budgetary implications included within the LEP Review two key funding streams are being reduced this financial year: Growth Hub funding from £0.780m to £0.390m and LEP Core funding reduced from £0.500m to £0.375m. The 2022/23 and 2023/24 budget detailed in Table 6 takes account of the reduced funding, the proposed staffing efficiencies to be made and the related redundancy costs. This report will be reported to the North of Tyne Combined

Authority (NTCA) Cabinet on 7 June 2022, as accountable body for the North East LEP.

- 6.2 Table 6 overleaf, provides a summary of the revenue budget for the North East LEP showing financial years 2022/23 and 2023/24.

**Table 6 North East LEP Revenue Budget 2022/23, 2023/24**

|                                                     | 2022/23<br>(May 2021) | 2022/23<br>Indicative<br>Budget<br>(Jan 2022) | 2022/23<br>Base Budget | 2023/24<br>Base Budget |
|-----------------------------------------------------|-----------------------|-----------------------------------------------|------------------------|------------------------|
|                                                     | £'000                 | £'000                                         | £'000                  | £'000                  |
| Employees                                           | 3,557                 | 3,332                                         | 3,171                  | 2,710                  |
| Premises                                            | 207                   | 228                                           | 207                    | 207                    |
| Communications                                      | 250                   | 250                                           | 200                    | 200                    |
| Other Operational Costs                             | 600                   | 619                                           | 737                    | 600                    |
| Reduction in Operational Costs                      | 0                     | 0                                             | (150)                  | (150)                  |
| Redundancy including Strain on the Fund             | 0                     | 0                                             | 62                     | 0                      |
| Growth Hub Operational Costs                        | 184                   | 244                                           | 229                    | 229                    |
| Business Growth Operational Costs c/f               | 0                     | 0                                             | 69                     | 0                      |
| Peer Networks                                       | 160                   |                                               | 0                      | 0                      |
| Made Smarter                                        | 217                   | 437                                           | 473                    | 466                    |
| LGF High Potential Operational                      | 0                     | 0                                             | 40                     | 0                      |
| Academic Health Science Network (AHSN)              | 0                     | 0                                             | 48                     | 0                      |
| North East Ambition Operational (ESF) 1             | 0                     | 0                                             | 59                     | 30                     |
| North East Ambition Operational (ESF) 2             | 175                   | 135                                           | 126                    | 90                     |
| Skills Operational CEC, EYCITE                      | 169                   | 320                                           | 316                    | 0                      |
| Brexit Policy Work Programme                        | 54                    | 27                                            | 0                      | 0                      |
| Trade and Export Strategy                           | 0                     | 6                                             | 10                     | 0                      |
| Challenge North of Tyne                             | 0                     | 0                                             | 438                    | 335                    |
| Future Markets Acceleration Fund                    | 0                     | 68                                            | 323                    | 0                      |
| Inward Investment Contribution                      | 0                     | 0                                             | 0                      | 0                      |
| EZ NEIF Costs                                       | 94                    | 100                                           | 100                    | 100                    |
| LGF Project Management                              | 22                    | 22                                            | 22                     | 27                     |
| Getting Building Fund Project Management            | 61                    | 90                                            | 61                     | 25                     |
| <b>GROSS EXPENDITURE</b>                            | <b>5,750</b>          | <b>5,878</b>                                  | <b>6,539</b>           | <b>4,870</b>           |
| LEP Core & Strategy Grant from DCLG                 | (500)                 | (500)                                         | (375)                  | (375)                  |
| Local Authority Match Contributions                 | (250)                 | (250)                                         | (250)                  | (250)                  |
| <b>CORE FUNDING</b>                                 | <b>(750)</b>          | <b>(750)</b>                                  | <b>(625)</b>           | <b>(625)</b>           |
| Local Growth Fund (Programme Mgmt)                  | (240)                 | (512)                                         | (431)                  | (414)                  |
| Getting Building Fund (Programme Mgmt)              | (196)                 | (201)                                         | (195)                  | (37)                   |
| Interest Generated on Funds                         | (110)                 | (110)                                         | (110)                  | (70)                   |
| Growth Hub                                          | (700)                 | (780)                                         | (390)                  | (390)                  |
| GH Business Support C/F                             | 0                     | (154)                                         | (69)                   | 0                      |
| Peer Networks                                       | (410)                 | 0                                             | 0                      | 0                      |
| Enterprise Adviser grant - CEC                      | (249)                 | (260)                                         | (715)                  | (220)                  |
| Academic Health Science Network (AHSN)              | (76)                  | (76)                                          | (48)                   | (48)                   |
| NEIF Contribution to cover activity costs           | (110)                 | (110)                                         | (147)                  | (148)                  |
| EZ Contribution to cover activity costs             | (87)                  | (87)                                          | (32)                   | (32)                   |
| Education Challenge                                 | 0                     | 0                                             | (21)                   | 0                      |
| North East Ambition 1 (ESF)                         | (1,145)               | (167)                                         | (169)                  | (110)                  |
| North East Ambition 2 March 2023                    |                       | (896)                                         | (859)                  | (540)                  |
| FRIC Monies                                         | 0                     | 0                                             | (321)                  | (134)                  |
| DfE                                                 | (75)                  | 0                                             | (79)                   | 0                      |
| LGF High Potential                                  | 0                     | 0                                             | (40)                   | 0                      |
| Brexit Policy Work Programme                        | (90)                  | (67)                                          | (34)                   | 0                      |
| NTCA Funding of Brexit Work Programme               | 0                     | 0                                             | (58)                   | 0                      |
| Trade and Export - World Wide Chamber               | 0                     | (6)                                           | (10)                   | 0                      |
| Made Smarter                                        | (288)                 | (600)                                         | (600)                  | (600)                  |
| Energy Accelerator                                  | (143)                 | (180)                                         | (180)                  | (139)                  |
| Energy Strategy BEIS/TVCA, RCEF,OREC Misc.          | (170)                 | (163)                                         | (64)                   | (63)                   |
| DFE - One Vision                                    | (131)                 | (192)                                         | (192)                  | 0                      |
| Challenge North of Tyne                             | 0                     | 0                                             | (498)                  | (363)                  |
| Future Markets Acceleration Fund                    | 0                     | (68)                                          | (334)                  | 0                      |
| Contribution Pension - NTCA                         | (160)                 | (145)                                         | (132)                  | (117)                  |
| Other Income                                        | (100)                 | (100)                                         | (100)                  | (100)                  |
| <b>EXTERNAL FUNDING</b>                             | <b>(4,478)</b>        | <b>(4,874)</b>                                | <b>(5,829)</b>         | <b>(3,525)</b>         |
| <b>GROSS INCOME</b>                                 | <b>(5,228)</b>        | <b>(5,624)</b>                                | <b>(6,454)</b>         | <b>(4,150)</b>         |
| <b>NET BUDGET</b>                                   | <b>522</b>            | <b>254</b>                                    | <b>85</b>              | <b>719</b>             |
| Increase in LEP Reserve/(Contribution from Reserve) |                       |                                               |                        | (117)                  |
| EZ Reserve (Contribution)                           | (522)                 | (254)                                         | (85)                   | (500)                  |
| LEP savings/LEP income                              |                       |                                               |                        | (102)                  |
| <b>B/F LEP RESERVE</b>                              | <b>(613)</b>          | <b>(613)</b>                                  | <b>(702)</b>           | <b>(617)</b>           |
| <b>C/F LEP RESERVE</b>                              | <b>(613)</b>          | <b>(674)</b>                                  | <b>(617)</b>           | <b>(500)</b>           |

- 6.3 The 2022/23 LEP base budget includes a reduction of £0.437m in salary costs. The employee expenditure line also includes the Chair's salary and operational expenses. In addition, operational budgets have been reduced by £0.200m (£0.150m from core operations and £0.050m from communications operations), the budget of £0.737m includes £0.137m of carry forward from 2021/22 core operational budgets. Over the two years, if no additional income is identified the costs are estimated to exceed the available grant and core contributions income by up to £0.085m in 2022/23 and £0.719m in 2023/24. The deficit of £0.085m in 2022/23 is funded from the EZ account. In 2023/24 £0.117m from the LEP reserve reducing this to a prudent level of £0.500m £0.500m from EZ Reserve and the balance of £0.102m to be met from either future LEP funding sources or efficiencies. Funding support of £0.500m per annum from the EZ account has previously been agreed by the Board. This enables the potential risk of not securing additional income to be managed. However, this approach has been proven over the last few years, as where a deficit is shown at the beginning of the year, the LEP has to date secures additional funding to close the gap over the course of the year.
- 6.4 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income (EZ BRGI) surplus of up to £0.500m 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 £2.500m of potential spend from the EZ account. However, due to the anticipated drop in funding and core funding potentially remaining fixed at the same level, coupled with the increased salary costs due to pay increment commitments it is anticipated that £0.085m will be required from the £0.500m EZ BRGI allocation in 2022/23 and a further £0.500m (as explained in 6.3 above) in 2023/24 to maintain a prudent LEP Reserve balance of £0.500m at 31<sup>st</sup> March 2024.
- 6.5 There are active funding bids which if successful will provide additional income and reduce the potential drawdown against the LEP reserve and EZ account, which has been the case in preceding years and has to date been a successful approach.
- 6.6 The LEP manages the uncertainty of funding by using some fixed term staffing contracts and by being able to reduce other operating costs to reflect the available funding streams; and by the availability of reserves and other funds which it can draw on to support activity, such as the use of the agreed EZ contingency contribution, which is illustrated in table 6 above. The opportunity to draw on the EZ reserve, if necessary, helps compensate for the uncertainty of other income streams. In recent years, this contingency has not been called upon as other income streams have been confirmed or new income streams have been identified.
- 6.7 Employee budgets have factored in 3% pay award increase in anticipation of the rises in inflation. National Insurance has also been amended for the additional 1.25%. A staff turnover allowance of 3% has been factored into the employee budget for all three financial years, which is considered prudent given experience in recent years.

- 6.8 The NECA pension fund enabled the LEP to benefit from a 0% employer superannuation contribution rate which provided a significant budget saving. The change in accountable body status to NTCA, has meant an employer superannuation contribution rate of 5.2% is now applicable, however, in order to maintain the saving benefit to the LEP the NTCA are providing a contribution at the same level to achieve a net budget impact (£0.132m in 2022/23, £0.117m in 2023/24).
- 6.9 Contribution to Invest North East England £0.140m funded from interest on balances has been removed with funding for this to be met from the EZ account from 2022/23.
- 6.10 The Communications’ team operational budget for 2022/23 onwards represents a continuation of the budget agreed by the Board at its meeting in March 2017 with a slight reduction of (£0.050m). Key aspects of the budget include development of the communications’ activity related to delivering the SEP plus the continuation of essential PR & Media support.
- 6.11 Despite LEP Core funding from Government reducing to £0.375m, the Local Authority Match Contribution requirement of £0.250m is assumed to continue at the same level.
- 6.12 As previously agreed by the Board, a 2.6% top-slice of the Local Growth Fund allocation is available to support the delivery of the programme, primarily LEP team staffing costs. Although the LGF programme officially ended in March 2021, by using funding SWAPs, revenue funds will be available in 2022/23 and 2023/24 to support extended activity. The drawdown of the balance of the top-slice budget is profiled to be made as follows:

| <b>Table 7</b>           | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> |
|--------------------------|----------------|----------------|----------------|
|                          | <b>£’000</b>   | <b>£’000</b>   | <b>£’000</b>   |
| LGF Programme Management | 618            | 431            | 414            |

- 6.13 As the annual LGF grant allocation is normally paid by Government in full at the beginning of the financial year, the cash balances held are able to attract interest (£0.140m in 2021/22). An estimate for each financial year is included within the budget, based on an assumption of the timing of LGF expenditure. The level of interest generated naturally reduces in line with the reducing LGF and GBF grant receipts in future years and also depends on the rate of interest that can be earned on fund balances. We will continue to seek to maximise the level of interest earned on cash flow balances and will update the estimate when the budget is reviewed during the year. It is unlikely that the continuation of circa £0.140m of interest can be earned on revenue balances in 2022/23 onwards and therefore the income budget has been reduced to £0.110m and £0.070m in 2022/23 and 2023/24 respectively.

## **9. Recommendations**

9.1 The Board is requested to:

- i. Note the positive budget outturn position for 2021/22.
- ii. Approve the 2022/23 budget.
- iii. Note the indicative 2023/24 budget illustrations.

**Invest North East England 2021/22 Outturn and 2022/23 Budget.**

**1. Overview**

- 1.1 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.
- 1.2 Operationally, INEE's work has a few key guiding principles:
- INEE's primary function is to focus on attracting new inward investment to the North East (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 the 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)

**2. Performance**

- 2.1 After a very challenging (Covid-affected) 2020/21 with subdued levels of enquiries, 2021/22 has turned out to be the best year for a decade for the North East in terms of investment projects landed and new jobs created.
- 2.2 There have been multiple successful investment projects from foreign-owned companies as well as UK companies expanding into the region. These investments have come from a number of sectors including: offshore wind, business services, digital technology, and advanced manufacturing.
- 2.3 INEE has led many of these successful projects and currently has a very healthy project pipeline securing investments in the final quarter of 2021/22 and into 2022/23. The team is leading the development of a regional proposition in

electrification, a sector that offers a hugely significant opportunity for the region over the next few years.

### 3. 2021/22 Outturn and 2022/23 Proposed Budget

- 3.1 The 2021/22 Outturn position reflects an increase in employee expenditure relating to an additional member of the Team to meet delivery against the increased investment project activity detailed in section 2 above. This post continues on into 2022/23 on a fixed term contract basis to meet the continued activity on electrification. The increase in employee expenditure has been met from savings on other areas of the budget.
- 3.2 Historically the Invest North East England (INEE) budget has been funded from contributions from the 7 local authorities (£20,000 each); contribution from the North East LEP (£140,000) and the balance met from Enterprise Zone surplus due to the inward investment linked to Enterprise Zone sites, plus a small contribution from private sector (£10,000).
- 3.3 The North East LEP contribution (£140,000) was funded from interest achieved from investing Local Growth Fund in 2020/21, with this funding stream coming to a close at the end of 2021 this funding source is no longer available the balance of funding is now to be met from the Enterprise Zone account, this is reflected in Table 1 below. The Outturn for 2021/22 and the proposed budget for 2022/23 is set out in Table 1 below.

**Table 1 Invest North East England 2021/22 Outturn and 2022/23 Budget**

|                                      | 2021/22<br>Original<br>Budget | 2021/22<br>Outturn | Variance        | 2022/23<br>Budget |
|--------------------------------------|-------------------------------|--------------------|-----------------|-------------------|
| Expenditure                          | £                             | £                  | £               | £                 |
| Salaries                             | 166,000                       | 195,423            | 29,423          | 237,000           |
| Staff Training                       | 2,000                         | 0                  | (2,000)         | 2,000             |
| Travel and Subsistence               | 9,000                         | 2,018              | (6,982)         | 5,000             |
| Visits and Hospitality               | 0                             | 0                  | 0               | 5,000             |
| Web, Telecoms, Computers             | 8,000                         | 6,173              | (1,827)         | 8,000             |
| Marketing/Communications             | 107,000                       | 105,825            | (1,175)         | 90,000            |
| Membership Fees (e.g. Sector Bodies) | 3,000                         | 3,562              | 562             | 3,000             |
| Professional Consultancy             | 20,000                        | 10,650             | (9,350)         | 20,000            |
| Lead Generation/Events               | 120,000                       | 60,537             | (59,463)        | 75,000            |
| Subscriptions                        | 25,000                        | 15,000             | (10,000)        | 15,000            |
| <b>Gross Expenditure</b>             | <b>460,000</b>                | <b>399,187</b>     | <b>(60,813)</b> | <b>460,000</b>    |
| <b>Income</b>                        |                               |                    |                 |                   |
| Local Authority Contributions        | (140,000)                     | (140,000)          | 0               | (140,000)         |
| LEP Contribution                     | (140,000)                     | 0                  | 140,000         | 0                 |
| EZ Contribution                      | (170,000)                     | (252,881)          | (82,881)        | (313,000)         |
| KAM (DIT)                            | (10,000)                      | (6,306)            | 3,694           | (7,000)           |
| <b>Gross Income</b>                  | <b>(460,000)</b>              | <b>(399,187)</b>   | <b>60,813</b>   | <b>(460,000)</b>  |
| <b>Net Budget</b>                    | <b>0</b>                      | <b>0</b>           | <b>0</b>        | <b>0</b>          |