

Cabinet

Tuesday, 22 November 2022 at 2.00 pm

Meeting to be held: Northumberland County Council, County Hall, Morpeth, NE61 2EF.

Notice to the public: This meeting will also be streamed live on YouTube at
https://www.youtube.com/watch?v=aOX46_3Jy6s

www.northoftyne-ca.gov.uk

AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be submitted to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

Note: Members of Cabinet have been granted dispensations so that they may participate in decisions which relate to the constituent authority which appointed them.

3. **Any announcements from the Mayor and/or the Chief Executive**

4. **Minutes of the Previous Meeting**

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5. **Adult Education Budget annual update**

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6.	North of Tyne Stewardship and Rural Growth Investment Plan	31 - 40
7.	Investment Fund and Funding Approvals Update: Part 1	41 - 48
8.	2022/23 Quarter 2 NTCA Budget Monitor Report	49 - 66
9.	Appointment of Independent Chair of Audit and Standards Committee	67 - 70
10.	NTCA 2023-2027 Draft Budget Proposals	71 - 92
11.	Date and Time of the Next Meeting Tuesday, 31 January 2023 at 2pm.	
12.	Exclusion of Press and Public Under section 100A and Schedule 12A Local Government Act 1972 because exempt information is likely to be disclosed and the public interest test against disclosure is satisfied.	
13.	Investment Fund and Funding Approvals Update: Part 2	93 - 98

Contact Officer: Victoria Miller
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Cabinet

20 September 2022

(2.03 - 2.50 pm)

Meeting held: Committee Room, Civic Centre, Barras Bridge, Newcastle upon Tyne, NE1 8QH

Minutes

Present:

Chair: Mayor J Driscoll

Councillors C Johnson, N Kemp, G Renner-Thompson and G Sanderson, Mayor N Redfearn and Ms L Winskell

And also Mr R Fry (Observer)

A MOMENT OF SILENCE

A moment of silence was observed by the Cabinet to pay respect to the Queen Elizabeth II.

25 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors K Kilgour and R Wearmouth.

Councillor G Renner-Thompson was welcomed to the meeting.

26 DECLARATIONS OF INTEREST

There was no declaration of interests.

27 ANY ANNOUNCEMENTS FROM THE MAYOR AND/OR THE CHIEF EXECUTIVE

Thanks were placed on record to officers of the three constituent local authorities for their work to put arrangements in place following the death of Her Majesty Queen Elizabeth II and the proclamation of the new King, Charles III.

The Mayor also offered thanks to Ms L Winskell, a member of Cabinet and the Chair of North East Local Enterprise Partnership, for her work as a recently appointed Lord-Lieutenant.

28 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 19 July 2022 were approved as a correct record and signed by the Chair.

29 APPOINTMENT OF MAYORAL AMBASSADOR

Submitted: A joint report of the Director of Policy and Performance and the Monitoring Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which invited it to confirm the appointment of Ms Lisa Goodwin, the Chief Executive of Connected Voice and the Mayor's nominee for the position of Mayoral Ambassador for the Voluntary, Community and Social Enterprise sector, following the recent resignation Mr Robin Fry who was now joining the Combined Authority as an employee. The Mayor thanked Mr Fry for his work.

Mr Fry addressed the Cabinet. In his speech, he listed key areas of his involvement and highlighted achievements whilst in the role. Mr Fry offered thanks to the Combined Authority for continued support. He explained that he was now joining the Combined Authority as an employee and was looking forward to working with the organisation in the new role.

RESOLVED – That the appointment of Lisa Goodwin, Chief Executive of Connected Voice, as the Mayoral Ambassador for the Voluntary, Community and Social Enterprise (VCSE) sector until the NTCA's annual meeting in June 2023, be approved.

30 AUDIT AND STANDARDS COMMITTEE ANNUAL REPORT 2021/22

Submitted: A report of the Audit and Standards Committee (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which presented the outcome of the work of the Audit and Standards Committee for 2021-2022.

The Mayor, on behalf of the Cabinet, thanked the Audit and Standards Committee members and officers for their work.

RESOLVED – That the report be noted.

31 NORTHUMBERLAND LINE ECONOMIC GROWTH CORRIDOR

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

The Cabinet considered the report which provided an update on the Northumberland Line and the Ten Point Plan for the Northumberland Line Economic corridor; and sought approval for the allocation of funding from the NTCA Investment Fund to catalyse investment and accelerate delivery of projects. The report was introduced by Mayor J Driscoll, the Cabinet Member for Social Economy and Communities, and the North Tyneside Council's Mayor N Redfearn, the Cabinet Member for Housing, Land and Development.

The Cabinet members welcomed the progress achieved to reintroduce passenger rail services and commended the many benefits that the scheme would bring, both direct and indirect. Comments were also made about the successful cross-party collaboration in the North of Tyne area to make this strategic ambition possible.

Thanks were put on record to all involved in developing and progressing the scheme.

RESOLVED – That:

- i. The report be noted;
- ii. The approach for the Northumberland Line Economic Corridor Ten Point Plan be endorsed;
- iii. An allocation of £10m to catalyse and accelerate delivery of the projects identified in the Northumberland Line Economic Corridor Ten Point Plan be agreed;
- iv. The Chief Executive be authorised to approve businesses cases and delivery plans in consultation with Investment Panel and the Mayor; and
- v. The Chief Executive be authorised to finalise the conditions to be attached to funding allocations and the Monitoring Officer be authorised to complete necessary documentation.

32 NORTH OF TYNE DIGITAL: UPDATE AND NEXT STEPS

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

The Cabinet considered the report which provided an update on the progress of “North of Tyne Digital”, the NTCA collaborative approach and investment programme to boost digital connectivity, digital inclusion, skills and support growth of the tech economy. The report was introduced by Mayor J Driscoll, the Cabinet Member for Social Economy and Communities, and Councillor G Renner-Thompson on behalf of the Cabinet Member for Clean Energy and Connectivity.

The Cabinet welcomed the progress being made. In discussion, comments were made about the role and importance of the programme, including its economic and social benefit; opportunities within the programme for unlocking further potential; the importance of improved and consistent connectivity within all parts of the region; the role of pandemic in accentuating and accelerating digitalisation; the welcome

improvement in the affordability of, and access to, the broadband, and the need to promote that improvement; the importance of continued collaboration with partners and stakeholders; and the importance of, and opportunities for, working with the wider region.

RESOLVED – That:

- i. The progress in delivery of the North of Tyne Digital Programme and continued development of the narrative and ambition statement for the sector, the early impact from projects on residents and businesses, and the forthcoming fin-tech cluster strategy for the region, be noted.
- ii. The next steps on the 5G and future connectivity programme, which were to launch a call for private sector co-invested propositions to support commercialisation of 5G and low-latency connectivity, be noted.
- iii. Deeper collaboration across the North of Tyne to deliver the shared connectivity vision set out at Appendix 2 of the report be endorsed; and authority be delegated to the Chief Executive, in consultation with the relevant Portfolio Holder and the Mayor, to consider resourcing and governance requirements to support the delivery of the vision.

33 2023-2027 FINANCIAL PLANNING AND BUDGET PROCESS

Submitted: A report of the Chief Finance Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which outlined the proposed process for the Authority's Financial Planning and Budget process for 2023-24 as part of the proposed framework for the four-years period of 2023-2024 to 2026-2027.

RESOLVED – That the proposed outline 2023-2024 Financial Planning and Budget process, which incorporated the key decision milestones and dates as set out at Appendix A to the report, be approved.

34 INVESTMENT FUND UPDATE AND FUNDING APPROVALS

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

The Cabinet considered the report which provided an update on progress with the North of Tyne Investment Programme and sought approval for associated projects. The report was introduced by Councillor C Johnson, the Cabinet Member for Investment and Resources.

The Cabinet welcomed the report and the progress achieved. Thanks were offered to everyone involved in the work on Investment Programme.

RESOLVED – That:

- i. The progress to date on the Investment Fund, achievement of key milestones and ongoing project development work, particularly in respect of the creation of new jobs for residents as a direct result of the NTCA investments, be noted;
- ii. £730,507 of funding for the Good Work Pledge Programme, which would be led by the NTCA, be approved;
- iii. The Chief Executive be authorised to make final approvals, under delegated decision, for the following projects: £2,829,440 of site preparation works at Howdon Yard; £1.5m for the Berwick Culture and Creative Zone; and up to £936,321.34 for the Moorside housing scheme in Newbiggin-by-the-Sea;
- iv. The Director of Finance be authorised to accept grant offers from Government with respect to the Shared Prosperity Fund and DCMS Create Growth Programme on behalf of the Combined Authority, subject to the terms and conditions set out by the grant awarding bodies;
- v. The Chief Executive, be authorised in consultation with the Director of Finance and relevant Cabinet Members, to approve the commissioning approach and subsequent grant agreements and/or contracts associated with the Shared Prosperity Fund. Project approvals should be made with reference to fit with the NTCA SPF Investment Plan, value for money and deliverability; and
- vi. The Chief Executive, be authorised in consultation with the Director of Finance and relevant Cabinet Members, to approve the deployment approach and any subsequent grant agreements associated with the DCMS Create Growth Programme.

35 **NORTH EAST LOCAL ENTERPRISE PARTNERSHIP - FUNDING DECISIONS UPDATE**

Submitted: A report of the Chief Executive of the North East Local Enterprise Partnership (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on the work and decisions of the North East Local Enterprise Partnership (North East LEP), within the remit of the NTCA as the accountable body for the partnership.

Thanks were offered to the NTCA Chief Finance Officer, Strategic Finance Manager and the team for their continued support.

RESOLVED – That the report be noted.

36 **DATE AND TIME OF THE NEXT MEETING**

Tuesday, 22 November 2022 at 2pm.

37 **EXCLUSION OF PRESS AND PUBLIC**

There was no exclusion of press and public.

38 **NORTH EAST LOCAL ENTERPRISE PARTNERSHIP - FUNDING DECISIONS UPDATE - APPENDICES**

Submitted: Appendices for the North East Local Enterprise Partnership - Funding Decisions Update report (previously circulated and copy attached to Official Minutes).

The documents were not discussed at the meeting.



Report Summary

The purpose of this report is to provide an update on the performance of the Adult Education Budget (AEB) in academic year (AY) 2021-22, and a forward look to planned provision for AY 2022-23.

Over **32,700 enrolment opportunities** have been undertaken during AY 2021-22, a **28-percentage point increase in participation** on the previous AY 2020-21. NTCA AEB providers deliver a range of provision targeting employed and unemployed residents including basic maths, English and digital skills and full Level 2 and Level 3 vocational programmes required for work.

NTCAs devolved AEB investment continues to reach residents most disadvantaged in terms of poverty and skills. Most recent data reveals that (69%) of enrolment opportunities are undertaken by residents living in NTCA's top 20% deprived areas. **45% of enrolments are in the top 10% deprived wards across NTCA.**

In AY 2021-22 **70% of enrolments were undertaken by unemployed residents**, with 49% of these residents unemployed and actively seeking work.

Key priorities set out in NTCA's Strategic Skills Plan include extending the reach of learning opportunities to a broader range of underrepresented groups. 45% of enrolment are undertaken by residents from our black and minoritised ethnic communities, **20% of opportunities were undertaken by residents with a self-declared learning difficulty/disability** and 63% of women accessing provision are actively seeking work.

Over 19,100 formal qualifications were undertaken during AY 2021-22, 50% were delivered at Level 2 with **96% of enrolments achieving a formal qualification at Level 2.** AEB case studies provided in Appendix 3 of this report detail some of the amazing outcomes and employment that have been gained by residents accessing the devolved AEB in AY 2021-22.

NTCA are clear that the devolved AEB has a significant role in supporting our region's economic recovery. We continue to work closely with providers to ensure that a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local labour market needs, helping residents to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.

Recommendations

The Cabinet is recommended to:

- i. Note the performance of the devolved AEB in AY 2021-22 as detailed in this report.
- ii. Endorse the approach to managing AEB delivery for the third academic year (1 August 2022 to 31 July 2023)

A. Context

1 Background

- 1.1 In August 2020 NTCA took control of a £23 million Adult Education Budget (AEB) secured as part of the devolution deal. Additional skills funding was also delegated from the Department of Education (DfE) for delivery of Level 3 Free Courses for Jobs in our region. This report provides an annual update on performance of the AEB for the second AY 2021-22 and a forward look at planned provision for the third year in 2022-23.

- 1.2 In early February 2021 the DfE confirmed NTCA's devolved AEB for the period 1 August 2021 to 31 July 2022 as £23,551,493 plus an additional £1,641,588 for the delivery of Level 3 Free Courses for Jobs. Bringing the total AEB for AY 2021-22 to £25,193,081.
- 1.3 Through the NTCA Scheme of Delegation for the devolved AEB, funding was allocated through extensions to Grant Funding Agreements and procured Contract for Services. A detailed list of NTCA's AEB providers and funding allocations during AY 2021-22 is included in Appendix 1 of this report.

2 Key achievements AY 2021-22

- 2.1 Over 32,700 enrolment opportunities have been undertaken by NTCA residents during AY 2021-22. This is a 28-percentage point increase in participation on the previous AY 2020-21. Factors that contributed to this rise in participation include Cabinet approval to enable NTCA's provider base to carry in under delivery from AY 2020-21 caused by the disruption of the COVID-19 pandemic.
- 2.2 The carry in option provided stability for the AEB provider base and additional time to 'recover' from the disruption to delivery as a result of COVID-19. It also ensured that residents continued to have access to a wide range of provision when lockdown restrictions eased.
- 2.3 NTCA also made effective use of the flexibilities afforded by the devolution of AEB to increase participation rates. Providers were able to access funding to offer informal activities to improve learner confidence, mental health and wellbeing, learning support was extended across all AEB provider to remove barriers and provide resources to support learning. We also removed the requirement for employed residents to contribute 50% towards the cost of their learning and enabled fully funded accredited learning at Level 2 and Level 3 in key growth sectors to support employers.
- 2.4 Detailed analysis of AY 2021-22 delivery data is included in Appendix 2 of this report. The analysis demonstrates that the AEB continues to support delivery of [NTCA's Strategic Skills Plan](#) and the [NTCA Corporate Plan 2022-23](#).
- 2.5 Targeting areas where deprivation is high is a key priority in the Strategic Skills Plan, ensuring the AEB investment is reaching residents most disadvantaged in terms of poverty and skills. (69%) of enrolment opportunities are undertaken by residents living in NTCA's top 20% deprived areas. 45% of enrolments are in the top 10% deprived wards across NTCA.
- 2.6 Providers also ensure that provision is accessible to residents in communities outside urban centres. Courses are made available on-line for distance learning, there is support with transport and good use of Community venues across rural areas in Northumberland. Postcode data illustrates that residents in places such as Alnwick, Amble, Berwick, Rothbury, Pegswood, Morpeth, Wooler, Hexham, Haltwhistle are accessing provision funded through AEB.
- 2.7 We have established a wider range of provision to support unemployed residents with skills directly linked to local labour market demand. In AY 2021-22 70% of enrolments were undertaken by unemployed residents, with 49% of these residents unemployed and actively seeking work. New provision has been commissioned to support construction, engineering and health and social care sectors with job vacancies. Enrolments in these sectors have increased on the previous year.
- 2.8 The AEB continues to provide free statutory entitlements which include digital, maths, English and English for Speakers of other Languages (ESOL). Participation in basic maths, English and ESOL has also increased, alongside young people aged between 19 and 24 undertaking full Level 2 and Level 3 entitlements.
- 2.9 We have successfully increased engagement with the Level 3 Free Courses for Jobs offer during AY2021-22 with further commissioning to offer a wider range of qualifications. 324 residents engaged with the offer in AY 2021-22 compared to 147 in AY 2020-21.

- 2.10 A key priority for the devolved AEB is to extend the reach of learning opportunities to a broader range of underrepresented groups. Analysis of the profile of residents engaged in AEB provision during AY 2021-22 demonstrates that the investment continues to respond to this priority:
- 4184 (13%) of AEB opportunities were undertaken by young people (19-24)
 - 57% of AEB enrolment opportunities were undertaken by women
 - 14,511 (45%) of enrolment opportunities were undertaken by residents from our black and minoritised ethnic communities
 - 6545 residents (20%) participating in provision self-declared a learning difficulty/disabilities
 - 57% of enrolments undertaken by residents with low or no qualifications
- 2.11 Over 19,100 formal qualifications were undertaken during the first year of the devolved AEB. These ranged from Entry Level to Level 3 in a wide range of subject areas, including those related to NTCA's priority sectors such as Digital, Health & Care, Engineering & Manufacturing and Business and Finance. Of the formal qualifications delivered, 50% were at Level 2 with 96% of completed qualifications achieved at this level.
- 2.12 The collection of destination and job outcome data from devolved AEB delivery will be a focus for AY 2022-23. AEB case studies provided in Appendix 3 detail some of the amazing outcomes and employment that has been gained by residents accessing the devolved AEB in AY 2021-22.

3 AY 2022-23 – a look ahead to year three

- 3.1 In early February 2022 the DfE confirmed NTCA's devolved AEB for the period 1 August 2022 to 31 July 2023 as £23,586,795 plus an additional £1,969,315 for the delegated Level 3 Free Courses for Jobs offer. Bringing the total AEB for AY 2022-23 to £25,546,110.
- 3.2 93% (including 3% for administration costs) of the allocation for AY 2022-23 including the delegated funds for the Level 3 Free Courses for Jobs offer has been allocated through extensions to Grant Funding Agreements and procured Contract for Services. A detailed list of NTCA's AEB providers and funding allocations for AY 2022-23 is included in Appendix 4 of this report.
- 3.3 Providers' AEB delivery plans for AY 2022-23 are underway from the 1st August 2022 and will be monitored at quarterly performance management meetings throughout the year. Over 7400 enrolment opportunities have started, with over 265 opportunities undertaken as part of the Level 3 Adult Offer.
- 3.4 NTCA will continue to develop and implement a range of locally focused initiatives, aligned with ongoing policy developments and supporting evidence to target over and above the main statutory entitlements of the AEB.
- 3.5 Key priorities going into AY 2022-23 include:
- Continue to work closely with the NTCA provider base to develop improved analysis of learner destinations, with a focus on positive outcomes and progression
 - Work collaboratively to better respond to employer skills/talent needs, specifically in the NTCA growth and foundation economy sectors
 - Continue to develop a better understanding of residents' barriers to accessing adult education and skills provision and working collaboratively with employers, skills providers and other stakeholders to respond directly to local challenges and remove these barriers to learning.
- 3.6 NTCA is also undertaking a procurement exercise to re-procure the AEB Provider Framework which expires in July 2023. NTCA's devolved AEB and wider funding for Skills provides the opportunity to join up the regions skills and training offer, reduce duplication and make sure we are reaching those communities most disadvantaged.

- 3.7 In order to achieve this, we are launching a Post 16 Flexible Procurement Framework and inviting a wide range of organisations and providers of skills including FE Colleges, independent training organisations, VCSE organisations and other stakeholders including employer providers to tender for a place on the Framework.
- 3.8 The Flexible Procurement Framework will be utilised to procure providers for devolved AEB funding and other funding streams that NTCA has access to for Skills. We aim to secure packages of provision that will include but not be limited to (1) getting residents into employment; (2) up skilling and re skilling residents to respond to the regional economy; (3) creating a good basic education offer up to level 2, including adult numeracy provision, capable of progressing residents to a vocational level 2 (or above) and increase numeracy skills; (4) support our communities by having a community based training offer that engages disadvantaged communities; and (5) provide any other adult skills packages required for the benefit of the NTCA region.
- 3.9 During the first 2 years of devolved funding, NTCA has made effective use of the flexibilities afforded by the devolution of AEB and delegated skills funding to ensure it is targeted where it is needed most. We will continue to secure provision which is based in the heart of our communities for innovative programmes that would not have been funded pre devolution.

B. Impact on NTCA Objectives

1. AEB links directly to NTCA's strategic priorities and supports the Education, Inclusion & Skills delivery theme of NTCA's Corporate Plan. We want everyone to have the opportunity to thrive, with access to good employment and progression. Supporting the availability of good quality, well paid work, whilst providing the right support for people to access these jobs and further training is crucial to our economic and social success.

C. Key risks

1. AEB Devolution features as a strategic risk on the NTCA Strategic Risk Register. In addition, at a project level, appropriate risk management processes are in place to identify and mitigate risks, with escalation requirements embedded.

D. Financial and other resources implications

1. Table 1 illustrates the total devolved AEB budget received from the DfE for delivery in AY 2021-22. The table also includes devolved AEB allocations to 31 July 2022.

Table 1

AEB devolved from DfE to NTCA for AY 2021-22	£23,551,493
L3 Entitlement delegated from DfE to NTCA for AY 2021-22	£1,641,588
Total Allocation 2021-22	£25,193,081
3% Administration costs	£706,545
AEB allocations to Grant providers AY 2021/22	£15,550,134
AEB allocations to Contract for Services in Lot 1 Unemployed	£2,835,363
AEB allocations to Contract for Services in Lot 2 Employed	£3,162,193
AEB allocations to Contract for Services in Lot 3 Innovation	£1,252,954
L3 Entitlement Allocations	£1,432,678.00
Total devolved AEB allocations AY 2021-22	£24,939,867
AEB devolved from DfE remaining to allocate AY 2021-22	£253,214
Amount reconciled in AY 2020-21	£899,255
Total remaining to carry in to AY2022-23	£1,152,470

2. Table 2 illustrates the total AEB budget received from the DfE for delivery in AY 2022-23. The table also includes AEB allocations for AY 2022-23.

Table 2

AEB devolved from DfE to NTCA for AY 2022-23	£23,586,795
3% Administration costs	£707,604
AEB allocations to Grant providers AY 2022/23	£15,610,135
AEB allocations to Contract for Services in Lot 1 Unemployed	£2,835,363
AEB allocations to Contract for Services in Lot 2 Employed	£3,087,106
AEB allocations to Contract for Services in Lot 3 Innovation	£1,252,954
Total devolved AEB allocations AY 2022-23	£23,493,162
AEB devolved from DfE to NTCA for AY 2022-23 remaining to allocate	£93,633
Devolved AEB funding carried in from AY 2021-22	£1,152,470
Total remaining to allocate in AY 2022-23	£1,246,103

Delegated Level 3 Adult Offer from DfE To NTCA for AY 2022-23	£1,959,315
Level 3 Adult Offer allocations AY 2022-23	£631,795
Delegated Level 3 Adult Offer remaining to allocate AY 2022-23	£1,327,520

3. NTCA are exploring a number of options for consideration in relation to further funding flexibilities and the management of unallocated funding in AY 2022-23. In line with the scheme of delegation in place for AEB, a Delegated Decision report will be submitted with a proposed approach.

E. Legal implications

1. The grant funding process in relation to allocating the devolved AEB has been undertaken in accordance with all relevant legal requirements. A robust set of funding terms and conditions have been developed to protect NTCA's position.
2. Procurement processes for Contracts for Service have been undertaken pursuant to the NTCA Order and Constitution and the Public Contracts Regulations 2015. In accordance with those legal requirements, contract for service awards have been based on the most economically advantageous tender.
3. The Interim Monitoring Officer's representative has advised throughout these processes (both procurement and grant funding) and attends the NTCA AEB Operational Steering Group on a weekly basis. There are no negative legal implications associated with either process.

F. Equalities implications

1. As required by Section 149 of the Equality Act 2010, the NTCA has considered its obligations regarding the Public Sector Equality Duty and there will be no anticipated negative impact on groups with protected characteristics from these proposals.
2. Each organisation the NTCA will contract with will be required by law to meet all relevant requirements in the workplace in respect of equalities. Through the Due Diligence process, we have sought assurance from each provider that they have appropriate policies in place which protect and champion equality within their service.
3. In addition, we will encourage all companies we work with to be mindful of our commitment to equalities and direct them to guidance provided by the Equalities and Human Rights Commission. <https://www.equalityhumanrights.com/en/advice-and-guidance/guidance-businesses>

G. Inclusive Economy and Wellbeing implications

1. The NTCA believe the approach taken will positively contribute to creating a more inclusive economy in the North of Tyne with specific positive impact on addressing inequalities in skills and qualifications across the area.
2. The AEB is being used to better equip residents with low or no qualifications in the North of Tyne with the skills required to participate in our key recovery and growth sectors. The alignment of provision towards the North of Tyne growth sectors will better meet the needs of our businesses and in turn provide residents with clearer opportunities to contribute to and benefit from economic growth now and in the future.
3. The NTCA will continue to monitor the impact of the AEB on the inclusive economy aspirations as part of all performance management processes.
4. In due course, all providers will be invited to commit to the NTCA Good Work Pledge to advance their contributions as employers to the NTCA's inclusive economy aspirations.

H. Climate Change implications

1. The NTCA has considered the implications relating to climate change in decisions regarding allocation of the AEB and believe there will be no negative impact as a result. All providers are required to provide assurance that they have an environmental and sustainability policy.
2. In all procurement exercises, applicants were appraised on their commitments to climate change as part of Social Value. With the impact of COVID-19, early indication shows the provider base in the NTCA area have significantly increased the use of online learning as a means of delivery. Although no measurements are in place, the NTCA understand this will likely reduce carbon emissions associated with staff and learner travel.

I. Consultation and engagement

1. NTCA have established effective working relationships with NTCA Grant and Contracted providers to gain Insight and intelligence to inform funding flexibilities and additional provision made available through the AEB.
2. NTCA officers maintain regular contact with relevant stakeholders including the North East Local Enterprise Partnership, Skills Providers, the Department for Work and Pensions (DWP), the Department for Education (DfE) and Employers. This supports co-ordination of vacancy opportunities and skills development.
3. NTCA AEB officers attend regular meetings with DfE, the ESFA and other Mayoral Combined Authorities (MCAs) to share information and best practice.
4. NTCA will continue to work collaboratively with national strategic partners and local stakeholders to align the devolved AEB with other funding streams and activity to ensure it complements, rather than duplicates the wider learning experiences and opportunities aimed at supporting our residents to progress in learning and to move towards or into productive and sustained employment.

J. Appendices

- Appendix 1: Devolved AEB Providers and Funding Allocations AY 2021-22
- Appendix 2: Detailed Analysis of AY 2021-22 Delivery Data
- Appendix 3: AEB Provider Case Studies
- Appendix 4: Devolved AEB Providers and Funding Allocations AY 2022-23

K. Background papers

AEB Strategic Skills Plan 'Opportunity for All'

AEB Cabinet papers 24th April 2019, 4th June 2019, 30th July 2019, 22nd October 2019, 25th February 2020, 28th July 2020 and 29th September 2020, 23rd March 2021, 30th November 2021, March 2022

L. Contact officer(s)

Michelle Stone, Skills Lead michelle.stone@northoftyne-ca.gov.uk

M. Glossary

AEB	Adult Education Budget
AY	Academic Year
LLDD	Learners with learning difficulties or disabilities
DfE	Department for Education
DWP	Department for Work and Pensions
ESFA	Education and Skills Funding Agency
ESOL	English for Speakers of other Languages
JCP	Job Centre Plus
MCA	Mayoral Combined Authorities
NTCA	North of Tyne Combined Authority

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Appendix 1 – Devolved AEB Providers and Funding Allocations AY 2021-22

Grant funded provider name	AEB Total Allocation AY 2021-22
Education Partnership (Northumberland College)	£1,318,313
Gateshead College	£642,594
Gateshead Council	£154,352
Newcastle City Council	£3,035,981
Newcastle College	£5,254,682
North Tyneside Metropolitan Council	£1,938,476
Northumberland County Council	£1,134,642
South Tyneside Council	£454,376
Tyne Coast College	£1,265,836
Workers Educational Association	£350,852
	£15,550,134

Procured Contract for Service provider name	AEB allocation AY 2021-22			
	Lot 1 Unemployed	Lot 2 Employed	Lot 3 Innovation	Total
Action Foundation			£85,000	£85,000
Back 2 Work	£149,820			£149,820
B-Skill Limited		£253,270		£253,270
CECOS Computing International Ltd.	£343,173	£497,394		£840,567
East Durham College		£101,275		£101,275
FIRST Face to Face Ltd.			£90,000	£90,000
Gateshead College		£497,333		£497,333
Health & Safety Training Ltd.	£648,340			£648,340
Key Training Ltd.		£630,066		£630,066
Learning Curve Group Ltd.	£499,286			£499,286
McCroy Training Limited		£495,200		£495,200
New College Durham	£215,685	£99,700		£99,700
North Tyneside Metropolitan Council			£149,764	£149,764
Northumberland Business Service Ltd.			£155,000	£155,000
PeoplePlus Group Ltd.	£497,520			£497,520
Profile Development & Training		£75,087		£75,087
Release Potential Limited	£192,840		£299,970	£299,970
Resource North East	£191,475			
Skills North East	£97,224	£213,040		£310,264
The Alnwick Garden Trust			£31,000	£31,000
The Cedarwood Trust			£382,000	£382,000
University Centre Quayside Ltd.		£299,828		£299,828
Barnardos			£60,220	£60,220
	£2,835,363	£3,162,193	£1,252,954	£7,250,510

Level 3 Adult Offer Allocations AY 2021-22	
Provider Name	Allocation
B-Skill Limited	£82,642
CECOS Computing International Ltd	£75,000
East Durham College	£33,367
Education Partnership North East (Northumberland College)	£201,166
Gateshead College	£80,769
Learning Curve Group Ltd.	£130,692
New College Durham	£199,677
Newcastle City Council	£121,363
Newcastle College	£258,538
North Tyneside Metropolitan Council	£14,444
Profile Development & Training	£19,220
Skills North East	£82,000
South Tyneside Council	£32,696
Tyne Coast College	£120,850
Totals	£1,432,678

Appendix 2: Detailed Analysis of AY 2021-22 Delivery Data

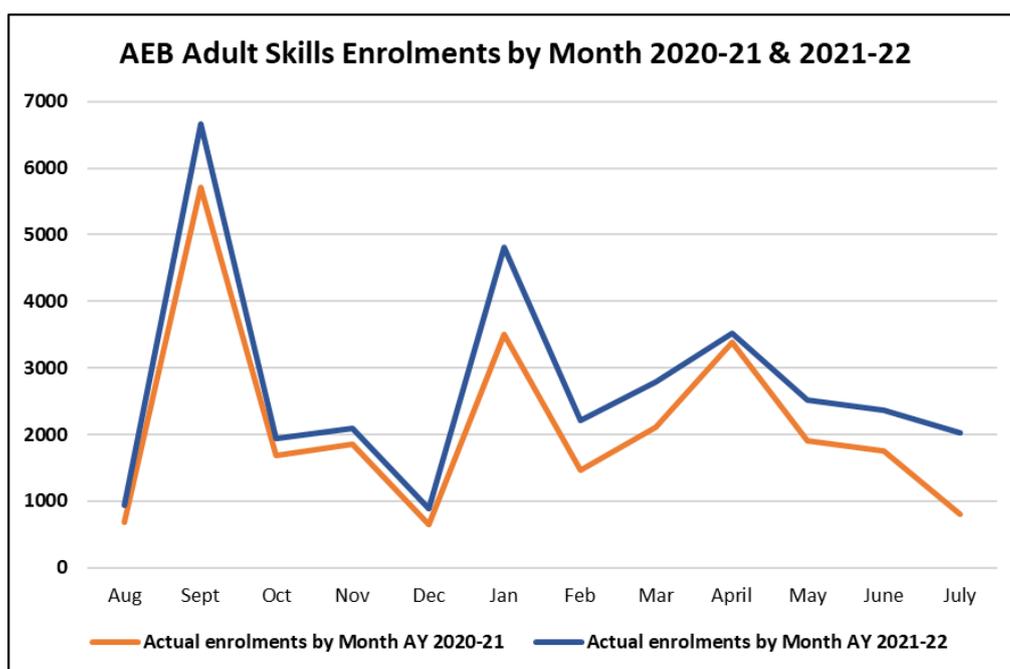
1 AY 2021-22 AEB enrolment opportunities

- 1.1 Over 32,700 enrolment opportunities have been undertaken during AY 2021-22. A significant 28 percentage point increase on the previous academic year AY 2020-21. NTCA providers have delivered a range of provision targeting employed and unemployed residents including statutory entitlements in maths, English and digital skills and full Level 2 and Level 3 vocational programmes required to access the labour market or progress in work.
- 1.2 6442 (20%) of these opportunities were delivered as Community Learning. NTCA recognise the value and positive impact that informal community learning can have on our resident's health and wellbeing. Recovery from the COVID-19 crisis will require outreach into disadvantaged communities, wrap around support to re-engage our residents, building confidence and breaking down barriers to learning and work.
- 1.3 Table 1 below illustrates a three-year trend of enrolments by Local Authority area

Table 1

	Non-Devolved AEB 2019-20	Devolved AEB AY 2020-21	Devolved AEB 2021-22
Newcastle	11,480	11,472	18,625
North Tyneside	4,005	4,322	6,723
Northumberland	6,400	4,830	7,421
Total	21,885	20,586	32,769

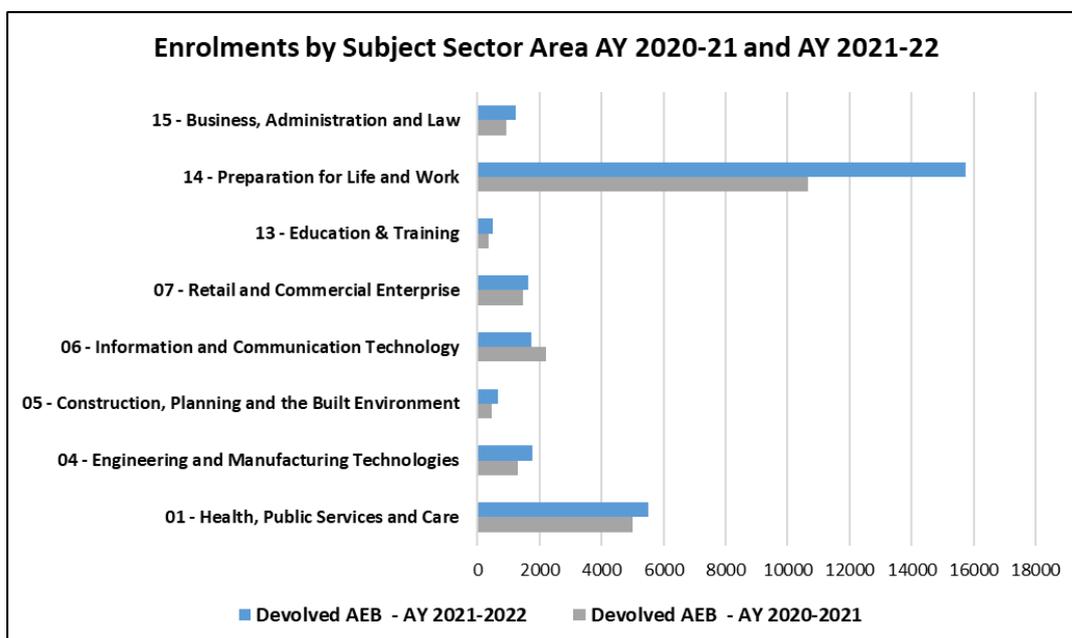
- 1.4 Chart 1 below compares the number of Adult Skills courses residents started by month in AY 2020-21 and AY 2021-22. Starts in September 2021 were significantly higher at the start of the academic year followed by another peak in starts in January 2022.



- 1.5 Delivery data is also analysed at Ward level to ensure that enrolment opportunities are being undertaken by residents in our most deprived areas. The review of AY 2021-22 data has revealed that 22981, (69%) of enrolment opportunities were undertaken by residents living in NTCA's top 20% deprived areas. **15,087 (45%) of enrolments are in the top 10% deprived wards across NTCA.**
- 1.6 Targeting areas where deprivation is high is a key priority in the NTCA Strategic Skills Plan to ensure that the AEB investment is reaching residents most disadvantaged in terms of poverty and skills.
- 1.7 Delivery data is also analysed at Ward Level to monitor engagement in AEB by residents in communities that are outside urban centres. This data suggests a significant proportion of residents living outside of urban centres are engaging with provision.
- 1.8 All NTCA AEB providers are required to submit delivery plans which outline how they will make their provision accessible for residents in communities outside of urban centres. This includes on-line and distance learning, support with transport and good use of Community venues across Northumberland and North Tyneside in places such as Alnwick, Amble, Berwick, Rothbury, Pegswood, Morpeth, Wooler, Hexham, Haltwhistle and Whitley Bay.

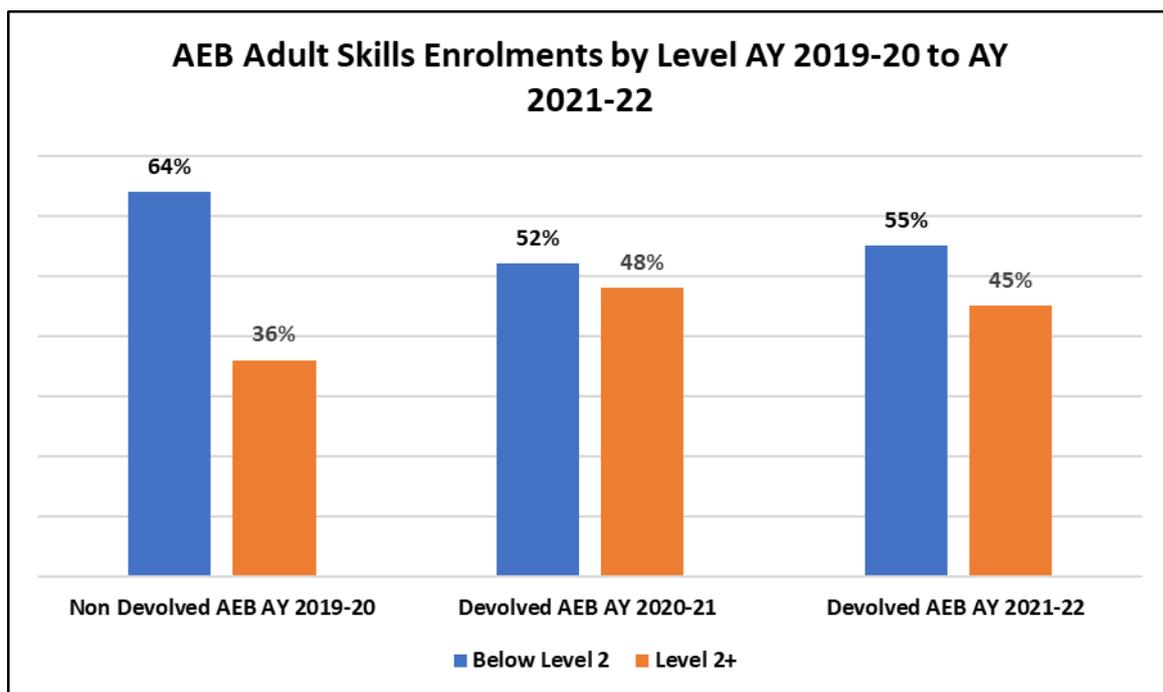
2 Range of provision

- 2.1 Providers deliver a range of provision targeting employed and unemployed residents including basic maths, English and digital skills and full Level 2 and Level 3 vocational programmes required for work. There are effective links to Job Centre Plus (JCP) work coaches across the region who help promote the AEB offer and refer unemployed residents.
- 2.2 We have established a wider range of provision to support unemployed residents with skills directly linked to local labour market demand. In AY 2021-22 70% of enrolments were undertaken by unemployed residents, with 49% of these residents unemployed and actively seeking work. New provision has been commissioned to support construction, engineering and health and social care sectors with job vacancies. Enrolments in these sectors have increased on the previous year.
- 2.3 Table 2 below illustrates the range of provision by subject sector area in AY 2020-21 and AY 2021-22.



- 2.4 Subject sector area (SSA) 14 – Preparation for Life and Work accounts for 49% of all enrolment opportunities. This provision includes all English for Speakers of other Languages (ESOL), Functional Skills Qualifications in English, maths and Digital skills as well as sector routeways back to employment in vocational areas such as health and social care, hospitality, warehousing and construction.
- 2.5 There has been an increase of over 400 enrolment opportunities in Health, Public Services on the previous AY 2020-21 accounting for 17% of overall enrolment opportunities. Similar increases have occurred in Retail and Commercial Enterprise which incorporates provision such as warehousing and distribution.
- 2.6 Enrolment opportunities in Information and Communication Technology have decreased, a flexibility to fund non regulated essential skills in Digital is being extended into AY 2022-23 to improve participation.
- 2.7 We continue to work with providers to address the balance of low-level non-technical provision to ensure that there are more progression opportunities to valued provision at Level 2 and above.
- 1.1.1 Chart 2 illustrates a three year trend of the level of provision from non-devolved provision in AY 2019-20 to devolved AEB in AY 2021-22.

Chart 2



1.2 Statutory Entitlements

- 2.8 The AEB continues to provide free statutory entitlements which include digital, maths, English and English for Speakers of other Languages (ESOL). Participation in basic maths, English and ESOL has also increased, alongside young people aged between 19 and 24 undertaking full Level 2 and Level 3 entitlements.

- 2.9 We have successfully increased engagement with the Level 3 Free courses for jobs offer during AY2021-22 with further commissioning to offer a wider range of qualifications. 324 residents engaged with the offer in AY 2021-22 compared to 147 in AY 2020-21.
- 2.10 Analysis of the delivery data reveals that **1994 enrolment opportunities were undertaken in maths and English provision** during AY 2021-22 with 523 **(26%) undertaken as GCSE's** in these subjects which is often an essential entry qualification to further education, apprenticeships and employment.
- 2.11 First Full Level 2 and Level 3 qualifications for young people aged between 19 and 24 are also part of the statutory entitlement. The qualifications in this entitlement are highly valued by employers and provide specialist skills in the NTCA growth and recovery sectors as detailed in the NTCA Strategic Skills Plan and NTCA Corporate Plan. Colleges have engaged over 550 young people in this provision during AY 2021-22.
- 2.12 Table 3 below illustrates statutory entitlement enrolment opportunities in AY 2021-22 compared to AY 2020-21.

Table 3

Statutory Entitlements	Devolved AEB AY 2020-21	Devolved AEB AY 2021-22
English	805	884
Maths	1027	1110
ESOL	4931	6064
Digital Entitlement	712	820
Full Level 2 Entitlement	353	325
Full Level 3 Entitlement	194	228
Level 3 Adult Offer	147	324
Total	8155	9755

3 Profile of residents engaged in AEB

- 3.1 A key priority for the devolved AEB is to extend the reach of learning opportunities to a broader range of underrepresented groups. Analysis of the profile of residents engaged in AEB provision during AY 2021-22 demonstrates that the investment continues to respond to this priority:
- 4184 (13%) of AEB opportunities were undertaken by young people (19-24)
 - 57% of AEB enrolment opportunities were undertaken by women
 - 14,511 (45%) of enrolment opportunities were undertaken by residents from our black and minoritised ethnic communities
 - 6545 residents (20%) participating in provision self-declared a learning difficulty/disabilities
 - 57% of enrolments undertaken by residents with low or no qualifications
- 3.2 AEB provision is supporting women who are out of work and/or returning to work with a range of provision both informal to build confidence and maximise transferable skills and formal learning opportunities leading to qualifications and skills most valued by NTCA employers. In the first year of devolved AEB **62% of female enrolments were unemployed.**

1.2.1 The devolved AEB has enabled NTCA to offer a low wage flexibility for residents who earn less than the 'real' living wage. This provides full funding for employed residents who are on a low wage and may not have engaged in learning due to course fees being unaffordable. **Over 2200 enrolment opportunities were eligible for the low wage flexibility.** 66% of these enrolments were undertaken by women.

1.2.2 **Over 6500 (20%) of AEB enrolment opportunities are accessed by residents who have self-declared a learning difficult/disability.** This is a 4-percentage point increase on the previous academic year. Further work will be undertaken in AY 2022-23 to understand the barriers to learning and employment that our residents with disabilities face to ensure that AEB provision for these residents is truly accessible and inclusive for all.

1.3 **Outcomes for residents undertaking AEB provision**

1.3.1 Over 19,100 formal qualifications were undertaken during the first year of the devolved AEB. These ranged from Entry Level to Level 3 in a wide range of subject areas, including those related to NTCA's priority sectors such as Digital, Health & Care, Engineering & Manufacturing and Business and Finance.

1.3.2 Of the formal qualifications delivered, **50% were at Level 2 with 96% of completed qualifications achieved** at this level. Table 4 below illustrates the number of formal qualifications taken by level, the number completed, and the proportion achieved in the first year of devolved AEB.

Table 4

	Total	Entry Level		Level 1		Level 2		Level 3	
		Number	%	Number	%	Number	%	Number	%
Qualifications Delivered	19131	3784	20%	5055	26%	9555	50%	737	4%
Qualifications Completed		3442	91%	4555	90%	7995	84%	471	64%
Qualifications Achieved		3228	94%	4349	95%	7648	96%	429	91%
Continuing		80		180		610		172	
Withdrawn		262		320		940		92	
Completed not achieved		214		203		333		40	
Awaiting Result				3		20		4	

1.3.3 The devolved AEB also provided over 4500 non-regulated enrolment opportunities through Adult Skills funding. These opportunities do not carry a formal qualification but provide formal training and skills to support confidence, wellbeing and employability. A significant proportion (60%) of Adult Skills non-regulated provision is related to Pre-Entry and entry level ESOL specifically for NTCA residents who have no or very little English-speaking skills.

1.3.4 The formal non-regulated Adult Skills provision also supports Essential Digital Skills, helping residents to get on-line, send emails, and pay utility bills – all skills that are essential but do not carry a qualification. The non-regulated provision also delivers employability skills targeting specific sectors such as Retail, Construction and Hospitality.

1.3.5 Over 6400 enrolment opportunities through the devolved AEB in year one were delivered as informal Community Learning as referred to in paragraph 1.2 of this appendix. NTCA value this provision and recognise the positive impact that informal community learning can have on our resident's health and wellbeing.

1.3.6 The success of programmes being delivered as Community Learning through the procured AEB Innovation Funding Lot cannot be understated. Procured Providers in this Lot have met delivery targets and utilised the funding available to them. The innovation funding enables them to deliver

targeted niche provision aimed at residents who are most at risk of being left behind in terms of education and work opportunities.

- 1.3.7 Programmes range from 'catering academies', basic and digital skills using the medium of film and production and courses specifically designed to maximise residents' entrepreneurial skills for self-employment and social enterprise.
- 1.3.8 We want to ensure that a greater focus on the economic and social outcomes is secured through the devolved AEB rather than just the outputs in terms of qualifications delivered. This underpins our commissioning approach to secure provision which is increasingly focused on outcomes, such as securing employment, progressing to higher levels of learning and progressing in employment.
- 1.3.9 Complete destination and job outcome data from devolved AEB delivery will be a focus for AY 2022-23. AEB case studies provided in Appendix 3 detail some of the amazing outcomes and employment that has been gained by residents accessing the devolved AEB in AY 2021-22.

Appendix 3 – AEB Provider Case Studies

Cedarwood Trust

Jimmy

In 2013 Jimmy became unemployed to become the main carer for his wife and his two children.

For 10 years Jimmy claimed Job Seekers Allowance, finding his long-term unemployment a barrier to gaining employment.

In December he completed the Nurture Academy 2022 gaining a level 2 Food Hygiene. Whilst looking for employment opportunities Jimmy at the Cedarwood Trust Bistro.

During which time he continued his learning journey enrolling and completing,

Preventing radicalization & extremism

Advanced safeguarding children

Advanced safeguarding adults

Health & safety awareness

Health & safety responsibilities

Manual handling

First Aid awareness

In November 2021 Jimmy became a member of the Nourish store to support his financial wellbeing and provided the wraparound support to look at employment as an opportunity to improve his wellbeing and finances. In June 2022 he was supported to navigate benefit checks and calculations on his financial wellbeing of paid employment. And in the same month he broke the 10-year long term unemployment circle and gained part time employment as a catering assistant.



Barbara

Barbara was made redundant in 2020 within in weeks of the epidemic of Covid 19 and lockdown. During this time, she found it difficult to return to employment due to social isolation and low mental health.

In 2021 in the Barbra recognized she needed to begin to improve her wellbeing and volunteered in the Nourish store based in Cedarwood.

Barbara identified she needed support with CV writing, employment search & interview preparation to be work ready.

Struggling financially to feed herself sufficiently Barbara was supported to access the Food Bank, join the Nourish Store as a member and be supported to access a Greggs foundation grant.

Volunteering here has helped my wellbeing as I had become very isolated, meeting people has been a confidence builder.

Barbara's confidence, self esteem has grown to a point she has the confidence to begin to apply for employment opportunities. Cedarwood provided wellbeing support and practical employment skills support.

In May 2022 Barbara was supported to prepare and attend an interview for an administrator/receptionist with the Charity Walking With.

She was successful interview and returned to full time work for the first time in 2 years.



Health & Safety Training

Martin

I have worked all my life in the motor industry repairing cars since I left school. Last year I became unemployed after having had a health scare and eventually decided the job I was doing wasn't for me anymore mentally or physically and I wanted a new career!

After having a few months off I decided it was time for a completely fresh start and a new direction, I had been doing some research into getting my HGV licence and what it would entail.



I bumped into an old colleague of mine and was telling him about my thoughts and where I wanted to head next with my career. He replied with "an old mate of mine has had HGV training at Health and Safety Training Ltd in Benton, Newcastle near Palmersville Metro he highly recommends them. I thought to myself I will see what they can do" so I called the number and was put through to one of their admin team who I was told will help you further. I got through to Louise who got the ball rolling getting me into the course. She explained how it works, step by step going through the stages making it very clear as to what was going to be happening throughout my course. I was also very pleased to learn that the cost of the training would be fully funded by North of Tyne Combined Authority Council.

Within a few weeks I was at the training centre. The first part was a driving and delivering goods course and a health and safety training course for one week, this week also included driving a larger training vehicle on the road and some maths and English questions. Once completed Louise got in touch within days. I was given a link to an online portal for my theory and was all set up ready to go by Health and Safety Training, I applied for my provisional licence and as soon as it arrived Louise booked my theory which included theory test, Hazard perception and case study CPC. Once I completed theory, I sent the pass results to Louise, and she got me booked on for my class 1 HGV training course. This was in 2 parts, the first being my reversing manoeuvres the second being the main practical driving test. Louise sent me the dates for the reversing test then once I passed that got me in for my main practical. The lads in the training vehicle.

Richy 1 Richy 2 and Chris where amazing in every aspect. Very relaxed, very friendly, overall helped me sail through my test with minimal effort stress or nerves! On completion I was booked in for my MOD 4 CPC exam which is a basic walk around of the vehicle and making sure it's safe. Louise went above and beyond to squeeze me in quickly with a possible new job being offered. I can't thank the staff at Health and Safety Training Ltd enough, great place to learn, very helpful staff, very professional and they made the whole process seem easy from start to finish. I now have several different driving jobs on offer and i have a great new job in front of me. 10/10 and thank you for setting me up with a new career.

The Alnwick Garden Trust

Grow into Work.

Dean joined the Grow into Work programme in May 2022 having not worked since 2012. His lack of work experience made it difficult to find work, alongside other barriers including learning difficulties (dyslexia) and a disability (partially sighted). He had attended college, however, except for a brief period of employment once he had left, he found himself economically inactive. His confidence was low when he joined and he did not present with many employability skills.

Dean was offered a work placement within our operations department and worked alongside our cleaning and housekeeping team. Dean also engaged weekly with our employability tutor to develop his CV, learn how to complete job applications and practice interview skills.

Upon completion of his work placement Dean was interviewed and offered a 20+ hour contract at The Alnwick Garden. He is still employed within our operations department to date.

Skills North East Daniel

My experience on the SIA course offered by skills North East,

At first, I was sceptical about doing this 3 week course as I have done a number of courses in the past and came to very little, but this course taught me so much I have learned how to use emails & new computer skills as well as achieving qualifications in first aid and most importantly my SIA licence.

The tutors who give this course are fantastic Tracey parkins makes you feel comfortable right of the bat, the encouragement and help was above and beyond, even though I've finished this course she still continues to help with all my queries. I would also like to add that on immediately achieving my door supervisor licence after 4 years being unemployed, I'm now in full time employment working Retail security with Morrisons.

Anyone reading this who has doubts about this sia course sign up for it, trust me you won't be disappointed, and you'll be in work in no time 😊

Thanks for being a nice guy on the other end of the phone Rhys it's appreciated.

Skills North East – Feedback from an employer

Skills North East have been supporting staff from Milldene in completing NVQ courses since Summer 2020. Staff have gained a lot of knowledge and have been able to reflect on their practices and improve them through the training that they have received. The team have been great from signing staff up, socially distanced in the garden, when needed, to offering support to complete the courses. Working with Skills North East has helped us develop a better skilled staffing team.

Tyne Coast College - Tyne Metropolitan College – Adult Education Funding

Miss Amanda aged 42, single parent from Whitley Bay. Amanda has been supported over the last academic year to complete the course work and manage home life with a toddler, who has now gone into reception giving Amanda more time now to study and develop her career in working with children and young people.

Amanda completed the L2 in
Safeguarding and Prevent
Understanding Children and Young Peoples Mental Health
Understanding Behaviour that Challenges

Amanda went on to complete the L3 Diploma in Youth Work Practice and passed it, and now has progressed onto the Foundation Degree Education and Care (Sunderland University) with us at Tyne Metropolitan college. Amanda is now awaiting DBS clearance to start work with young people in a Special Educational Needs school in North Tyneside.

Stephen aged 31, Newcastle upon Tyne. Stephen has been supported over the last academic year to complete the course work and manage his learning disabilities and mental health concerns, Stephen has gained more confidence in himself and his self-esteem, to study and develop his career now working with children and young people in a mainstream school in Newcastle supporting young people with additional needs.

Stephen completed the L2 in
Safeguarding and Prevent
Understanding Children and Young Peoples Mental Health
Understanding Behaviour that Challenges

Stephen went on to complete the L3 Diploma in Youth Work Practice and passed it, and now has progressed onto the Foundation Degree Education and Care (Sunderland University) with us at Tyne Metropolitan college.

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Appendix 4 – Devolved AEB allocations by provider AY 2022-23

Grant funded provider name	AEB Allocation AY 2022-23
Education Partnership (Northumberland College)	£1,318,313
Gateshead College	£642,595
Gateshead Council	£154,352
Newcastle City Council	£3,035,981
Newcastle College	£5,254,682
North Tyneside Metropolitan Council	£1,938,476
Northumberland County Council	£1,134,672
South Tyneside Council	£514,376
Tyne Coast College	£1,265,836
Workers Educational Association	£350,852
Total	£15,610,135

Procured Contract for Service provider name	AEB allocation AY 2022-23			
	Lot 1 Unemployed	Lot 2 Employed	Lot 3 Innovation	Total
Action Foundation			£85,000	£85,000
Back 2 Work	£149,820			£149,820
Barnardos			£60,220	£60,220
B-Skill Limited		£253,270		£253,270
CECOS Computing International Ltd.	£343,173	£497,394		£840,567
East Durham College		£101,275		£101,275
FIRST Face to Face Ltd.			£90,000	£90,000
Gateshead College		£497,333		£497,333
Health & Safety Training Ltd.	£648,340			£648,340
Key Training Ltd.		£630,066		£630,066
Learning Curve Group Ltd.	£499,286			£499,286
McCrorry Training Limited		£495,200		£495,200
New College Durham	£215,685	£99,700		£315,385
North Tyneside Metropolitan Council			£149,764	£149,764
Northumberland Business Service Ltd.			£155,000	£155,000
People Plus Group Ltd.	£497,520			£497,520
Release Potential Limited	£192,840		£299,970	£492,810
Resource Northeast	£191,475			
Skills Northeast	£97,224	£213,040		£310,264
The Alnwick Garden Trust			£31,000	£31,000
The Cedarwood Trust			£382,000	£382,000
University Centre Quayside Ltd.		£299,828		£299,828
Totals	£2,835,363	£3,087,106	£1,252,954	£6,983,948

Delegated Level 3 Adult Offer (Free Courses for Jobs)	
Provider Name	Allocations AY 2022-23
B-Skill Limited	£14,144
CECOS Computing International Ltd	£16,691
East Durham College	£5,000
Education Partnership Northeast	£73,856
Gateshead College	£48,686
Learning Curve Group Ltd.	£51,684
New College Durham	£142,453
Newcastle City Council	£45,000
Newcastle College	£155,663
North Tyneside Metropolitan Council	£15,706
Skills Northeast	£23,631
South Tyneside Council	£5,000
Tyne Coast College	£34,291
Totals	£631,805



Subject: North of Tyne Stewardship and Rural Growth Investment Plan
Report of: Principal Economy and Strategy Manager
Portfolio: Culture, Creative and Rural

Report Summary

The rural agenda is fundamental to the North of Tyne Combined Authority. Our Devolution Deal commits us to achieving 'rural exemplar' status – working in-step with local, regional and national partners to maximise the economic and social potential of our unique geography and natural assets

Rural North of Tyne is home to some of the UK's most distinctive and valuable natural assets and we have a unique role to play in addressing some of the key challenges of our time including climate change; nature recovery and biodiversity; food security; energy supply and security; levelling up prosperity and opportunity; and public health and wellbeing (post-Covid) across the entire North of Tyne area and indeed the broader region.

The rural agenda is cross-regional: a huge part of the Northumberland economy, but also relevant to rural-facing parts of Newcastle and, through the coastal connection, to North Tyneside. Urban-costal-rural connectivity not only defines our region geographically, but it is also important in economic terms, to people's jobs and livelihoods, and to our quality of life and wellbeing across the region.

Sustainable rural growth is already an important part of our delivery programme. In January of this year Cabinet agreed to build on these initial steps, going further in developing a bold, long-term approach and corresponding investment plan – working in collaboration with local communities.

The North of Tyne Stewardship and Rural Growth Investment Plan presented in this report puts our natural capital and assets at the heart of the approach. It recognises the major economic and net-zero opportunity from the rural 'stewardship' agenda whilst also considering the opportunities for improving existing livelihoods, communities and food security. Through this Investment Plan, we will create and deliver new solutions to stewardship and rural growth opportunities and challenges and invest in improving the lives and prospects of our people, businesses and communities.

The Investment Plan provides the catalyst and blueprint to work with key partners and investors to agree a sustained, long-term, co-investment approach, capable of delivering transformational change in the North of Tyne rural environment and economy. This will mean harnessing regional resources alongside national funding (e.g. UK Government, private investors, charitable trusts and foundations), and local funds (e.g. local authorities, Borderlands Growth Deal, devolved investment funds) to deliver a shared vision and priorities, maximise leverage and establish long-term funding sustainability.

Recommendations

Cabinet are asked to:

- i. Welcome the contents of the report and endorse the North of Tyne Stewardship and Rural Growth Investment Plan;
- ii. Agree to launch the North of Tyne Stewardship and Rural Growth Investment Plan in early 2023.
- iii. Agree the approach for the £3,043,546 Rural England Prosperity Fund allocation and authorise the Chief Executive in consultation with the Mayor and the portfolio holder, to submit the UK Shared Prosperity Fund addendum to Government;
- iv. Agree an allocation of up to £3m from the North of Tyne Investment fund and UK Shared Prosperity Fund till March 2025 to align with Rural England Prosperity Fund investment;
- v. Agree an indicative allocation of a further £3m of North of Tyne Investment funds for March 2025 – March 2028; and
- vi. Authorise the Chief Executive, in consultation with the Investment Panel, the Mayor and the Portfolio Holder, to consider and approve individual business case and delivery models.

- vii. Authorise the Chief Executive to finalise the conditions to be attached to the above funding awards and authorise the Monitoring Officer to complete the necessary documentation.
- viii. Authorise the Chief Executive in consultation with the Portfolio Holder and the Mayor to agree the terms of reference for and establish a Rural Advisory Board.

A. Context

1. Background

- 1.1 The North of Tyne Devolution Deal, agreed between UK Government and the North of Tyne local authorities in April 2018, includes a clear commitment to invest in improving growth and productivity in the area's rural economy. The Deal commits Government and the North of Tyne Combined Authority (NTCA) to work together to establish the area as a 'national exemplar for rural growth and stewardship' and to 'drive improvements to rural growth and productivity, through a North of Tyne Rural Productivity Plan', delivering on the Government's long-term, national ambitions for rural communities and the environment.
- 1.2 Sustainable rural growth is already an important part of delivery with a robust programme of investment and activity delivered through Northumberland County Council, the Borderlands Inclusive Growth Deal and the North of Tyne Investment Fund. Building on this approach, in January 2022 Cabinet agreed an allocation of up to £500k from the North of Tyne Investment fund to develop a North of Tyne Stewardship and Rural Growth Investment Plan and related interventions. The central aim for the Stewardship and Rural Growth Investment Plan sets out a fresh approach to investing in our unique natural, economic and cultural assets in a way that will simultaneously enhance our environment, grow our rural economy, and improve opportunity and prosperity in our communities. The approach aligns and balances investment in:
 - Stewardship: looking after and enhancing our precious natural assets in a way that provides environmental, social, and economic benefits.
 - Rural growth: developing the rural economy, and growing businesses, jobs and wealth in a way that simultaneously delivers environmental and social benefits.
- 1.3 Since January 2022, there has been substantial progress including the establishment of a rural advisory group, bringing together partners from across the stewardship and rural growth disciplines; the development of a comprehensive evidence base; the formulation of an overarching investment plan which will shape the approach for rural investment for a variety of funding streams; and additional capacity established to support the coordination of the investment framework and subsequent business case development process. Next steps will involve detailed design and implementation of interventions and development of a natural accounting process.

2. North of Tyne Rural Growth Investment Plan

- 2.1 Rural Northumberland is home to some of the country's most distinctive and valuable natural and cultural assets, including our pristine coastline; one of the UK's largest farming sectors; our leading forestry industry; plentiful renewable energy resources and carbon capture capability; productive woodlands and waterways; precious nature habitats and biodiversity; and our unique Borderlands culture and heritage.
- 2.2 The Covid-19 pandemic, growing momentum to level up prosperity and opportunity across the country, and the urgency to address climate change, nature recovery, and food and energy security, have all shone a light on the unique strengths that rural areas and their natural assets offer in addressing the UK and global challenges of our age.
- 2.3 The pandemic highlighted people's innate desire to be close to nature and the outdoors, as more people choose to live, work and spend leisure time in rural and coastal locations, improving their health and wellbeing. Supply chain challenges and travel restrictions re-introduced people and businesses to the benefits of buying, trading and holidaying locally, while EU exit has highlighted the importance of the UK investing in agriculture and sustainable local food supply. Global events have exposed the UK's reliance on overseas food and energy supplies, and the need to establish

more secure local sources, highlighting the strategic importance of these land and nature-based industries.

- 2.4 Rural and coastal areas are experiencing first-hand the local impacts of climate change resulting in more frequent and severe storms, flooding and droughts, damaging the local environment and nature, and weakening business and community resilience. However, the natural assets of rural areas make them uniquely well placed to lead the way in tackling the impacts of climate change by accelerating the use of nature's carbon capture potential and renewable energy resources, as well as supporting nature recovery by safeguarding natural habitats and biodiversity.
- 2.5 The North of Tyne rural area is centred primarily on Northumberland, one of the largest rural counties in England, including a diverse farming and forestry industry, significant rural upland areas, remote coastal communities, and market towns and villages providing service centres for large rural hinterlands. The agenda is also important to rural-facing parts of Newcastle, and through the coastal connection to North Tyneside. Urban-costal-rural connectivity is a characteristic of our regional geographically, but it is also important to the way our economic model works. The Plan recognises these important connections by including flexibility to support investments benefiting the core target rural area, at the same time as addressing challenges and opportunities shared with neighbouring urban areas.
- 2.6 This Plan explains why our vision for a thriving natural environment and rural economy is essential for the future wellbeing and prosperity of our area, and how we'll make it a reality, working with Government, and our businesses, people and communities. The vision is:
By 2027, Northumberland will be recognised as the UK's leader in demonstrating what clean, inclusive growth looks like in a thriving rural context. Our fresh approach will show how targeted investment in our environmental, economic and cultural assets can drive levelling up in rural communities, deliver high quality jobs and opportunities for people from all backgrounds, and reduce the wealth and productivity gap, at the same time as enhancing the natural environment and delivering a great quality of life for current and future generations. We will demonstrate how rural areas can lead the way in providing solutions to the key UK and global challenges of our age, including climate change, nature recovery, food security, energy resilience, health and wellbeing, and levelling up wealth and opportunity.
- 2.7 We will achieve our vision by delivering four strategic outcomes:



- **SO1 - Levelling Up Prosperity and Opportunity** - We will close the wealth and productivity gap between rural Northumberland and the UK average by investing in business growth in our key sectors, innovation, skills, and digital technology, providing more high-quality, high-skilled, well-paid jobs, and better access to education and other opportunities for people from all backgrounds and communities. The result will be a bigger, stronger rural business base, with more local people working in well-paid, highly skilled jobs, making a greater contribution to prosperity and productivity in the North of Tyne area
- **SO2 - Achieving Net Zero Carbon Growth** - We will work towards net zero carbon growth in our local economy, and contribute to the UK's carbon reduction goals, by investing in and adopting low carbon measures in our natural environment, businesses, homes, public buildings, and communities, and equipping people and businesses with the skills needed to deliver net zero growth. The result will be a rural economy and community that enjoys all the benefits of net zero carbon growth, including a healthy environment, businesses and homes using energy efficiently with secure and affordable supplies. Businesses and people will benefit from the new opportunities and jobs delivered by growing use of low carbon technologies.
- **SO3 - Place-based Approach to Land Management** - We will enhance the management of land and natural assets, reducing net impacts on the natural environment and biodiversity locally, at the same time as delivering affordable sources of food supply and renewable energy generation, demonstrating how strong local supply chains can reduce reliance on insecure global food and energy sources. This will result in our rural land assets being managed in a way that grows local wealth and jobs, minimises carbon emissions, reduces net impacts on the natural environment and biodiversity locally, delivers secure and affordable sources of food supply and renewable energy generation, and encourages use of the land for recreation, amenity and tourism.
- **SO4 - Wellbeing and Quality of Life** - We will improve quality of life in our communities as we recover from the pandemic, enabling people from all backgrounds and places to enjoy the health and wellbeing benefits of connecting with the natural environment and culture, working in rewarding, well-paid, skilled jobs, and being part of a vibrant rural community. The result will be rural communities where people from all backgrounds have access to: jobs and a decent income; skills and education opportunities to improve life chances; recreation and exercise; community and social networks; good quality housing; and transport connections to work, education, and leisure and social activities.

Case for investment

- 2.8 Now is the perfect time for rural Northumberland to step forward to address the challenges of our age. We believe passionately it is both possible and necessary to grow the economy and improve wealth and opportunity by investing in natural assets, enhancing and safeguarding the environment, nature and human wellbeing as the economy grows. This imperative lies at the heart of our Investment Plan.
- 2.9 A longer term allocation of devolved funds behind the Investment Plan will provide the catalyst to work with key funding partners and investors to agree a sustained, long-term, co-investment approach, capable of delivering transformational change in the North of Tyne rural environment and economy. This will mean harnessing regional resources alongside national funding (e.g. UK Government, private investors, charitable trusts and foundations), and local funds (e.g. local authorities, Borderlands Growth Deal) to deliver a shared vision and priorities.
- 2.10 Our approach is based on targeting investment into nine strategic programmes which together will address our stewardship and rural growth priorities and deliver the changes encapsulated in our vision. Appendix A includes a high-level description of each programme, which will be refined further as our development work continues. It is important to note that these are our initial programmes of activity and investment, and there will be opportunities for new ideas and other investments to come forward in the future as our Plan develops further.
- 2.11 The programmes have been designed deliberately to be cross-cutting, combining and integrating complementary activities to address our key stewardship and rural growth priorities in tandem and include a strong emphasis on place-based approaches helping to ensure that investment and impact

are focused rather than dispersed. We will develop, showcase, and test novel solutions to stewardship and rural growth challenges and opportunities, sharing what works with other areas, and positioning Northumberland as a leading innovator in the field.

- 2.12 The delivery of our nine programmes will be planned carefully to ensure full alignment with existing activities, ensuring that current funding and delivery programmes are maximised, leveraged and adjusted where possible to address our priorities and outcomes. In some cases, delivery of our programmes to rural beneficiaries may be integrated as part of a wider North of Tyne or regional programme, where the issues being addressed are present in both rural and urban areas. Where this is the case, programme delivery and funding packages will be designed to account for the additional complexities and costs of delivering across dispersed rural areas. Programmes will be introduced at different intervals and speeds across the Investment Plan period, reflecting the nature and scale of the issues being addressed, the timing of funding opportunities, and allowing time for rigorous programme development work.

Next Steps

- 2.13 As part the £500k allocation agreed by Cabinet in January 2022, we will continue to provide additional capacity and resources to support the coordination of the Investment Plan and the subsequent development of investable propositions alongside the development of an engagement approach. Next steps include:
- NTCA to launch the North of Tyne Stewardship and Rural Growth Investment Plan in early 2023 and establish a Rural Advisory Board in early 2023 to drive forward the Investment Plan and programme delivery.
 - NTCA and Northumberland County Council to coordinate further detailed development work on the nine priority programmes, preparing them for funding, mobilisation and delivery, this will be undertaken between January 2023 and March 24 in a phased approach linked to the deployment of funding such as UK Shared Prosperity Fund and Rural England Prosperity Fund.
 - NTCA and Northumberland County Council to reach out to our partners in neighbouring areas to agree how we can work together to deliver a stronger environment and rural economy for the benefit of the wider North of Tyne and the entire North East region.

3. UK Shared Prosperity Fund Rural England Prosperity Fund

- 3.1 The Rural Fund is a top-up to the UK Shared Prosperity Fund and is available to eligible local authorities in England, the North of Tyne Combined Authority allocation in relation to Northumberland County Council is £3,043,546. The funding succeeds EU funding from LEADER and the Growth Programme which were part of the Rural Development Programme for England.
- 3.2 This fund is a "rural top up" to the UKSPF rather than a new discrete pot of money. Aligned with interventions in the Supporting Local Business and Communities and Place investment priorities, it will provide capital funding to:
- support new and existing rural businesses to develop new products and facilities that will be of wider benefit to the local economy. This includes farm businesses looking to diversify income streams
 - support new and improved community infrastructure, providing essential community services and assets for local people and businesses to benefit the local economy
- 3.3 The development of the North of Tyne Stewardship and Rural Growth Investment Plan during the development of the UKSPF submission ensured that UKSPF investment plan emphasised the need to invest in our rural economy and communities recognising the opportunities presented by our unique environment and land assets, as well as the specific challenges facing rural areas. The North of Tyne UKSPF Investment Plan sets out the following investment programmes which will provide the framework for REPF investment:
- **Regeneration of our Places** Investing in improving our towns, high streets, and rural centres; growing our local culture and tourism sector including events; and festivals and destination marketing.
 - **Community Partnerships and Programmes** Creating Local Community Partnerships in each local authority area to identify local priorities and deliver long-term place investment plans,

building capacity in urban and rural communities to deliver change and promoting inclusive growth investing in community-based initiatives supporting local groups and organisation to tackle regeneration issues.

- **Start-up, social enterprise, and rural businesses** Supporting business start-ups, social enterprise growth, incubators and coworking spaces, rural business growth and addressing specific rural challenges and opportunities – as well as place-based enterprise support targeting communities and high streets.

3.4 To access funding under the Rural Fund, lead authorities are asked to provide specific additional information by the end of November 2022, as an addendum to the UKSPF investment plan. The North of Tyne Stewardship and Rural Growth Investment Plan provides the basis to complete this addendum and will inform the subsequent allocation of resources, both capital and revenue and pro

B. Impact on NTCA Objectives

1. The Rural Economy is identified as an opportunity and priority in the North of Tyne Devolution Deal, the North of Tyne Corporate Plan, and the North East Strategic Economic Plan. The Northumberland Stewardship and Rural Growth Investment Plan will align with the Authority's objectives around both jobs and economic inclusion.

C. Key risks

1. Programme risks will be managed in line with agreed processes and individual project risks will be considered as part of the development process

D. Financial and other resources implications

1. A total allocation of £3m from the North of Tyne Investment fund and UK Shared Prosperity Fund till March 2025 to align with £3,043,546 Rural England Prosperity Fund allocation till March 2025 and an indicative allocation of a further £3m of North of Tyne Investment funds for March 2025 – March 2028. A financial profile will be agreed as part of the delivery arrangements which will subsequently be considered by Investment Panel. Like other funding which has been approved by the Combined Authority, project spend will be validated and reported to Cabinet as part of the regular quarterly monitoring report.

E. Legal implications

1. The Monitoring Officer's comments have been included in this report.

F. Equalities implications

1. Equality impact assessments are undertaken in accordance with the agreed process. The NTCA is mindful of its duty under the Public Sector Equality Duty and through its work will continue to promote policies and decision making which eliminates discrimination, harassment and victimisation and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. NTCA considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

G. Inclusive Economy and Wellbeing implications

1. The North of Tyne Stewardship and Rural Growth Investment Plan sets out how inclusive economic growth can be achieved in rural settings.

H. Climate Change implications

1. Climate change implications will be assessed on an individual project basis as part of the development process. The activity described within this report is considered to positively support the climate change priorities of the Combined Authority, particularly by developing a new approach for natural capital, becoming a national exemplar for how our countryside is managed and invested in. The proposed investment plan aligns with the recommendations of the North of Tyne Citizens' Assembly on nature and green spaces.

I. Consultation and engagement

1. A rural advisory group, bringing together partners from across the stewardship and rural growth disciplines has steered the development of the North of Tyne Stewardship and Rural Investment Plan.

J. Appendices

Appendix A – North of Tyne Stewardship and Rural Growth Investment Plan Programmes of Investment

K. Background papers

1. North of Tyne Cabinet Meeting January 2022 – Item 6 North of Tyne Rural Economy - Northumberland Stewardship and Rural Growth. <https://www.northoftyne-ca.gov.uk/wp-content/uploads/2022/01/Agenda-25.01.2022.pdf>

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M. Glossary

UKSPF – United Kingdom Shared Prosperity Fund.
REPF – Rural England Prosperity Fund

APPENDIX A – North of Tyne Stewardship and Rural Growth Investment Plan Programmes of Investment

Nine strategic, transformational programmes for investment have been prioritised a part of the Investment Plan. Provided below is an initial, high-level description of each programme, which will be refined further as our development work continues.

Programmes	Activities	Beneficiaries	Strategic Outcomes
1. Decarbonisation, Biodiversity, and Resilience Programme	<ul style="list-style-type: none"> • Advice, support, and investment to help businesses change land use, adopt low carbon measures, support biodiversity, and address resilience (climate change, energy supply, food supply chains) • Carbon reduction and biodiversity demonstrators to illustrate how land use and businesses changes can be achieved in practice, profitability and sustainably in different rural contexts (e.g. farm, forest, woodland, peatland) • Net zero visitor economy / carbon reduction demonstrators • Development of ‘Northumberland Green Finance Plan’ setting out the county’s strategic approach to carbon credits and attracting green investment • Investment in large-scale, nature-based carbon storage projects (e.g. forest, woodland, peatland) 	<ul style="list-style-type: none"> • Land-based businesses (agriculture, forestry) and land managers • Rural tourism businesses 	<ul style="list-style-type: none"> • SO1: Levelling up prosperity and opportunity • SO2: Net zero carbon growth • SO3: Place-based approach to land management
2. Rural Energy Programme	<ul style="list-style-type: none"> • Advice, support and investment for rural households and businesses to transition to renewable energy supplies • Retrofitting rural homes and businesses to reduce energy usage and emissions and increase adoption of low carbon technologies • Local community renewable energy projects and district heat networks • Supply chain development supporting local rural businesses to provide low carbon products and services so they can benefit from growth in this sector and provide the capacity needed to scale-up decarbonisation 	<ul style="list-style-type: none"> • Rural businesses in all sectors • Rural households • Community organisations • Public buildings 	<ul style="list-style-type: none"> • SO1: Levelling up prosperity and opportunity • SO2: Net zero carbon growth • SO4: Wellbeing and quality of life

Programmes	Activities	Beneficiaries	Strategic Outcomes
3. Jobs and Skills Programme	<ul style="list-style-type: none"> • ‘Green skills’ training programmes and facilities to build and upskill the local workforce needed to deliver decarbonisation and land use change at scale (e.g. technicians to work on local renewable energy projects, installers to retrofit low carbon technologies in rural businesses and homes, ecologists to identify and develop carbon sinks). • Rural sector skills pathways from school to work, to encourage and support more local people (including young people) into land-based and tourism careers. • Employability and in-work support reaching all rural communities, supporting economically inactive people into work, upskilling people in low paid, low skilled jobs, and supporting underemployed people into better quality jobs. 	<ul style="list-style-type: none"> • Local people seeking a career, or already working in green / low carbon industries • Local people interested in land-based and tourism careers • Unemployed and economically inactive people • People in low paid, low skilled jobs • Underemployed people 	<ul style="list-style-type: none"> • SO1: Levelling up prosperity and opportunity • SO2: Net zero carbon growth • SO3: Place-based approach to land management • SO4: Wellbeing and quality of life
4. Business Growth Programme	<ul style="list-style-type: none"> • Rural Enterprise Support programme, providing advice and funding to support business growth, sustainability, start-up, scale-up in all sectors. • Enhanced, targeted support for businesses in core rural industries (agriculture, forestry, tourism), green / low carbon industries, and professional services, including: <ul style="list-style-type: none"> • Funding to encourage and de-risk businesses investment in equipment, premises, technology and skills. • Advice and support to access new opportunities in local and UK domestic markets, and global export markets. • Business collaboration to access opportunities and strengthen local supply chains 	<ul style="list-style-type: none"> • Pre-starts, start-ups and existing businesses in any sector • Existing businesses in target sectors (agriculture, forestry, tourism, green / low carbon industries, professional services) 	<ul style="list-style-type: none"> • SO1: Levelling up prosperity and opportunity • SO2: Net zero carbon growth • SO3: Place-based approach to land management
5. Rural Innovation	<ul style="list-style-type: none"> • Advice, investment and collaboration to support and de-risk rural businesses adopting the latest technologies and ways of working (e.g. agri-tech, digital, low carbon technologies, climate change resilience), and developing products and services in response to new market opportunities. • Bringing businesses, communities, public agencies and researchers together to collaborate on solving challenges and opportunities specific to rural sectors and places. • ‘Rural testbeds’ to develop, test and scale-up the latest rural innovations (e.g. climate change mitigation, community energy, visitor economy). 	<ul style="list-style-type: none"> • Rural businesses in all sectors • Businesses in agriculture, forestry, tourism • Rural households, local people and communities • Community organisations 	<ul style="list-style-type: none"> • SO1: Levelling up prosperity and opportunity • SO2: Net zero carbon growth • SO3: Place-based approach to land management • SO4: Wellbeing and quality of life
6. Quality of Place	<ul style="list-style-type: none"> • Investment in infrastructure and facilities in rural towns, villages, settlements and other places. 	<ul style="list-style-type: none"> • Businesses 	<ul style="list-style-type: none"> • SO1: Levelling up prosperity and opportunity

Programmes	Activities	Beneficiaries	Strategic Outcomes
	<ul style="list-style-type: none"> For example, business accommodation; visitor attractions and infrastructure; cultural and heritage assets; community infrastructure; public realm; skills facilities. 	<ul style="list-style-type: none"> Community organisations Cultural organisations Public agencies 	<ul style="list-style-type: none"> SO4: Wellbeing and quality of life
7. Physical Activity and Wellbeing	<ul style="list-style-type: none"> Investment in scaling-up wellbeing activities and opportunities in rural communities including: volunteering; outdoor activities and exercise linked to nature and landscapes; community social groups / social networks. Work alongside local GP surgeries and social prescribers to increase take-up of physical and social activities in rural communities. 	<ul style="list-style-type: none"> Local people from all backgrounds, targeted at those lacking opportunities to take part in physical and social activities Community organisations 	<ul style="list-style-type: none"> SO1: Levelling up prosperity and opportunity SO4: Wellbeing and quality of life
8. Community housing and transport	<ul style="list-style-type: none"> Developing closer links between rural communities and housing associations to encourage investment in house building, focusing on small scale projects in specific communities where lack of housing for local people is impacting on business growth and the sustainability of communities. Small-scale Innovation Challenges to solve transport problems facing specific rural places or testing the feasibility of adopting rural transport solutions that work in other areas (e.g. car share schemes; demand-led transport apps). 	<ul style="list-style-type: none"> Local people Local communities Community organisations Businesses 	<ul style="list-style-type: none"> SO1: Levelling up prosperity and opportunity SO4: Wellbeing and quality of life
9. Rural Evidence Base	<ul style="list-style-type: none"> Deeper analysis of datasets by urban and rural areas to draw out and evidence aspects of deprivation that are distinct to rural areas (e.g. health, incomes, employment). Research exploring specific environmental stewardship opportunities and challenges. Evaluation of the effectiveness and impact of stewardship and rural growth interventions, including building and disseminating evidence of 'what works'. Other specific research activities will be identified in due course. 	<ul style="list-style-type: none"> Research institutions and researchers Businesses Community organisations Public agencies 	<ul style="list-style-type: none"> SO1: Levelling up prosperity and opportunity SO2: Net zero carbon growth SO3: Place-based approach to land management SO4: Wellbeing and quality of life



Title: Investment Fund and Funding Approvals Update: Part 1
Report of: Chief Economist
Portfolio: Economic Growth

Report Summary

The purpose of this report is to update Cabinet on progress with the North of Tyne Investment Programme. This is on target to deliver 4635 jobs, and a significant milestone has been achieved since the last Cabinet meeting with the first thousand of these jobs having already been filled.

In addition to a project set out in a separate confidential report to this meeting (Investment Fund and Funding Approvals Update: Part 2) this report includes £1.6m of new project approvals:

- **£1,294,000** of new funding to bring forward housing development in Ellington, Northumberland, unlocking 152 residential units as part of a £24.3m scheme. This will form an important part of the NTCA's Brownfield Housing Fund, which is set to deliver at least 2,100 homes.
- **£224,300** of project approvals to support feasibility work overseen by the Tyne Taskforce, including funding for a pilot initiative to increase welding skills - directly addressing skill needs whilst providing new opportunities for local residents – and to undertake site investigation and technical feasibility work at Neptune and Swans Energy Parks.
- **£96,150** to strengthen community engagement, through the 'Commonplace' digital engagement platform, following the successful roll-out of a one-year pilot.

These new investments are being brought forward against the backdrop of ongoing challenges around the economy: high inflation, a sharp increase in interest rates and rising concerns about a prolonged economic downturn. Looking forward, the NTCA is seeking imminent approval of our UK Shared Prosperity Fund proposals, to enable us to bring forward projects to provide direct support for residents and businesses during this period. In addition, this report updates Cabinet on our ambitious proposal to unlock medium-term growth along our strategic economic corridors.

Recommendations

Cabinet is recommended to:

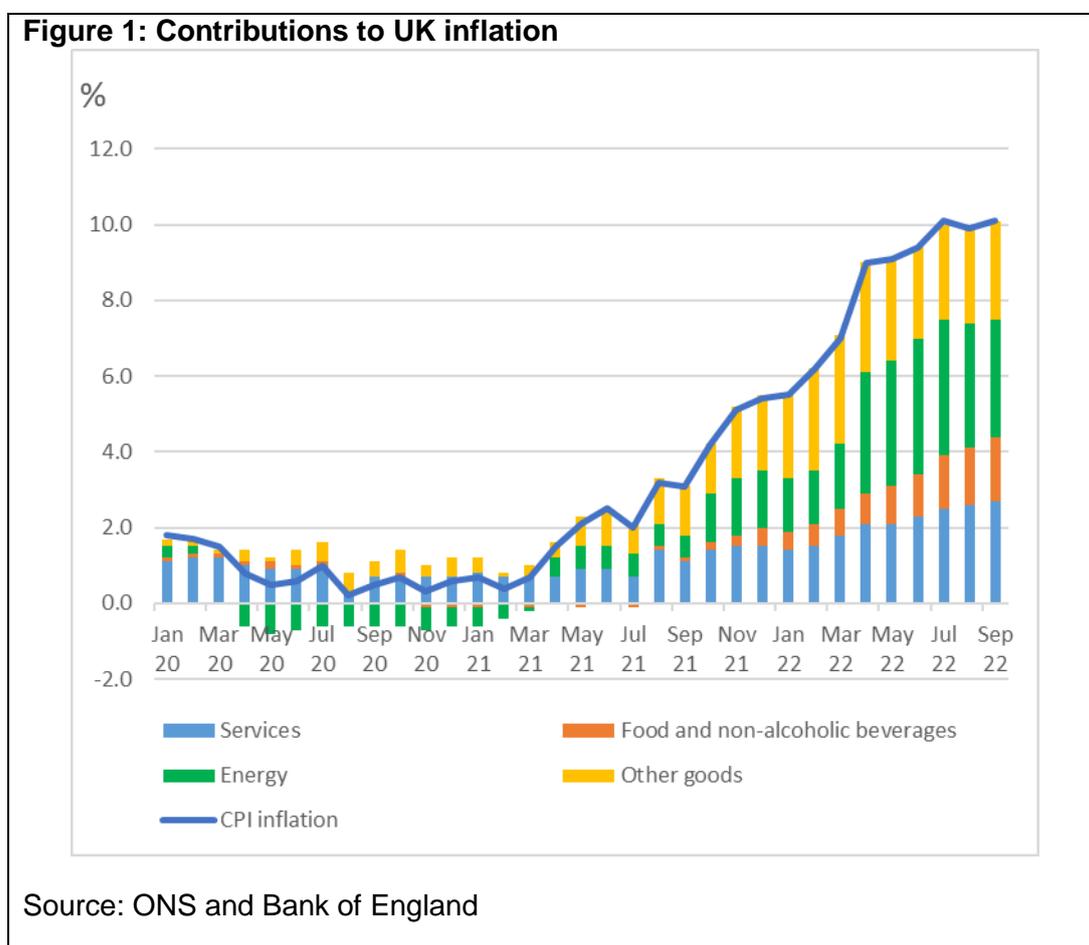
1. Note progress to date on the Investment Fund, achievement of key milestones and ongoing project development work, particularly in respect of the creation of new jobs for residents as a direct result of our investments.
2. Authorise the Chief Executive to make final approvals, under delegated decision, for the following projects: £224,300 of project approvals to support technical feasibility work overseen by the Tyne Taskforce; £96,150 to strengthen community engagement, through the 'Commonplace' digital engagement platform; and £1.294m for the Brownfield Housing Scheme at Ellington, Northumberland.
3. Note that the Chief Executive and Finance Director oversaw the development and submission of an Investment Zone proposal on behalf of the NTCA, enabling us to meet Government's deadline.

A. Context

1.1. Background and Economic Context

1.1.1. As highlighted by the Bank of England in their most recent Monetary Policy Report,¹ there is “a very challenging outlook for the UK economy”. The Report predicts that the UK economy will have contracted by around 0.75% over the second half of this year and will remain in recession well into next year. Meanwhile, surveys report that UK business confidence has fallen significantly, while in the NTCA area we have seen a slowdown in demand for some of our ‘growth’ investment programmes.

1.1.2. The latest data show inflation remains at about 10% (Figure 1). Although the pick-up in inflation was initially largely driven by higher energy prices, we have now started to see large increases in the contribution to overall inflation from other costs – including food & drinks and the service economy. Higher prices have a direct impact on households’ spending power, and we have seen an increase in support requested from Citizens’ Advice in the North East, including for guidance on debt and utilities costs. The ONS reports that construction price inflation is also running at an average of about 10%, with the NTCA seeing significant price increases in many of our capital projects, including our housing programme.



1.1.3. In less than one year, UK interest rates have risen from 0.1% to 3%. Market expectations are that they will rise further still, to just over 5% next year. Higher interest rates have a direct impact on many households through higher mortgage costs: for an average £150,000 mortgage, an interest rate rise of 1pp increases costs by almost £950 per year.

¹ <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2022/november-2022>

- 1.1.4. Against this backdrop, the Combined Authority continues to invest to support inclusive economic growth and this report provides updates on:
- delivery of the Investment Fund, including excellent progress towards our 10,000 new jobs target;
 - a further project approval for our Brownfield Housing Programme, unlocking 71 new homes in Ellington in South East Northumberland;
 - funding to support the work of the Tyne Taskforce, as it seeks to bring forward a pipeline of sites and new investment opportunities along the river;
 - a strengthening in the Combined Authority’s digital community engagement work; and
 - the Investment Zone proposition recently submitted to Government.

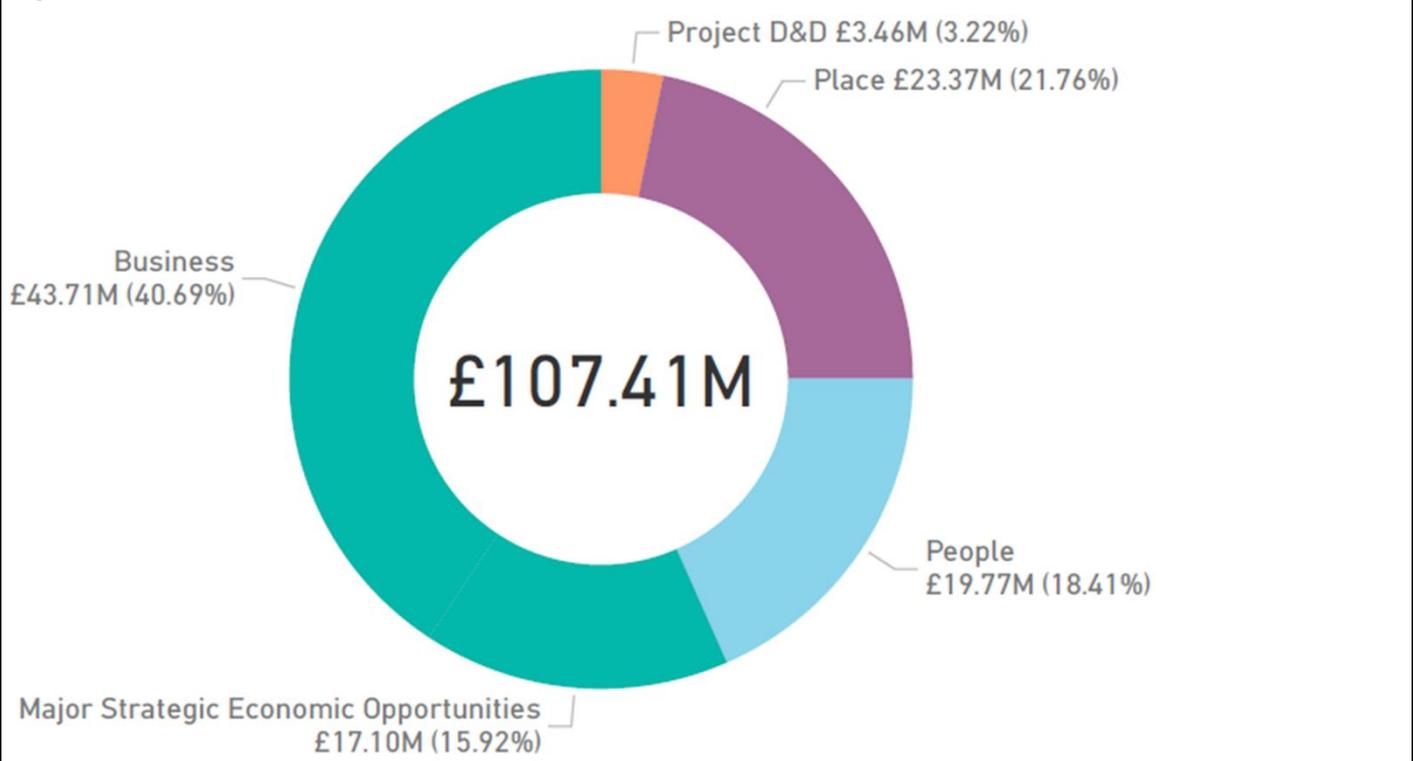
1.2. Investment Fund progress to date

1.2.1. Delivery of the Investment Fund Programme continues, with 130 projects now approved. Excluding the projects discussed in this report, the Combined Authority has achieved:

- A contracted spend of £107.41m (figure 2), including commitments and expenditure into the next programme period to ensure ongoing progress with our strategic priorities.
- In addition, 8 brownfield housing schemes have been supported so far, with a total NTCA contribution of £18m. Approved projects are forecasting the creation of 1641 housing units - substantial progress towards our target of 2,100 units. Our extended pipeline accounts for a further 2645 units.
- Together, these projects have secured £292m of private sector leverage and are forecast to deliver 4635 new jobs and safeguard a further 2643.
- Of these, the first 1034 new job opportunities have been created with North East residents employed as a direct result of NTCA investment; 1663 roles have been confirmed as safeguarded.

1.2.2. In total, 1034 jobs have been created and a further 1663 safeguarded through the NTCA’s interventions. This has included significant job creation at Verisure and other inward investment projects, alongside jobs growth across our other programmes including around innovation, digital growth, rural, cultural & creative programmes and Covid-recovery projects.

Figure 2: NTCA Investment Fund, commitments to date



- 1.2.3. These outcomes are complemented by a range of other outcomes supported through the Investment Fund, including:
- 72 Businesses Accredited for the Good Work Pledge, with 52 more applications in development;
 - Over 550 residents benefitting from our Skills Bootcamps, alongside our Skills for Growth programmes and wider AEB provision;
 - We are currently considering 53 projects for our Crowdfund North of Tyne
 - Delivery on all three child poverty pillars is underway in 30 schools across North of Tyne and 70 Schools in total have signed up to the programme.
 - Over 200 schools are engaged in elements of Education Improvement Programme.

1.3. Brownfield Housing Fund – Ellington

- 1.3.1. Good progress is also being made on the NTCA's £31,830,511 Brownfield Housing Fund [BHF] programme. The following schemes have all been previously approved: Newbiggin Hall, Scotswood The Rise Phase 2, North Shields Masterplan Area, Ouseburn Mouth, Commissioners Quay in Byth, Bellingham Mart, Scotswood The Rise Phases 3, 5 and 5A, and Moorside in Newbiggin.
- 1.3.2. At their November meeting, Investment Panel recommended to the Chief Executive the approval of a further housing scheme, subject to final due diligence. This project is coming forward on the former Ellington Colliery site in Northumberland, which closed in January 2005. Part of the site has already come forward for residential development, with Phases 1 & 2 already under construction. The applicant is Ascent Homes, who are the house-building arm of Advance Northumberland. BHF funding is sought for phases 3 & 4, which are expected to deliver 152 residential units for market sale. Across the four phases of development there will be 347 dwellings with 12 affordable units.
- 1.3.3. The total cost of the project is £24.3million with a request for an NTCA contribution of up to £1.294million. The NTCA funding will cover a range of abnormal costs, including those associated with: pre-drilling and vibro piling; site investigation and preliminary works; site clearance, highway and ground preparations; substation construction and retaining wall construction. Without funding for these costs, the site would not be viable.
- 1.3.4. Together with previous BHF approvals, approval of this scheme will mean that more than half of the fund has now been committed on schemes which are expected to deliver almost 1,800 homes – meaning we are well on track towards overachieving against our target of 2,100 homes.

1.4. Supporting Investment along the Tyne

- 1.4.1. In December 2021, Cabinet approved proposals for £500K of Technical Capacity Funding for the Tyne Taskforce – to enable it to develop proposals to maximise investment and jobs growth along the river. In carrying out this work, the Tyne Taskforce provides strong cross-sector collaboration, including partnership working with businesses, the Port of Tyne and our neighbouring local authorities of Gateshead and South Tyneside, whilst supporting region-wide plans for economic recovery and connectivity. The Tyne Taskforce was a case study in the recent Quality Assurance Report, which highlighted the positive work being undertaken in partnership.
- 1.4.2. The Taskforce is overseeing the development of a pipeline of sites, where the NTCA has already invested £6m into site remediation and infrastructure works. *Tyne Powered*, which is how we refer to the developable sites along the Tyne, is a key element of our 'Arc of Energy Innovation' proposition, which has been included within our Investment Zone submission, as discussed below.
- 1.4.3. Technical capacity funding has already been used for a number of projects – including development of marketing materials and proposals for infrastructure development. In addition, Investment Panel recently recommended the approval of other projects including:

- Capacity funding to help in the technical assessments necessary for further development of the Swans and Neptune sites. This followed an assessment by the company WSP into restrictions

and preparedness of 14 sites along the river, followed by an application process open to sites with a short-to-medium term requirement for interventions.

- Funding to support the development of welding skills. This pilot is being run in partnership with the DWP, North Tyneside Council's Employment & Skills Service (utilising their AEB funding for employability skills) and Nordic Training to provide the technical/specialist welding skills required. In addition to meeting a specific skill need of companies on the Tyne, the project will support more residents living along the Tyne to access employment opportunities, by strengthening connections between education institutions and the major manufacturing businesses – providing easier routeways into employment and greater clarity on skill needs.

1.5. Community Engagement

- 1.5.1. In March 2022, NTCA Cabinet approved £375K of Investment Fund resources to support the Community Engagement Platform Development Project. The ambition was to run six rounds of crowdfunding over three years, utilising innovative online platforms and unlocking local match funding from new sources, whilst also deepening community engagement and consultation.
- 1.5.2. The initial proposal included funding for a one-year pilot of the 'Commonplace' digital engagement platform. Consultation, engagement, and co-design encourage people to input by asking for their ideas, experience and opinions so that residents can play an active role in shaping and implementing activities. It enables residents and others - such as the VCSE and business - to creatively help develop projects and programmes in line with their needs and opportunities.
- 1.5.3. Through engaging residents in NTCA's crowdfunding work, residents are enabled to do more for themselves and each other. Commonplace is the first platform NTCA has adopted to increase engagement digitally, it complements and supports other face to face engagement events and meetings. This year the platform has been developed to gather views on crowdfunding work, and on how a just transition to a green economy can be achieved.
- 1.5.4. On 7 November, Investment Panel considered a request to build on the current one-year pilot for Commonplace. The additional investment of £96,150 will extend the project up to the end of June 2025, in line with the current crowdfunding platform licence, and fund a small amount of extended staffing input into the project.

1.6. Investment Zones

- 1.6.1. At the time of writing this report, we are aware that Government is reviewing its policies around Investment Zones and further information may become available before the Cabinet meeting. The North of Tyne proposal is focussed on our existing strategic priorities, including proposals to: help businesses grow; attract investment; improve access land for new homes and commercial use; make full use of our sustainable transport systems; and support our growing green industries.
- 1.6.2. The proposal was submitted to Government on 14 October, following the launch of an Expression of Interest [EOI] process on 2 October. Government has indicated that sites which are successful at the EOI stage will be required to develop delivery plans and conduct relevant legal and other assessments. They have also clarified that environmental protections will be retained within all Zones.
- 1.6.3. Although full details of the proposal remain commercially confidential, the proposition is based on two existing economic corridors which span all three local authority areas:
 - The *Arc of Energy Innovation Corridor* focuses on development sites and existing businesses – including along the Tyne and at Blyth – where there are real opportunities to create thousands of green jobs; increase UK growth and exports; accelerate the transition to net zero; and increase energy security.

- The *Northumberland Line Economic Corridor* will enable us to use the reintroduction of passenger services between Ashington and Newcastle Central Station to deliver transformational change to communities and their access to jobs.

B. Impact on NTCA Objectives

Programme delivery as described in the report is consistent with the priorities set out in NTCA's corporate plan.

C. Key risks

Programme risks are managed in line with agreed processes and individual project risks have been considered as part of the application and appraisal process.

D. Financial and other resources implications

All the proposed project approvals set out in this report have been identified to be funded from the Investment fund.

E. Legal implications

The Monitoring Officer's comments have been included in this report, and the Monitoring Officer will continue to oversee subsidy control compliance.

F. Equalities implications

The NTCA seeks to actively narrow inequality under the terms of the Equality Act 2010 and we will undertake an equality impact assessment for all funding requests, in accordance with the agreed process.

G. Inclusive Economy and Wellbeing implications

The inclusive economy case is assessed on an individual project basis as part of the assessment process and is embedded within the Investment Fund criteria. The activity described within this report is considered to positively support the Inclusive economy priorities of the Combined Authority, particularly by supporting the development new jobs and through an intensification of community engagement.

H. Climate Change implications

Climate change implications are assessed on an individual project basis as part of the assessment process. The activity described within this report is considered to positively support the climate change priorities of the Combined Authority, particularly by supporting growth of the offshore energy sector through the Investment Zone proposition.

I. Consultation and engagement

Stakeholders have been fully engaged in the development of project proposals and, as far as possible, wider engagement has been sought in the development of the programme – particularly the Investment Zone, where letters of support were provided by businesses, stakeholders and MPs

J. Appendices

None

K. Background papers

None

L. Contact officer(s)

Rob Hamilton, Chief Economist
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M. Glossary

NTCA	North of Tyne Combined Authority
EOI	Expression of Interest
UKSPF	UK Shared Prosperity Fund
BHF	Brownfield Housing Fund

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Subject: 2022/23 Quarter 2 NTCA Budget Monitor Report
Report of: Director of Finance
Portfolio: All

Report Summary

This report is the second quarter monitoring report to Cabinet on the 2022/23 financial position. The report brings together the forecast financial position for both the Corporate, Investment Fund, Brownfield Housing Fund and Adult Education budget and provides an indication of the potential position of the Combined Authority on 31 March 2023. The report reflects a six-month budget review undertaken for the Combined Authority and the potential position on reserves at the year end.

This report also presents the Treasury Management Mid-Year Review up to and including 30 September 2022.

Recommendations

The Cabinet is recommended to note the forecast budget monitoring position for the Combined Authority as set out in sections 2, 3, 4, 5 and 6 and the reserves position in 7.

A. Context

1. Background

- 1.1 Cabinet approved the 2022/23 budget on 25 January 2022. Included in that budget was the estimated expenditure across the year for both the Corporate Budget, Investment Fund, Brownfield Housing Fund, and the Adult Education Budget.
- 1.2 The 2022/23 Q2 budget monitor reflects the continued development of the Combined Authority in terms of the establishment of the authority's staffing structure, and the systems required to support the delivery and monitoring of projects and programmes aligned with its vision based on current information and trajectory of delivery of programmes and projects.
- 1.3 Since the budget for 2022/23 was approved, the Combined Authority has been allocated funding of £47.1m for UK Shared Prosperity Fund, 'core-UKSPF' and £4.1m for the 'Multiply' adult numeracy programme, covering the areas of Newcastle, North Tyneside, and Northumberland. The Multiply submission has been approved with delivery underway, and preparation of the Investment Plan for the core-UKSPF in readiness for Government Approval anticipated as part of the Autumn Statement

2. Corporate Budget

- 2.1 The Corporate budget for 2022/23 set a net zero position covering the costs associated with the capacity required to deliver.
- 2.2 Table 1 overleaf reflects the 2022/23 forecast position across the key income and expenditure heads within the Corporate Budget head.

Table 1 Q2 2022/23 Corporate Budget Monitor

	2022/23 £m	Forecast £'000	Variance £000
Expenditure			
Staffing	3.145	3.700	0.555
Mayor's Office	0.248	0.244	(0.004)
Other Costs	1.203	1.303	0.100
Contribution to Reserves	0.800	0.800	0.000
Transport Levy	29.335	29.335	0.000
SLAs	0.285	0.294	0.009
Total Expenditure	35.016	35.676	0.660
Income			
Mayoral Capacity Fund	(1.000)	(1.000)	0.000
Constituent Authority Contributions	(0.111)	(0.111)	0.000
Investment Fund Contribution	(2.650)	(2.650)	0.000
AEB Contribution	(0.678)	(0.708)	(0.030)
Bootcamp Contribution	0.000	(0.503)	(0.503)
Investment Fund Workstreams	(0.773)	(0.773)	0.000
Other Contributions	(0.294)	(0.294)	0.000
Interest on Investments	(0.175)	(0.302)	(0.127)
Contribution from Reserves	0.000	0.000	0.000
Transport Levy	(29.335)	(29.335)	0.000
Total Income	(35.016)	(35.676)	(0.660)
Net Position (Inc)/Exp	0.000	0.000	0.000

- 2.3 Gross expenditure is anticipated to exceed budget by £0.660m at this point in the new financial year, £0.551m of this is in relation to an increase in employee expenditure, the Mayor's Office showing a slight underspend against budget (£0.004m). The additional employee expenditure is funded through increased income in respect of Bootcamp Funding and increased AEB devolved funded as set out in Table 1 above. There are now 64 staff directly employed by the Combined Authority, with an additional 4 vacant posts being recruited to within the Inclusive Growth Team to support on the delivery of the new Bootcamp Funding and an additional post to support on Inclusive Economy delivery. Workforce planning continues to be reviewed in line with accelerated delivery across a number of projects and programmes including anticipated delivery against the new UK Shared Prosperity Funding (core-UKSPF). Expenditure on Service Level Agreements (SLA) is anticipated to exceed the original budget level by £0.009m due to anticipated increase in line with inflation.
- 2.4 Other costs include budgeted expenditure on accommodation, travel and subsistence, external advisors, communications, and marketing in addition to recruitment and training. Some of these budget heads in the previous two financial years had reflected large underspends due to the pandemic forcing home working and therefore travel and training activity to be reduced. However, in 2022/23 the organisation, is investing heavily in training and development to ensure staff are fully equipped with the right skill set to meet ongoing demands as the organisation continues to grow and expand, and personal development plans which will contribute towards staff morale and retention. The accommodation budget (£0.350m) is sufficient to meet the day to day running costs of occupying the Lumen building and to create a reserve for future dilapidation costs. It is anticipated that there will be an immediate requirement for more desks in the current financial year in line with

the increased workforce. Other costs reflect an increase of £0.100m against budget reflecting operational costs associated with delivery on Bootcamps funded from within the grant funding allocation.

2.5 In terms of the increased Income as mentioned in paragraph 2.3 above is mainly as a result of the Bootcamp funding. Investment income is forecast to exceed budget by £0.127m at this point in the financial year, reflecting the more recent increase in interest rates. Total investment income secured at the end of quarter 2 is £0.530m this is split approximately 57% NTCA and 43% North East LEP based on level of funds invested.

3. Investment Fund

3.1 Delivery on the Investment Fund continues, with 127 projects now approved, 116 of which are live. At the time of reporting, end of September 2022, the Combined Authority has achieved:

- A contracted spend of £106.68m
- These projects will attract £292.015m of private sector leverage and are forecast to deliver 4,635 jobs and safeguard a further 2,643
- Of these, the first 962 new jobs have been created with North East residents employed as a direct result of NTCA Investment, 1,663 have been confirmed as safeguarded.

Collaborating with Local Authority partners and project applicants is a high priority for financial year 2022/23. Table 2 below sets out the commitments against the key themes of the Investment Fund.

Table 2 Commitment against Investment Fund Thematic Area Allocation

	Committed	Allocation	% Allocated
	£m	£m	
Business	43.71	45.30	96%
People	19.04	17.30	110%
Place	23.37	13.25	176%
Major Strategic Economic Opportunities	17.10	9.65	177%
Business Case Development Fund	3.46	4.50	77%
	106.68	90.00	119%

3.2 The Investment Fund Programme continues to grow as projects progress through the pipeline. There have been key funding proposals coming forward for consideration, around innovation and supporting our key sectors. Work continues at pace to operationalise the headline sector strategies agreed by Cabinet. In addition, there is a step change in the volume of contracts and supporting financial claims as projects and programmes come to fruition. Table 3 overleaf shows the forecast position for the Investment Fund in 2022/23.

Table 3 Investment Fund Q2 Budget Monitor

Investment Fund	Budget £m	Actual at Qtr. 2 £m	Forecast £m	Variance £m
Expenditure				
Business Case Development Fund	0.500	0.267	0.500	0.233
Investment Projects	41.600	14.671	41.600	26.929
Technical Assistance	0.250	0.145	0.250	0.105
Contribution to Corporate	2.650	0.265	2.650	2.385
Gross Expenditure	45.000	15.348	45.000	29.652
Income				
Investment Fund	(20.000)	(20.000)	(20.000)	0.000
Total Income	(20.000)	(20.000)	(20.000)	0.000
Net Position (Income)/Expenditure	25.000	(4.652)	25.000	20.348
Investment Reserve brought forward	(54.048)	(54.048)	(54.048)	-
Net Investment Fund Reserve carried forward	(29.048)		(29.048)	-

3.3 The economic outlook is dominated by increased cost of living prices and signs of a weakening economy, with inflation rising to approximately 10%. Despite this backdrop the Combined Authority continues to invest to support inclusive economic growth. 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. Additionally, the pipeline has continued to develop with a number of schemes to be delivered in 2022/23, including:

- Town and High Streets Programme (£6.000m) which is now moving into delivery.
- £0.700m of new funding to support a significant expansion of the Good Work Pledge programme, helping good employers gain recognition for their work and supporting other businesses to work towards becoming a better employer.
- £2.800m of site preparation works at Howdon Yard in the Port of Tyne's Clean Energy Park, providing further opportunities for investment by the offshore wind sector. This is part of a wider £25m programme which will create jobs and support the transition to low-carbon energy generation.
- £1.500m to enhance Berwick's growing reputation as a renowned arts town and celebrated cultural destination and provide a supportive and attractive environment in which cultural and creative businesses and people can develop and thrive. This follows £3m of previous cultural investment focused on the 'Clayton Street Corridor' and North Shields Town Centre.

3.4 Within the above investment fund workstream the following projects includes funding to be spent on capital schemes, see Table 4 overleaf:

Table 4 Investment Fund Capital Schemes

Project	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Return to Work		0.002		0.028		0.030
North of Tyne Science Education Enrichment	0.023					0.023
NTCA Heritage STEM: Our Past, Your Future		0.007				0.007
NU futures		0.336	1.637	0.062		2.035
North bank of the Tyne EZ - Phase 1				0.250	0.550	0.800
North Shields Fish Quay			0.346	1.194		1.540
Bates Clean Energy Terminal			0.752	1.571		2.323
Swans Energy Park				2.000		2.000
Spirit of North Tyneside				0.250		0.250
Community Hubs Northumberland			0.010	0.165		0.175
NEP1 Battle Wharf				0.509	0.742	1.251
CCZ - North Tyneside				0.350	0.450	0.800
Energy Central Learning Hub (ECLH)				1.000	1.000	2.000
Towns High Streets Innovation Prog. - Newcastle				0.830	1.070	1.900
Towns High Streets Innovation Prog. - North Tyneside				0.830	1.070	1.900
Towns High Streets Innovation Prog. – Northumberland				0.830	1.070	1.900
Technology Development Centre				1.200	0.800	2.000
Tyne Clean Energy Park, Howdon Yard				2.791	0.038	2.829
Total	0.023	0.345	2.745	13.860	6.790	23.763

4. Brownfield Housing Fund (BFH)

- 4.1 The Brownfield Housing Fund (BFH) is the first housing allocation for the North of Tyne Combined Authority. The funding is intended to support the development of at least two thousand new homes, by remediating and revitalising brownfield sites across the North of Tyne area. The Brownfield fund is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach to supporting housing and economic recovery.
- 4.2 An extension to Brownfield Housing Fund (BFH) was announced 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 awarded £7.96 million, bringing the total amount of NTCA BHF funding to £31.820 million.
- 4.3 A call for sites was undertaken in Autumn 2021 to identify additional sites for the fund and to build the Brownfield pipeline in anticipation of future funding. This position provides enough flexibility to manage the programme and NTCA, in collaboration with partners will continue to develop the pipeline of schemes to manage a deliverable capital programme which meets the requirements and timescales set out by DLUHC.
- 4.4 In terms of approvals to date, NTCA have approved eight schemes with a total commitment of £18.000m. These schemes are forecasting the creation of 1,644 housing units with the extended pipeline accounting for 4,215, this is set against the DLUHC target of 2,000. Five schemes have

been contracted two of which have spent their allocated BHF funding, two of which are delivering on the ground and one which is expected to start on site imminently. One scheme has recently gained planning consent and has appointed a contractor with a view to starting on site before the end of the financial year. Two further schemes are awaiting planning application decisions. Forecast private sector leverage for the contracted projects stands at £128.190m.

- 4.5 Risk around performance has increased because of delays in year 1 and 2 resulting in a revised profile to DLUH as detailed below in Table 5.

Table 5 Brownfield Housing Funding up dated Profile including additional allocation of funds

	Total	Year 1	Year 2	Year 3	Year 4	Year 5
	£m	£m	£m	£m	£m	£m
Original Funding Profile	23.854	4.854	8.100	6.700	3.100	1.100
Reprofiled Projected Programme Spend	31.820	0.568	3.385	10.563	14.056	3.248

5. Adult Education Budget (AEB)

- 5.1 In August 2020 NTCA took control of £23.145m devolved Adult Education Budget for the academic year 2020/21. Annual funding for this and subsequent years was set just above £23.100m.
- 5.2 The Department of Education have confirmed NTCA's devolved AEB allocation for the period 1 August 2022 to July 2023 is £23.587m plus an additional £1.959m for the delegated Free Courses for Jobs bringing the total AEB in 2022/23 academic year to £25.546m.
- 5.3 Since the beginning of August 2021 over 28,600 enrolment opportunities have been delivered or are being undertaken.
- 5.4 Covid-19 impacts on face-to-face learning have eased in 2022/23. The impact was still evident last academic year however, with some providers under delivering. Under delivery for procured services will be clawed back if profile payments exceed actual delivery. For grant funded providers it had been suggested that they can submit a Cost Analysis Statement (CAS), setting out extenuating circumstances due to Covid-19 for under-delivery and any costs incurred which are related to AEB delivery but which are not captured in the ILR data returns.
- 5.5 Table 6 below shows the AEB Forecast for the academic year 2022/23. It is anticipated there will be sufficient under-delivery in Academic Year (AY) 2021/22 to cover the forecast delivery in 2022/23. The final reconciliation of AY 2021/22 will take place in November. Table 7 overleaf reflects the 2022/23 Financial Year.

Table 6 Adult Education Budget Forecast Academic Year 2022/23

	Academic Year 2022/23		
	Budget £'000	Forecast £'000	Variance £'000
Expenditure			
Grant Awards	15.369	15.550	0.181
Procured Services	6.659	7.902	1.243
Corporate Contribution	0.678	0.708	0.030
Courses for Jobs	-	1.116	1.116
Gross Expenditure	22.706	25.276	2.570
Income	(22.706)	(25.276)	(2.570)
Gross Income	(22.706)	(25.276)	(2.570)
Net Position (Income)/Expenditure	-	-	-

Table 7 Adult Education Budget Financial Year 2022/23

Financial Year 2022/23	1 Apr 2022 - 31 Jul 2022	1 Aug 2022 - 31 Mar 2023	Total
	£m	£m	£m
Devolved Adult Education Budget	8.801	14.651	23.452
Free Courses for Jobs Funding	0.490	0.626	1.116
Corporate Contribution	0.236	0.472	0.708
Gross Expenditure	9.527	15.749	25.276
Income	(9.527)	(15.749)	(25.276)
Gross Income	(9.527)	(15.749)	(25.276)
Net Position	-	-	-

- 5.6 Funding has been secured from the National Skills Fund to run a series of Skills Bootcamps in a range of sectors allowing residents to train and gain skills needed to improve job prospects. Examples of the sectors covered are digital, technical, construction, logistics and green skills.

Table 8 below shows the budget and forecast position for Bootcamps delivery 2022/23.

Table 8 Bootcamps 2022/23

	Financial Year 2022/23		
	Budget £'000	Forecast £'000	Variance £'000
Expenditure			
Procured Services	5.029	5.029	0.000
Overhead Contribution	0.503	0.503	0.000
Gross Expenditure	5.532	5.532	0.000
Income	(5.532)	(5.532)	(0.000)
Gross Income	(5.532)	(5.532)	(0.000)
Net Position (Income)/Expenditure	-	-	-

- 5.7 The new Shared Prosperity Funding (Core-UKSPF) includes Multiply funding, £4.1m over three years. The funding is aimed at improving adult numeracy skills. In doing so, new job or training opportunities will be unlocked for residents. Table 9 shows the budget and forecast position for delivery against Multiply for 2022/23 the first year of delivery, based on the approved delivery plan.

Table 9 Multiply 2022/23 Forecast Position

	Financial Year 2022/23		
	Budget £'000	Forecast £'000	Variance £'000
Expenditure			
Grant Awards	1.081	1.081	-
Procured Services	0.042	0.042	-
Overhead Contribution	0.125	0.125	-
Gross Expenditure	1.248	1.248	-

Income	(1.248)	(1.248)	-
Gross Income	(1.248)	(1.248)	-
Net Position (Income)/Expenditure	-	-	-

6.0 UK Shared Prosperity Fund (UKSPF)

6.1 The UK Shared Prosperity Fund (UKSPF or the Fund) is a new funding stream providing £2.6 billion of new funding for local investment by March 2025. It seizes the opportunities of leaving the European Union, by investing in domestic priorities and targeting funding where it is needed most: building pride in place, supporting high quality skills training, supporting pay, employment and productivity growth and increasing life chances.

6.2 The £51.2m UKSPF allocation in respect of NTCA is mainly revenue funding, although it does include capital funding of around £8m. UKSPF funding will be invested in the North of Tyne area as reflected in Table 10.

Table 10 UKSPF Budget Profile

UKSPF Investment Priorities	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m
Community and Place	2.286	4.300	9.300	15.886
Supporting Businesses	3.428	4.094	11.583	19.105
People and Skills	-	3.034	9.059	12.093
Total Core UKSPF	5.714	11.428	29.942	47.084
Multiply Programme	1.248	1.440	1.440	4.128
Total UKSPF incl. Multiply	6.962	12.868	31.382	51.212

6.3 The first wave of the adult numeracy 'Multiply' programme started in October 2022, as detailed in paragraph 5.7. Advanced preparations are under way for the 'core UKSPF', in readiness for approval from Government, this approval from Government was expected in October 2022, and now is anticipated to form part of the Autumn Statement. This delay will put pressure on delivery within a shortened timeframe. To mobilise delivery quickly once funding is received a number of key partners and stakeholders involved in the design of the programme are engaging with target recipients. However, if spend targets for 2022/23 remain at the same level without flexibility to slip into 2023/24, funding swops will be required to be considered. Funding swops are now being discussed in readiness for the announcement from Government which will be reported to Cabinet in the next Financial Management report.

7. Reserves

7.1 The forecast position on reserves held on 31 March 2022/23 are detailed below in Table 10.

Table 10 Reserves as of 31 March 2023

Reserves Statement	2021/22	Movement (from)/to Reserves	2022/23
	£m	£m	£m
Preparing to Exit EU	0.050	(0.050)	0.000
Strategic Reserve	0.200	-	0.200

Investment Fund Reserve	54.048	(25.000)	29.048
Adult Education Budget	3.220	(3.220)	0.000
Other grant reserves: Kickstart, Bootcamps, Defra Rural, CRF	1.095	(1.095)	0.000
Total General (Useable) Reserves	58.613	29.365	29.248

7.2 Based on the forecast position at Q2 the position on the Investment Fund Reserves will decrease to £29.048m based on the current trajectory on the Investment Fund. The level of the Investment Fund Reserve reflects Investment Fund monies received to date of £100.000m with delivery on projects in 2022/23 anticipated to be £45.000m.

7.3 It is anticipated that the balance of unallocated Adult Education Budget (£3.220m), again due to impact of Covid 19 will be allocated during the academic year August 2022 through to July 2023, with all funding received for the academic year anticipated to be fully allocated also. Other grant reserves such as the Preparing to Exit EU grant, Kickstart, Bootcamps, Defra Rural and CRF are anticipated to be used in 2022/23 in delivery against the relevant programmes. The Strategic Reserve continues to be maintained at £0.200m in line with the Reserves and Balances Policy.

B. Potential Impact on Objectives

1. The North of Tyne Combined Authority's Corporate Plan sets out the strategic objectives of the Authority. The 2022/23 budget position against which the budget is monitored against demonstrates the Authority has properly discharged its functions and assisted in delivering the Authority's vision, policies, and priorities.

C. Key Risks

1. Inflation rises will have an impact on cost of delivery on programmed spend on projects which could result in an increase on funding requests. Supply chain delays may also impact on delivery on projects.

D. Financial and Other Resources Implications

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

E. Legal Implications

1. The Combined Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy's Prudential Code: Capital Finance in Local Authorities and the Department of Levelling up Communities and Housing Statutory Guidance on Local Government Investments.
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.

F. Equalities Implications

1. NTCA follows the Public Sector Equality duty and this report has due regard to the need to achieve the objectives set out under section 149 of the Equality Act 2010. There are no direct equalities implications arising from the recommendations in this report. There are no direct equalities implications arising out of the recommendations in this report.

G. Inclusive Economy Implications

1. There are no direct inclusive economy or wellbeing implications arising from the proposals in the report itself but all activities undertaken by NTCA take these into consideration.

H. Climate Change Implications

1. There are no direct climate change implications arising out of the recommendations in this report but all activities undertaken by NTCA take these into consideration.

I. Consultation and Engagement

1. The creation of the North of Tyne Combined Authority has been subject to significant and regional consultation. The 2022/23 budget was subject to wide consultation across the North of Tyne Region. The constituent authorities have been consulted directly on the production of the 2022/23 Budget and 2021/22 Outturn statement.

J. Appendices

Appendix A - 2022/23 Treasury Management Mid-Year Review

K. Background Papers

1. 25 January 2022 NTCA Budget Report

L. Contact Officers

Janice Gillespie, Director of Finance
e-mail address: Janice.gillespie@northoftyne-ca.gov.uk

M. Glossary

AEB	Adult Education Budget
NTCA	North of Tyne Combined Authority
Core-UKSPF	UK Shared Prosperity Fund



Treasury Management Strategy Statement and Annual Investment Strategy

Mid-Year Review Report 2022/23

A. Context

1. Introduction

1.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017). The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Combined Authorities treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Combined Authority will seek to achieve those policies and objectives.
3. Receipt by Cabinet of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead (where applicable), a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
4. Delegation by the Cabinet of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

1.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2022/23 financial year.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy.
- The Combined Authority's capital expenditure, as set out in the Capital Strategy, and prudential indicators (where applicable).
- A review of the Combined Authority's investment portfolio for 2022/23.
- A review of the Combined Authority's borrowing strategy for 2022/23 (where applicable).
- A review of any debt rescheduling undertaken during 2022/23 (where applicable).
- A review of compliance with Treasury and Prudential Limits for 2022/23.

2. Treasury Management

2.1 The Combined Authority operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.

2.2 The second main function of the treasury management service is the funding of the Combined Authorities capital plans. These capital plans provide a guide to the borrowing need of the

Combined Authority essentially the longer-term cash flow planning to ensure the Combined Authority can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Combined Authority risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 2.3 The Combined Authority only received borrowing powers at the end of 2021/22 and has no current plans to borrow in 2022/2023, although a provisional borrowing limit of £20m was included within the 2022-23 Treasury Management Strategy in relation to Enterprise Zone round 1, pending agreeing a debt cap with HM Treasury. This, however, was not required. The Combined Authority are currently in communication with HM Treasury on the debt cap for 2023/24.
- 2.4 The Combined Authority delegates responsibility for the implementation and regular review of its treasury management policies and practices and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Combined Authority’s policy statement and TMPs and if that officer is a CIPFA member, CIPFA’s Standard of Professional Practice on Treasury Management. Cabinet has responsibility to ensure the implementation and regular monitoring of its treasury management policies delegates the responsibility for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation’s policy statement and TMPs.
- 2.5 Responsibility for ensuring effective scrutiny of the Treasury Management Strategy and Treasury Management Policies is delegated to Overview and Scrutiny Committee.
- 2.6 The Combined Authority’s Treasury Management function is managed under a service level agreement with North Tyneside Council.
- 2.7 The Treasury Management functions of the Joint Transport Committee are approved as part of the North East Combined Authority (NECA) budget setting process in their role as Accountable Body. A review of the NECA Treasury Management Strategy has been undertaken and is in line with that of the Combined Authority.

3. Capital Strategy

- 3.1 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. These require all public authorities to prepare a Capital Strategy which is to provide the following: -
 - a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
 - an overview of how the associated risk is managed.
 - the implications for future financial sustainability.
- 3.2 The Combined Authority only received borrowing powers at the end of 2021/22 and are currently in communication with the HM Treasury on the debt cap for 2023/24. Following this a Capital Strategy for the Combined Authority will be developed and reported to Cabinet in January 2023 as part of the Treasury Management Strategy Statement for 2023/24.

4. Economic Update

- 4.1 Link Group provide Treasury Management advice to the Combined Authority, below is their Economic update for the first half 2022/23:

The second quarter of 2022/23 saw:

- GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being.
- Signs of economic activity losing momentum as production fell due to rising energy prices.
- CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term.
- The unemployment rate falls to a 48-year low of 3.6% due to a large shortfall in labour supply.
- Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come.
- Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23rd September.

4.2 The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.

4.3 There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.

4.4 The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.

4.5 CPI inflation eased from 10.1% in July to 9.9% in August, though inflation had not peaked yet. The easing in August was due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.

4.6 However, utility price inflation is expected to add 0.7% to CPI inflation in October when the Ofgem unit price cap increases to, typically, £2,500 per household (prior to any benefit payments). But, as the government has frozen utility prices at that level for two years, energy price inflation will fall sharply after October and have a big downward influence on CPI inflation.

4.7 Nonetheless, the rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.

4.8 Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government’s fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and seventy-five basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%).

5. Interest Rate Forecasts

- 5.1 The Combined Authority has appointed Link Group as its treasury advisors and part of their service is to assist the Combined Authority to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.
- 5.2 The latest forecast on 27th September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.
- 5.3 The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.
- 5.4 The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

- 5.5 Since the above update at the end of September, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 3.00% from 2.25%.

The increase was made 3 November and reflected a split vote –seven members voting for a 75 basis points increase, one for 50 basis points and one for 25 bp. The MPC continues to grapple with getting inflation back on track over a three-year horizon.

Link Group updated Interest Rate Forecast

Comparison of forecasts for Bank Rate today v. previous forecast													
Bank Rate	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
08.11.22	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
27.09.22	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50	-
Change	-0.50	-0.75	-0.50	-0.50	0.00	0.00	0.00	0.25	0.25	0.25	0.00	0.00	-

6. Treasury Management Strategy Statement and Annual Investment Strategy Update

- 6.1 The Treasury Management Strategy Statement (TMSS) for 2022/2023 was approved by Cabinet on 25 January 2022. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.
- 6.2 In accordance with the CIPFA Treasury Management Code of Practice, the Combined Authority's Annual Investment Strategy sets out the Combined Authority's investment priorities as being:

- Security of capital
- Liquidity
- Yield

6.3 The Combined Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Combined Authority's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach. Following the Government's fiscal event on 23 September, both S&P and Fitch have placed the UK Sovereign debt rating on negative outlook. Reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

6.4 Investment Balances - The average level of funds available for investment purposes during the first half of the financial year was £130m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of receipt of grants and progress on delivery of grant funded projects and programmes. The Combined Authority is the accountable body for the North East LEP (LEP) and as such NTCA is responsible for managing the cashflow of the LEP in addition to its own.

Table 1. NTCA Treasury Portfolio as at 30 September 2022

Investments with	Level of Funds Invested	Average Rate of Interest
Local Authorities	£130,000,000	0.13%

6.5 To date the Combined 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 Combined Authority's financial limits against this type of investment are shown Table 2.

Table 2. NTCA Investment Limits

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

7. Borrowing Strategy

- 7.1 Previously, the Combined Authority did not have powers to borrow other than for Transport responsibilities with a proportion of the outstanding balance of the loans and investments in relation to Transport (based on the share of Tyne and Wear population in each Combined Authority area) shown in the balance sheets of the two Combined Authorities as part of their Year-end accounts. A summary therefore of the actual loans outstanding and authorised borrowing limit in relation to Transport is reflected in the Treasury Management Strategy of the NTCA.
- 7.2 Prudential Indicators and Minimum Revenue Provision (MRP) Policy. The new arrangements set out in the NECA (North East Combined Authority) and NTCA Orders require decisions about the Transport Revenue budget and Levies and the Transport Capital Programme to be determined by the Joint Transport Committee (JTC). The transport functions and assets still rest with each Combined Authority but can only be exercised or deployed through the decisions of the Joint Transport Committee.
- 7.3 Compliance with Treasury and Prudential Limits - It is a statutory duty for the Combined Authority to determine and keep under review the affordable borrowing limits. Once a debt cap for 2023/24 is agreed with HM Treasury a Minimum Revenue Provision (MRP) Policy Statement for the NTCA will be developed and brought to Cabinet.
- 7.4 An authorised borrowing limit of £20.000m in advance of agreeing a debt cap with Treasury was agreed in 2022/23 Treasury Management Strategy.

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Title: Appointment of Independent Chair of Audit and Standards Committee
Report of: Monitoring Officer
Portfolio: All

Report Summary

The report recommends that Cabinet appoint a new co-opted (ie independent) member to chair the Audit and Standards Committee following the resignation of the current chair.

Recommendations

Cabinet is requested to:

1. note the resignation of Doug Ross as the chair of the Audit and Standards Committee and thank him for his three years of service to NTCA;
2. appoint David Willis as a co-opted (ie independent) member to chair the Audit and Standards Committee for the remainder of the municipal year 2022/23, with the option to extend the appointment until the Annual Meeting in 2024 if both parties agree; and
3. delegate authority to the Monitoring Officer, in consultation with the Elected Mayor, to formalise any such extension.

A. Context

1. Background

- 1.1 The statutory order which established NTCA provides that at least one co-opted member is appointed to the Audit and Standards Committee and Cabinet agreed in November 2018 that that member would chair the Committee.
- 1.2 In February 2019 Doug Ross was appointed as the first Chair of the Audit and Standards Committee. Mr Ross has been instrumental in establishing the Committee and its operational arrangements, and his skills and commitment as chair have been greatly appreciated by members and officers alike. However, in summer 2022, Mr Ross indicated his intention to resign from the committee and a recruitment exercise was undertaken to find a new independent member to chair the Committee.

2. Selection process

- 2.1 The post was advertised on the Authority's website, North East Jobs and shared NTCA's social media channels from 1 August until 5 September 2022. A number of applications were received and considered by an officer panel. The panel agreed that David Willis was the best candidate for the role. Mr Willis has been a Non-Executive Board Member for the NHS North Tyneside Clinical Commissioning Group and Chair of their Audit Committee, and has had a 25-year career in public sector finance. He was made an OBE in the 2020 New Year's Honours list for services to public sector finance.

3. Term of Office

- 3.1 It is proposed that the appointment should be until the end of the current municipal year, with the option to extend for another year if both parties agree.

B. Impact on NTCA Objectives

1. The role of the Independent Chair of the Audit Committee is a crucial part of the open, transparent and accountable decision-making process adopted by NTCA and is a valued position. The independent member will provide an independent and impartial presence on the Audit and Standards Committee and contribute to the fairness and integrity of the Authority.

C. Key risks

1. NTCA is required to have at least one independent (co-opted) member on its Audit and Standards Committee and the appointment of David Willis ensures there is no time when the committee does not have such a member.

D. Financial and other resources implications

1. There are no new financial implications arising directly from this report.

E. Legal implications

1. The Monitoring Officer is the author of this report and the legal implications are set out in the body of this report.

F. Equalities implications

1. NTCA follows the Public Sector Equality duty and due regard was given to the need to achieve the objectives set out under section 149 of the Equality Act 2010 throughout the recruitment process.
2. Through its work, the Audit and Standards Committee will be part of NTCA's arrangements to promote policies and decision making which:
 - (a) eliminate discrimination, harassment and victimisation;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it; and
 - (d) take account of the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

G. Inclusive Economy and Wellbeing implications

1. There are no direct inclusive economy and wellbeing implications arising from this report; however, the role of the Audit and Standards Committee will help to ensure NTCA's inclusive economy and well-being ambitions are appropriately assessed by the Authority.

H. Climate Change implications

1. There are no direct climate change implications arising from this report; however, the role of the Audit and Standards Committee will help to ensure that NTCA's climate change ambitions are appropriately assessed by the Authority.

I. Consultation and engagement

1. As set out above, the position was advertised for a number of weeks over the summer and a recruitment process undertaken.

J. Appendices

None

K. Background papers

[Appointments to Committees and Other Bodies and Programme of Committee Meetings report to Cabinet 8 November 2018](#)

[Governance Update report to Cabinet 5 February 2019](#)

NTCA Order

NTCA Constitution

L. Contact officer(s)

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M. Glossary

NTCA North of Tyne Combined Authority

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Subject: NTCA 2023-2027 Draft Budget Proposals
Report of: Director of Finance
Portfolio: Investment and Resources

Report Summary

The purpose of this report is for Cabinet to consider the initial draft budget for the North of Tyne Combined Authority (NTCA) for 2023/24, and the medium-term financial plan for the period 2024/25 to 2026/27. The report will outline the draft budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget, and the Brownfield Housing Fund. The report will also outline budget proposals for new funding stream allocations in respect of UKSPF (UK Shared Prosperity Fund) and Multiply.

The timing of this report is such that the budget proposals have been developed prior to the announcement of the Autumn Statement. Implications flowing from this Announcement will be reflected in the Final Budget Proposals to Cabinet. NTCA is the accountable body for the North East Local Enterprise Partnership (LEP) and as such this report includes proposals for the North East LEP accountable body budget.

Recommendations

The Cabinet is recommended to:

1. Agree the draft Corporate Budget for 2023/24 as set out in section 2 which will then be subject to consultation with Overview and Scrutiny Committee
2. Agree the draft Investment Fund as set out in section 3 which will then be subject to consultation with Overview and Scrutiny Committee
3. Agree the draft Adult Education Budget as set out in section 4 which will then be subject to consultation with Overview and Scrutiny Committee
4. Agree the Brownfield Land Programme Budget as set out in section 5 which will then be subject to consultation with Overview and Scrutiny Committee
5. Note the Tyne and Wear levies will be issued on the 15 February 2023 preceding the commencement of the financial year in respect of which they are to be issued, in line with the Transport Levying Bodies Regulation,
6. Agree to hold the reserves set out in section 7 and note the Director of Finance continues to keep the level of resources under review as the Authority develops and new information becomes available about the financial risks facing authority arrangements for managing risks.
7. Note the North East LEP Accountable Body Budget, section 8.
8. Approve the Draft Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2023/24.

A. Context

1. Background

- 1.1 The draft budget and medium-term financial plan have been developed within the context of the strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the authority's strategic plans can be delivered within the financial resources available.
- 1.2 In developing these budget proposals, the Mayor and Cabinet have been clear in their approach to ensuring the North of Tyne Combined Authority is a lean and innovative organisation. The budget proposals include the anticipated capacity required to deliver the ambition of the Combined Authority. In the light of increasing numbers of projects and programmes, this has included recruitment, capacity management and retention of a competent, productive, and collegiate workforce with the aim of creating a long-term staffing plan. The organisation may grow in the future and that will be based on a set of consistent set of agreed principles appropriate for the Combined Authority.
- 1.3 The draft budget proposals outlined in this report reflect the current structure of the North of Tyne Combined Authority. The draft budget proposals are also drafted prior to the announcement of the autumn statement any implications arising from the autumn statement will be reflected in the final budget proposals presented to Cabinet 31 January 2023.
- 1.4 The draft proposals are a reflection of the Corporate Plan as approved on 7 June 2022. The Corporate Plan is currently under review and a refreshed version will be taken to Cabinet on 31 January 2023. This will set out the ambitions of Cabinet for the Authority, both immediately and in the future, with a roadmap for action. It will capture the breadth of work undertaken and ensure activities are aligned allowing for clear collaborative working.
- 1.5 The initial budget proposals set out in this report will be subject to further discussion and consultation with the final budget proposal presented to Cabinet 31 January 2023, alongside the Corporate Plan.

2. 2023/24 – 2026/27 Budget Proposals

2.1 Draft Corporate Budget Proposals

- 2.2 The Corporate Budget of the North of Tyne Combined Authority is required to support operational costs including staffing, marketing and communications, accommodation costs and SLA's.
- 2.3 As the Combined Authority continues to grow consideration has been given to the anticipated capacity required to deliver the ambition of the Combined Authority with the aim of creating a long-term staffing plan in light of the increasing number of projects and programmes. Table 1 overleaf sets out the proposed draft budget that is required to operate the Combined Authority and how it is to be funded.

Table 1: 2023/24 Budget and 2026/27 Financial Plan

	4 Yr. Corporate Budget Summary				
	2023/24	2024/25	2025/26	2026/27	Total
	£000	£000	£000	£000	£000
Expenditure					
Staffing	4,786	4,981	5,170	5,287	20,224
Mayor's Office	289	295	302	308	1,194
Other Costs	1,578	1,456	1,462	1,468	5,964
Contribution to Reserves	-	-	-	-	0
Capital Financing Costs	3,322	3,322	3,322	3,322	13,288
Transport Levy	30,625	30,625	30,625	30,625	122,500
SLAs (Service Level Agreements)	271	271	271	271	1,084
Total Expenditure	40,871	40,950	41,152	41,281	164,254
Income					
Grant Income	(6,824)	(6,903)	(7,105)	(7,234)	(28,066)
Contribution from Reserves	(100)	(100)	(100)	(100)	(400)
Revenue Project Streams to fund Capital Expenditure	(3,322)	(3,322)	(3,322)	(3,322)	(13,288)
Transport Levy	(30,625)	(30,625)	(30,625)	(30,625)	(122,500)
Total Income	(40,871)	(40,950)	(41,152)	(41,281)	(164,254)
Net Position (Inc)/Exp	0	0	0	0	0

- 2.4 The bulk of the expenditure is funded through devolved funding secured through the devolution deal, and contributions from constituent authorities of £37,000 each.
- 2.5 As the North of Tyne Combined Authority develops the Mayor and Cabinet has continued to work with officers to maximise opportunities of the three constituent authorities working together effectively and efficiently with the North of Tyne Combined Authority.
- 2.6 The Combined Authority is required to raise the Transport Levy on the constituent authorities, an important part of the budget setting process is ensuring the timetable meets the relevant statutory deadlines for issuing the Transport Levy. The Transport Levies are anticipated to rise by 4% to enable Nexus services to be maintained. The Transport Levy is apportioned across the Local Authorities based on the mid-year population estimates, the latest mid-year estimate has not yet been released therefore the Transport Levy budget level reflected in Table 1 may be subject to change.
- 2.7 Previously the Combined Authority did not have powers to borrow other than for Transport responsibilities under the Joint Transport Committee. In January 2022 the Combined Authority was granted borrowing powers for non-transport related functions subject to agreeing a debt cap. A prudent level of borrowing has been assumed of £30.000m in relation to projects which have a linked ongoing revenue stream to recover the annual interest charges. The Draft Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2023/24 is attached as Appendix B for approval and outlines the Combined Authority's approach to Borrowing.
- 3. Draft Investment Fund Proposals**
- 3.1 The Investment Fund sets out costs associated with the development, management of and delivery of projects to be funded through the Investment Fund.

- 3.2 The North of Tyne Combined Authority Corporate Plan was taken to Cabinet Annual Meeting on 7 June 2022. Setting out the ambitions of Cabinet for the Authority, both immediately and in the future, with a roadmap for action. It captures the breadth of work undertaken and ensures activities are aligned allowing for clear collaborative working. The updated draft Investment Fund Budget is set out in Table 2 below.
- 3.3 The Table sets out clearly the trigger point of the 5-year Gateway review, being the end of financial year 2022/23, with an indication of cumulative spend at that stage. It is important to note that whilst the review will be in year 5 the authority was launched late in 2018/19 so the Table shows indicative spend for a period of just over 4 years.

Table 2: Draft Investment Fund Proposals

	Total 5-Yr Gateway Review 2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Expenditure					
Business Case Development Fund	3,273	200	200	200	200
Investment Projects	73,086	21,750	16,800	12,800	5,800
Technical Support	1,000	200	100	100	100
Contribution to Corporate Costs	8,641	2,850	2,900	2,900	2,900
Total Expenditure	86,000	25,000	20,000	16,000	9,000
Income					
Funding Sources	(100,000)	(20,000)	(20,000)	(20,000)	(20,000)
Total Income	(100,000)	(20,000)	(20,000)	(20,000)	(20,000)
Net Position (Inc)/Exp	(14,000)	5,000	0	(4,000)	(11,000)
Cumulative Position		(9,000)	(9,000)	(13,000)	(24,000)

- 3.3 Delivery on the programme is now in full swing, a healthy pipeline has been established and includes a broad range of funding proposals which will deliver across the authority's priorities. Project proposals continue to progress through the assurance framework with pace remaining an important focus. Work has continued with portfolio holders to progress work around the key sectors identified for investment and to provide support to businesses and residents. This includes the recruitment of people into new employment opportunities created as a direct result of our investment.
- 3.4 Included in the budget is provision for Technical Support. It is a requirement of the Assurance Framework that Investment Fund proposals are subject to external independent testing. Any unspent Investment Fund will be held and transferred to a specific reserve at the year end to support the delivery of the programme of work in future years. During this current financial year there has been a rapid increase of committed and defrayed expenditure, and more importantly in the outcome's projects are reporting.
- 3.5 The UK Shared Prosperity Fund (UKSPF or the Fund) is a central pillar of the UK government's ambitious Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025. It seizes the

opportunities of leaving the European Union, by investing in domestic priorities and targeting funding where it is needed most: building pride in place, supporting high quality skills training, supporting pay, employment and productivity growth and increasing life chances.

- 3.6 The £51.2m UKSPF allocation is mainly revenue funding, although it does include capital funding of around £8m. UKSPF funding will be invested in the North of Tyne area as reflected in Table 4.

Table 4 UKSPF Budget Profile

UKSPF Investment Priorities	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m
Community and Place	2.286	4.300	9.300	15.886
Supporting Businesses	3.428	4.094	11.583	19.105
People and Skills	-	3.034	9.059	12.093
Total Core UKSPF	5.714	11.428	29.942	47.084
Multiply Programme	1.248	1.440	1.440	4.128
Total UKSPF incl. Multiply	6.962	12.868	31.382	51.212

- 3.7 The first wave of the adult numeracy ‘Multiply’ programme started in October 2022 with advanced preparations under way for the ‘core UKSPF’, in readiness for approval from Government.

4. Draft Adult Education Budget (AEB)

- 4.1 As part of the devolution deal the Adult Education Budget was devolved to the authority with an effective start date of August 2020. This provided the Authority with significant new powers and responsibilities in delivering both Mayoral and Cabinet priorities alongside the national skills agenda and priorities.
- 4.2 The geographical spread of provision for the devolved AEB aligns with travel to learn patterns in NTCA and that residents in rural parts of Northumberland and North Tyneside have access to local provision.
- 4.3 All ‘in year’ funding allocations are guided by the commissioning principles set out in the AEB Strategic Skills Plan, working closely with providers to ensure a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local skills needs, helping residents to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.
- 4.4 Funding allocations as a result of performance management and demand will not exceed the overall devolved AEB funding and will be guided by the commissioning principles set out in the AEB Strategic Skills plan. Regular monitoring on AEB will enable NTCA to respond to any ‘Economic Shocks’, unexpected fluctuations in the skills sector, and potential increases in digital entitlement.
- 4.5 Table 5 overleaf reflects a high-level balanced Budget with funding awarded to grant providers and other procured deliveries. The split between grant and procured service is detailed, based on historic delivery. This profile may change as the review of delivery changes develop as detailed above.

Table 5: Draft Adult Education Budget

	Adult Education Budget 4-Yr Profile				
	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total £000
Expenditure					
Grant Awards	15,369	15,369	15,369	15,369	61,476
Procured Services	6,659	6,659	6,659	6,659	26,636
Admin Costs and contribution to Corporate	678	678	678	678	2,712
Total Expenditure	22,706	22,706	22,706	22,706	90,824
Income					
Funding Sources	(22,706)	(22,706)	(22,706)	(22,706)	(90,824)
Total Income	(22,706)	(22,706)	(22,706)	(22,706)	(90,824)
Net Position (Inc)/Exp	0	0	0	0	0

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

5. Brownfield Housing Budget (BFH)

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

5.2 An extension to Brownfield Housing Fund (BFH) was announced in the Levelling Up White Paper. Mayoral Combined Authorities (MCAs) were awarded £120m nationally, to be allocated to each MCA (Mayoral Combined Authorities) based on population. NTCA was awarded £7.96m, bringing the total amount of NTCA BHF funding to £31.820m.

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

5.4 Table 6 below shows the profile of both the capital and linked revenue support grant over the life of the project. NTCA are currently in Year 3 of delivery.

Table 6: Brownfield Housing Budget Profile

	Total	Year 1	Year 2	Year 3	Year 4	Year 5
	£m	£m	£m	£m	£m	£m
Original Funding Profile	23.854	4.854	8.100	6.700	3.100	1.100
Reprofiled Projected Programme Spend	31.820	0.568	3.385	10.563	14.056	3.248

6. Proposed NTCA Capital Programme

6.1 The Combined Authority is required to set out clearly the capital investment elements of delivery that are aimed at supporting the key priorities outlined in the Corporate Plan. The table below details the proposed capital programme and funding for 2022/23.

Table 7: Capital Funding included within the Investment Fund

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
NTCA Investment Fund	13.860	6.790	5.661	2.030	1.223	29.564
Brownfield Housing	10.563	14.056	3.248	-	-	27.867
UKSPF	-	2.140	5.765	-	-	7.905
Commercial Activity	-	30.000				30.000
Total Capital Expenditure	24.423	52.986	14.674	2.030	1.223	95.336
Funded By:						
Government Grant (IF Gainshare)	(13.860)	(6.790)	(5.661)	(2.030)	(1.223)	(29.564)
Brownfield Housing Fund (DLUHC)	(10.563)	(14.056)	(3.248)	-	-	(27.867)
UKSPF	-	(2.140)	(5.765)	-	-	(7.905)
Borrowing	-	(30.000)	-	-	-	(30.000)
Total Funding	(24.423)	(52.986)	(14.674)	(2.030)	(1.223)	(95.336)
Net Capital Requirement	-	-	-	-	-	-

7. Reserves

7.1 As set out in the budget report to Cabinet on 4 December 2018, a Corporate reserve of £0.200m was created. The level of reserve will remain under review as the Combined Authority develops and new information becomes available about the financial risks facing NTCA and the arrangements in place for managing those risks.

8. LEP Accountable Body Budget

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

8.2 The Government published its Levelling Up White Paper on 2 February 2022 which set out the Government's ambition for more integrated, better aligned and empowered local institutions with the tools they need to unlock economic growth and 'level up' at a local level. To that end, the Government is encouraging the integration of LEPs (Local Enterprise Partnerships) and their business boards or private sector membership into mayoral combined authorities (MCAs). The North East LEP is currently working closely with the North of Tyne Combined Authority on an integration plan, until this is finalised, and the way forward agreed the 2023/24 North East LEP Accountable Body Budget is proposed to be maintained at the same level as the current year which results in a net balanced budget position. Table 6 shows the 2023/24 North East LEP Accountable Body Budget.

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

8.4 The budget for the North East LEP Accountable Body role (£124,000) primarily covers Service Level Agreement (SLA) charges (£70,000) and external costs (£54,000) funded from estimated interest on investment income on the NEIF and the LA7 contributions. The budget is kept under review for any new areas of work that are identified over and above the budget that is agreed.

Table 8: 2023/24 North East LEP Accountable Body Budget

	North East LEP Accountable Body Budget 2023/24
Expenditure	£
Service Level Agreements	70,000
External Support	54,000
Total Expenditure	124,000
Income	
LEP Accountable Body Contributions	(70,000)
Interest Income (NEIF)	(54,000)
Total Income	(124,000)
Net (Inc)/Exp	0

B. Impact on NTCA Objectives

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

C. Key Risks

1. There are no specific risks relating to this report.

D. Financial and Other Resources Implications

1. The financial implications arising from the outcomes of this report will be appraised as part of the decisions made as to what is included in the Authority's 2023-2027 Financial Plan, incorporating the 2023/24 Budget-Setting process.
2. The Mayor and Cabinet need to have due regard to the Director of Finance's advice in relation to the levels of reserves and balances proposed as part of the four-year Financial Plan for 2023-2027 in accordance with the Authority's Reserves and Balances Policy.

E. Legal Implications

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

F. Equalities Implications

1. The Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equality's legislation are considered prior to any decision being made.
2. The Authority will continually monitor the effect of our Budget-setting process and decision-making, utilising equality impact assessments and reflecting the Authority's equalities objectives.

G. Inclusive Economy Implications

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

F. Climate Change Implications

1. There is no direct climate changed implications arising from report itself but all activities undertaken by NTCA take these into consideration.

G. Consultation and Engagement

1. The creation of the North of Tyne Combined Authority has been subject to significant regional and national engagement. The 2023/24 Draft Budget is based on the devolution deal and the Parliamentary Order which created the Authority and the Authority's Vision as detailed in the Corporate Plan agreed by Cabinet and shared with stakeholders in a range of events.
2. Consultation with the Business Community and the Community and Voluntary Sector has continued throughout the budget process as part of the overall approach to engagement undertaken with these sectors. In addition, the attendance at Cabinet of both the Ambassador for business and the Ambassador for the Community and Voluntary sector will add to the opportunity for engagement.

H. Appendices

1. Appendix A 2023/24 Budget Setting Timetable
Appendix B Draft Combined Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Investment Strategy 2023/24.

G. Background Papers

2. 25 January 2022 Financial Plan and Budget.
15 November North East Transport Committee Transport Budget 2023/24 and Forecast of Outturn 2022-23.
NTCA Corporate Plan 2022/23

H. Contact Officers

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I. Glossary

BFH	Brownfield Housing Fund
AEB	Adult Education Budget
LEP	North East Local Enterprise Partnership
INEE (Invest North East England)	Invest North East England

Budget Setting Timetable

DATE	EVENT/MEETING	ACTION
20 September 2022	Cabinet Meeting	To consider and agree 2023/24 budget process/timetable for both the Authority and Mayoral budgets.
11 October 2022	NTCA Overview and Scrutiny Committee	Update on the Budget process and timetable for both the Authority and Mayoral budget.
15 November 2022	Joint Transport Committee	Consider and agree draft transport budget/levy for consultation.
22 November 2022	Cabinet Meeting	Consider and agree the Updated Corporate Plan and draft budget proposals in respect of the Authority.
6 December 2022	NTCA Overview and Scrutiny Committee	Receive the Authority's draft Corporate Plan and Budget proposals.
10 January 2023	NTCA Overview and Scrutiny Budget Workshop	Workshop to consider in detail the Authority's draft Corporate Plan and budget proposals and make recommendations to Cabinet.
17 January 2023	Joint Transport Committee	Approve Transport Revenue Budget and Transport Levies.
24 January 2023	NECA (North East Combined Authority) Leadership Board	NECA Leadership Board formally issue Transport Levy agreed by JTC (Joint Transport Committee)
31 January 2023	Cabinet Meeting	To consider outcomes of consultation and recommendations from Overview and scrutiny and agree final proposals for the Authority's Corporate Plan and Budget. Receive the Mayors draft budget proposals. Formally agree to issue the Transport Levy to constituent authorities.
Note: The Mayor's draft Budget must be presented before 1 February in any financial year.		
Before end February 2023 (if required)	Cabinet	Cabinet meets to agree recommendation to the Mayor in respect of the Mayoral budget.

Introduction

CIPFA published the revised Treasury Management and Prudential Code on 20 December 2021 and has stated that formal adoption will be required in the 2023/24 financial year. The Combined Authority has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and the Annual Investment Strategy and also related reports during the financial year which are taken to the Combined Authority for approval.

Members of the Combined Authority will be updated on how any changes to the code will impact on our current approach and any changes required will be formally adopted within the 2023/24 Treasury Management Strategy Statement.

1. Background

- 1.1 The Combined Authority is required to operate a balanced budget, which means that cash raised during the year will meet cash expenditure. A key part of the Combined Authority's treasury management function is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Combined Authority's low risk policy, providing adequate security and liquidity before considering investment return. These principles are also applied to the North East LEP and as Accountable Body for the North East LEP the associated activity is included in the approach to the application of the Treasury Management and Prudential Code. This report necessarily includes capital activity of the North East LEP.
- 1.2 Another key element of the treasury management function is the management of the funding associated with the Combined Authority's capital investment plans. These capital plans provide a guide to any potential borrowing needs of the Combined Authority, essentially the longer-term cash flow planning to ensure that the Combined Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. Previously the Combined Authority did not have powers to borrow other than for Transport responsibilities under the Joint Transport Committee. In January 2022 the Combined Authority was granted borrowing powers for non-transport related functions subject to agreeing a debt cap.
- 1.3 The contribution the treasury management function makes to the Combined Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or on larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security and liquidity of the sums invested.

- 1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activity, arising usually from capital expenditure, and are separate from the day-to-day treasury management activities.

CIPFA defines treasury management as:

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

2. Reporting Requirements

- 2.1 The CIPFA Prudential and Treasury Management Codes (revised 2017) detail the reporting requirements for the Combined Authority. From a treasury perspective, the Combined Authority is required to receive and approve as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These can be summarised as:

- An annual treasury management strategy and prudential and treasury indicators – the capital plans, (including prudential indicators).
 - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
 - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how investments are to be managed).
- A mid-year treasury management report providing an update on progress of the capital position and amending treasury and prudential indicators if required; and
- An outturn treasury report detailing the outturn position and comparing performance against estimates included within the strategy.

- 2.2 In addition to the treasury reporting requirements, the CIPFA 2017 Prudential and Treasury Management Codes require all Authorities to prepare a capital strategy report which will cover the following:

- a high-level, long-term overview of how capital expenditure, capital financing
- and treasury management activity contribute to the provision of services.
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

- 2.3 The aim of a capital strategy is to ensure that all Members of the Combined Authority fully understands the overall long term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

- 2.4 The capital strategy is reported separately from the Treasury Management Statement, with non-treasury investments being reported through the former. The rationale for the separate reporting is to ensure there is a separation of the core treasury function with the focus on security, liquidity and yield principles and the non-treasury investments which are driven by expenditure on an investment with the intended purpose of generating a return. The capital

strategy will show:

- The corporate governance arrangements in place for non-treasury investments.
- Any service objectives relating to this type of activities.
- The expected income, costs and resulting contributions.
- The debt related to the activity and the associated interest costs.
- The payback period (MRP Policy).
- For non-loan type investments, the cost against the current market value; and
- The risks associated with each activity.

3. Treasury Management Strategy for 2023/24

3.1 The Treasury Management Strategy for 2023/24 covers two main areas:

• Capital issues

- the capital expenditure plans and the associated prudential indicators.
- the minimum revenue provision (MRP) policy.

• Treasury management issues

- the current treasury position.
- treasury indicators which limit the treasury risk and activities of the Combined Authority.
- prospects for interest rates.
- the borrowing strategy.
- policy on borrowing in advance of need.
- debt rescheduling.
- the investment strategy.
- creditworthiness policy; and
- the policy on use of external service providers.

3.2 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

3.3 The Combined Authority uses Link Group, Treasury solutions as its external treasury management advisors. The Combined Authority recognises that responsibility for treasury management decisions remains with the organisation and seeks to ensure that undue reliance is not placed upon external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors. The Combined Authority recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Combined Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented, and subjected to regular review.

4. The Capital Prudential Indicators 2023/24 -2026/27

4.1 **Capital Expenditure** - The Combined Authority's capital expenditure plans remain modest in the context of the overall Investment Fund but there is a requirement that the output of these plans are reflected in the Prudential Indicators. The prudential indicators are designed to assist members' overview and confirm capital expenditure plans.

The table below summarises the Combined Authority’s capital expenditure plans for the current financial year and the three subsequent years, together with the proposed sources of financing.

Table 1 NTCA Capital Expenditure Plans 2023-2027

	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m
Investment Fund Capital	6.790	2.196	-	-	8.986
Commercial Activity	30.000	-	-	-	30.000
Brownfield Housing Fund Capital	14.056	3.248	-	-	17.304
UK SPF Capital	2.140	5.765	-	-	7.905
LEP Capital	2.708	0.137	-	-	2.845
Total Capital Spend	55.694	11.346	0.000	0.000	67.040
Funded by:					
Investment Fund	(6.790)	(2.196)	-	-	(8.986)
Brownfield Housing Fund	(14.056)	(3.248)	-	-	(17.304)
UK SPF Capital	(2.140)	(5.765)	-	-	(7.905)
LEP Funds (GBF/LGF/CPIF)	(2.708)	(0.137)	-	-	(2.845)
Borrowing	(30.000)	-	-	-	(30.000)
Total Funding	(55.694)	(11.346)	0.000	0.000	(67.040)

4.2 To the extent that the overall quantum of the programme detailed above increases and cannot be funded through other grants or reserves, this would result in an increase to the overall requirement to borrow.

4.3 The Combined Authority approved a separate repayable instrument on a mixture of commercial and sub commercial rates. The project was subject to a detailed viability assessment and modelling. The current proposal for non-financial investments is such that all activity will be funded by the Combined Authority’s devolution funding and borrowing. There is therefore a risk that the Combined Authority will not recover the full value of its investment which would reduce the value of recyclable funds available for reinvestment. In accordance with accounting standards these loans will be subject to an expected credit loss assessment, and to the extent that there is an impairment, this will be reported and accounted for accordingly.

5. The Combined Authority’s Borrowing Need (Capital Financing Requirement)

5.1 The first prudential indicator is the Combined Authority’s Capital Financing Requirement (CFR). The CFR represents the historic outstanding capital expenditure that has not yet been paid for either through revenue or capital resources and therefore a measure of the Combined Authority’s indebtedness and underlying need to borrow.

5.2 To the extent that the Combined Authority undertakes capital expenditure for which there are immediately available capital or revenue resources, this will increase the CFR. The CFR does not, however, increase indefinitely as the MRP is a statutory annual charge which broadly reduces indebtedness in line with each asset’s life.

Table 2 NTCA CFR Projections

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Opening CFR	0.000	26.678	23.356	20.034
CFR Services	0.000	0.000	0.000	0.000
CFR Commercial Activity	30.000	0.000	0.000	0.000
Less: MRP	(3.322)	(3.322)	(3.322)	(3.322)
Net Movement in CFR	26.678	(3.322)	(3.322)	(3.322)
Closing CFR	26.678	23.356	20.034	16.712

6. Minimum Revenue Provision (MRP) Policy Statement

- 6.1 The Combined Authority is required to make provision for the repayment of an element of the accumulated capital spend each year through a charge to revenue (the Minimum Revenue Provision – MRP) however should the Combined Authority wish it is also allowed to undertake additional voluntary payments if required (Voluntary Revenue Provision – VRP).
- 6.2 The Department of Levelling Up, Housing and Communities (DLUHC) regulations have been issued which require the Combined Authority to approve an MRP statement in advance of the year. Under the guidance a number of options are available however the Combined Authority does have some discretion over the approach taken however the overriding requirement is that any approach must be prudent.
- 6.3 The regulations allow for an Authority to review and revise its MRP statement at any stage, providing that the overriding requirement that the resulting approach is prudent.
- For unsupported capital borrowing (prudential borrowing) in relation to Enterprise Zones, making provision for the repayment of debt over the life of the asset on an annuity basis (maximum of 25 years); or making provision for the repayment of the debt over a shorter period on an annuity basis for a period agreed by the Director of Finance with reference to the estimate of business rates income receivable to repay the debt.
 - For new (unsupported borrowing for the Combined Authority Capital Plans), the Authority intends to take a more nuanced, principle-based approach to the calculation of MRP. The approach to the calculation will be guided by whether the borrowing relation is related to the creation or enhancement of an asset or whether the borrowing is to support the provision of a loan or other form of investment within another organisation.
- 6.4 Where the borrowing underpins the acquisition and enhancement of assets funded through borrowing is that an Asset Life Method is used to calculate MRP (Option 3 under the MHCLG guidance). Under the guidance there are two approaches that can be applied for calculating MRP under the Asset Life Method: Equal Instalments or the Annuity Method. The Authority will make the decision as to the specific approach to be adopted on a case-by-case basis determining what is most appropriate and prudent based on the underlying asset.
- 6.5 For capital expenditure that is classified as such under Regulation 25(1) of the Local Government Act 2003, the rebuttable presumption will be that a revenue provision will be made and that MRP will be calculated in accordance with Option 3 (Asset Life Method) applying the maximum life value detailed in the statutory guidance.
- 6.6 This presumption will be challenged on a case-by-case basis and to the extent that the Authority is seeking to make a loan to a third party, the approach to making a prudent provision will be made giving due consideration to a variety of factors including the following:

- Whether the loan is being made on commercial or sub commercial rates.
- The duration of the loan.
- The financial standing of the borrower.
- The degree of perceived risk to the underlying capital sums invested.
- The strength or existence of covenants that underpin any loans; and
- The structure of the loan and subsequent repayments.
- Where loans are made to support policy objectives or there is a degree of risk that the capital will not be repaid either in full or in part, then a revenue provision will be made using Option 3 as detailed above.

6.7 Where loans are made where there is a higher degree of confidence in repayment and the regular repayment over the life of the agreement, then the Authority will seek to set aside capital receipts arising from the repayment of the loan to reduce the CFR as opposed to making an annual provision for MRP.

6.8 Where loans are made where there is a high degree of confidence in repayment but where repayment is irregular or is on expiration of the loan, then the Authority will make a revenue provision in accordance with Option 3 using an asset life as determined through this method. To the extent that the loan is repaid over a shorter timescale, capital receipts from repayment would be used to write down any remaining CFR liability relating to the loan.

7. Borrowing

7.1 The capital expenditure plans set out in Table 1 provide details of the service activity of the Combined Authority. The treasury management function ensures that the Combined Authority's cash is organised in accordance with professional codes, so that sufficient cash is available to meet the service activity and its capital strategy. This will involve organising cash flows and appropriate borrowing facilities as necessary.

Table 3 NTCA Forecast Borrowing

	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
External Debt				
External Debt 1 April	30.000	30.000	26.678	23.356
Forecast Change in Debt	-	(3.322)	(3.322)	(3.322)
Gross Debt 31 March	30.000	26.678	23.356	20.034
Capital Financing Requirement	30.000	26.678	23.356	20.034
(Under)/Over Borrowing	0.000	0.000	0.000	0.000

7.2 Within the range of prudential indicators there are a number of key indicators to ensure that the Combined Authority operates its activities within well-defined limits. One of these is that the Combined Authority needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

7.3 The Director of Finance reports that the Combined Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account proposals contained within the budget report.

7.4 Previously, the Combined Authority did not have powers to borrow other than for Transport

responsibilities with a proportion of the outstanding balance of the loans and investments in relation to Transport (based on the share of Tyne and Wear population in each Combined Authority area) shown in the balance sheets of the two Combined Authorities as part of their Year-end accounts. A summary therefore of the actual loans outstanding and authorised borrowing limit in relation to Transport is reflected in the Treasury Management Strategy of the NTCA.

Table 4: Transport Loans Outstanding and Authorised Borrowing limit as at 30 September 2022

	Principal	Interest Due	Total	NECA Share	NTCA Share
	£000	£000	£000	£000	£000
Capital Financing Requirement	183,535		183,535	100,990	82,545
Actual External Debt	169,667	1,624	171,291	94,253	77,038
Authorised Borrowing Limit			210,000	115,552	94,448

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

8. Prospects for Interest Rates

8.1 The Combined Authority has appointed Link Asset Services as its treasury advisors and part of their service is to assist the Combined Authority to formulate a view on interest rates. The table below provides an overview of Link Group's view of interest rates. Link provided the following forecasts on 8 November 2022. These are forecasts for certainty rates, the standard rate minus 20 bps which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View 08.11.22													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

8.2 Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and seventy-five basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%).

9. Borrowing Strategy

9.1 The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances and satisfying the need to borrow, seeking to identify the options that are available and provide value for money for the Combined Authority.

- *If it was felt that there was a significant risk of a sharp FALL in borrowing rates, (e.g., due to markers increase of risks around relapse into recession or risks of deflation), the borrowing will be postponed.*
- *If it was felt that there was a significant risk of a much sharper rise in borrowing rates than that currently forecast, perhaps arising from an acceleration on the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised.*

Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years. Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

10. Policy on borrowing in advance of need

- 10.1 The Combined Authority will not borrow more than or in advance of need purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be forward approved within the Capital Financing Requirement estimates and will be considered carefully to ensure value for money can be demonstrated and security of funds evidenced. Risks associated with borrowing in advance of need will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

11. Debt Rescheduling

- 11.1 The Combined Authority will monitor opportunities to generate savings through debt rescheduling activity, however any savings that could be generated would need to be considered in light of the current treasury position and the size of any potential premiums payable on early redemption of debt.
- Reasons for debt rescheduling will include:
 - The generation of cash savings or discounted cash flow savings.
 - Helping fulfil the treasury strategy; or
 - Enhancing the balance of the portfolio (maturity profile or balance of volatility).
- 11.2 Consideration will also be given to identify if there are residual potential for making short term savings by running down investment balances to repay debt prematurely as short-term rates on investments are likely to be lower than rates paid on current debt.
- 11.3 Rescheduling of current borrowing in our debt portfolio is unlikely to occur. If rescheduling was done, it will be reported to the Combined Authority, at the earliest meeting following its action.

11.4 New financial institutions as a source of borrowing and types of Borrowing

The main source of borrowing for the Combined Authority is PWLB. However, consideration will also be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks)

12. Annual Investment Strategy

- 12.1 In conducting its investment activity, the Combined Authority will have regard to the DLUHC's Guidance on Local Government Investments and the 2017 revised CIPFA

Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Combined Authority's overriding investment priorities are the security of capital and liquidity of investments.

- 12.2 Whilst DLUHC and CIPFA have extended the meaning of investments to include both financial and non-financial investments, the Annual Investment Strategy as detailed below deals solely with the financial (treasury) investments. Non-financial investments, essentially the purchase of income yielding assets, are covered within the Capital Strategy.
- 12.3 The Combined Authority will seek to obtain the optimum return on its investments commensurate with the desired level of security and liquidity. Risk appetite is low with investment decisions giving priority to security of investments. The Combined Authority does not borrow purely to invest or on lend to make a return.
- 12.4 The Combined Authority has a clearly stipulated minimum acceptable level of credit quality of Counterparties which feeds into its Counterparty lending list. The creditworthiness methodology used to create the Combined Authority's list takes account of the ratings provided by FITCH and/ or Moody's, two of the three main ratings agencies. All investments made during 2023/24 will be made in accordance with the Annual Investment Strategy.

Annual Investment Strategy 2023/24

- 12.5 The purpose of this Strategy is to outline, for approval by the Combined Authority:
- The Combined Authority's overriding investment objectives.
 - The investments the Combined Authority will use for the prudent management of surplus funds during the financial year 2023/24 and the management of risk
 - The procedures for determining the use of each asset class.
 - The maximum periods for which funds may be prudently committed in each class.
 - The upper limits to be invested in each class.
 - The extent to which prior professional advice needs to be sought from the Combined Authority's Treasury Advisors prior to use; and
 - The minimum amount to be held in short term investments.

12.6 Investment Objectives

The Combined Authority's investment decisions are governed by the need to ensure that all decisions are prudent and ensure the security of capital and liquidity of investments are paramount.

The Combined Authority will seek to ensure an optimum return on the investment of all surplus funds commensurate with the required levels of liquidity and security, having properly assessed the inherent risk associated with different investment options.

The Combined Authority will not engage in treasury borrowing activity solely for the purpose of investment or on-lending to make a return.

12.7 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC – this was formerly the Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of "investments" to include both financial and non-financial investments. This report, deals solely with treasury (financial) investments, as managed by the treasury management team. Non-financial investments, essentially the purchase of

income yielding assets, are covered in the Capital Strategy.
The Combined Authority's investment policy has regard to the following:

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross
- Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

12.8 The Combined Authority's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Combined Authority will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Combined Authority's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Combined Authority will also consider the value available in periods up to 12 months with high credit rated financial institutions.

12.9 The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Credit Criteria

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

2. Other information

Ratings will not be the sole determinant of the quality of an institution, it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Combined Authority will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the ratings.

3. Other information sources

The Combined Authority will pay consideration to other information sources such as the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. Types of investment instruments

The Combined Authority has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Annex 2.1 under the categories of „specified“ and “non-specified“ investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year and/or are more complex

instruments which require greater consideration by members and officers before being authorised for use.

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

Table 5: Specified Investment Instruments

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

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

Table 6: Non-specified Investment Instruments

	Credit Criteria	Maximum Deposit	Maximum Period
UK Local Authorities	N/A	£5m each	3 years
Commercial Property Investment Fund Loans (LEP)	N/A	£20m	Unlimited
Property Funds	N/A	£5m	Unlimited

5. Sovereign ratings investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

6. The Combined Authority will set a limit for the number of investments which are invested **for longer than 365 days.**

7. External Consultants - The Combined Authority has engaged external consultants to provide expert advice on how to optimise an appropriate balance of security, liquidity, and yield, given the risk appetite of the authority in the context of the expected level of cash balances and need for liquidity throughout the year.

8. All investments will be denominated in **sterling.**

9. As a result of the change in accounting standards for 2022/23 under IFRS 9, the Combined Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

13. Policy on the use of External Service Providers

The Combined Authority uses Link Group Treasury Services as its external treasury management advisors. Whilst the responsibility for treasury management decisions remains with the Combined Authority, the value in employing an external treasury provider is recognised as means by which it can acquire access to specialist skills and resources. Notwithstanding this the Combined Authority will ensure that there is no undue reliance on an external service provider.

14. Reporting Arrangements

The Combined Authority will receive reports on Treasury Management activity as a minimum at three points during the year: a forward-looking strategy will be submitted for approval, a mid- year Strategy review and a year- end report which will consider outturn performance in light of the strategy set at the start of the year.

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

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