

Cabinet

Tuesday, 31 January 2023 at 2.00 pm

Meeting to be held: Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

This meeting will also be streamed live on YouTube at:

<https://www.youtube.com/watch?v=SKSQDqdSK1g>

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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**

1 - 6

5.	Investment Fund Update and Funding Approvals	7 - 14
6.	NTCA 2023-2027 Budget Proposals	
	(a) NTCA 2023-2027 Budget Proposals	15 - 46
	(b) 2022/23 Indicative Outturn and 2023/24 Indicative Budget Proposals for the North East Local Enterprise Partnership and Invest North East England	47 - 62
7.	2022/23 Q3 NTCA Budget Monitor Report	63 - 72
8.	North East Local Enterprise Partnership Funding Decisions Update	73 - 76
9.	Date and Time of the Next Meeting	
	Tuesday, 21 March 2023 at 4.30pm.	
10.	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.	
11.	Confidential Minutes of the Previous Meeting	77 - 78
12.	North East Local Enterprise Partnership Funding Decisions Update - Appendices A, B and C	79 - 148

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Minutes

Cabinet

22 November 2022

(2.07 - 2.55 pm)

Meeting held: Northumberland County Council, County Hall, Morpeth, NE61 2EF.
This meeting was also streamed live on YouTube.

Minutes

Present:

Mayor J Driscoll (Chair)

Councillors C Johnson, N Kemp, K Kilgour, G Sanderson and R Wearmouth, Mayor N Redfearn and Ms L Winskell

Also: Mr R Fry (Observer)

39 **APOLOGIES FOR ABSENCE**

There were no apologies for absence received from members.

An apology for absence was received from Ms L Goodwin, the Mayoral Ambassador for the Voluntary, Community and Social Enterprise Sector and an informal observer on Cabinet.

40 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

41 **ANY ANNOUNCEMENTS FROM THE MAYOR AND/OR THE CHIEF EXECUTIVE**

The Mayor, on behalf of the Combined Authority, offered congratulations to Northumbria University for being named “University of the Year 2022” in the prestigious Times Higher Education (THE) Awards. The Mayor also offered congratulations to Ms L Winskell on her contribution to this achievement.

42 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 20 September 2022 were approved as a correct record and signed by the Chair.

43 ADULT EDUCATION BUDGET ANNUAL UPDATE

Submitted: A report of Head of Inclusive Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on the performance of the Adult Education Budget in the academic year 2021-22 and on planned provision for the academic year 2022-23. The report was introduced by Councillor K Kilgour, Cabinet Member for Education, Inclusion and Skills.

The Cabinet welcomed the report and commended the Combined Authority for the results achieved. Thanks were offered to all NTCA officers who had contributed to this area of work. Amongst the matters noted during the ensuing discussion, were the following:

- the value of the work to support people into employment, including as a key approach for improving the economy;
- the NTCA success in engaging with the hard-to-reach communities and areas of additional needs, and the results achieved;
- an observation that, where there was willingness, there was no “hard-to-reach”;
- a request for moving away from the term “hard-to-reach”, whilst appreciating that there were areas of additional need and those areas required additional, targeted interventions and support;
- the importance and value of a community-based provision;
- the importance of empowering, enabling and supporting people to gain employment; and the role of employment in improving social and psychological aspects of people’s lives, such as dignity and pride;
- the importance of continuing to recognise, appreciate and support the value of a university degree, especially as a requirement for many professional roles. The option of studying for a degree at a university should be on an equal footing in the mix of proposition for options for learning;
- the significance of the Combined Authority’s successful outcomes, including offering good value for money and setting a track record of effectiveness; and, within that context, the importance of continuing to lobby the Government for further funding.

RESOLVED – That:

- i. the performance of the devolved Adult Education Budget in AY 2021-22; as detailed in this report, be noted; and
- ii. the approach to managing Adult Education Budget delivery for the third academic year (1 August 2022 to 31 July 2023) be endorsed.

44 **NORTH OF TYNE STEWARDSHIP AND RURAL GROWTH INVESTMENT PLAN**

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

The Cabinet considered the report, which presented and sought approval for the North of Tyne Stewardship and Rural Growth Investment Plan to achieve and deliver transformational change in the North of Tyne rural environment and economy. The report was introduced by Councillor G Sanderson, the Cabinet Member for Culture, Creative and Rural.

The Cabinet welcomed the report and the proposals. Amongst the matters noted during the ensuing discussion, were the following:

- the role of the Plan within the context of food security;
- the similarity of the challenges faced by urban and rural communities; and
- the number and variety of industries within rural communities.

RESOLVED – That:

- i. The contents of the report be welcomed, and the North of Tyne Stewardship and Rural Growth Investment Plan be endorsed;
- ii. The North of Tyne Stewardship and Rural Growth Investment Plan be launched in early 2023;
- iii. The approach for the £3,043,546 Rural England Prosperity Fund allocation be agreed, and the Chief Executive be authorised, in consultation with the Mayor and the portfolio holder, to submit the UK Shared Prosperity Fund addendum to Government;
- iv. 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, be agreed;
- v. An indicative allocation of a further £3m of North of Tyne Investment funds for March 2025 – March 2028 be agreed;
- vi. The Chief Executive be authorised, in consultation with the Investment Panel, the Mayor and the Portfolio Holder, to consider and approve individual business case and delivery models;
- vii. The Chief Executive be authorised to finalise the conditions to be attached to the above funding awards, and the Monitoring Officer be authorised to complete the necessary documentation; and
- viii. The Chief Executive be authorised, in consultation with the Portfolio Holder and the Mayor, to agree the terms of reference for and establish a Rural Advisory Board.

45 INVESTMENT FUND AND FUNDING APPROVALS UPDATE: PART 1

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 associated approvals. The report was introduced by Councillor C Johnson, the Cabinet Member for Investment and Resources.

The Cabinet welcomed the report and commended the Combined Authority for its achievements to date despite the unprecedented challenges and a challenging economic landscape. Thanks were offered to the teams who were progressing this area of work. Amongst the matters noted during the ensuing discussion, were the following:

- The welcome changes brought to the Ellington area in Northumberland as a result of the NTCA investment and an invitation to visit the area;
- The welcome investment along the Tyne;
- The level of competition in the Offshore Wind Energy industry and the importance for the region to be in the game. And the significant positive changes that this industry could bring to the region and install the region's place in the national and international economy; and
- The significant level of work being undertaken by NTCA on creating, growing and improving jobs; and how this stood in the context of, and contrasted with, the most recent national picture on unemployment.

RESOLVED – That:

1. 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;
2. The Chief Executive be authorised 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; and
3. Information that the Chief Executive and Finance Director oversaw the development and submission of an Investment Zone proposal on behalf of the NTCA, enabling the NTCA to meet Government's deadline, be noted.

46 2022/23 QUARTER 2 NTCA BUDGET MONITOR REPORT

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

The Cabinet considered the second quarter monitoring report on the 2022/23 financial position. The report was introduced by J Gillespie, the Director of Finance.

The Mayor, on behalf of the Combined Authority and Cabinet, congratulated the constituent local authorities on joint working and the remarkable achievements to date. Thanks were offered to the Director of Finance and her team.

RESOLVED – That the forecast budget monitoring position for the Combined Authority, as set out in sections 2, 3, 4, 5 and 6 of the report, and the reserves position, as set out in section 7 of the report, be noted.

47 **APPOINTMENT OF INDEPENDENT CHAIR OF AUDIT AND STANDARDS COMMITTEE**

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

The Cabinet considered the report, which invited it to appoint a new co-opted/independent member to chair the Audit and Standards Committee, following the resignation of the previous Chair. The report was introduced by J Softly, the Monitoring Officer.

The Mayor, on behalf of the Combined Authority and Cabinet, welcomed Mr Willis, who was present in the audience, to the Combined Authority.

The Mayor, on behalf of the Combined Authority, thanked Mr D Ross, the previous independent Chair of the NTCA Audit and Standards Committee, who had resigned due to other work commitments, for his work and commitment.

RESOLVED – That:

- i. The resignation of Doug Ross as the Chair of the Audit and Standards Committee be noted; and Mr D Ross be thanked for his three years of service to NTCA;
- ii. David Willis be appointed as a co-opted (i.e. 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 agreed; and
- iii. The Monitoring Officer be authorised, in consultation with the Elected Mayor, to formalise any such extension.

48 **NTCA 2023-2027 DRAFT BUDGET PROPOSALS**

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

The Cabinet considered the report, which invited it 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 was introduced by J Gillespie, the Director of Finance.

RESOLVED – That:

- i. The draft Corporate Budget for 2023/24 as set out in section 2 of the report, which would then be subject to consultation with the Overview and Scrutiny Committee, be agreed.
- ii. The draft Investment Fund as set out in section 3 of the report, which would then be subject consultation with the Overview and Scrutiny Committee, be agreed.
- iii. The draft Adult Education Budget as set out in section 4 of the report, which would then be subject to consultation with the Overview and Scrutiny Committee be, agreed.
- iv. the Brownfield Land Programme Budget as set out in section 5 of the report, which would then be subject to consultation with Overview and Scrutiny Committee, be agreed.
- v. The Cabinet noted that the Tyne and Wear levies would be issued on the 15 February 2023 preceding the commencement of the financial year in respect of which they were to be issued, in line with the Transport Levying Bodies Regulation.
- vi. Agreement be given to holding the reserves, as set out in section 7 of the report; and the Cabinet noted that the Director of Finance continued to keep the level of resources under review as the Authority developed and new information became available about the financial risks facing the Authority's arrangements for managing risks.
- vii. The North East Local Enterprise Partnership Accountable Body Budget, section 8 of the report, be noted.
- viii. The Draft Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2023/24 be approved.

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

Tuesday, 31 January 2023 at 2pm.

50 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That by virtue of Paragraph 3 of Part 1 or Schedule 12A of the Local Government Act 1972, press and public be excluded from the remainder of the meeting for the duration of the consideration of the agenda item 13 (Investment Fund and Funding Approvals Update: Part 2), because exempt information was likely to be disclosed and the public interest test against the disclosure was satisfied.



Report Summary

The purpose of this report is to update Cabinet on progress with the North of Tyne Investment Programme. Projects which have already been approved in the first five years of operation of the Combined Authority are expected to deliver 4766 jobs - almost half the 30-year jobs target set out in the North of Tyne devolution deal. This report includes £5.7m of new approvals:

- **£900,000** to help small businesses access the funding they need to grow and prosper. This will include the provision of impartial advice; investor readiness business support; and setting up networking events and 'pitch-days' with investors.
- **£3,478,200** of funding to bring forward housing development at Strawberry Place in Newcastle City Centre, unlocking 328 residential units alongside 130,000 sq. ft of Grade A office space, new public realm and a 213-bed hotel. The overall project investment will be approximately £64m.
- **£384,000** of funding for the 'Esplanade' housing development scheme in Whitley Bay, to provide 12 private rented homes on a currently derelict site.
- **£800,000** to help businesses lower their energy usage, helping improve their economic competitiveness and reducing carbon emissions.
- **£147,000** for the early development of 'Community Partnerships', which will provide investment in VCSE organisations working in some of our most deprived communities.

These projects build on previous Investment Fund commitments of **£117.6m**. Despite some slightly better than expected economic news since the start of the year, the economic context for the work of the NTCA remains challenging: high inflation, cost pressure on households and businesses, and the UK economy teetering on the brink of recession.

Recommendations

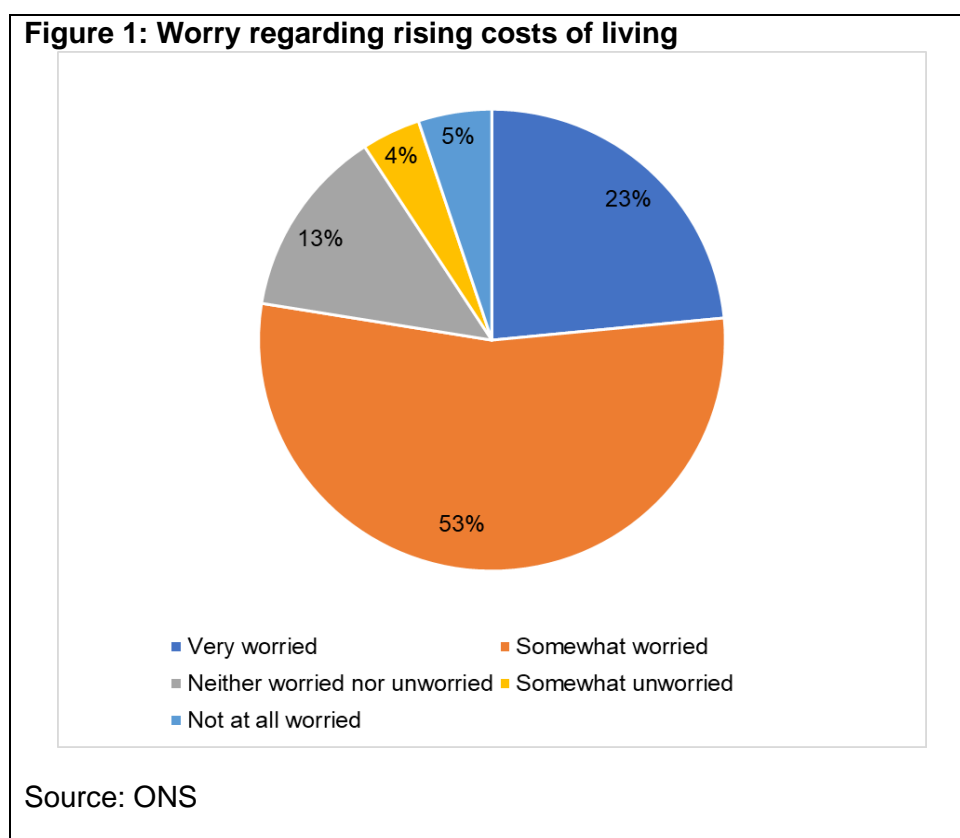
Cabinet is recommended to:

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. Delegate authority to the Chief Executive to make final approvals and associated decisions relating to implementation in accordance with NTCA procedures for the following projects: £900,000 for the 'Finance ecosystem coordination' project; £3,478,200 for the Brownfield Housing Scheme at Strawberry Place; £384,000 for the Brownfield Housing Scheme at The Esplanade, Whitley Bay; £800,000 for SME decarbonisation; and £147,000 for Community Partnerships.
3. Note that Government has approved the NTCA's UK Shared Prosperity Fund Investment Plan and authorise the Director of Finance, in consultation with the relevant Cabinet Members, to allocate projects to the UKSPF programme where appropriate.

Context

1.1. Background and Economic Context

1.1.1. At the time of writing this report, the latest data show that the economic backdrop continues to be dominated by a weak economy, high inflation, and the cost-of-living crisis. However, there have been some tentative signs that the forward outlook may be slightly better than had been feared.¹ For example, although the UK economy had shrunk by 0.3% over the past three months, the ONS reported slight growth of 0.1% in November, indicating that economy may not be in a technical recession. The rate of inflation has eased for the second month in a row, on account of lower fuel costs, but at 10.5% it remains only a little below October's rate of 11.1% - which was a 40-year high. And the inflation rate of many household food staples is very high: milk, sugar, cheese, and egg prices have all increased by more than 30% over the past year. In a recent survey, the ONS found that over three quarters of UK households are either 'very worried' or 'somewhat worried' about the cost of living (Figure 1).



1.1.2. Turning to the region, the unemployment rate in the NTCA area has fallen to 5.4%. This is down from its peak during the pandemic of 6.8%, but still substantially above the national average of 3.7%. But employment levels remain well below pre-pandemic levels, driven by higher economic inactivity – people who are not in work or seeking work – due to rising levels of ill health and more people choosing to retire. The latest survey of businesses from the North East Chamber of Commerce reports that there have been improvements in business confidence in areas such as investment and cashflow in the last quarter, but that businesses are concerned about future rising costs, while conditions are mixed in terms of sales and future orders.

1.1.3. Against this backdrop, the Combined Authority continues to invest to support inclusive economic growth and this report provides updates on:

¹ <https://www.bbc.co.uk/news/business-64238309>

- delivery of the Investment Fund, including substantial progress towards our 10,000 new jobs target;
- the next stage of NTCA's £15m programme to help SMEs and social enterprises access the funding they need to grow and prosper;
- two new Brownfield Housing projects, unlocking 340 new homes alongside commercial development and the regeneration of underused sites; and
- early progress with our £51.2m Shared Prosperity Fund, including a new 'call for projects' and the first project approvals.

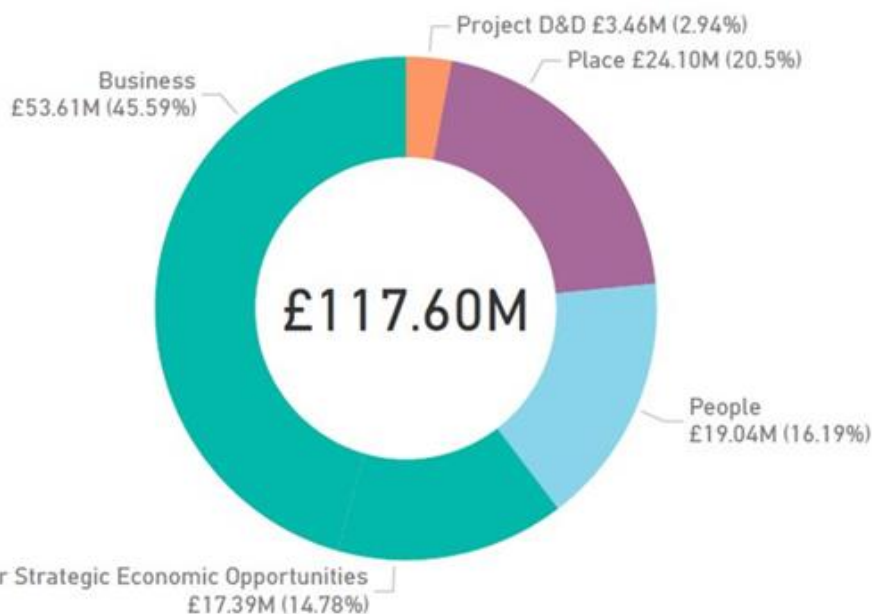
1.2. Investment Fund progress to date

1.2.1. Delivery of the Investment Fund Programme continues, with 134 projects now approved. Excluding the projects discussed in this report, the Combined Authority has achieved:

- A contracted spend of £117.6m (figure 2), including commitments and expenditure into the next programme period to ensure ongoing progress with our strategic priorities.
- Eleven brownfield housing schemes have been supported so far, with a total NTCA contribution of £23.2m. These projects are forecasting the creation of 2133 housing units, while our extended pipeline accounts for a further 2645 units. We are therefore expecting to significantly overachieve against our target of 2,100 units.
- Together, these projects have secured £292m of private sector leverage and are forecast to deliver 4766 new jobs and safeguard a further 2644.

1.2.2. The first 1059 new job opportunities have been created with North East residents employed as a direct result of NTCA investment; 1666 roles have been confirmed as safeguarded. This has included significant new employment from new investors – including Verisure, Credera and Monstarlab, alongside job creation from existing businesses.

Figure 2: NTCA Investment Fund, commitments to date



1.2.3. The Combined Authority has also secured a range of other outcomes including:

- 16,500 learning opportunities being delivered this year;
- Over 750 residents benefitting from our Skills Bootcamps, alongside our Skills for Growth programmes;
- 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. Supporting SMEs to access the funding they need to grow and prosper

- 1.3.1. In September 2021, Cabinet approved an allocation of £15m to help businesses and social enterprises improve their 'access to finance', building on other funds and opportunities. This followed extensive dialogue with financial professionals, economic development experts, investment managers, market research professionals and those already involved in new access to finance initiatives elsewhere in the UK.
- 1.3.2. The first NTCA projects to address specific funding needs have now been successfully introduced. The 'Green New Deal Fund' has been designed to help businesses which have opportunities to both reduce carbon emissions and grow. While the Culture and Creative Fund is providing loans of £50,000 – £150,000 to cultural and creative businesses to enable them to build upon their creative and commercial ideas, helping them to become more sustainable or grow their business. A third investment fund – which will be targeted at innovative businesses with significant growth potential – is in the final stage of approval by the Combined Authority.
- 1.3.3. In January, Investment Panel recommended that the Chief Executive approves the £900,000 'Finance Ecosystem Coordination' project submitted by Innovation SuperNetwork (ISN), subject to final due diligence. As set out in the previous Cabinet report, there is evidence that the existing system is functioning sub optimally, with some businesses not 'investor ready' and financial organisations finding it difficult to engage.
- 1.3.4. The aim of the Ecosystem Co-ordination project is to improve connections between those offering finance (both loan and equity) and those seeking this investment – through improved information, improved investor readiness of companies and proactive investor relations activity to increase the overall flow of capital into the region - by improving visibility of investment opportunities and potential deal flow to fund managers from across the UK.
- 1.3.5. Overall, the project will provide support to 300 SMEs and is expected to create at least 85 new jobs, including by:
- Improving the impartial advice available to SMEs to help them understand and access the financial products available to them
 - Improving SME investor readiness and chances of success
 - Engaging with investors and raising awareness of opportunities in the region
 - Enhancing networking and intermediation, including by running events, 'pitch-days' and direct introductions.
- 1.3.6. The next stage of our 'access to finance' programme is to develop a bespoke programme of support for social enterprises, who can find it difficult to access credit at an affordable rate. Investment Panel in January agreed to the use of UKSPF to provide targeted support, alongside the launch of a call to establish a provider for a £4million new fund.

1.4. Brownfield Housing Fund

- 1.4.1. 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, Bellingham Mart, Scotswood The Rise Phases 3, 5 and 5A, Moorside and Ellington Colliery Phases 3 & 4. Two further projects have now been recommended to the Chief Executive for final approval:

i. Strawberry Place

- 1.4.2. This project relates to development of the current car park site at Strawberry Place in Newcastle City Centre. It is a mixed-use scheme, with 328 'Build to Rent' flats and a further two blocks which will accommodate 130,000 sq. ft of Grade A office space and a 213 bed hotel. The scheme has previously received planning permission.

- 1.4.3. The Combined Authority will provide £3,478,200 of Brownfield Housing Funding to unlock the £64m scheme. The funding will help address the viability gap caused by site remediation and high abnormal costs, including the need for retaining structures, service diversions and highways costs.
- 1.4.4. In addition to the housing and commercial development, the scheme will deliver substantial social value:
- Circa 1,760 jobs (construction, hotel, residential servicing, and office jobs)
 - Regional GDV uplift of £670m within a 10-year period.
 - BHF intervention that will unlock a total of £140 million of private sector investment.
 - 80% of £105m contract spend within 20 miles of Newcastle.
 - Supporting a variety of employability and training initiatives to be delivered in partnership.
 - Committed funding of employment and training initiatives of £40,700 that will directly benefit 95 out of work local residents.
 - Training and employment plan providing 420 training weeks involving 90+ out of work residents.
 - Block B (non-residential) will achieve a 23% reduction in carbon dioxide emissions over the Building Regulation Target Emission Rate.
 - New public realm.

ii. *The Esplanade, Whitley Bay*

- 1.4.5. This scheme relates to the development of the site of the former Trinity United Reform church at The Esplanade Whitley Bay. The building fell into disuse and was badly damaged in a fire in 2017. The site is currently derelict and is surrounded by Victorian terraced residential properties, interspersed with the occasional commercial property. Whitley Bay beach front is located approximately 0.5 miles to the north of the site. The project will develop a 0.17 hectare site and provide 12 private rented homes (2 & 3 bed properties) at market rents. Subject also to securing the necessary planning permission, the development will help to satisfy an unmet need for quality, private rental homes in Whitley Bay, as identified in North Tyneside’s Strategic Housing Market Assessment.
- 1.4.6. This project has a viability gap and Brownfield Housing Funding of £384,000 has been sought to unlock the development, out of total project costs of £2,232,313. The BHF will be used for a variety of purposes including site clearance and remediation, highways and footpaths, and the installation of new service works.

1.5. UK Shared Prosperity Fund – Update and First Project Approvals

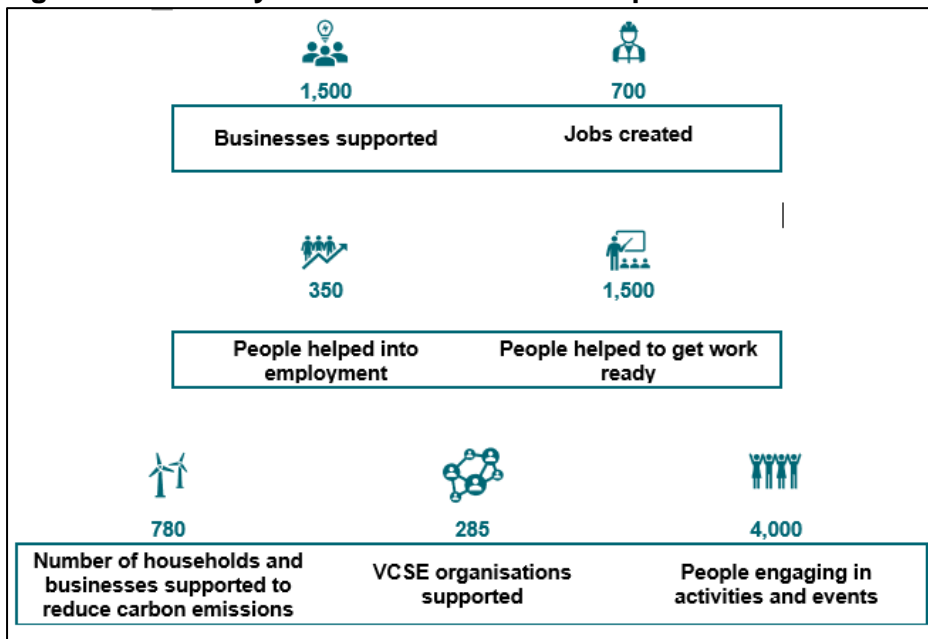
- 1.5.1. In December, Government approved the local spending plans for the core UK Shared Prosperity Fund [UKSPF]. As previously discussed by Cabinet, the NTCA was allocated funding of £47.1m for ‘core-UKSPF’ and £4.1m for the ‘Multiply’ adult numeracy programme. Table 1 sets out the allocation of funding across investment themes, with the programme designed following extensive external consultation, and with the annual profile constrained to match the allocation from Government.

Table 1: Summary of UKSPF spend profile

	(£m)	2022/23	2023/24	2024/25	Total
Community and Place		£2,286,000	£4,300,000	£9,300,000	£15,886,000
Supporting Businesses		£3,428,206	£4,094,213	£11,583,808	£19,106,227
People and Skills		-	£3,034,200	£9,058,634	£12,092,834
Total Core UKSPF		£5,714,206	£11,428,413	£29,942,442	£47,085,061
Multiply Programme		£1,248,185	£1,440,211	£1,440,211	£4,128,607
Total with Multiply		£6,962,391	£12,868,624	£31,382,653	£51,213,668

- 1.5.2. UKSPF investment will, alongside our other funds and programmes, enable us to:
- Maximise the benefits of our Economic Growth Corridors (the Northumberland Line; the Arc of Energy Innovation between Blyth and the Tyne; and our Urban Core), creating more opportunities for residents, businesses and communities
 - Grow businesses in important growth sectors (clean energy, digital, health & life sciences, professional services, culture and tourism), creating new high-quality jobs, supporting innovation, and boosting productivity.
 - Build an inclusive economy, ensuring all our residents benefit from economic growth and prosperity by investing in skills and access to good quality jobs, supported by our Good Work Pledge.
 - Deliver sustainable growth by accelerating the net zero transition in our economy and communities.
 - 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.
 - Provide a range of courses to through the Multiply Programme, raising numeracy skills and confidence.
- 1.5.3. Figure 3 provides an update on the expected outputs and outcomes from the programme, including:
- Businesses supported and jobs created
 - People helped into employment and to get job ready
 - Support to reduce carbon emissions, invest in the VCSE sector and engage people in activities and events.

Figure 3: Summary of SPF outcomes and outputs



- 1.5.4. Working collaboratively with the local authorities, the NTCA is implementing the first phase of our UKSPF programme. Projects will be brought forward through a number of routes including competitive grants, via a 'Dynamic Purchasing System' (similar to a framework) and by inviting proposals from specific delivery partners. We are currently seeking projects which will support people's progress into employment, while funding opportunities around supporting local business are imminent.
- 1.5.5. In addition, this Cabinet Report highlights the first two UKSPF projects which have been recommended to the Chief Executive for approval:

i. UKSPF: Supporting Business-Decarbonisation

- 1.5.6. Reducing energy usage and carbon emissions is becoming increasingly important to businesses. It is also a vital part of the UK's transition to net zero, with businesses accounting for almost a fifth of

all UK greenhouse gas emissions.² Nevertheless, the latest survey from the ONS finds that nearly half of businesses are not implementing actions to reduce their emissions. Almost a fifth of these businesses found that implementing change was too costly and a similar proportion lacked the expertise to assess options, measure emissions or implement change.

- 1.5.7. Following an open call process and business case assessment, Investment Panel has recommended the approval of a £800,000 project which is designed to help address the twin challenges of expertise and cost. This project will support SMEs and VCSE organisations in their net zero journey through the provision of business, financial, legal and commercial advice – and targeted grants. The programme will help remove barriers to investing in decarbonisation measures, enabling businesses to play a part in tackling climate change and save money. The project will be delivered by Newcastle City Council.
- 1.5.8. The project will:
- Deliver a tailored energy efficiency support programme for 120 SMEs and VCSE organisations in the North of Tyne area by January 2025.
 - Provide energy efficiency grant support to 49 SMEs, achieving 677 tonnes of greenhouse gas savings (GHG). The grant will contribute up to 45% of the cost of installing improvements which deliver energy and carbon savings to eligible SMEs.
 - Provide ongoing net zero business support, available to all through the website with a range of online resources, workshops, training, guidance and peer network opportunities.
- 1.5.9. The project will also help facilitate the growth in the retrofit and low carbon technology sector in the region through the development of a supplier directory, providing opportunities for local installers to obtain work emerging from energy audit recommendations. Through a dedicated website, the project will make available opportunities to quote for work and use this space to link installers to other opportunities with partner programmes, for example housing retrofit and local heat networks. The project will also support local installers with accessing training and skills, procurement opportunities and business support in the region, raising awareness and signposting to partner programmes, accreditation routes and new opportunities.

ii. UKSPF: Community Partnerships Business Case Development Funding

- 1.5.10. Community Partnerships are set to be an important part of our UKSPF plans, providing an opportunity for focussed interventions by smaller VCSE organisations in areas of high deprivation. This will include funding for impactful volunteering; to develop social and human capital in local places; and investment in capacity building and infrastructure support for local civil society and community groups.
- 1.5.11. The three Community Partnerships will be led by the local authorities and this project seeks a total of £147,000 of development funding to meet the set-up costs and to support early work of the Partnerships. This will include developing a Delivery Plan based on a clear evidence base, mapping existing delivery activities, identifying SMART objectives and delivery opportunities. The project was considered by Investment Panel in January, who recommended it for approval to the Chief Executive.

A. Impact on NTCA Objectives

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

2

<https://www.ons.gov.uk/economy/environmentalaccounts/articles/ukbusinessactiononnetzeroandhistoricalenergyuse/2021-11-08>

B. 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.

C. 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, unless it is stated that they will utilise the Brownfield Housing or UK Shared Prosperity Funds.

D. Legal implications

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

E. 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 funding requests, in accordance with the agreed process.

F. 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.

G. 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, including by supporting businesses to reduce their emissions.

H. Consultation and engagement

Stakeholders are 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 UK Shared Prosperity Fund, where consultation included VCSE organisations, businesses, other stakeholders and MPs

I. Appendices

None

J. Background papers

None

K. Contact officer(s)

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L. Glossary

NTCA	North of Tyne Combined Authority
SME	Small to Medium Enterprise
UKSPF	UK Shared Prosperity Fund
BHF	Brownfield Housing Fund



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

Report Summary

The purpose of this report is to request the Mayor and Cabinet's approval of the 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 budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget, and the Brownfield Housing Fund and other secured funding streams including the UKSPF (UK Shared Prosperity Fund) and Multiply.

The draft budget proposals were developed prior to the announcement of the Autumn Statement. There are no direct implications flowing from the Autumn Statement that impact on Budget Proposals being presented to the Mayor and Cabinet in this report. 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. Consider and agree the budget proposals for 2023-24 in respect of:
 - (i) Corporate Budget for 2023/24 as set out in section 3
 - (ii) Investment Fund as set out in section 4
 - (iii) Adult Education Budget as set out in section 5
 - (iv) Brownfield Land Programme Budget as set out in section 6
 - (v) UKSFP Programme budget as set out in section 7
 - (vi) Rural England Prosperity fund section 8
 - (vi) North East Create Growth Programme as set out in section 9
2. 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;
3. Agree to hold the reserves set out in section 12 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;
4. Note the North East LEP Accountable Body Budget, section 13;
5. Approve the Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy 2023/24;
6. Note the comments and respond to the recommendation made by the Overview and Scrutiny Committee set out in section 14.

A. Context

1. Strategic Background and Context

- 1.1 The 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 continued approach to ensuring the North of Tyne Combined Authority is a lean and agile 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 within the context 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 proposals are strongly aligned with the NTCA Corporate Plan as approved on 7 June 2022. This sets our clear Cabinet priorities for the authority, underpinned by seven delivery portfolios and cross-cutting ambitions to achieve inclusive growth, economic innovation and support the region's transition to net zero. This, in turn, is supported by a clear 'theory of change' which articulates the relationship between the financial inputs and interventions and their social and economic impact.
- 1.4 A Delivery Roadmap for each portfolio area sets out the corporate milestones to which the teams work, giving portfolio holders clear oversight. The Assurance Framework through which investments are enabled is well established and positively assessed by internal audit and the Government's initial 5-year Gateway Review process, with an Investment Panel and supporting Technical Officers Group providing additional assurance to the Mayor, Cabinet and Head of Paid Service.
- 1.5 As this report makes clear, the NTCA Budget has evolved considerably because of increased responsibility for a growing delivery portfolio – both in terms of the NTCA Investment Fund, but also the substantial additional funding streams that have been leveraged since establishment such as Brownfield Housing and Skills Bootcamps. Below we present this picture 'in the round' in Paragraph 2 of this report.
- 1.6 The Mayor and Cabinet together with Leaders from the North East Combined Authority (NECA), have in more recent months been in discussion with Central Government for a new devolution deal to cover the seven North East Authorities. Successful talks have led to a provisional deal being agreed which would unlock billions of pounds of investment and see additional powers transferred from Whitehall to local people across the region.
- 1.7 The new deal would see the formation of a new combined authority, headed by an elected 'Metro' mayor, and cover the LA7 area of Newcastle, Gateshead, North Tyneside, Sunderland, South Tyneside, County Durham, and Northumberland.
- 1.8 The deal, which is subject to a governance review, public consultation and constituent authority approval, offers a potential £4.2bn of investment into the region, made up of elements including:
 - An investment fund of £1.4bn, or £48m a year, to support inclusive economic growth and support our regeneration priorities
 - An indicative budget of around £1.8bn, or £60m a year, for adult education and skills – to meet local skills priorities and improve opportunities for residents
 - A £900m package of investment to transform our transport system, with £563m from the City Regional Sustainable Transport Fund, on top of funding already announced for our buses and metro system

- £69m of investment in housing and regeneration, unlocking sites to bring forward new housing and commercial development

It is expected to create 24,000 extra jobs, deliver 70,000 courses per year to give people the skills to get good jobs, and leverage £5.0 billion of private sector investment.

- 1.9 Once established the new authority, which covers an area which is home to around two million people, will have the power to make decisions on areas such as transport, skills, housing, finance, and economic development. The potential deal does not involve any changes to existing councils.
- 1.10 A public consultation will commence in January 2023 on the new arrangements which the government and local authorities have confirmed they are 'minded to' approve.
- 1.11 It is expected a Mayoral election would take place in May 2024 and a new authority formed.
- 1.12 The North of Tyne Combined Authority (NTCA), which was set up in 2019 covering Newcastle, North Tyneside and Northumberland, and the separate North East Combined Authority (NECA) covering Sunderland, South Tyneside, Gateshead, and Durham would no longer exist.
- 1.13 Over the coming months the Mayor and Cabinet will need to consider how existing/allocated investment and delivery programmes will factor into the proposed North East Devolution Deal – reflecting the clear Cabinet steer around respecting existing commitments, but also seeking opportunities to widen impact and consider new opportunities for regional benefit. Mayor and Cabinet will be supported closely by the officer team in working through these issues in a way that is transparent, fair, and which maximises impact for the North of Tyne and wider Northeast. Implications for (and potential revisions to) the budget setting process will be considered in full at a Cabinet level and with appropriate collaboration across LA7 authorities in line with agreed principles for transition. The Chief Executive and Director of Finance will lead this process for NTCA at an official level.

2. North of Tyne Combined Authority Delivery to Date

- 2.1 In 2018, the North of Tyne Combined Authority was created through a Devolution Deal with HM Treasury. This provides a 30 year, £600m Investment Fund with an annual value of £20m. The devolution deal with Government sets out our targets and the Corporate Plan provides the framework for our activities and investments.
- 2.2 From a standing start in 2018, as a new organisation working across a new geographical remit, and with no legacy projects or pre-existing investment pipeline in place, the North of Tyne Combined Authority has worked collaboratively with the constituent local authorities and other Stakeholders to design and deliver the North of Tyne Investment Fund (NTIF). This has included leveraging investment in major capital and infrastructure projects such as the Offshore Infrastructure Programme and the Brownfield Housing Fund (BFH). Revenue funding has been utilised to invest in services to unlock inclusive economic growth for example in workforce skills training.
- 2.3 In common with other long-term devolved Investment Funds, the NTIF is subject to a five-yearly Gateway Review by Government. The first five-year review of the NTIF is March 2022-23, with preparatory work being undertaken by officers since January 2022 for this. Included in the background papers are details of the "report" undertaken by SQW Ltd to support the authority's preparation, setting out the Evaluation Plan, the Baseline/One-Year-Out report then the final Gateway Review Reports. The draft final report has now been completed SQW and covers 4 individual areas:
 - Capacity and Partnership working
 - Projects sampled for progress evaluation
 - Projects sampled for 'progress plus'

- Overarching summary report

The strategic effects of the NTIF were assessed by evaluators, case studies and consultations with senior economic development stakeholders who were unanimous ***‘that economic development partnership working in the North of Tyne has improved with the new NTCA structures and NTIF playing key roles.*** Other quotes from the draft final report were ***‘The NTCA and NTIF are a unifying force which allows us to deliver [social and economic] benefits*** and ***‘NTIF has enabled more and larger investment decisions to be made in the region, based on local knowledge and a long-term plan’***

2.4 Table 1 sets out the picture of financial delivery over the first 5 years of the authority, illustrating the increased level of delivery of the Mayor and Cabinet’s policy priorities.

Table 1: NTCA Delivery Profile 2018/19 – 2022/23

	Actual				Forecast	Total
	2018/19 (2nd Nov - 31st Mar)	2019/20	2020/21	2021/22	2022/23	
	£m	£m	£m	£m	£m	£m
North of Tyne Investment fund (NTIF)	0.449	3.196	7.488	16.003	45.000	72.136
Adult Education Budget (AEB)	-	-	13.586	23.450	25.276	62.312
Brownfield Housing Fund (BFH)	-	-	0.585	3.386	10.563	14.534
Skills - Bootcamps	-	-	-	0.171	5.532	5.703
Core UK Shared Prosperity Fund (UKSPF)	-	-	-	-	5.714	5.714
Multiply (UKSPF)	-	-	-	-	1.248	1.248
Brexit funding	-	0.090	-	-	0.182	0.272
Veterans Homelessness Fund	-	0.091	-	-	-	0.091
Mayoral Capacity Fund	0.250	1.000	1.000	1.000	1.000	4.250
European Grants	-	0.023	0.067	0.961	2.140	3.191
Community Renewal Fund	-	-	-	1.002	-	1.002
Youth Employment Partnerships	-	-	-	0.187	-	0.187
Creative Growth Programme Digital, Culture, Media, and Sport Funding (DCMS)	-	-	-	-	0.425	0.425
Local Capacity Seed Funding and Biodiversity Net Gain Department for Environment Food and Rural Affairs (DEFRA)	-	-	-	-	0.026	0.026
Accountable Body Operational Budget	-	-	0.128	0.095	0.095	0.318
Totals	0.699	4.400	22.854	46.255	97.201	171.409

2023/24 – 2026/27 Budget Proposals

3.0 Corporate Budget Proposals

- 3.1 The Corporate Budget of the North of Tyne Combined Authority sets out the operational costs including staffing, marketing and communications, accommodation costs and SLA's.
- 3.2 As the Combined Authority has continued 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 considering the increasing number of projects and programmes. Throughout this process the officer team has been careful to ensure that any increased operational expenditure is in line with clearly agreed delivery plans (as set out in the NTCA Corporate Plan) and enabled by additional funding secured from Government – all with clear oversight from Cabinet. Table 2 sets out the proposed budget that is required to operate the Combined Authority and how it is to be funded.

Table 2: 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
Mayors Office	289	295	302	308	1,194
Other Costs	2,078	1,456	1,462	1,468	6,464
Contribution to Reserves	500	-	-	-	500
Capital Financing Costs	-	3,322	3,322	3,322	9,966
Transport Levy	30,561	30,561	30,561	30,561	122,244
SLAs	271	271	271	271	1,084
Total Expenditure	38,485	40,886	41,088	41,217	161,676
Income					
Grant Income	(7,213)	(6,792)	(6,994)	(7,123)	(28,122)
Contribution from LA's	(111)	(111)	(111)	(111)	(444)
Contribution from Reserves	(600)	(100)	(100)	(100)	(900)
Revenue Streams to fund					
Capital Financing Costs	-	(3,322)	(3,322)	(3,322)	(9,966)
Transport Levy	(30,561)	(30,561)	(30,561)	(30,561)	(122,244)
Total Income	(38,485)	(40,886)	(41,088)	(41,217)	(161,676)
Net Position (Inc)/Exp	0	0	0	0	0

- 3.3 The bulk of the expenditure is funded through devolved funding secured through the devolution deal, additional revenue funding secured through new projects and programmes, and contributions from constituent authorities of £37,000 each.
- 3.4 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.

- 3.6 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 £10.000m in relation to projects which have a linked ongoing revenue stream to recover the annual interest charges. The 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.
- 3.7 NTCA and other Mayoral Combined Authorities have, to date, benefitted from £1m Mayoral Capacity Funding which has recently been confirmed for the 2023-24 financial year. This funding allows for provision for future election costs and provision for any costs arising from the transition resulting from the recently announced devolution deal across the LA7 area.

4. Investment Fund Proposals

- 4.1 The Investment Fund sets out costs associated with the development, management of and delivery of projects to be funded through the Investment Fund.
- 4.2 The North of Tyne Combined Authority Corporate Plan was taken to the Annual Meeting of Cabinet 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 Investment Fund Budget is set out in Table 3 below.

Table 3 Investment Fund Proposals

	Programme Commitments to 31 March 2023	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
	£000	£000	£000	£000	£000
Expenditure					
Business Case Development Fund and Technical support	5,223	0.250	0.250	0.250	0.250
Investment Projects (Gateway 1 period)	69,078	23.062	8.411	2.803	1.433
New Proposals	0.000	9.180	5.770	3.075	3.470
Contribution to Corporate Costs	7,497	2,497	2,560	2,650	2,650
Total Expenditure	81,798	34,989	16,741	8,778	7,803
Income					
Devolved Investment Fund	(100,000)	(20,000)	(20,000)	(20,000)	(20,000)
Net Position (Inc)/Exp	(18,202)	14,989	(3,009)	(11,222)	(12,197)
Cumulative Position	(18,202)	(3,263)	(6,272)	(17,494)	(29,691)

- 4.3 The Table sets out clearly the indicative position for the trigger point of the 5-year Gateway review, being the end of financial year 2022/23, with an indication of cumulative project and programme commitments 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 actual spend lags the approved programme. The Table illustrates the approvals continue into the period of the medium-term financial plan and the budget required for 2023/24.
- 4.4 Delivery on the programme is progressing well, a healthy programme has been established and includes a broad range of funding proposals which 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.
- 4.5 Included in the budget is provision for Technical Support and Business case Development funding. 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. This is expected to accelerate further during 2022-23.
- 4.6 As noted in paragraph 1.13 above, the Mayor and Cabinet will need over the coming months to consider how existing/allocated investment and delivery programmes will factor into the proposed North East Devolution Deal – reflecting the clear Cabinet steer around respecting existing commitments, but also seeking opportunities to widen impact and consider new opportunities for regional benefit. Mayor and Cabinet will be supported closely by the officer team in working through these issues in a way that is transparent, fair, and which maximises impact for the North of Tyne and wider Northeast.

5. Adult Education Budget (AEB)

- 5.1 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.
- 5.2 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.
- 5.3 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.
- 5.4 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 those residents in places such as in places such as Alnwick, Amble, Berwick, Rothbury, Pegswood, Morpeth, Wooler, Hexham, Haltwhistle are accessing provision funded through AEB.
- 5.5 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.

- 5.6 Funding allocations because 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.
- 5.7 Table 4 reflects a high-level balanced Budget for 2023/24 and an indicative 4 year plan the split between grant and procured service is detailed, based on historic delivery. This profile may change as the review of delivery changes develop as detailed above.

Table 4: Adult Education Budget

	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

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

Skills Bootcamps

- 5.9 Funding was secured in late 2021/22 from the National Skills Fund to run a series of Skills Bootcamps (Wave 3) in a range of sectors allowing residents to train and gain skills needed to improve job prospects. Examples of the sectors covered were digital, technical, construction, logistics and green skills. The funding secured totalled £5.532m with an additional £1.300m just secured.
- 5.10 A proposal for Wave 4 Bootcamps has also been submitted for £9.230m and approved for 2023/24. This funding is agreed on an annual basis.

Table 5: Skills Bootcamp Funding

	2022/23 £m	2023/24 £m
Expenditure		
Bootcamp Wave 3 Procured Services	5.029	
Bootcamp Wave 3 Procured Services (Additional)		1.170
Bootcamp Wave 4 Procured Services		8.307
Overhead Contribution	0.503	1.053
Gross Expenditure	5.532	10.530
Income	(5.532)	(10.530)
Gross Income	(5.532)	(10.530)
Net Position (Income)/Expenditure	-	-

6. Brownfield Housing Budget (BFH)

- 6.1 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.
- 6.2 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 BFH funding to £31.820m.
- 6.3 Brownfield Housing Fund specifically supports sites with an identified market failure due to site conditions. The programme is part of a broader housing programme overseen by the Housing and Land Board 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.
- 6.4 Table 6 below shows the profile of both the capital and linked revenue support grant over the life of the project. NTCA is currently in Year 3 of delivery.

Table 6: Brownfield Housing Budget Profile

	Total	2020/21	2021/22	2022/23	2023/24	2024/25
	£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

7. UK Shared Prosperity Fund

- 7.1 The UK Shared Prosperity Fund (UKSPF) is part of the UK government's 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 has been established in place of EU funding streams following Brexit by investing in domestic priorities and targeting funding according to six overarching priorities: building pride in place, supporting high quality skills training, supporting pay, employment, and productivity growth, and increasing life chances.
- 7.2 The £51.2m UKSPF allocation is mainly revenue funding, although it does include capital funding of around £9m. UKSPF funding will be invested in the North of Tyne area as reflected in Table 7.

Table 7: UKSPF Budget Profile

UKSPF Investment Priorities	2022/23		2023/24		2024/25		Total	
	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital
	£m	£m	£m	£m	£m	£m	£m	£m
Community and Place	2.195	-	2.894	1.235	6.048	2.880	11.137	4.115
Supporting Businesses	2.554	0.737	3.024	0.906	8.236	2.885	13.814	4.528
People and Skills	-	-	2.912	-	8.697	-	11.609	0.000
Administration Top-slice (4%)	0.198	0.030	0.368	0.089	0.956	0.240	1.522	0.359
Total Core UKSPF	4.947	0.767	9.198	2.230	23.937	6.005	38.082	9.002
Multiply Programme	1.123	-	1.296	-	1.296	-	3.715	-
Administration Top-slice (10%)	0.125	-	0.144	-	0.144	-	0.413	-
Total UKSPF Multiply	1.248	-	1.440	-	1.440	-	4.128	-
Total UKSPF	6.195	0.767	10.638	2.230	25.377	6.005	42.210	9.002

7.3 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.

8. Rural England Prosperity Fund (REPF)

8.1 The Rural England Prosperity Fund (REPF) is a £110m top-up to the UKSPF allocated to eligible rural authorities to support activities that specifically address the challenges rural communities face. North of Tyne was allocated £3.044m capital funding specifically targeted at Northumberland, but recognising the important connection between our rural, coastal and urban economies. The REPF is available from April 2023 to March 2025. The fund is aligned with interventions in the Supporting Local Business and Communities and Place investment priorities, and 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, including 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

8.2 The rural agenda is fundamental to the North of Tyne Combined Authority. The Devolution Deal commits 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. Sustainable rural growth is already an important part of the authority's delivery programme. In January 2022 Cabinet agreed to build on these initial steps, going further in developing a long-term approach and corresponding investment plan – 'North of Tyne Stewardship and Rural Growth Investment Plan' working in collaboration with local communities. The Rural England Prosperity Fund will be used alongside North of Tyne Investment Fund to establish long-term funding sustainability.

8.3 Table 8 sets out the indicative REPF spend profile for the Rural Business and Rural Communities Priorities, 65% of the funding has been allocated to the Rural Business Priority, and 35% to the Rural Communities Priority.

Table 8: Rural England Prosperity Fund Capital Spend profile

	2023/24	2024/25	Total
	£m	£m	£m
Rural Business	0.495	1.484	1.979
Rural Communities	0.266	0.799	1.065
TOTAL	0.761	2.283	3.044

9.0 North East Create Growth Programme – Department of Digital, Culture Media and Sport Funding (DCMS)

- 9.1 DCMS launched its Create Growth Programme in June 2022, reflecting the fact that ‘creative industries’ is one of the fastest growing sectors of the UK economy. Six successful local area partnerships have been awarded approximately £1.75m in grant funding to deliver targeted business support to high growth potential creative businesses. The Northeast Create Growth Programme (CGP), convened by the NTCA, is one of the six successful partnerships.
- 9.2 The Create Growth Programme will enable a collaborative approach across the region to support the creative sector, it is designed to support creative businesses with high-growth potential, between seed and scaling stages, from across County Durham, Gateshead, South Tyneside, Sunderland, Newcastle, North Tyneside and Northumberland with the support and the investment they need to grow their business and turn their innovative creative ideas into the leading creative businesses of the future.
- 9.3 The objectives of the Create Growth Programme are to:
- Support high-growth potential creative businesses to become investment ready outside of London, by developing businesses’ knowledge, skills, and access to finance.
 - Increase the number of investors willing to invest in creative businesses outside of London, by educating and developing investor networks.
 - Build local capacity for supporting creative businesses in regions to drive local growth outside of London.
- 9.4 Funding has been confirmed to North of Tyne Combined Authority acting as Accountable Body for the seven north east local authorities for financial year 2022/23 of £425,000. Indicative funding for £425,000 based on performance will be allocated for the financial year 2023/24 and 2024/25.

10. Proposed NTCA Capital Programme

- 10.1 The Combined Authority is required to set out clearly the capital investment elements of delivery. Table 9 details the proposed capital programme and funding for 2023/24 through to 2026/27.

Table 9: Estimated Capital Expenditure across all funding streams

	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m
NTCA Investment Fund	16.790	5.661	2.030	1.223	39.564
Brownfield Housing	14.056	3.248	-	-	27.867
UKSPF	2.140	5.765	-	-	7.905
Total Capital Expenditure	32.986	14.674	2.030	1.223	95.336
Funded By:					
Government Grant-Investment Fund	(6.790)	(5.661)	(2.030)	(1.223)	(29.564)
Brownfield Housing Fund (DLUHC)	(14.056)	(3.248)	-	-	(27.867)
UKSPF	(2.140)	(5.765)	-	-	(7.905)
Borrowing	(10.000)	-	-	-	(10.000)
Total Funding	(32.986)	(14.674)	(2.030)	(1.223)	(95.336)

11. Financial Plan summary

11.1 Table 10 overleaf shows the estimated total budget profile summary of delivery in line with the next gateway period, based on current secured funding streams.

Table 10: NTCA Delivery Budget Profile by Funding Stream

Funding Stream	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m
Investment fund	34,989	16.991	8.778	7.803	68.561
AEB	22.706	22.706	22.706	22.706	90.824
Brownfield Housing Fund	14.056	3.248	-	-	17.304
Bootcamps Wave 4	9.230	-	-	-	9.230
Bootcamps Wave 3 extension	1.300	-	-	-	1.300
Core UK SPF	11.428	29.942	-	-	41.370
UKSPF Multiply	1.440	1.440	-	-	2.880
Rural England Prosperity Fund	0.761	2.283	-	-	3.044
European Grants	1.449	-	-	-	1.449
Create Growth Programme	0.425	0.425	-	-	0.850
Total	97.784	77.035	31.484	30.509	236.812

12. Reserves

- 12.1 As set out in the budget report to Cabinet on 4th 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. There is no proposed increase required in the level of this reserve.

13. LEP Accountable Body Budget

- 13.1 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.
- 13.2 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. Alongside this, the government's LEP Review concluded in March 2022 with the publication of 'Guidance on integrating Local Enterprise Partnerships into local democratic institutions' which anticipated that "LEPs will eventually fully integrate into local democratic institutions. The North East LEP is currently working closely with the North of Tyne Combined Authority to develop 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 11 overleaf shows the 2023/24 North East LEP Accountable Body Budget.
- 13.3 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.
- 13.4 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 (North East Investment Fund) 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 11: 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

14. Overview and Scrutiny Committee

- 14.1 In accordance with the Budget and Policy Framework Rules of Procedure (Part 3.2 of the Constitution) the Overview and Scrutiny Committee has a specific role in the setting of the North of Tyne Combined Authority's budget. Cabinet must present to the committee the budget setting process, the initial proposals and have regard to any recommendations and/or observations from the Overview and Scrutiny Committee when finalising the Authority's budget.
- 14.2 The above processes have been completed and the committee held a workshop on 17 January 2023 to consider the updated proposals and receive information on the feedback provided during the consultation from the public, the business community and the community and voluntary sector. The Director of Finance attended the workshop to present information on what had changed since the draft proposals were considered by the committee in December and to answer any questions.
- 14.3 The Overview and Scrutiny Committee noted the proposals and considered that Cabinet should agree the recommendations as set out in the budget proposals and had no specific recommendations to make on the individual elements which make up the budget.
- 14.4 The Committee was disappointed to note that the engagement by the public in the budget setting process had not improved since last year and acknowledged that it was a challenge. The committee encouraged officers to consider using existing face to face opportunities to engage with people about the work of NTCA and what its budget might entail and of tailoring consultation exercises to the different audience. The Director of Finance assured the committee that increasing public engagement was important to the team and consideration of different approaches would be undertaken for the next consultation exercise.
- 14.5 The committee thanked the officers involved in drafting the report and making the presentations to the committee and answering their questions throughout the process.

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. There are no other financial implications arising from this report
2. The Mayor and Cabinet need to have due regard to the Director of Finance 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.
3. Equality Impact Assessments (EIA) may be included in proposals for inclusion with the initial Budget proposals in November 2022 where applicable, to be available to the Mayor and Cabinet when it further considers the Financial Plan and Budget proposals on 22 November 2022.

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 the recommendations in this report. However, climate change is considered within an EIA for projects.

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 Budget are based on the devolution deal and the Parliamentary Order which created the Authority and the Authority's Vision which has been detailed in the Corporate Plan which has been agreed by Cabinet and is being 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

G. Background Papers

1. 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
SQW – Evaluation of the North of Tyne Investment Fund Final Evaluation Report

H. Contact Officers

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

I. Glossary

BFH	Brownfield Housing Fund
AEB	Adult Education Budget
UKSPF	United Kingdom Social Prosperity Fund
REPF	Rural England Prosperity Fund
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. Formally agree to issue the Transport Levy to constituent authorities.

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.

A. Context

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.”

Reporting Requirements

- 1.5 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.

- 1.6 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.

- 1.7 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.

- 1.8 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.

Treasury Management Strategy for 2023/24

1.9 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.

1.10 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.

1.11 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.

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

2.1 **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)

2.2 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.

2.3 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.

The Combined Authority's Borrowing Need (Capital Financing Requirement)

2.4 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.

- 2.5 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

3. Minimum Revenue Provision (MRP) Policy Statement

- 3.1 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).
- 3.2 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.
- 3.3 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.
- 3.4 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.

- 3.5 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.
- 3.6 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.
- 3.7 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.
- 3.8 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.

4. Borrowing

- 4.1 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

- 4.2 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.
- 4.3 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.
- 4.4 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

- 4.5 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.

5. Prospects for Interest Rates

- 5.1 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

- 5.2 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%).

6. Borrowing Strategy

- 6.1 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.

7. Policy on borrowing in advance of need

- 7.1 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.

8. Debt Rescheduling

- 8.1 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).

8.2 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.

8.3 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.

8.4 **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)

9. **Annual Investment Strategy**

9.1 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.

9.2 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.

9.3 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.

9.4 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

9.5 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.

9.6 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.

10. Investment policy – management of risk

10.1 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

10.2 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.

10.3 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.

11. Policy on the use of External Service Providers

11.1 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.

11.2 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.

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Subject: 2022/23 Indicative Outturn and 2023/24 Indicative Budget Proposals for the North East Local Enterprise Partnership and Invest North East England

Report of: Director of Finance
Portfolio: Investment and Resources

Report Summary

The purpose of this report is to apprise Members of the North East Local Enterprise Partnership (LEP) indicative Outturn position for 2022/23 and indicative Revenue Budget for 2023/24 which are to be reported to the LEP Board on the 26 January 2023. This report will also provide an update on the Invest North East England (INEE) 2022/23 indicative Outturn position and indicative Revenue Budget for 2023/24. The North of Tyne Combined Authority became the Accountable Body for both the LEP and INEE on 1 April 2020. This report will provide a brief background of the principles agreed in relation to the Accountable Body role and a brief overview of the budget and funding of both the North East LEP and INEE with the LEP Revenue Budget report presented in Appendix A to the report and INEE Revenue Budget as Appendix B.

The Government's LEP Review concluded in March 2022 with the publication of 'Guidance on integrating Local Enterprise Partnerships into local democratic institutions' which anticipated that LEPs will fully integrate into local democratic institutions. The recently published North East Devolution Deal proposes that the role and functions of the North East LEP are integrated into the new North East Mayoral Combined Authority (NEMCA) in May 2024. Following the publication of this Deal, the North East LEP is currently working with its accountable body, the North of Tyne Combined Authority, to develop an integration plan, which informs a future budget paper that will be taken to the May 2023 LEP Board and then to Cabinet.

Recommendations

The Cabinet is recommended to note the contents of this report and in doing so note the update on the 2022/23 North East LEP Revenue Budget and the 2022/23 Invest North East England Revenue Budget and note the indicative estimate for the 2023/24 Revenue Budget for both the North East LEP and Invest North East England.

A. Context

1. Background and Context

- 1.1 The Combined Authority became the Accountable Body for the North East LEP and Invest North East England as of 1 April 2020.
- 1.2 As the accountable body for the North East LEP, at the time when decisions relating to the 2023/24 Budget must be taken, the North of Tyne Combined Authority Budget report will include information about the funds available to the North East LEP and its proposed budget for 2023/24, which will be agreed by the North East LEP Board. The budget will need to reflect decisions about the level of government grant available to support the North East LEP costs as well as the guidance and resource requirements needed to meet grant conditions.

2. North East LEP Budget

- 2.1 The North East LEP core team activity was previously funded from a Government Grant of £0.500m, which was required to be matched by £0.250m local authority contributions. In 2022/23 this was cut by DLUHC to £0.375m, there has been no confirmation of the level of funding for

2023/24. It is proposed, however, the current level of match funding contributions continue to be provided in 2022/23 and 2023/24 by the seven North East Councils contributing £35,714.29 each.

- 2.2 As detailed in the NTCA 2023-2027 Budget report as Accountable Body for the North East LEP, NTCA will receive £10,000 from each of the North East Councils to support this role, this is to provide SLA services to the North East LEP.
- 2.3 In addition to the LEP core funding, the LEP have also secured £5.510m of external funding, to help support the delivery of the of the North East Strategic Economic Plan.
- 2.4 The original net budget for the current financial year approved in May 2022 LEP Board was a deficit of £0.083m. The forecast net outturn is for a surplus of (£0.022m), representing a significant improvement on the budget which reflects confirmation of external funding which was not confirmed at the time of setting the original budget. A copy of the North East LEP 2022/23 Indicative Outturn and 2023/24 Budget Report is attached at Appendix A.

3. Invest North East England Budget

- 3.1 The Invest North East England (INEE) team coordinates inward investment activity across the North East, including responding to investor opportunities for investment to the region. The gross budget for INEE is £0.460m funded in part from a contribution of £0.020m from each of the seven local authorities within the North East LEP area, matched historically by £0.140m funding from the North East LEP from interest on balances. The forecast outturn is £0.388m an in-year underspend due to reductions on lead regeneration as a legacy of COVID-19.
- 3.2 At this stage it is recommended that the budget for 2023/24 is set at £0.388m with the contribution of £0.020m per local authority being retained, and the balance of funding met from Enterprise Zone surplus. Historically the LEP have contributed £0.140m to the Invest North East England budget met from interest on balances on Local Growth Fund, however, with this fund now finishing this funding source is no longer available. The balance of replacement funding is proposed to be met from the Enterprise Zone however, this has not as yet been agreed. A copy of the Invest North East England Budget report is attached at Appendix B.

B. Impact on NTCA Objectives

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

C. Key Risks

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

D. Financial and Other Resources Implications

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

E. Legal Implications

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

F. Equalities Implications

1. The Combined Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equality’s legislation are considered prior to any decision being made. In respect of the NTCA specifically the Combined Authority will continue to monitor the effect of their budget-setting process and decision-making by using equality impact assessments (EIA).

G. Inclusive Economy Implications

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

F. Climate Change Implications

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

G. Consultation and Engagement

1. The LEP Budget Report presenting the provisional budget for 2023/24 will be taken to LEP Board in January 2023.
2. The North East LEP 2022/23 Indicative Outturn and 2023/2024 Indicative Budget proposals will be taken to LEP Board on 26 January 2023 to note.

H. Appendices

1. Appendix A North East LEP 2022/23 Indicative Outturn and 2023/24 Indicative Budget
Appendix B Invest North East England 2022/23 Indicative Outturn and 2023/24 Indicative Budget

G. Background Papers

1. As detailed in the individual reports attached as appendices

H. Contact Officers

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

I. Glossary

DLUHC	Department of Levelling Up, Housing and Communities
LEP	North East Local Enterprise Partnership
INEE (Invest North East England)	Invest North East England

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North East Local Enterprise Partnership Board



26th January 2023

Subject: Update on projected 2022/23 revenue budget outturn; and indicative budget for 2023/24

1. Introduction

- 1.1 The purpose of this report is to provide an update to the Board on the North East Local Enterprise Partnership (North East LEP) revenue budget position for the current financial year (2022/23), and to provide an indicative budget for next financial year (2023/24). This report also provides an updated budget position in relation to the Enterprise Zone account, and an update on the Local Growth Fund (LGF), the Getting Building Fund (GBF), and the North East Investment Fund (NEIF).
- 1.2 As in previous years, we bring an indicative outturn report for 2022/23 and an indicative budget for 2023/24 to the January LEP Board, with latest information about funding and an updated budget position to the May LEP Board.
- 1.3 The Government's LEP Review concluded in March 2022 with the publication of 'Guidance on integrating Local Enterprise Partnerships into local democratic institutions' which anticipated that LEPs will fully integrate into local democratic institutions. In the North East, it is proposed that the North East LEP along with the North East Combined Authority, the North of Tyne Mayoral Combined Authority and Transport North East will come together to create the new North East Mayoral Combined Authority (NEMCA) in May 2024. The North East LEP is currently working with its accountable body, the North of Tyne Combined Authority, to develop an integration plan, which will inform the budget paper coming to the May 2023 LEP Board.

2. North East LEP 2022/23 Revenue Budget

- 2.1 The North East LEP core Budget covers LEP operational activity and also the fund management of LGF, GBF, EZ income and NEIF. Table 1 provides a summary of the revised revenue budget for 2022/23 showing changes to previous versions brought to the Board in January 2022 and May 2022, with supporting notes provided below.
- 2.2 The North East LEP Board agreed a provisional revenue budget for 2022/23 of £5.878m in January 2022 and an updated revenue budget of £6.480m in May 2022. With a higher gross income estimate in May 2022 of £6.937m, the projected drawdown from the EZ reserve had reduced from £0.254m in January to £0.083m in May.

- 2.4 The total revenue expenditure in 2022/23 is estimated to be £8.320m, which is £1.840m more than estimated in May 2022. This increase in revenue expenditure is due specifically to new funding streams being secured to deliver skills activity and the associated operational expenditure budgets. Gross income has also increased in line with expenditure estimated to be £8.342m compared to £6.697m in May 2022, an increase of £1.945m. This increase in income is estimated to result in a positive surplus position at year end of £0.022m compared to the net budget position of £0.083m deficit reported to the May 2022 LEP Board.
- 2.5 This follows the pattern in previous years, where a cautious view on income and a prudent provision for costs, results in an estimated call on reserves at the start of the year, and additional income or lower costs in the year reduces the call on reserves at the year end.
- 2.6 The original 2022/23 budget reported in January 2022, and subsequently in May 2022 shows the estimated net budget deficit being funded by Enterprise Zone (EZ) Account surpluses. It was agreed by LEP Board some time ago that up to £0.500m in any one year could be utilised from the Enterprise Zone Account surplus. This has not been called upon in previous years, as the LEP has always secured additional income. Due to the decrease in core LEP funding provided by central government in 2022/23, a conscious decision was made to maintain the LEP Reserve and draw on the EZ Reserve as required. At the point of writing this report there has been no confirmation on LEP Core funding for 2023/24 from government, it is therefore intended to utilise the £0.500m EZ reserve in 2022/23 to enable a higher reserve to be carried forward into 2023/24, with the anticipation that a further £0.500m will be drawn down in 2023/24 to support the preparation work and provide transition funding, whilst continuing to deliver LEP activity as the LEP transitions into the new Mayoral Combined Authority.

LEP Reserve (May 2022)	2022/23 Estimated Surplus	Drawdown of EZ Reserve	LEP Reserve c/f (May 2023)
£m	£m	£m	£m
0.701	0.022	0.500	1.223

- 2.7 The main budget variations for 2022/23 revised budget are summarised below.

Employee Costs

- 2.8 Employee costs have increased slightly from £3.171m in May to £3.209m (£0.038m). This increase is due primarily to recruitment of additional staff following securing additional skills funding.

Other Costs

- 2.9 Other operational cost budgets show an increase of almost £1.8m, this primarily relates to new grant income streams, primarily in the skills work programme, such as Bootcamp Funding (£1.506m), in addition to CODE (Collaboration of Digital Expertise), CEC Effective Transition Funding and DfE Funding (£0.302m).

Table 1. North East LEP Revenue Budget	Original Budget 2022/23 (Jan 2022)	Original Budget 2022/23 (May 22)	Revised Budget 2022/23 (Jan 2023)	(Under)/Over Variance to Original Budget (May 2022)
	£'000	£'000	£'000	£'000
Employees	3,332	3,171	3,209	38
Strain on the Fund	0	0	18	18
Redundancy Costs	0	62	67	5
Premises	228	207	240	33
Communications	250	200	200	0
Other Operational Costs (Core)	619	587	301	(286)
Business Growth Business Support	153			
Growth Hub Operational Costs (L6019)	244	229	103	(126)
Made Smarter	437	473	558	85
LGF High Potential Operational (L6047)	0	40	53	13
Life and Health Sciences (L6059)	0	48	48	0
Peer Networks	0	0	0	0
Energy Operational Costs	0	0	26	26
BEIS NEY HUB Geothermal/Heat Network/Energy Accelerator	0	0	100	100
Innovation Challenge Covid	0	0	0	0
Future Markets Acceleration Fund Ghead	68	137	92	(45)
Future Markets Acceleration Fund Sunderland		186	36	(150)
Challenge North of Tyne	0	438	470	33
Brexit Policy Work Programme (Strategy & Policy)	27	0	0	0
Trade and Export Strategy	6	20	18	(2)
NP11	0	0	0	0
North East Ambition Operational Costs 1	0	59	9	(50)
North East Ambition Operational Costs 2	135	126	126	0
Skills Operational BOSS, KS, CODE	187	0	200	200
Bootcamps	0	0	1,561	1,561
Skills Operational CEC, DfE	0	316	418	102
CEC Effective Transitions Fund	0	0	62	62
NTCA Careers	0	0	20	20
Inward Investment Contribution	0	0	0	0
EZ, NEIF Costs	95	100	100	0
CPIF	0	0	0	0
LGF Project Management	22	22	195	173
GBF Project Management	76	61	91	30
GROSS EXPENDITURE	5,878	6,480	8,320	1,840
LEP Core & Strategy Grant from DCLG	(500)	(375)	(375)	0
Local Authority Match Contributions	(250)	(250)	(250)	0
CORE FUNDING	(750)	(625)	(625)	0
LGF Project Management	(512)	(431)	(541)	(110)
GBF Project Management	(201)	(196)	(215)	(19)
Interest Generated on Funds	(110)	(110)	(110)	0
Growth Hub	(780)	(390)	(390)	0
Growth Hub Business Support	(154)	0	0	0
Made Smarter	(600)	(600)	(697)	(97)
LGF High Potential	0	(40)	(53)	(13)
Peer Networks	0	0	0	0
Academic Health Science Network (AHSN)(LGF)	(40)	(48)	(48)	(0)
Energy Accelerator	0	(180)	(90)	90
Energy Strategy BEIS / TVCA / LGF	(36)	(64)	(159)	(95)
BEIS NEY HUB Geothermal/Heat Network/Energy Accelerator	(180)	0	(100)	(100)
Energy Commissioning Studies	(163)	0	0	0
Innovation Challenge Covid	0	0	0	0
CRF Future Market Acceleration Programme Ghead		(148)	(92)	56
CRF Future Market Acceleration Programme Sunderland	(68)	(186)	(73)	113
Challenge North of Tyne	0	(498)	(470)	28
Internationalisation Policy Work	(67)	(92)	(58)	34
Trade and Export Strategy	(6)	(20)	(18)	2
NP11	0	0	0	0
European Social Fund North East Ambition 1	(167)	(169)	(243)	(74)
European Social Fund North East Ambition 2 (Mar 23)	(896)	(859)	(859)	(0)
FRIC Monies	0	(321)	(260)	61
Skills BOSS CODE KickStart	0	0	(157)	(157)
Bootcamps	0	0	(1,561)	(1,561)
Enterprise Adviser grant - CEC	(330)	(715)	(723)	(8)
CEC Effective Transitions Fund	0	0	(62)	(62)
Education Challenge	0	(21)	(21)	0
DfE	(75)	(79)	(76)	3
DfE - One Vison	(47)	(192)	(181)	11
NTCA Careers	0	0	(20)	(20)
NTCA Transitions	0	0	(13)	(13)
NEIF Contribution to cover activity costs	(110)	(147)	(125)	22
EZ Contribution to cover activity costs	(87)	(32)	(62)	(30)
Contribution Pension - NTCA	(145)	(134)	(140)	(6)
Other Income	(100)	(100)	(100)	0
EXTERNAL FUNDING	(4,874)	(5,772)	(7,717)	(1,945)
GROSS INCOME	(5,624)	(6,397)	(8,342)	(1,945)
NET BUDGET	254	83	(22)	(105)
BROUGHT FORWARD BALANCE	(748)	(701)	(701)	
Use or (Contribution) LEP Reserves		0	(22)	
EZ Contribution	(254)	(83)	(500)	
CARRY FORWARD BALANCE	(748)	(701)	(1,223)	

3. LEP 2023/24 revenue budget

- 3.1 The indicative revenue budget for 2023/24 reflects the latest known information of income for 2023/24 with the employee and operational costs required to meet the delivery associated with the individual income streams.
- 3.2 The estimates in this report are an indicative estimate, with a more accurate budget position expected to be known in March before the start of the new financial year, when more information about grant income available for 2023/24 should be known. In previous years, government have announced funding for the following year in March, the month before the financial year begins.
- 3.3 A summary of the indicative budget for 2023/24 is set out in Table 2 overleaf. The indicative figures show a 16.5% decrease in gross expenditure from £8.320m to £6.950m and a 26.4% decrease in gross income from £8.342m to £6.135m. The overall effect is an indicative net deficit of £0.815m.
- 3.4 Employee costs reflect a decrease of £0.172m from £3.209m estimated for 2022/23 to £3.037m in 2023/24. The estimate takes into account an increase to employer's pension contribution from 5.2% to 15.1% in 2023/24. An assumed 2% pay award has also been factored into employee costs for 2023/24, although a flat rate was agreed for 2022/23 of £1,925, it is unclear what level of pay award may be awarded in 2023/24, hence 2% is a prudent estimate. Taking these factors into account, employee costs show a real reduction of approximately £0.300m which is due to the full year effect of the redundancies made in 2022/23, and also in part through staff leaving for jobs elsewhere.
- 3.5 A contribution equivalent to the level of the employer's pension contribution (£0.366m) is received from the Accountable Body NTCA, following an agreement reached between the LEP and NTCA, when the LEP changed accountable bodies from the North East Combined Authority.
- 3.6 The reduction in gross income is due to the cessation of grant funding streams, either due to the project coming to a natural close in line with the expected term of the project, such as Challenge North of Tyne and Future Funds Accelerator Funding (£0.392m); or where future funding is not secured as yet, such as North East Ambition (£0.272m) and Enterpriser Advisor Grant (£0.493m).
- 3.7 The Local Growth Fund (LGF) and Getting Building Fund (GBF) programme management income, (£0.349m) and (£0.176m) respectively, is also contributing to the reduction in gross income as the legacy schemes funded through LGF and GBF come to a close and subsequently the programme management costs reduce in line.

Table 2 North East LEP Revenue Budget	Revised Budget 2022/23 (Jan 2023)	2023/24 Base Budget (May LEP Board)	Variation
	£'000	£'000	£'000
Employees	3,209	3,037	(172)
Premises	240	240	0
Communications	200	200	0
Other Operational Costs	301	600	299
Reduction in Operational Costs	0	(150)	(150)
Redundancy including Strain on the Fund	85	0	(85)
Growth Hub Operational Costs	103	229	126
Made Smarter	558	665	107
LGF High Potential Operational	53	0	(53)
Academic Health Science Network (AHSN)	48	0	(48)
Energy Programme Operational Costs	26	5	(21)
BEIS NEY HUB Geothermal/Heat Network/Energy Accelerator	100	0	(100)
Future Markets Acceleration Fund Gateshead	92	0	(92)
Future Markets Acceleration Fund Sunderland	36	0	(36)
Challenge North of Tyne	470	242	(228)
North East Ambition Operational (ESF) 1	9	9	0
North East Ambition Operational (ESF) 2	126	141	15
Bootcamps	1,561	1,130	(431)
Skills Operational CEC, DfE, BOSS	618	230	(388)
CEC Effective Transition Funds	62	50	(12)
NTCA Careers	20	49	29
NTCA Transitions	0	25	25
Trade and Export Strategy	18	22	5
Norther Powerhouse11	0	15	15
EZ NEIF Costs	100	100	1
LGF Project Management	195	93	(102)
Getting Building Fund Project Management	91	18	(73)
GROSS EXPENDITURE	8,320	6,950	(1,370)
LEP Core & Strategy Grant from DCLG	(375)	(375)	0
LEP/GBF Capacity Funding		0	0
Local Authority Match Contributions	(250)	(250)	0
CORE FUNDING	(625)	(625)	0
Local Growth Fund (Programme Mgmt)	(541)	(192)	349
Getting Building Fund (Programme Mgmt)	(215)	(39)	176
Interest Generated on Funds	(110)	(100)	10
Growth Hub	(390)	(390)	0
Enterprise Adviser grant - CEC		(234)	(234)
Future Markets Acceleration Fund Gateshead	(92)	0	92
Future Markets Acceleration Fund Sunderland	(73)	0	73
Challenge North of Tyne	(470)	(243)	227
Academic Health Science Network (AHSN)	(138)	0	138
NEIF Contribution to cover activity costs	(125)	(153)	(28)
EZ Contribution to cover activity costs	(62)	(35)	27
Education Challenge	(21)	0	21
North East Ambition 1 (ESF)	(243)	(194)	49
North East Ambition 2 March 2023	(859)	(636)	223
FRIC Monies	(260)	0	260
Skills, BOSS, CODE, Kickstart	(157)	(226)	(69)
Bootcamps	(1,561)	(1,130)	431
Enterpriser Advisor Grant	(723)	(230)	493
NTCA Careers	(20)	(49)	(29)
NTCA Transitions	(13)	(25)	(12)
DfE	(76)	(50)	26
CEC Effective Transition Funds	(61)	0	61
LGF High Potential	(53)	0	53
Brexit Policy Work Programme	(58)	(34)	24
NTCA Contribution	0	(50)	(50)
Trade and Export - World Wide Chamber	(18)	(22)	(4)
Norther Powerhouse11	0	(15)	(15)
Made Smarter	(697)	(800)	(103)
Energy Accelerator LA Contributions	(259)	(75)	184
Energy Strategy BEIS/TVCA/LGF	0	(59)	(59)
DFE - One Vison	(182)	(62)	119
Contribution Pension - NTCA	(140)	(366)	(226)
Other Income	(100)	(100)	0
EXTERNAL FUNDING	(7,717)	(5,510)	2,206
			0
GROSS INCOME	(8,342)	(6,135)	2,206
			0
NET BUDGET	(22)	815	836

	2022-23	2023-24
LEP Reserves brought forward	(701)	(1,223)
In year (surplus) /deficit	(22)	815
Contribution from EZ	(500)	(500)
Reserves carry forward	(1,223)	(908)

- 3.8 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income (EZ BRGI) surplus of up to £0.500m per annum could be utilised to support the revenue budget if required. To date there has not been a requirement to use this facility and therefore in effect saving £2.500m of potential spend from the EZ account. However, due to the anticipated drop in funding and core funding remaining fixed at the same level as 2022/23, although this may reduce further in line with the LEP Review and the integration into the New Mayoral Combined Authority. It is anticipated that £0.500m will be required from the EZ BRGI in 2022/23 to mitigate against the (£0.815m) net deficit budget in 2023/24 bringing the carry forward LEP Reserve into 2023/24 to £1.223m.
- 3.9 A further £0.500m of EZ BRGI will be drawn down in 2023/24 to contribute towards the anticipated £0.815m net budget deficit, the balance (£0.315m) will be met from the LEP Reserve. This will leave a LEP reserve balance at the end of 2023/24 of £0.908m which is seen as necessary to support the LEP transition. Table 3 below summarises this position.

Table 3 LEP Reserve Summary

	2022-23 £'000	2023-24 £'000
LEP Reserves brought forward	(701)	(1,223)
In year (surplus) /deficit	(22)	815
Contribution from EZ	(500)	(500)
Reserves carry forward	(1,223)	(908)

4. Local Growth Fund (LGF)

- 4.1 The Local Growth Fund (LGF) has been a significant funding stream £270.1m over six years, funding ceased in March 2021, however, temporary project funding swaps, using budget freedoms and flexibilities from DLUHC over the LGF programme, have allowed legacy funding to fund projects beyond March 2021. It is estimated that £7.288m will be spent in 2022/23 on residual projects, this expenditure forecast for the year has reduced from £9.5m due to significant further slippage into 2023/24 on the East Pilgrim Street (public realm works project), Central Gateway (Newcastle Central Station - access and amenity improvements) and a lower than expected take up of the Invest in North East England inward investment fund. Investments include the establishment of Project Acceleration Fund to assist with the development of a strategic capital projects to support efforts to achieve Net Zero Carbon, complementing progress on the implementation of EV Rapid Charging points across all local authority areas.
- 4.2 An impact and VFM assessment of the LGF programme was commissioned externally from Steer Ed during the year. The report highlighted that the programme is ahead of target in terms of job creation to date with over 6,300 reported. Despite this ongoing activity project management costs associated with LGF over the life of the scheme are set at 2 % hence the reduction shown in LGF Project Management Income in 2023/24 (£0.192m).

5. Getting Building Fund (GBF)

- 5.1 A revenue stream to fund programme management costs on Getting Building Fund is reflected in 2022/23 (£0.215m) and reducing in 2023/24 (£0.039m), in line with delivery on the programme. The GBF programme funding from DLUHC covered financial year 2020/21 and £2021/22 (£23.5m in each financial year). Reflecting the wider economic context, many building projects have faced a challenging year with tenders coming in above budget due to rising construction costs, delays in the supply of materials and COVID related and inflationary constraints. Due to the requirement by DLUHC to spend Yr.1 allocation of £23.5m in 2020/21 temporary funding swaps were necessary to maximise the grant funding. This has meant there was legacy GBF funding running into 2022/23. It is forecast that the majority of the GBF budget will be fully spent by end of 2022/23 financial year, with some residual spend in 2023/24.
- 5.2 Although there are no major programme level financial concerns as the GBF £47m was fully spent on time before 31/3/2022, there is nevertheless an expectation from DLUHC that the temporary project funding swaps in previous years are fully returned and spent this year. There are some projects where there is low to moderate risk of not all funds being spent by 2022/23. Overall, the risk of underspend is assessed is less than £1.5m.
- 5.3 It will not be until the end of Qtr. 4 that more significant progress on forecast project outputs will be reported as achieved, however, some targets will be significantly below that forecast, in particular jobs created and commercial floorspace constructed.

6. North East Enterprise Zones (EZs)

- 6.1 Ten Round 1 Enterprise Zones were designated in 2013 in four local authority areas: Newcastle, North Tyneside, Northumberland, and Sunderland. In April 2017, these were joined by a further ten Round 2 sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside, and Sunderland, with the additional EZ site at the International Advanced Manufacturing Park (IAMP) launched on the 1st April 2018, to complete the coverage of our 21 Enterprise Zones.
- 6.2 Business rates growth generated on Enterprise Zones accrues to the North East LEP for a 25-year period, in accordance with national regulations. This income is used to fund the capital financing costs of approved Enterprise Zone capital infrastructure, revenue administration costs, a contribution towards Inward Investment activity and other uses approved by the LEP Board. The financial administration of Enterprise Zones is managed in accordance with the local Enterprise Zone Business Rates Income Pooling Agreement. This agreement helps to pool and manage risk relating to borrowing undertaken by councils to fund Enterprise Zone capital works; helps to minimise costs and to helps to avoid additional revenue costs for councils. The administration of the agreement has succeeded in achieving a positive cash flow on the Enterprise Zone account, which has enabled a cumulative surplus to be generated. This acts as a contingency to help mitigate the risk of income shortfalls.

- 6.3 Table 4, below, provides a summary of the Enterprise Zone account income and costs for 2021/22 (actual) and the estimated income and expenditure figures for 2022/23 and 2023/24. The Business Rate Income figures includes an element of contributions from the Section 31 grant provided by DLUHC to compensate for the under-indexation of the business rate multiplier, which should have been increased by the Retail Price Index. This grant has been confirmed as 26/499th in 2021/22, 51/499th in 2022/23, and potentially 85/499th in 2023/24. The Business Rate estimates are in the process of being updated by Councils and several of the figures shown below will be refined and updated in time for the report to the LEP Board in March.

Table 4: Enterprise Zone Account

<u>Enterprise Zone Account</u>	<u>2021/22</u>	<u>2022/23</u>		<u>2023/24</u>
	Actual	May 2022 Estimate	Latest Estimate	Estimate
	£000	£000	£000	£000
<u>Business Rate Income</u>				
<u>Round 1 Sites</u>				
Newcastle (Neptune)	543.1	531	530.9	691.9
North Tyneside (Swans)	198.9	124	207.6	238.5
Northumberland (Blyth)	316.4	326	353	496
Sunderland (A19)	830.7	765	764.0	1,469.9
<u>Round 2 Sites</u>				
Northumberland (Ramparts)	61.1	49	49	44
Gateshead (Follingsby)	258.5	3,450	3,258	2,465
IAMP	927.9	599	525.2	912.1
South Tyneside (Holborn)	0	60	60	200.0
Durham (Jade)	185.1	261	260.8	276.9
Newcastle (Airport)	0	341	213.7	204.0
Business Rate Income	3,322.8	6,506	6,222.2	6,998.3
Interest of Account Balance	15.0	24	150	250
Total Income	3,337.8	6,530	6,372.2	7,248.3
<u>Expenditure</u>				
Capital Financing Costs	2,170.7	2,832	2,832.0	4,208.0
INEE Team Contribution	157.0	300	241.0	250.0
EZ Account Operation	95.5	82	108.0	100.0
Total Costs	2,423.2	3,214	3,181.0	4,558.0
Annual Surplus	913.6	3,316	3,191.2	2,690.3
Cumulative Surplus	4,568.6	7,885	7,759.8	9,045.1
<u>Less - Use of Surplus</u>				
- To Fund LEP Costs	0	-500	-500.0	-500.0
- Project Development Acceleration Fund (PDAF)	0	-1,000	-905.0	-40.0
- INEE Strategic Inward Investment grants*	0	-1,000	0	-1,000.0
- CPIF Incentives*	0	0	0	-1,000.0
Residual Surplus Balance	4,568.6	5,385	6,354.8	6,505.1

- 6.4 The increase in income in 2022/23 is mainly due to the inclusion of income from buildings on the Follingsby EZ site, assuming that the rateable value is set this year by the Valuation Office and rates are then collected this year, and the receipt of income from buildings completed in 2021/22 on the Newcastle Airport sites, where business rate income for that year is due to be received in 2022/23. The income estimates include a contingency of at least 10% and it

is hoped that actual income for the year will be higher than the estimates shown here.

- 6.5 Income for 2023/24 is expected to increase as a result of the occupation of additional buildings on several EZ sites; a net increase in the rateable value of buildings on EZ sites as a result of the latest business rate revaluation; and an uplift in the Section 31 grant from Government to compensate for the under-indexation of the business rate multiplier.
- 6.6 The costs mainly relate to capital financing costs including borrowing costs (which includes interest). Borrowing costs in 2022/23 are in line with the original budget, with the impact of higher interest rate being offset by slippage of the cost capital infrastructure works on some EZ sites, including the IAMP EZ site, into future years. Borrowing costs are expected to rise significantly in 2023/24 as more longer-term loans taken out by Councils to finance completed works commence their repayments. Also included is the repayment of previous interest free loans from the LEP's North East Investment Fund (NEIF) and the repayment of LGF funding swaps. It should be noted that a proposal elsewhere on this agenda would reduce the costs of LGF repayments in 2023/24 and the impact of this saving is not yet reflected in the figures in this report.
- 6.7 The cumulative surplus is expected to increase both this year and next, with increasing surpluses in future years.
- 6.8 One of the agreed uses of the Enterprise Zone surplus is to contribute £0.500m each year to the LEP's revenue budget. The original 2022/23 LEP Team budget, agreed in January 2022, envisaged a call on the EZ surplus of £0.5m, which will be utilised to strengthen the budget position as we move to transition into the new MCA. The contribution of £0.5m per annum is built into the Enterprise Zone model. More information will be reported in March and May when a report on the projected lifetime surplus on the EZ account will be presented.
- 6.9 The use of the EZ surplus to fund the Project Development Fund is shown in 2022/23 and 2023/24 and is lower than previously approved due to a reduction in the cost of the initiative. The potential use of £1m of the EZ surplus to fund Strategic Investment Fund Grants* and £1m to fund the Commercial Property Investment Fund (CPIF) Incentives* is also shown, which is still subject to the consideration and approval of individual grants by the LEP Board.

7. North East Investment Fund (NEIF)

- 7.1 During 2022/23 the North East Investment Fund continued to receive repayments from its projects continuing its record of 0% default on investment. Of greatest significance to the Fund, after long period of negotiation and having satisfied requests made by the Finance Investment Sub Committee (FISC) of BEIS, the North East LEP (and its Accountable Body) were released from the contractual obligations of the £30m Regional Growth Fund contribution to the North East Investment Fund. This has provided the North East LEP with the flexibility to use the NEIF to pursue a

strategic objective of setting up an independently fund managed Commercial Property Investment Fund (CPIF) to help tackle weaknesses in the North East commercial property market. During 2022/23 continued progress has been made with procurement of an independent fund manager for the CPIF, with the expectation of launch early in 2023/24. The CPIF will be £35m of senior debt, supported by up to £15m of grant incentives. It will primarily be financed from the NEIF.

NEIF Fund December 31 2022	
Regional Growth Fund (RGF)	£29.3m
Growing Places Fund (GPF)	£24.7m
Total Fund Budget (including interest)	£54m+(£2.1m)
Total Investment made to date (no. of projects)	£79m (31)
Current Balance for Investment	£13.1m

- 7.2 Repayments have continued from significant projects, however, NEIF beneficiaries have been amongst the many businesses effected by COVID19 pandemic, and this has resulted in several projects renegotiating repayment terms. The secured nature of NEIF investments has meant the Partnership has been able to agree to such requests when they have come forward when supported by satisfactory evidence. The major investment of the year has seen the expansion of the North East Property Development Fund, managed by FW Capital (FWC), providing loans up to £1m to developers of small scale residential and commercial development. The additional investment occurs following the successful piloting of the Fund and growth in demand from SME developers in region.
- 7.3 FW Capital are currently working on 11 investment opportunities totalling £12.326m, which are either active or under review. The current qualified loan pipeline is £8.389m and relates to six schemes. A further application with a facility of £0.337m has been agreed since the quarter end. FWC are actively working on the four remaining enquiries, which a potential borrowing requirement of £3.6m. Of these, two applications have been received seeking £2.1m of funds. This call on the Fund across deals, has led FWC drawing on the final tranche of approved NEIF funds of £2.5m, which was paid at the beginning of November. The fund is now at maximum capacity.

8. Recommendations

- 8.1 The Board is requested to:
- i. Note the positive indicative budget outturn position for 2022/23.
 - ii. Note the indicative budget for 2023/24, with an update on the 2023/24 budget being reported to the LEP Board in May 2023.
 - iii. Note the estimated end of year position of the Enterprise Zone account.

Invest North East England 2022-23 Indicative Outturn and 2023-24 Budget.

1. Overview

- 1.1 Invest North East England (INEE) acts as the strategic inward investment service in the North East. It works collaboratively with its seven local authority partners, two combined authorities, and other key stakeholders such as the North East LEP, Department of International Trade, and Universities to increase the levels of inward investment flowing into the region from both UK-owned and foreign-owned businesses.
- 1.2 Operationally, INEE's work has a few key guiding principles:
- INEE's primary function is to focus on attracting new inward investment to the North East (rather than seeking to secure re-investment in existing companies).
 - INEE works closely with, and on behalf of, all seven constituent authorities, its aim being to maximise levels of inward investment regardless of location in the North East (a 'North East First' principle).
 - INEE activity aims not to duplicate, but add value to activities undertaken by the constituent local authorities.
 - INEE engages in proactive lead generation activity which is sector-based, focussed on: Digital Technology; Energy; Life Sciences; Advanced Manufacturing; Financial, Professional and Business Services.
 - INEE focus of activity will be on strategic inward investment projects which require regional-level promotion, coordination, and collaboration in the first instance, before a focus on a specific site.
 - As far as possible, INEE will aim to attract investment opportunities which will lead to significant numbers of high-quality jobs (more and better Jobs)

2. Performance

- 2.1 2021/22 was a fantastically successful year for inward investment – a record year for INEE. The region out-performed every region in the UK, including London, on jobs created by foreign direct investment (FDI) per 100,000 working-age population (a calculation allowing regions of different sizes to be compared). Over 8,000 jobs were created through UK and FDI inward investment projects in a range of sectors – advanced manufacturing, automotive, digital technology, renewable energy, business services.
- 2.2 2022/23 has been more challenging in terms of successful projects, although there have been successes across the sectors. INEE currently has a very healthy project and visit pipeline which it hopes to secure investments from in the final quarter of 2022/23 and into 2023/24. The team is focusing particularly on electrification projects, renewables, digital technology and advanced manufacturing with some very exciting and strategic investments on the horizon.

3. 2022/23 Indicative Outturn and 2023/24 Proposed Budget

- 3.1 The 2022/23 Indicative Outturn position reflects a slight decrease in employee expenditure relating to a member of the Team leaving for a new job. A great deal of this post was in relation to working with communication and marketing platforms it is considered this activity can be fulfilled by an existing third-party provider in the interim. The budget has therefore been vired from the staffing budget to Web/Marketing and Comms.
- 3.2 Historically the Invest North East England (INEE) budget has been funded from contributions from the 7 local authorities (£20,000 each); contribution from the North East LEP (£140,000) and the balance met from Enterprise Zone surplus due to inward investment linked to Enterprise Zone sites, plus a small contribution from Department of Trade and Industry (DIT) (£6,500).
- 3.3 The North East LEP contribution (£140,000) was funded from interest achieved from investing Local Growth Fund and in 2020/21, 2021/22 Getting Building Fund balances, with both these funding streams finishing in 2021/22 this funding is no longer available. The balance of funding is to be met from Enterprise Zone surplus. The Indicative Outturn for 2022/23 and the proposed budget for 2023/24 is set out in Table 1 below.
- 3.4

Table 1. Invest North East England 2022/23 Indicative Outturn and 2023/24 Proposed Budget

	2022/23 Original Budget	2022/23 Indicative Outturn	2023/24 Proposed Budget
Expenditure	£	£	£
Salaries	237,000	230,000	200,000
Staff Training	1,000	-	-
Travel and Subsistence	5,000	10,000	10,000
Web, Telecoms, Computers	8,000	7,000	17,000
Marketing/Coms/Events	90,000	70,000	90,000
Membership Fees	3,000	3,000	3,000
Professional Consultancy	8,000	8,000	8,000
Lead Generation	93,000	45,000	45,000
Research Resource Licenses	15,000	15,000	15,000
Gross Expenditure	460,000	388,000	388,000
Income			
Local Authority Contributions	(140,000)	(140,000)	(140,000)
EZ Contribution	(313,000)	(241,000)	(241,000)
Private Sector Contribution	(7,000)	(7,000)	(7,000)
Gross Income	(460,000)	(388,000)	(388,000)
Net Budget	0	0	0



Report Summary

This report is the third 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. It also sets out the potential position on the reserves at the year end.

Recommendations

The Cabinet is recommended to:

1. Note the forecast budget monitoring position for the Combined Authority as set out in paragraphs 1.2, 1.3, 1.4 and 1.5 and the reserves position in 1.6.

1. Background Information, Proposals and Timetable for Implementation

1.1 Summary

- 1.1.1 Cabinet approved the 2022/23 budget on 25th 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.
- 1.1.2 The 2022/23 Q3 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.
- 1.1.3 Since the budget for 2022/23 was approved, the Combined Authority have 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 Investment Plans for the core-UKSPF and Multiply were submitted to Government on 1 August 2022. Confirmation of funding was received in late November. Delivery on the core-UKSPF and Multiply has started in earnest, the funding profile is shown in section 1.5.7. Delivery and spend against the allocations will be reported back to Cabinet as part of the quarterly budget monitor process.

1.2 Corporate Budget

- 1.2.1 The Corporate budget for 2022/23 is set at a net zero position for the costs associated with the capacity required to deliver activity across the portfolio areas.
- 1.2.2 Table 1 overleaf reflects the 2022/23 forecast position across the key income and expenditure heads within the Corporate Budget head.

Table 1 Q3 2022/23 Corporate Budget Monitor

	2022/23 £m	Forecast £'000	Variance £000
Expenditure			
Staffing	3.145	3.544	0.399
Mayor's Office	0.248	0.255	0.007
Other Costs	1.203	1.560	0.357
Contribution to Reserves	0.800	0.800	-
Transport Levy	29.335	29.335	-
SLAs (Service Level Agreements)	0.285	0.294	0.009
Total Expenditure	35.016	35.788	0.772
Income			
Mayoral Capacity Grant	(1.000)	(1.000)	-
Constituent Authority Contributions	(0.111)	(0.111)	-
Investment Fund Contribution	(2.650)	(2.650)	-
AEB Contribution	(0.678)	(0.708)	(0.030)
Bootcamp Contribution	0.000	(0.503)	(0.503)
UK-SPF (Shared Prosperity Fund) Top slice	-	(0.239)	(0.239)
Investment Fund Workstreams	(0.773)	(0.773)	-
Other Contributions	(0.294)	(0.294)	-
Interest on Investments	(0.175)	(0.175)	-
Transport Levy	(29.335)	(29.335)	-
Total Income	(35.016)	(35.788)	(0.772)
Net Position (Inc)/Exp	-	-	-

- 1.2.3 Gross expenditure is anticipated to exceed budget by £0.772m at this point in the new financial year, £0.406m of this is in relation to an increase in employee expenditure, this is matched by increases in funding available to support delivery. There are now 77 staff directly employed by the Combined Authority. The new UK SPF Funding has brought the need to create 8 new posts to meet delivery. Workforce planning remains key for the Authority to ensure there is the required capacity to meet delivery ambitions with the aim of creating a long-term staffing plan set within the context of a consistent set of agreed principles appropriate for the authority.
- 1.2.4 Other costs show an increase of £0.357m relating to operational expenditure connected to the delivery on UK SPF and Bootcamps. Expenditure on Service Level Agreements (SLA) is anticipated to exceed the original budget level by £0.09m due to anticipated increase in line with inflation.
- 1.2.5 Gross income is reflecting a (£0.772m) increase against the original budget approved. This increase is in relation to new Bootcamp Funding - £5.532m in total, to deliver Skills Bootcamps to allow residents to attain skills to improve their job prospects. A 10% top slice to fund delivery and cover administration costs is allowed within the grant funding conditions (£0.503m). UKSPF (UK Shared Prosperity Fund) funding of £51.1m across 3 years to 2024/25 has been secured in 2022/23 providing a 4% administration top-slice in relation to the Core UK SPF (£47.1m) and £10% top-slice on the Multiply element of UKSPF (£5.0m). The funding stream of £0.239m shown in Table 1 above is the level of top-slice funding anticipated to be required to meet delivery in 2022/23. In addition to this a further (£0.030m) is anticipated on AEB devolved funding top slice.

1.3 Investment Fund

1.3.1 Delivery on the Investment Fund continues, with 134 projects now approved. The Combined Authority has achieved:

- Committed spend of £117.6m
- These projects will attract £292.015m of private sector leverage (£155.000m from BHF (Brownfield Housing Fund)) and are forecast to deliver 4616 jobs and safeguard a further 2644.
- Of these, the first 1059 new jobs have been created and 1666 jobs reported as safeguarded.

Working 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. There is a degree of overprogramming in order to manage delays and slippage across programmes and projects. This is indicative at this stage and will be updated in the outturn report to Cabinet.

Table 2 Commitment against Investment Fund Thematic Area Allocation

	Committed	Allocation	% Allocated
	£m	£m	
Business	53.61	45.30	118%
People	19.04	17.30	110%
Place	24.10	13.25	181%
Major Strategic Economic Opportunities	17.39	9.65	180%
Business Case Development Fund	3.46	4.50	77%
	117.60	90.00	130%

1.3.2 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 below shows the forecast position for the Investment Fund in 2022/23.

Table 3 Investment Fund Q1 Budget Monitor

Investment Fund	Budget £m	Q.3 Spend £m	Forecast £m	Variance Forecast to Budget £m
Expenditure				
Business Case Development Fund	0.500	0.330	0.500	-
Investment Projects	41.600	16.992	41.800	0.200
Technical Assistance	0.250	0.181	0.250	-
Contribution to Corporate	2.650	2.650	2.650	-
Gross Expenditure	45.000	20.153	45.200	0.200
Income				
Investment Fund	(20.000)	(20.000)	(20.000)	-
Total Income	(20.000)	(20.000)	(20.000)	-
Net Position (Income)/Expenditure	25.000	0.153	25.200	0.200
Investment Reserve brought forward	(54.048)	(54.048)	(54.048)	-
Net Investment Fund Reserve carried forward	(29.048)		(28.848)	0.200

- 1.3.3 Included in the budget is provision for Technical Support, which is a requirement of the Assurance Framework in 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 work 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 reported project outcomes.
- 1.3.4 The external economic outlook is dominated by increased cost of living prices and signs of a fragile economy, with inflation rising to 9.1%. 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 positive 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 being delivered in 2022/23, including the Town and High Streets Programme (£6.000m) which is now moving into delivery, and a contribution towards the building of a new Technology Development Centre, Tyne Clean Energy Park: Howdon Yard & Quay Redevelopment for the Offshore Sector (£2.00m).
- 1.3.5 Within the above investment fund workstream the following project includes funding to be spent on capital schemes:

Table 4 Investment Fund Capital Schemes

	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			1.973
North bank of the Tyne EZ – Ph. 1				0.250	0.550	0.800
North Shields Fish Quay			0.346	1.194		1.540
Bates Clean Energy Terminal			0.711	1.627		2.338
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	0.741	1.250
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. - N'land				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	2.704	13.854	6.789	23.715

1.4 Brownfield Housing Fund

- 1.4.1 The Brownfield Housing Fund was the first housing allocation for the North of Tyne Combined Authority. The funding is intended to support the development of at least 2000 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.
- 1.4.2 An extension to Brownfield Housing Fund 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 was awarded £7.96 million, bringing the total amount of NTCA BHF funding to £31.820 million.
- 1.4.3 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 in order to manage a deliverable capital programme which meets the requirements and timescales set out by DLUHC (Department of Levelling Up, Housing and Communities).
- 1.4.4 In terms of approvals to date, NTCA have approved 11 schemes with a total commitment of £23.227m, with a further 4 projects going through appraisal valued at £9.264m. These schemes are forecasting the creation of 2133 housing units with the extended pipeline accounting for 2422, this is set against the DLUHC target of 1500. Forecast private sector leverage for the contracted projects stands at £115.95m.
- 1.4.5 Risk around performance has increased as a result of project variation in year 1 and 2 resulting in a revised profile to DLUHC as detailed below in Table 5.

Table 5 Brownfield Housing Funding up dated Profile

	Total	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m Actual	£m Actual	£m Forecast	£m Budget	£m Budget
Funding Profile	31.820	0.568	3.385	10.563	14.056	3.248

1.5 Adult Education Budget (AEB)

- 1.5.1 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.
- 1.5.2 The Department of Education has 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. This brings the total AEB in 2022/23 academic year to £25.546m. The Free Courses for Jobs Offer funding allocation is subject to change as reconciliation is finalised with the DfE (Department for Education) and providers.
- 1.5.3 Since the beginning of August 2021 over 32,200 enrolment opportunities have been delivered or are being undertaken.
- 1.5.4 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 Cost Analysis Statements (CAS) have been issued, in order that they can set out extenuating circumstances for under-delivery and any costs incurred which are directly related to AEB delivery,

but which are not captured in the ILR (Individualised Learner Records) data returns. These reconciliations will be finalised by October.

- 1.5.5 Table 6 below shows the AEB Allocation and Forecast for the academic year 2022/23 (August 1, 2022 – July 2023). Table 7 shows the AEB Allocated Forecast Delivery in financial year 2022/23 which spans academic year 2022/21 (1 April 2022 – 31 July 2022) and academic year 2022/23 (1 August – 31 March 2023) in addition to the re-allocation of clawback funds (£3.220m) from previous academic years under delivery.

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	15.756	0.387
Procured Services	6.659	7.961	1.302
Corporate Contribution	0.678	0.708	0.030
Courses for Jobs	-	1.121	1.121
Gross Expenditure	22.706	25.546	2.840
Income	(22.706)	(25.546)	(2.840)
Gross Income	(22.706)	(25.546)	(2.840)
Net Position (Income)/Expenditure	-	-	-

Table 7 Adult Education Budget Delivery Financial Year 2022/23 Profile

Financial Year 2022/23	1 Apr 2022 - 31 Jul 2022 £m	1 Aug 2022 - 31 Mar 2023 £m	Total £m
Devolved Adult Education Budget	9.224	14.578	23.803
Free Courses for Jobs Funding	0.434	0.830	1.264
Clawback of previous years allocation from providers to be reallocated	-	3.220	3.220
Corporate Contribution	0.236	0.472	0.708
Total	9.894	19.100	28.995

- 1.56 Funding has been secured from the National Skills Fund to run a series of Skills Bootcamps in a range of sectors. These allow 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 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
Corporate 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	-	-	-

1.5.7 Government funding of £4.1m over the next three years has been secured for the national 'Multiply' programme, aimed at improving adult numeracy skills. This will unlock new job or training opportunities. Table 9 shows the budget and forecast position on Multiply delivery 2022/23.

Table 9 Multiply 2022/23 Forecast Position

	Financial Year 2022/23		
	Budget £'000	Forecast £'000	Variance £'000
Expenditure			
Procured Services	1.123	1.123	-
Corporate 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	-	-	-

1.6 Reserves

1.6.1 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 (Community Renewal Fund)	1.095	(1.095)	0.000
Total General (Useable) Reserves	58.613	(29.365)	29.248

1.6.2 Based on the forecast position at Q3 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.

1.6.3 The AEB reserve of £3.220m relates to clawback of funding from providers who have under delivered in the previous academic year to be reallocated out to other providers. It is anticipated the full amount 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.

2. Potential Impact on Objectives

- 2.1 The 2022/23 Budget Monitor is aligned with the NTCA Corporate Plan as approved on 8 June 2021. This sets our clear Cabinet priorities for the authority, underpinned by seven delivery portfolios and cross-cutting ambitions.

3. Key Risks

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

4. Financial and Other Resources Implications

- 4.1 This is a financial report with any financial or resource implications set out in the report.
- 4.2 The Mayor and Cabinet need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances in accordance with the Authority's Reserves and Balances policy.

5. Legal Implications

- 5.1 The Combined Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy's Prudential Code: Capital Finance in Local Authorities and the Department of Levelling up, Housing and Communities Statutory Guidance on Local Government Investments.
- 5.2 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.

6. Equalities Implications

- 6.1 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.

7. Inclusive Economy Implications

- 7.1 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 delivery against NTCA funding detailed in 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.

8. Climate Change Implications

- 8.1 Climate change implications are assessed on an individual project basis as part of the assessment process. Delivery against NTCA funding detailed in 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.

9. Consultation and Engagement

9.1 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.

10. Appendices

None

11. Background Papers

25 January 2022 NTCA Budget Report

12. Contact Officers

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

13. Glossary

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

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Subject: North East Local Enterprise Partnership – Funding Decisions Update

Report of: Chief Executive of the North East Local Enterprise Partnership

Portfolio: All

Report Summary

The purpose of this report is to update the Cabinet on the work and decisions of the North East Local Enterprise Partnership (North East LEP). Since the North of Tyne Combined Authority Cabinet meeting held on 20 September 2022 there have been a number of project funding decisions related to the investment programmes managed by the North East LEP, for which NTCA is the accountable body. This report provides summary information about the Local Growth Fund (LGF), Getting Building Fund (GBF), Enterprise Zone (EZ), Project Development Accelerator Fund (PDAF) and North East Investment Fund (NEIF) programmes.

Recommendations

Cabinet is recommended to:

1. Note the report which provides information on the work and funding decisions of the North East Local Enterprise Partnership (North East LEP) over the last four months.

1. Background Information

- 1.1 The report provides an update on the North East LEP project funding decisions made since the 20 September 2022. The North East LEP manages four funding programmes; the Local Growth Funding (LGF), the Getting Building Fund (GBF), the North East Investment Fund (NEIF) and the Enterprise Zone (EZ) programme. On the 28 May 2021, the North East LEP Board agreed to the establishment of a Project Development Accelerator Fund (sourced from NEIF, reallocated from GBF programme match underspend and retained EZ surplus) to support the development of strategic regional projects. This fund has assisted 19 projects to date.
- 1.2 Project funding decisions are made in line with the North East LEP Constitution and Scheme of Delegation which sets out how decisions can be made through the North East LEP Board, the Investment Board or through the delegated decision process.
- 1.3 The North of Tyne Combined Authority (NTCA), as the North East LEP accountable body, is the legal entity which issues the grant and loan agreements to project applicants and as such must satisfy itself of the legal and financial probity of any decisions it implements on behalf of the North East LEP. This means that the North East LEP project funding decisions also need to be authorised through NTCA decision-making for legal and financial probity reasons, rather than endorsing the actual in principle decision of the North East LEP.

2. Funding Decisions

- 2.1 Approval was confirmed to enable the procurement processes set out below to be progressed:
 1. Procurement for a digital development company to support the development and management of the North East LEP's digital infrastructure with:

- a. Delegation given to the North East LEP Chief Executive in consultation with the NTCA Monitoring Officer and S73 Officer to award a contract up to the value of £250,000 per annum for two years with the option to extend for a further two years (£1m total).
 - b. The Monitoring Officer to complete the necessary paperwork to finalise and issue the award of contract for an appointed digital development company
2. Procurement of suppliers to deliver courses from an indicative new budget allocation of up to £7.4m for Skills Bootcamps (this includes £3m to extend Wave 3 contracts into 2023/2024) and an additional £4.4 million for new bootcamps training courses in Wave 4. The following were approved:
- a. Delegation given to the North East LEP Chief Executive and NTCA's Interim Chief Finance Officer (section 73 officer) to enter into and approve a grant agreement with Department for Education for up to £7.4 million for the financial year 2023/24.
 - b. Delegation given to commence the procurement process that will determine the appointment of the North East LEP Green Skills Bootcamp delivery partners, via the North of Tyne Combined Authority procurement portal.
 - c. Delegation given to the North East LEP Chief Executive and NTCA's section 73 officer to enter into and approve up to three delivery contracts with the successful bidders, who will deliver skills bootcamps up to the value of £4.4 million in 2023/24, with a possible one year extension of an additional £4.4 million.
 - d. Delegation given to the North East LEP Chief Executive and NTCA's Interim Chief Finance Officer (section 73 officer) to enter into and approve extensions of a total value of £3 million to current Wave Three contract holders under the terms of the existing Wave Three contracts.
- 2.2 Other confidential project funding decisions made and implemented up to the end of December 2022, including delegated decisions, are set out in the confidential appendix C.
- 3. Potential Impact on Objectives**
- 3.1 The decisions support the vision and objectives of the North East LEP Strategic Economic Plan 2014- 2024, and the North East Recovery and Renewal Deal submitted to Government in September 2020.
- 4. Key Risks**
- 4.1 The North East LEP is managing financial, regulatory and reputational risks at both project level and programme level. Individual project level risks are assessed prior to funding approval as part of the project appraisal process and in accordance with the North East LEP Assurance Framework.
- 4.2 NTCA's finance and legal officers consider all related grant and loan funding agreements including subsidy control matters to ensure legal and financial probity prior decisions being taken.
- 5. Financial and Other Resources Implications**
- 5.1 The Section 73 Officer is consulted on all funding decisions going through the NTCA decision-making process to ensure financial probity and whether the budget provision is available.

6. Legal Implications

- 6.1 The comments of the Monitoring Officer have been included within this report. The NTCA Monitoring Officer is consulted on all funding decisions going through the NTCA decision-making process to ensure legal probity.

7. Equalities Implications

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

8. Inclusive Economy Implications

- 8.1 The North East LEP follows the policies set out in its North East Strategic Economic Plan (SEP) that promote sustainable economic growth across the region. The core objective of the North East SEP is to support the creation of 100,000 'more and better' jobs in the region by 2024.
- 8.2 Projects consider the impact on inclusive growth in the North East.

9. Climate Change Implications

- 9.1 A number of projects / mini programmes supported by the North East LEP funding programmes are specifically supporting efforts to achieve Net Zero goals and to mitigate against climate change.

10. Consultation and Engagement

- 10.1 Proposals have been developed through the North East LEP Board and Investment Board processes.

11. Appendices

Appendix A: Copy of the North East LEP Board funding papers – 29 September 2022
Appendix B: Copy of the North East LEP Board funding papers – 24 November 2022
Appendix C: Copy of confidential funding decisions made since September 2022

The appendices are not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, information relating to the financial or business affairs of any particular person (including the authority holding that information).

12. Background Papers

None

13. Contact Officers

- 13.1 Helen Golightly OBE
Chief Executive, North East Local Enterprise Partnership
Helen.Golightly@nelep.co.uk

14. Glossary

- 14.1 LEP – Local Enterprise Partnership
14.2 LGF – Local Growth Fund
14.3 EZ – Enterprise Zone
14.4 NEIF – North East Investment Fund
14.5 GBF – Getting Building Fund
14.6 PDAF – Project Development Accelerator Fund

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