

North of Tyne Combined Authority, Overview and Scrutiny Committee

Tuesday 14 March 2023 at 1.00 pm

Meeting to be held: Collingwood Suite, Civic Centre, Newcastle upon Tyne, NE1 8QH

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AGENDA

	Page No
1. Welcome and Introductions	
2. Apologies	
3. Declarations of Interest	
4. Approve the minutes of the meeting held on 11 October 2022	1 - 8
5. Approve the Actions from the 6 December 2022 inquorate meeting	9 - 12
6. Update from Cabinet Member for Housing, Land and Development	13 - 16

In attendance: Mayor Dame Norma Redfearn, Cabinet Member for Housing, Land and Development and Deputy Mayor of the North of Tyne Combined Authority

Attached papers: Report

7. Update on NTCA Culture, Creative and Tourism Programme 17 - 26

In attendance: Cllr Glen Sanderson, Cabinet Member for Culture, Creative and Rural

Attached papers: Report

8. 2022-23 Quarter 3 NTCA Budget Monitoring Report 27 - 38

In attendance: Katy Laing, Strategic Finance Manager

Attached papers: Report and Appendix.

9. Final 2023-27 NTCA Budget and Cabinet's response to the Committee's recommendations on the Budget Proposals 39 - 86

In attendance: Katy Laing, Strategic Finance Manager and Elizabeth Kerr, Principal Governance and Scrutiny Manager

Attached papers: Report and Appendices

10. Scrutiny Annual Report and Review 87 - 100

In attendance: Elizabeth Kerr, Principal Governance and Scrutiny Manager

Attached papers: Report and Appendix

11. Date and Time of Next Meeting

To be confirmed.

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North of Tyne Combined Authority, Overview and Scrutiny Committee

11 October 2022

(1.04 - 3.27 pm)

Meeting held: Collingwood Suite, Civic Centre, Newcastle upon Tyne, NE1 8QH

Minutes

Present:

Chair: C Seymour

Councillors L Wright, G Stone, J Harrison, J Kirwin, J Shaw and L Bowman

Also: Mayor J Driscoll

12 WELCOME AND INTRODUCTIONS

The Chair welcomed everyone to the meeting and introductions were made.

13 APOLOGIES

Apologies for absence were received from Councillors J Beynon and S Fairlie.

An apology for absence was also received from R Hamilton, Chief Economist, North of Tyne Combined Authority.

14 DECLARATIONS OF INTEREST

Councillor G Stone declared an interest in agenda item 8 (Investment Fund Update), specifically the Town and High Streets programme due to professional involvement.

15 AGREE THE MINUTES OF THE MEETING HELD ON 5 JULY 2022

RESOLVED – That the minutes of the meeting held on 5 July 2022 be approved as a correct record and signed by the Chair.

16 **MAYOR'S BRIEFING**

Submitted: Mayor's Briefing (previously circulated and copy attached to Official Minutes).

Mayor J Driscoll introduced the briefing paper, highlighting the following matters: the achievements regarding the delivery of programmes and projects; the Combined Authority's approaches to working and the level of innovation achieved; the challenges being incurred and their impact; and the Combined Authority dedication to driving improvements for the region.

In addition to the information on the wide range of projects and programmes that were being progressed by the Combined Authority, the committee also noted the following aspects, as highlighted by Mayor Driscoll:

- the Combined Authority's emphasis on collaborative approach to working;
- the importance of working with the private sector and the role of leverage;
- the wide-ranging geographical inclusion;
- the volume of projects that had been delivered successfully, especially in deprived areas, which were characteristically difficult to achieve progress in;
- the success achieved in the number and quality of the jobs created;
- the collaboration with the Voluntary, Community and Social Enterprise (VCSE) sector;
- the innovative approaches to working with stakeholders;
- the good progress achieved overall;
- the key external challenges affecting the Combined Authority's work;
- the challenges included the extremely short deadlines, including in relation to spending requirements;
- the strengths of a combined authority in having a Mayor; and the role of Mayor Driscoll in discussions with the Government, specifically in lobbying on behalf of the Combined Authority.

Mayor Driscoll then took the opportunity to express thanks to all teams that were involved in the Combined Authority's work to deliver improvements for the region.

Mayor Driscoll welcomed the ongoing engagement with the Overview and Scrutiny Committee and praised the value of the collaborative approach to working.

Questions and Answers

The committee members then asked questions of Mayor Driscoll and Mayor Driscoll provided responses, the summaries of which are set out below.

Investment Zones

The Mayor explained that the Combined Authority could not influence policies of the Government and had to work to overcome challenges that were arising as a result of such policies, including through focusing on the Combined Authority's role and ambition to do the best for the region, whilst continuing discussions with the Government.

Regarding the progress with Investment Zones, the Combined Authority had expressed an interest to the Government and was working with the constituent local authorities to bring forward potential sites.

Whilst understandably there were many risks involved, such as the risk of displacement, the Combined Authority continued its work on Investment Zones to explore this further; assurance would be sought that there would be no deregulation on environmental protection.

Retrofitting

The Mayor confirmed that the Government position on retrofitting was not ideal; and there were challenges associated with this area of work, including: costs and delivery. Work continued to identify and secure additional sources of funding and appropriately trained and skilled workforce to enable delivery.

The progress of delivery of the Local Growth Fund and the role of the Mayor

The Mayor agreed that there were challenges associated with the lack of certainty and stability of the current environment, including in relation to funding; and this was a UK-wide issue.

Explanation was also offered on various elements of the Mayor's role in supporting the delivery of the programme. The Mayor worked with business community in the region, including Confederation of British Industry and North East England Chamber of Commerce to name a few. The Mayor worked to support and promote wide regional engagement and inward investment.

Progress of the Draft Devolution Deal

The Mayor explained the volume, depth and duration of the work on the latest Draft Devolution Deal, making references to the relevant history and background.

Information was provided on the stages of development of the Draft Deal and the stages of discussions with the Government. References were made to the role of the Government in this matter; the impact of Durham County Council exploring opportunities; the fact that the new Draft Deal was now fully drawn; the confidentiality of the details within the Deal; and the likely timescales involved.

The Mayor gave an overview of the additional powers and funding that the new Draft Devolution Deal could mean for the region, including in relation to public transport, brownfield housing, improving skills and tackling child poverty; and commented on its good quality.

It was noted that the committee would receive more information in due course and most likely at its next meeting.

The next steps for the new Draft Devolution Deal would include submitting it to the proposed constituent local authorities for agreement to commence public consultation and then for the proposed constituent authorities to agree to progress with the deal and a Mayoral election in May 2024.

The importance of improvement of bus services in the region

Whilst the Metro and rail services were crucial for the economic development of the region, and substantial progress had been achieved to improve, sustain and reinstate these services (and the Mayor provided examples), they should be considered in the context of integrated transport and include a variety of measures, including for example “Park and Ride” facilities.

The Mayor confirmed the importance given to improving bus services, and gave an example of such work, including a recent successful bid to the Government, which had resulted in the region receiving more funding than many other areas in the country.

Whilst the Metro had a substantial economic benefit for the region, it was not self-funding. The Mayor briefly explained the challenges involved.

The Mayor confirmed that work continued to improve public transport services across the region, including bus services.

The importance of improvement of electric car charging infrastructure in the region

The Mayor agreed and referred to the importance the Combined Authority placed on the Green New Deal for the region. He also explained that the responsibility for the provision of electric car charging infrastructure sat with individual local authorities.

Mayoral Ambassador for the VCSE sector

It was the Mayor’s and the Combined Authority’s idea to appoint a Mayoral Ambassador for the VCSE sector; and Mr R Fry had been working in this capacity until recently as he had been successful in applying for a position with the Combined Authority and was now an employee. Ms L Goodwin, the Chief Executive of Connected Voices was now in the role.

Financial support for dealing with the impact of the cost of living crisis

Although it was difficult to forecast full impact, there were many challenges predicted as a result of the cost of living crisis; and these could be particularly acute in rural areas. Information was offered to the committee on relevant projects of the Combined Authority, which covered the wide geography of the region, including rural areas. More detailed information on the Spacehive projects, their purpose, value and location, would be provided in writing.

It was noted that the Combined Authority’s child poverty prevention programme was working and making a big difference.

Explanation was also offered on the position with the crowdfunding platform; and the potential changes in thresholds to reflect the impact of the living cost crisis.

The impact of the cost of living crisis on the Combined Authority’s work

The Mayor agreed that it was the Government who should be held responsible for their decisions and the resultant impact. Explanation was offered on the strength of the Combined Authority, including: its resilience; the nature of projects and interventions that allowed the Combined Authority to continue to work to tackle poverty; and the Authority’s ability to deliver projects fast. Importantly, one of the strengths of the Combined Authority was its focus on co-design, which meant

working closely with people of the region to understand their needs. The Authority had a good understanding of the regional poverty profile and the chain reaction involved. And whilst, nationally, poverty was worsening, it was not new, and the Combined Authority was working continuously to devise and implement plans to tackle regional issues.

Thanks to the Mayor and the Combined Authority

The Chair, on behalf of the committee, thanked Mayor Driscoll for the update and for his work and commitment.

The Overview and Scrutiny Committee welcomed the progress achieved and commended the Combined Authority for its work.

17 GROWTH PLAN, LEVELLING UP AND DEVOLUTION - PRESENTATION

H Kippin, the Chief Executive of the Combined Authority, delivered a Power Point presentation (copy attached to Official Minutes) on the current position with the Growth Plan, the Levelling Up agenda and Devolution, outlining key challenges, explaining the Combined Authority's approaches and offering an indication of the next steps.

The Chair, on behalf of the committee, thanked H Kippin for the update and the clear explanation.

18 NORTH EAST LOCAL ENTERPRISE PARTNERSHIP UPDATE

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

H Golightly introduced the report which provided an update on the work of the North East Local Enterprise Partnership (LEP), the outcome of the national LEP Review and progress to date of the Annual Delivery Plan for 2022/2023.

In response to a committee member's question, H Golightly agreed that all key stakeholders, including LEP and local authorities, had to do more with less resources; and this position was accepted as standard. The LEP's approach was to work in collaboration with all stakeholders, focusing on how political aspirations could be achieved with the available resources.

Partners were now in the final stage of delivering the Local Growth Fund. And despite some slippage in its delivery, which was due to a variety of reasons relating to the economic and business environment, many outputs had been achieved as planned.

Regarding the progress achieved on Enterprise Zones, this was a complex picture with a variety of levels of success.

In response to a question of how the region would go forward despite the challenges that were affecting the delivery of major projects and perhaps the importance of having realistic expectations within the context of the current environment, H

Golightly explained that the region remained ambitious and continued to plan ahead, whilst relying on its capacity, resilience and expertise.

Due to the challenges of the current environment, prioritising was key. Strategies were then developed around priorities. Importance was also given to ensuring everyone was kept informed.

Regarding the impact of the current financial environment on LEP and its wider plans, H Golightly explained that the organisation continued to work to make a difference, whilst operating within revised policies and a revised financial envelope.

A member asked for further information on the commercially sensitive two red statuses in the LEP's Delivery Plan; it was agreed that a response would be provided in writing.

RESOLVED – That the report be noted.

19 **INVESTMENT FUND UPDATE**

Submitted: A report of the Chief Economist, North of Tyne Combined Authority (previously circulated and copy attached to Official Minutes).

H Kippin, Chief Executive of the North of Tyne Combined Authority (NTCA), introduced the report which provided an overview of progress of the NTCA Investment Fund. It included a case study on the NTCA Towns and High Streets programme and an update on the NTCA Shared Prosperity Fund Investment Plan.

Regarding the committee members' comments about the challenging position of the regional towns and high streets, the need to improve them and the role and value of the Towns and High Streets programme of the Combined Authority, H Kippin gave an overview of the approach used by the Combined Authority as part of the programme. The approach included ensuring a right mix of interventions for an area. This was achieved through the bottom-up approach, whilst also testing and learning; all to ensure a realistic and sustainable result.

A member gave an example of deprivation of a famous town in West Yorkshire and, in comparison, praised the Combined Authority for its work and achievements, especially within the context of tackling deprivation within the North of Tyne region. It was important that this invaluable work continued.

H Kippin agreed with the committee members' comments about the fast-changing environment, the importance of future proofing within the context of the NTCA Towns and High Streets programme and the importance of striking a balance between encouraging people into town centres and minimising their carbon footprint. He reiterated that the Combined Authority was working bottom-up to ensure future proofing and sustainability of the programme, asking questions and co-designing. A member recommended that this approach should continue.

RESOLVED – That the progress to date on the Investment Fund be noted.

20 **2022/23 NTCA Q1 BUDGET MONITOR REPORT**

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

J Gillespie introduced first quarter budget monitoring report on the 2022/2023 NTCA financial position. The report brought together the forecasted financial position for the Corporate, Investment Fund, Brownfield Housing Fund and Adult Education budget and provided an indication of the potential position of the Combined Authority on 31 March 2023. The report also set out the potential position on the reserves at the year end. It was noted that the report had been approved by the NTCA Cabinet on 19 July 2022.

RESOLVED – That the report be noted.

21 **2023-27 NTCA FINANCIAL PLANNING AND BUDGET PROCESS**

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

J Gillespie introduced the report which provided information on the 2023-2027 Financial Planning and Budget Process. The report outlined the process to be adopted for the Authority's Financial Planning and Budget Process for 2023/24 as part of the proposed framework for the four years 2023/24 to 2026/27.

It was noted that further reports would follow as part of the process of setting the Authority's Budget for the financial year 2023/24. The next report to Cabinet would be available on 22 November 2022; and it would outline the initial Budget Proposals. It would then be brought to the Overview and Scrutiny Committee on 6 December 2022, followed by the Overview and Scrutiny Committee's Budget Workshop on 10 January 2023 to consider in detail the Authority's draft Budget Proposals and make recommendations to Cabinet.

In response to a member's question, J Gillespie confirmed that it was considered to be the best practice to produce a medium-term plan for beyond a twelve-month period. Explanation was also offered on the summary of differences in financial planning for the Combined Authority and constituent local authorities. It was easier for the Combined Authority to plan ahead because it did not rely on elements such as council tax and business rates.

In response to a question relating to the Strategic Reserve figure, J Gillespie explained that the amount reflected the level of risk that the Combined Authority was facing and was considered appropriate. It should be noted that the Combined Authority was in control of its delivery, not at risk of clawback and could recycle. If required, the amount allocated for Strategic Reserve could be amended in future and would be part of the Combined Authority's Treasury Management approach.

Explanation was also provided on the position with borrowing. In response to a member's question, J Gillespie explained that there was scope to borrow and to negotiate the cap on borrowing. Should borrowing be required, the Combined Authority would develop relevant principles, which would be shaped with members,

including the Overview and Scrutiny Committee. There were no significant borrowing requirements envisaged for the near future.

Explanation was also provided on the position with lending out.

RESOLVED – That the report be noted.

22 **DATE AND TIME OF NEXT MEETING**

Tuesday, 6 December 2022 at 1pm at Newcastle Civic Centre.



Overview and Scrutiny Committee (Inquorate Meeting)

6 December 2022

Actions

Meeting held: Committee Room, Newcastle Civic Centre

Present:

Chair: Councillor C Seymour

Councillors S Fairlie, G Stone, J Harrison and J Shaw

1 WELCOME AND INTRODUCTIONS

Noted.

2 APOLOGIES

Members: Councillors J Beynon, L Bowman, J Kirwin and L Wright.

Also: Councillor G Sanderson, Cabinet Member for Culture, Creative and Rural.

3 DECLARATIONS OF INTEREST

None

4 MINUTES OF THE MEETING HELD ON 11 OCTOBER 2022

Action:

- i. Whilst the minutes of the meeting held on 11 October 2022 were agreed in principle, because the meeting was inquorate, the minutes to be deferred to the next meeting for formal approval.

5 CABINET MEMBER BRIEFING - EDUCATION, INCLUSION AND SKILLS

Actions:

- i. The following recommendations to be fed into the NTCA Education, Inclusion and Skills work stream:
 - Education challenge should continue to remain a priority;

- The importance of tackling issues with the attainment gap in schools; and
- The importance of a joined up local provision that enabled progression in the chosen subject of specialisation locally, for example from school to a university.

- i. Information to be provided to a future meeting on the approach to measuring success in the NTCA Employability Plan and the next phase of the NTCA Wellbeing Framework.
- ii. Information to be provided to a future meeting on the work of the North East of England Chamber of Commerce to develop and deliver the new Local Skills Improvement Plans; and how that work included NTCA and the North East Local Enterprise Partnership (LEP).
- iii. Further information to be provided on the feedback and evaluation from the Digital Inclusion scheme.

6 **ADULT EDUCATION BUDGET UPDATE**

Action:

- i. Information to be provided on the breakdown of the education provision for various age groups, including for those over 50.

7 **CHILD POVERTY PREVENTION PROGRAMME UPDATE**

Noted.

8 **POVERTY TRUTH COMMISSION**

Action:

- i. The following recommendations to be fed into the process:
 - Consideration should be given, at appropriate stages, to how this work could enable changes and outcomes; and
 - Elected members should be invited to be involved in this work going forward.

9 **CULTURE, CREATIVE AND TOURISM UPDATE**

Item differed due to the unavailability of the Cabinet Member.

10 **2022/23 NTCA Q2 BUDGET MONITOR REPORT**

Action:

- i. Information to be provided on the reprofiling of the Brownfield Housing Fund programme.

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

Action:

- i. The Draft Budget Proposals 2023-2027 and any consultation responses received to be discussed at the 17 January 2023 Overview and Scrutiny Committee workshop; and then a formal response to be submitted to the NTCA Cabinet by the Chair of the Overview and Scrutiny Committee on behalf of the committee.

12 **DATE AND TIME OF NEXT MEETING**

- 17 January 2023 workshop; and then
- 14 March 2023

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The Overview and Scrutiny Committee has invited Cabinet Members to a committee meeting to provide the committee with an update on the work and plans of their portfolio area.

This briefing at the 14 March 2023 Overview and Scrutiny Committee meeting will be from Dame Mayor Norma Redfearn, Cabinet Member for Housing, Land and Development and Deputy Mayor of the North of Tyne Combined Authority.

1. Overview of the Housing, Land and Development Portfolio

Over the past year, the priorities of the Housing, Land and Development Portfolio have been:

- housing policy and research,
- housing delivery,
- strategic economic corridors – Northumberland Line and the River Tyne, and
- place-based interventions in our High Streets.

The above work has been funded through the North of Tyne's Brownfield Housing Fund and the Investment Fund, both of which are approved by Investment Panel and Cabinet.

The Housing and Land Board supports the work of this Portfolio, acting as an advisory body to Cabinet. Programmes and projects at the development stage alongside updates on delivery are and discussed at the Board.

Membership of the Board which is Chaired by Dame Mayor Norma Redfearn is drawn from the Local Authorities, the Combined Authority and Homes England as well as a wide cross-section of the housing sector, including – but not limited to - registered providers, private developers, institutional investors, and organisations representing residential landlords.

The work undertaken to date within this Portfolio has helped to inform the Housing, Land and Development priorities in the new devolution deal and provides a strong platform to develop this area of work to continue to benefit our communities.

Further detail on the achievements over the last year is set out below.

2. Achievements

The following paragraphs outline what has been achieved over the last year.

2.1. Policy and research focus

In terms of housing policy and research, there has been a focus on a number of areas over the last year including housing affordability, health and growth, community led housing and housing retrofit.

Housing Affordability – work has been undertaken to explore the challenges associated with housing affordability across the North of Tyne. This found that housing affordability

ratios were higher than average in some areas, particularly rural, coastal communities as well as key neighbourhoods in Newcastle. Based on this assessment and the focus on the delivery of affordable housing in the North East Devolution Deal further work will be undertaken with partners including Local Authorities and Registered Providers to consider developing criteria to inform future funding programmes to increase the delivery of affordable housing as well as draw upon existing best practice within the North of Tyne and across the country to develop new models of delivery.

Health & Growth Plan - In collaboration with a wide range of partners work has begun on a Health & Inclusive Growth investment Plan. It will build on existing strategic priorities for the area, including the NTCA infrastructure vision statement, the wellbeing framework and engagement with Sir Michael Marmot. The aim of the plan is to unlock private sector investment over the next 10 years for health, regeneration and low carbon developments that create positive and measurable impact for health, wellbeing & inclusive growth. Schemes are currently being identified that will meet the objectives of the plan alongside the development of an impact and monitoring framework.

Community Led Housing – A task group comprising of Housing & Land Board representatives has been set up to focus on Community Led Housing. Communities CAN who are the umbrella organisation in the North East for Community Led Housing will develop a pipeline of schemes, explore new models of delivery and continue to support organisations with technical and capacity expertise who are interested in this housing delivery model.

Energy Retrofit – To develop investible retrofit propositions, The Energy Savings Trust have been appointed to work with Local Authorities, Registered Providers and communities to undertake technical work including:

- Commissioning financial and economic modelling to identify scaleable innovative approaches and cost-effective funding options
- Developing a business model, including resource requirements for a one-stop-shop energy advice centre to build residential demand, provide trusted advice and coordination functions to be implemented later this year.
- Ensuring intelligence from this project informs future skills and business support provision for the sector

2.2. Brownfield Housing Fund

Of the £31.8 million Brownfield Housing Fund (BHF), £19.8 million has been approved to date by Investment Panel and Cabinet which will unlock 1,805 homes. Prior to approval all applicants are required to demonstrate that they meet the BHF criteria in a detailed business case accompanied by a development appraisal and a benefit cost ratio for the scheme which is then appraised externally by a RICS qualified surveyor.

Since the last update provided to the Overview and Scrutiny Committee the following schemes have been approved.

Scotswood Phase 3,5 & 5a	£4.6 million	231 units
Moorside (Newbiggin By The Sea)	£0.92 million	71 units
Ellington Phase 3 & 4	£1.3 million	152
The Esplanade (Whitley Bay)	£0.38 million	12

Four schemes are currently being appraised which would result in the allocation of £11.2 million of BHF, unlocking up to 595 homes and Cabinet deferred the decision to allocate £3.4 million of Brownfield Housing Funding to Strawberry Place.

2.3. Partnership Working with Homes England

Through our Memorandum of Understanding we continue to work closely with Homes England and our Local Authority partners to develop a joint pipeline of housing sites and to identify what investment is required to unlock their development. Both organisations have supported schemes through market assessments, infrastructure plans, design and site investigation work for key schemes. Homes England are now providing six monthly data and insights updates to support the development of programmes and priorities.

In relation to strategic sites, we are working in partnership with Homes England and Newcastle Council to develop a common vision and approach to landowner engagement for Forth Yards. We are also working with Homes England to explore how we can support Newcastle University's ambitions for the Centre of Ageing and Vitality.

2.4. Economic Corridors

The Northumberland Line Economic Corridor presents significant potential to unlock both economic and housing growth. £10 million from the Investment Fund has been allocated to the Northumberland Line Economic Corridor for a programme of activity that will improve the stations, enhance last mile connectivity, accelerate the growth of key sectors as well as support residents to access employment opportunities.

The Tyne Taskforce is providing stronger cross-sector collaboration, partnership working with businesses, the Port of Tyne and our neighbouring authorities of Gateshead and South Tyneside, whilst supporting region-wide plans for economic recovery and connectivity. Over the last year the Taskforce has utilised funding approved from the North of Tyne's Business Case Development Fund to enable partners to address key barriers to investment on the Tyne including business cases to support investment in infrastructure, sites and premises.

The Taskforce is also looking at what skills are needed to support the growth of the offshore sector and through a pilot scheme, 12 residents accessed jobs as welders. The aim is to roll out this successful model out more widely. Tyne Powered has been developed as a brand to promote the Tyne at trade shows and via social media. A number of offshore energy trade shows have been identified for 2023/24 where the Tyne will be promoted to potential inward investors.

2.5. High Streets

Our £6 million High Streets & Towns Innovation Programme funded through the Investment Fund, over the last year has started to take shape and is now delivering activity in Wallsend, Ashington and the Inner East of Newcastle. Significant consultation has taken place with businesses and residents to ensure that the investment in the high streets meet their needs.

Support to businesses has started in each area ranging from 1:1 tailored support, shop front improvement grants, grants to bring empty properties back into use and an innovative Green Street pilot in the Inner East of Newcastle which encourages businesses to look at all aspects of their trading to maximise their environmental impact.

Designs and spatial plans are underway to improve the quality of place and connectivity which will be implemented this year. Schemes include improving linkages from the town centre to the new station in Ashington and between Wallsend Town Centre and the World Heritage Site in Segedunum.

A programme of cultural events is also being planned in each High Street for the coming year which will help to attract visitors and create a vibrant atmosphere.

3. Next Steps

Over the next year, there will continue to be a strong focus on delivery: ensuring that priorities identified are progressing toward development and that the working relationship we have outlined continue to add value.

We will also continue to focus on embedding our wider inclusive economy, low carbon and wellbeing objectives in our Place Based Programmes to ensure they support the wider economic objectives of the area. We will continue to ensure the programme is transparent, collaborative and enjoys the full support of Cabinet and Investment Panel, led by Dame Mayor Redfern as portfolio holder.

Title: NTCA Culture, Creative and Tourism Programme
Report of: Cllr Glen Sanderson,
 Portfolio Holder for Culture, Creative and Rural

Report Summary

The purpose of this report is to provide an update to Overview and Scrutiny Committee Members on the progress of the North of Tyne Combined Authority's Culture, Creative and Tourism Programme.

Recommendations

The Overview and Scrutiny Committee is recommended to note the content of the report and comment on the approach of the Culture, Creative and Tourism Programme.

A. CONTEXT

1. Overview of Culture, Creative and Tourism Programme

- 1.1 Heritage, creativity, culture and events are crucial to the identity and wellbeing of our communities and a vital part of the North of Tyne economy, providing jobs and opportunities for thousands of residents and attracting visitors, talent, businesses and investment. The sector offers enormous opportunities to support post-pandemic recovery and growth through innovative, sustainable and inclusive programmes and partnerships that can help raise the profile of the North of Tyne as a visitor destination and as an attractive environment for creative and cultural businesses and practitioners to start-up, grow, and flourish.
- 1.2 Recognising this opportunity, in January 2020 Cabinet agreed a Culture and Creative Sector narrative and an approach for Events and Tourism supported with allocations of funding. The culture, creative and tourism sector was impacted severely by the COVID-19 pandemic, and it was recognised by Cabinet and Investment Panel that the sector needed to be stabilised and that there was a need for longer term catalytic investment to enable recovery and growth.
- 1.3 Overall, the Combined Authority's Culture, Creative and Tourism Programme includes the following investments totalling around £20m until 2028:
 - £3.25m until June 2023 for the North of Tyne Culture and Creative Investment Programme
 - £5.235m for Culture and Creative Zones to 2027
 - £1.98m for the Creative People component of NTCA's Skills for Growth approach until 2025
 - £2.85m toward the £11.4m regional North East Screen Partnerships Programme until 2027
 - £3.5m for the North of Tyne Events and Tourism Programme until 2023, supplemented by £1m to continue the pace of delivery as part of an indicative £15m allocation to 2030
 - £906k for the Hospitality, Innovation, Tourism, Supply Chain Programme until 2025
 - £1.275m of DCMS funding for the North East Create Growth Programme until 2025
- 1.4 The programme is diverse but interlinked and includes activity focused on ecosystem development and supply chains; business support; access to finance; innovation; workspace provision; employer led skills interventions; raising the profile of the region; attracting talent; attracting visitors; support for the visitor economy; events; and community outreach.
- 1.5 Cumulatively the programme will support 3,000 businesses, enable 2,000 participants to progress into education or training, engage 1.5m residents and visitors through the events programme and enable over 2,000 bookings through the tourism products.

1.6 The NTCA Culture, Creative and Tourism Team have been working with partners to develop the models and partnerships to seize these opportunities and maximise the potential and talent of our region's people, cultural organisations, creative businesses and tourism businesses. The programme is steered by a Culture, Creative and Tourism Steering Group which convenes local authority culture and economic development leads and destination management organisations.

1.6 The rest of this paper reports on the development and delivery of the programmes outlined above, over the past three years.

2. Culture and Creative Investment Programme

2.1 The North of Tyne Culture and Creative Investment Programme is offering a combined package of financial and business support and is recognised nationally in its approach for the sector. The programme has been designed to benefit freelancers and businesses at every stage of their journey, with specialised investment in the form of loans and equity, as well as grants, a challenge fund and a tailored programme of business support.

2.2 The programme is fully operational with a local delivery team. A strategic advisory board oversees delivery of the programme and is bringing together independent members with complementary experience relevant to the strategic objectives of the programme. The overall purpose of the board is to provide overall strategic guidance and due diligence support to the Creative UK executive team.

2.3 A number of investment solutions, which reflect the diversity of needs within the sector have been developed and include:

- **Creative Boost** – small, unsecured, low interest business loans of £25k for creative SMEs in the region, as a gateway for early-stage businesses moving towards commercial sustainability and potential follow-on investment.
- **Larger Loans** – secured loans, variable interest rate of up to 10%, geared towards businesses looking to scale up their operations/teams.
- **Equity Investment** – for high-potential early-stage businesses with a compelling return on investment proposition.

2.4 By December 2022, 42% of the total allocated funds had been invested, with 70% of job creations contracted and 80% of the match funding target achieved with a strong pipeline of proposals to be assessed. The fund has now leveraged 1.25m of private investment from Creative Growth Finance Ltd.

2.5 There have also been three rounds of grants to date (Dec 2022), comprising small grants of up to £5k and strategic grants of up to £25k, to enable enterprises to build upon their creative and commercial ideas, become more sustainable and grow. Alongside the third round, a £40k challenge for cultural freelancers took place in June 2022 at the Big Culture Northumberland Co-Working Day. Each challenge has a budget of £20k with participants given the opportunity to access up to £2k of grant support, further challenges are planned in the next few months.

2.6 The business support element of the programme will support 200 enterprises, create 20 new jobs and safeguard 50 jobs by June 2023. Masterclass and bootcamp activities are supported by open-access webinars and networking events delivered in partnership with regional stakeholder networks to drive beneficiaries to the programme.

3 North East Create Growth Programme

3.1 Recognising that the creative industries are one of the fastest growing sectors of the UK economy, DCMS launched a Create Growth Programme in June 2022. Six successful local area partnerships have been awarded £1.75m in grant funding to deliver targeted business support to high growth potential creative businesses. This will unlock up to £7 million funding (nationally) for finance support, as well as investor networking activities, a national provider will be appointed to deliver this element of the programme.

- 3.2 The North East Create Growth Programme is one of the six successful partnerships and the programme will enable a collaborative approach across the region to support the creative sector. The North East Create Growth Programme is designed to support creative businesses with high-growth potential, between the 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. Four key target sectors of growth have been identified: IT/Software and computer services (with a focus on CreaTech; Gaming, AR/VR and E-sports), Design/Designer Fashion, Publishing, and Film and TV.
- 3.3 The business support component of the programme is focused on a nine-month long cohort programme (6 cohorts – 2 every 9months of between 15-20 businesses in each cohort), designed in collaboration with investors, sector experts and businesses within the target sectors in the North East who have a track record of successfully securing investment and supporting high-growth potential businesses for growth capital. To support the delivery of activity key delivery partners have been identified who are specialist in their field. They will collectively learn, develop, and seek to achieve the full potential of the project objectives and indeed create a legacy and long-lasting collaboration for the sector in the region.
- 3.4 Outputs for the programme include:
- By December 2024 engage with a minimum of 100 companies and provide intensive business growth and investment readiness support.
 - By March 2025 ensure 100% of businesses supported register growth in year-to-year turnover or headcount by 1 year after the end of the NECPG programme.
 - By March 2025 75% of high growth businesses secure further investment either from the NECGP or other available access to finance.

4 North East Screen Industries Partnership

- 4.1 In January 2022, NTCA Cabinet agreed £2.85m, as a North of Tyne contribution to an £11.4m regional programme to support growth of the North East film and TV sector. The programme builds on the BBC's recent £25m commitment to programme expenditure in the North East and presents an opportunity to grow the film and TV sector in the region, ensuring that businesses and residents benefit from the BBC's commitment and creating momentum to catalyse further private sector investment, and delivering a step change in opportunities for the screen sector.
- 4.2 Investment to grow the regional screen industries sector will help to maximise the benefits of the £25m BBC investment in production and skills development in the North East over the next five years. Increasing the capacity and capability of the regional screen agency to support sector growth will be critical to the success of the Programme. A range of production support, business growth, and skills development interventions are required to build the region's screen industries sector, increasing the visibility of the region on screen.
- 4.3 The North East Screen Industries development programme is focused on economic recovery and Growth, taking a balanced approach which will attract investment and talent from outside the region and deliver the sustainable development of the screen industries in the region.

5 Culture and Creative Zones

- 5.1 NTCA's Culture and Creative Zones programme is a place-based approach to investing in the development, sustainability and growth of the culture and creative sector, whilst regenerating high streets and local centres, improving quality of life for local communities, and connecting people to opportunities.
- 5.2 In March 2022, NTCA Cabinet agreed an overall allocation of £5.235m for the Culture and Creative Zones programme, all three zones have now moved into delivery and NTCA funding will run until 2026/27. The 3 zones are:

- **Newcastle** Clayton Street Corridor in the city centre, running from the Centre for Life through to Grainger Market.
- **North Shields Culture and Creative Zone**, located in an area covering the town centre and historic Northumberland Square, down to North Shields Fish Quay, taking in Howard Street and Bedford Street.
- **Berwick Culture and Creative Zone** located in the town centre, between The Maltings and Berwick Barracks.

5.3 The overall ambition is to establish North of Tyne as a supportive and attractive environment for creative and cultural businesses and practitioners to locate, start-up, grow, and flourish. The Zones will do this by investing in a range of interventions including affordable creative workspace; business support; skills development; and community engagement. As well as responding to the opportunities and challenges in their particular geographic locations, each Zone will provide a visible access point through which creative people and businesses from anywhere in North of Tyne can access opportunities and support.

5.4 Each local authority will manage the delivery of its own Zone with some activities delivered collaboratively at North of Tyne level including: coordination of business support and skills provision, profile raising and communication and evaluation of the Zones programme.

6 Creative People: Skills for the Culture and Creative Sector

6.1 In March 2019, NTCA Cabinet agreed an allocation of £5m for Skills for Growth to ensure that NTCA funding for innovation and targeted investment was underpinned by development of the skills and talent pipeline. Priorities for this funding were further refined through agreement of sector narratives and £1.98m was allocated to five projects to support skills development in the culture and creative sector.

6.2 Following an EOI call, NTCA's skills team worked intensively with shortlisted projects to help them develop full business cases. Four creative skills projects were subsequently selected and approved by Investment Panel in April 2022. These projects are connected into the Culture and Creative Zones in order to add value to the Zones programme. The four projects are:

- **Generator NE - Skills for Music and Performing Arts Professionals and Technicians**, supporting a thriving, inclusive music and performing arts industry in the North of Tyne by creating targeted training opportunities for current and aspiring professionals and technicians.
- **New Writing North - Writing and Publishing Skills Hub**, developing a skills focused team who will work with commercial, educational, community and higher education partners to develop and deliver a range of skills development opportunities that will reach a wide range of young people, students, SME's, freelancers and those already working in the sector.
- **Signpost Productions - Making Creativity Work**, a unique training experience aiming to diversify the talent pool of screen professionals in North of Tyne, equipping people to take up new opportunities in the region. The programme will focus on entry level to the screen industries and will be aimed at young people with disabilities aged 18-30 and other underrepresented groups who find themselves excluded from the sector.
- **The NewBridge Project – Collaborate: Skills and talent development pathways for creative practitioners**, providing a sector-leading, inclusive, needs-led pathway for freelancers to develop high level skills in creative arts practice. It draws on learning developed through three initiatives created in partnership with Newcastle University and seeks to redevelop, consolidate and scale these up to provide an accessible skills pathway for young people and people seeking to up/re-skill.

7 North of Tyne Tourism and Events Programme

- 7.1 The aim of the North of Tyne Events programme is to secure benefits to the area through investment in a programme of high quality cultural and sporting events capable of achieving national and international profile, which will attract significant number of people to the area throughout the year. The proposed approach for the North of Tyne includes:
- A year-round, multi-layered portfolio of events (local, anchor and major events) to deliver distinctive experiences for visitors and residents which will also support inclusive growth. The proposal is for NTCA to invest in a mix of established successful events in new events which can be developed; and in attracting national/international events to the region.
 - An offer which includes big-impact cultural and sporting highlights to achieve the ambition for events in the region.
 - Closer collaboration with the sector – engaging with a broader range of independent promoters, producers and venues. A vibrant independent events sector is vital to staging distinctive, high-quality events that people will travel for.
- 7.2 The events detailed in Appendix A have been funded through the Tourism and Events Programme. It is worth noting of the events which have been delivered, findings show that they have exceeded their outputs. A full evaluation and economic impact assessment for the programme is being undertaken and will be available before March 2023 to inform the next steps in the events programme.
- 7.3 Example events which have taken place include:
- Lindisfarne Gospels – more than 55,000 visits were made to the Laing Art Gallery for the Lindisfarne Gospels exhibition between 17 September – 3 December 2022. In total there were 56,784 visits to the gallery and 23% of visitors were first timers to the gallery. Alongside the exhibition, a supporting schools programme was launched – generating over 25,000 engagements through 550 school workshops provided. The exhibition generated over 1500 community engagements across the region. Community groups were also invited to participate in creative workshops exploring the themes of the Lindisfarne Gospels.
 - Illuminated Sheep - a brand-new visual arts trail lighting up Northumberland to celebrate the arrival the Lindisfarne Gospels in the North East. Inspired by the Gospels' themes of light, sheep and pilgrimage, Illuminated Sheep encouraged locals and visitors to find their inner shepherd, exploring the region's rich landscape, heritage and culture to #FindTheFlock. The event was a huge success attracting thousands of visitors to places such as Bamburgh Castle, Woodhorn Museum and Vindolanda and gaining national recognition.
 - NTCA directly commissioned a Winter Festival: North of the Tyne, Under the Stars. Six neighbourhood events were delivered in venues/locations throughout the North of Tyne in February 2022, culminating in a 4-day Festival Finale in Newcastle in March 2022. The event attracted 55,000 visitors which included 1,110 overnight stays. The North of the Tyne, Under the Stars budget was £747,155, including a £100,000 contribution from Newcastle City Council. The spend by visitors attending the event is estimated to be £773,952.
- 7.4 In November 2021 Cabinet approved additional funding of £1m for the North of Tyne Tourism and Events Programme, to develop the pipeline for post 2023, establish an Events Scale-up programme and develop the existing pipeline to maintain pace.
- 7.5 The Events Scale-up Fund will support existing events that have been running for two-years or more to scale up. Through the fund it has also been possible to engage the broader events sector to inform and develop a robust pipeline of events in the NTCA area between Autumn 2022 – 2028 and establish a financially sustainable programme of events.
- 7.6 Funding is available for Public / Private sector Event organisers, VCSE and Charities, and can support scaling up Events with an existing audience, feasibility work, supply chain development and decarbonisation pilots for example. The Events Scale-up Fund was promoted via an 'Open Call' process and twenty applications were received. The following five events will receive funding:
- Great North Run Friday Events

- Berwick Film & Media Arts Festival
- North Sea Weekender
- Whitley Bay Carnival
- Morpeth Fair

The total amount allocated from the first round of the Events Scale-up Fund is £643,602. The remaining proposals have been added to a Pipeline of events which may be funded in the future through a variety of funding sources.

Tourism Products

- 7.7 To enable the strategic aim of visitors 'staying longer, doing more and spending more', new 'bookable products' have also been developed as part of the North of Tyne Tourism and Events Programme. Products in this case include packages, tours and thematically presented collections of attractions and activities.
- 7.8 Working with partners, including our local authorities and our Destination Management Organisations (DMOs) - NewcastleGateshead Initiative and Visit Northumberland and our local authorities, a consensus has been reached on the strongest themes for the products, which have broad appeal, extend the bookable season for tourism and draw from the entire geography of NTCA.
- 7.9 The following Tourism Products have been developed and now in delivery. The products are bookable via the New Adventures website www.newadventures.org.uk.
- **New Adventures** - led by NewcastleGateshead Initiative, in conjunction with Visit Northumberland and Visit North Tyneside/North Tyneside Council. The project includes packaging together businesses across the North of Tyne in the development of three new bookable products e.g., Active Pursuits, Food & Drink and Winter Escapes which can be taken to market.
 - **Dark Skies Star Trails** led by Visit Northumberland. The project involves the development of bookable itineraries, day trips and bespoke individual experiences linked to stargazing across Northumberland encouraging additional spend at hotels, restaurants and shops, with opportunity for extending benefit for businesses in Newcastle and North Tyneside.
 - **Equitable Experiences** led by NewcastleGateshead Initiative. The product utilises technology to improve the experience of visitors with visible and non-visible disabilities providing the confidence in taking a trip to Newcastle and wider North of Tyne and brings together a group of like-minded businesses who are able to offer products bookable by these audiences.
- 7.10 Also in the pipeline is a project to develop Alnwick as a Christmas destination, supporting a coordinated approach to visitor attraction by leveraging the profile of existing large attractions and aligning smaller businesses to activity.

8. Tourism Innovation & Localised Supply Chain

- 8.1 Funded by the North of Tyne Combined Authority, the HITS programme (Hospitality, Innovation, Tourism, Supply) will help businesses of all sizes in Northumberland, Newcastle and North Tyneside meet the challenges facing the industry by adding innovation to their offer. It is delivered in partnership with Food & Drink North East and offers expert training to boost skills in the sector and invest in supply chain developments to raise awareness of local products and independent businesses with a wider audience. Innovation grant funding is available through a fund administered by NBSL.
- 8.2 The programme is designed around three pillars access to insights and case studies in innovation; opportunities to collaborate on innovation; and grant funding. The programme features innovation workshops; podcasts sharing relevant tourism innovation examples from around the world; meet the buyer event series; new supply chain platform; and training and business support.

8.3 The Grant element of the HITS programme (50% of the cost of eligible business spend towards Innovation Projects costing between £20,000 and £100,000) has been designed to encourage business investment in new-to-company or new-to-market Innovation. HITS can reduce the cost of Tourism, Hospitality and related Supply Chain businesses of undertaking Innovation Projects that can contribute to the following drivers – delivering business growth, supporting the safeguarding and creation of good quality jobs and driving economic impact in the Tourism and Hospitality sectors within the North of Tyne area.

8.4 The HITS programme is well underway, including check-in clinics to support programme participants to access funding; a series of podcasts taking to provide inspiration for innovation and tips from experts; tailored support to help businesses meet challenges and growth through innovation; and meet the buyer events providing training and support to prepare ambitious SME's for supplying the retail, wholesale and food service sectors. A supply chain portal is now available to support businesses <http://www.buysupply.directory/> and the HITS Expo Hospitality Showcase is planned for 3 and 4 May, which is designed to raise the profile of hospitality businesses within the North of Tyne with new consumer audiences and facilitate network building and pitch opportunities for producers.

B Impact on NTCA Objectives

The Culture, Creative and Tourism programme is a key component of the NTCA's work programme, as set out in the corporate plan, and is aligned to the delivery of our devolution targets.

C Equalities implications

The Overview and Scrutiny Committee is mindful of its duty under the Public Sector Equality Duty and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it; and also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

D Inclusive Economy and Wellbeing implications

The Overview and Scrutiny Committee is mindful of the NTCA's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision has taken these fully into account.

E Climate Change implications

Climate change implications are assessed on an individual project basis as part of the Investment Fund assessment process.

F Consultation and engagement

Stakeholders have been fully engaged in the development of project proposals and, as far as possible, wider engagement has been sought in the development of the programme.

G Appendices

Appendix A – North of Tyne Tourism and Events Programme

H Background papers

- North of Tyne Cabinet Report, 28th January 2020, Item 4a and 4b Investment Fund Update and Funding Approvals <https://www.northoftyne-ca.gov.uk/wp-content/uploads/2020/08/NTCACabinet28January2020AgendaPack.pdf>
- North of Tyne Cabinet Report, 30th November 2021, Item 7, Investment Fund Update and Funding Approvals <https://www.northoftyne-ca.gov.uk/wp-content/uploads/2021/11/Cabinet-30.11.2021-Agenda.pdf>
- North of Tyne Cabinet, 22nd March 2022, Item 8 Investment Fund Update and Funding Approvals <https://www.northoftyne-ca.gov.uk/wp-content/uploads/2022/03/Supplemental-Agenda-22.03.2022-1.pdf>

I Contact officer(s)

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J Glossary

NTCA North of Tyne Combined Authority
DCMS. Department for Culture, Media and Sport

Appendix A - North of Tyne Events Programme

EVENT	DATES	NTCA FUNDING	NO. OF ATTENDEES	NO. OF OVERNIGHT STAYS	NO. OF VOLUNTEERS	NO. OF PERFORMERS	ORGANISATION	EVENT LOCATION
Great North Run (inc. cultural wraparound)	12 Sep 2021	£400,000	210,000	15,750	2,500	400	The Great Run Company	Town Moor/ Newcastle City Centre
North Sea Weekender '21	9-10 Oct 2021	£36,000	20,000			100	North Tyneside Council	Whitley Bay, Cullercoats & Tynemouth
Hadrian's Wall 1900	24 Jan – 23 Dec 2022	£461,160	217,500	82,650	300	3,300	Hadrian's Wall Partnership, c/o Northumberland County Council	Throughout Hadrian's Wall World Heritage Site
Morph Trail	Jan - Mar 2022	£48,400	60,000				North Tyneside Council	Various locations within North Tyneside
Mouth of the Tyne Festival Collective	Jul - Aug 2022	£100,000 (£38,950 only spent)	2,500		10	20	North Tyneside Council	Various venues within North Tyneside
Page 25 Andisfarne Gospels (LG2022)	17 Sep – 3 Dec 2022	£500,000	300,000 overall with 60,000 Exhibition Tickets		90	12	Newcastle City Council / TWAM	Laing Art Gallery, Newcastle
Illuminated Sheep	30 Sep – 2 Dec 2022	£60,000	119,810		120		Northumberland County Council	35 locations within Northumberland
Rugby League World Cup (Cultural Wraparound & Festival of Rugby)	14 – 16 Oct 2022	£100,000	156,000				Newcastle City Council	Newcastle City Centre
North Sea Weekender '22	1 – 9 Oct 2022	£60,000	30,000		10	500	North Tyneside Council	Whitley Bay, Cullercoats & Tynemouth
TOTAL		£1,704,510	1,175,810	98,400	3,030	6,312		
SCALE UP FUND								

EVENT	DATES	NTCA FUNDING	NO. OF ATTENDEES	NO. OF OVERNIGHT STAYS	NO. OF VOLUNTEERS	NO. OF PERFORMERS	ORGANISATION	EVENT LOCATION
Great North Run Friday Events	Sept 2023, 2024, 2025	£150,000	27,225	2,200			The Great Run Company	Newcastle Quayside, Newcastle City Centre
Berwick Film & Media Arts Festival	3-5 Mar 2023, Spring 2024 & 2025	£169,602	31,120		150		Berwick Film & Media Arts Festival	
North Sea Weekender	Oct 2023, 2024, 2025	£180,000	110,000		30	2,100	North Tyneside Council	Whitley Bay, Cullercoats & Tynemouth
Whitley Bay Carnival	27-29 May 2023	£50,000	30,000	40	50		Salto Arts Productions Ltd	
Morpeth Fair	10-11 June 2023 & 15-16 June 2024	£94,000	90,000	180	80		Morpeth Fair	Morpeth Town Centre
TOTAL Scale up Fund		£643,602	288,345	2,420	310	2,100		
TOTAL across Programme		£2,348,112	1,464,155	100,820	3,340	8,412		



Subject: 2022-23 Quarter 3 NTCA Budget Monitor Report
Report of: Janice Gillespie, Director of Finance

Report Summary

The purpose of this report is to present the 2022-23 Quarter 3 Budget Monitor Report of the North of Tyne Combined Authority (NTCA) to Overview and Scrutiny Committee. 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.

Recommendations

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

A. Context

1.1 Introduction

- 1.1.1 Cabinet approved the 2022/23 budget on 25 January 2022. Included in that budget was the estimated expenditure across the year for both the Corporate Budget, Investment Fund, Brownfield Housing Fund, and the Adult Education Budget.
- 1.1.2 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.

B. Equalities Statement

- 2.1 There are no direct equalities implications arising from the recommendations in this report. The Overview and Scrutiny Committee is mindful of its duty under the Public Sector Equality Duty and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it; and also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

C. Inclusive Economy and Wellbeing Statement

- 3.1 The Overview and Scrutiny Committee is mindful of the NTCA's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability. The budget monitoring report is informed by the budget report which will support the Authority in meeting these ambitions.

D. Climate Change Statement

- 4.1 The Overview and Scrutiny Committee is mindful that the NTCA's and the three constituent Local Authorities have declared a Climate Emergency and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision has taken climate change fully into account. There is no direct climate changed implications arising from the recommendations in this report.

E. Consultation and Engagement

- 5.1 The Overview and Scrutiny Committee is a consultee in the budget setting process each year and the budget monitoring report is informed by annual budget proposals report.

F. Appendices

Appendix A 2022-2023 NTCA Quarter 3 Budget Monitoring Report

G. Background Papers

25 January 2022 NTCA Budget Report

H. Contact Officer

Katherine Laing, NTCA Strategic Finance Manager, e-mail Katherine.laing@northoftyne-ca.gov.uk

I. Glossary

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

Subject: 2022/23 Q3 NTCA Budget Monitor Report**Report of: Director of Finance**

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 31st 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 covering the costs associated with the capacity required to deliver.
- 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	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. 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. Due to the late in the year confirmation of the funding there has been a delay in recruitment to these posts. Workforce planning is key within the Combined Authority to ensure there is the required capacity to meet delivery 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 in relation to delivery on UK SPF and also 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). A further (£0.030m) is anticipated on AEB devolved funding top slice, which equates to 3% of the 23.587m. UK SPF provides funding of £51.1m across 3 years to 2024/25, a 4% administration top-slice has been approved for the Core UK SPF (£47.1m) and £10% on the Multiply (£5.0m) the amount of (£0.239m) is the amount anticipated to be required to meet delivery in 2022/23.

1.3 Investment Fund

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

- A contracted spend of £117.6m
- These projects will attract £292.015m of private sector leverage (£155.000m from BHF) 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.

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, this is a requirement of the Assurance Framework that Investment Fund proposals are subject to external independent testing. Any unspent Investment Fund will be held and transferred to a specific reserve at the year end to support the delivery of the programme of work in future years. 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.
- 1.3.4 The economic outlook is dominated by increased cost of living prices and signs of a weakening 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 strong and organisations have been keen to work with NTCA to design and embed innovative delivery approaches, ensuring that projects can continue to meet the aims, objectives, and outputs that they set out to achieve. Additionally, the pipeline has continued to develop with a number of schemes to be delivered in 2022/23, including 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 the Offshore Renewable Energy Centre (£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

(Project)	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Return to Work		0.002		0.028		0.030
North of Tyne Science Education Enrichment	0.023					0.023
NTCA Heritage STEM: Our Past, Your Future		0.007				0.007
NU futures		0.336	1.637			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 is 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 has been 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.
- 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 delays in year 1 and 2 resulting in a revised profile to DLUCH as detailed below in Table 5.

Table 5 Brownfield Housing Funding up dated Profile

	Total	Year 1	Year 2	Year 3	Year 4	Year 5
	£m	£m	£m	£m	£m	£m
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 have confirmed NTCA's devolved AEB allocation for the period 1 August 2022 to July 2023 is £23.587m plus an additional £1.959m for the delegated Free Courses for Jobs bringing the total AEB in 2022/23 academic year to £25.546m. The Free Courses for Jobs Offer funding allocation is subject to change as reconciliation is finalised with the DfE 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 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

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

Table 8 overleaf 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. In doing so, new job or training opportunities will be unlocked for residents. Table 9 below 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	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 North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority. The 2022/23 budget position against which the budget is monitored against demonstrates the Authority has properly discharged its functions and assisted in delivering the Authority's vision, policies, and priorities.

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

7. Inclusive Economy Implications

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

8. Climate Change Implications

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

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: Final 2023-2027 NTCA Budget and Cabinet's response to the Committee's recommendations on the Budget Proposals

Report of: Elizabeth Kerr, Principal Governance and Scrutiny Manager

Report Summary

The purpose of this report is to inform the Overview and Scrutiny Committee of Cabinet's response to the committee's recommendations on the 2023-2027 Budget Proposals and includes the final proposals as agreed at Cabinet on 31 January 2023.

Recommendations

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

A. Context

1.1 Introduction

1.1.1 At its meeting on 31 January 2023 Cabinet approved 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 NTCA budget is attached at appendix A. The NTCA is the accountable body for the North East Local Enterprise Partnership (North East LEP) and Invest North East England (INEE) and their budgets are attached at appendix B.

1.2 Overview and Scrutiny Committee's recommendations

1.2.1 After receiving the draft budget proposals in December 2022 and holding a budget workshop on 17 January 2023, the committee submitted comments to Cabinet for its consideration as they set the budget at the 31 January 2023 meeting. The Overview and Scrutiny Committee had noted the proposals and considered that Cabinet should agree the recommendations as set out, with no specific recommendations to make on the individual elements which made up the budget.

1.2.2 In their comments the committee noted the lack of engagement by the public with NTCA's budget proposals during its consultation period. The committee welcomed the Director of Finance's assurances that improving this was also important to the team and consideration of different approaches would be undertaken for the next consultation exercise.

1.3 Cabinet's response

1.3.1 The Mayor and Cabinet thanked the committee for their work and acknowledged the importance of hearing from the public and residents on the budget proposals.

1.3.2 Cabinet formally accepted the response from the Overview and Scrutiny Committee to the 2023-2027 Budget proposals for the North of Tyne Combined Authority and noted its comments and observations.

B. Equalities Statement

2.1 There are no direct equalities implications arising from the recommendations in this report. The Overview and Scrutiny Committee is mindful of its duty under the Public Sector Equality Duty and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision eliminates

discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it; and also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

C. Inclusive Economy and Wellbeing Statement

- 3.1 The Overview and Scrutiny Committee is mindful of the NTCA's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability. The budget proposals will support the Authority in meeting these ambitions.

D. Climate Change Statement

- 4.1 The Overview and Scrutiny Committee is mindful that the NTCA's and the three constituent Local Authorities have declared a Climate Emergency and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision has taken climate change fully into account. There is no direct climate change implications arising from the recommendations in this report.

E. Consultation and Engagement

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

F. Appendices

Appendix A 2022-2026 NTCA Final Budget Proposals including the Treasury Management Strategy.

Appendix B 2022/23 Indicative Outturn and 2023/24 Indicative Budget Proposals for the North East Local Enterprise Partnership and Invest North East England.

G. Background Papers

Overview and Scrutiny Committee Work Programme 2022/23
NTCA Constitution
Minutes of the Cabinet meeting held 31 January 2023

H. Contact Officer

Elizabeth Kerr, Principal Governance and Scrutiny Manager
elizabeth.kerr@northoftyne-ca.gov.uk

I. Glossary

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



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
Appendix B Combined Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Investment Strategy 2023/24.

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

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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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**Report of: Director of Finance, Janice Gillespie**
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. 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 a future budget paper that will be taken to 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

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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.

- 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



Subject: Annual Report and Review

Report of: Elizabeth Kerr, Principal Governance and Scrutiny Manager

Report Summary

The purpose of this report is twofold. To begin with it presents the Committee's Annual Report for approval and submission to Cabinet. It then provides the Committee with a review of the decisions taken under any of the urgency provisions this year and the use of Call-In.

Recommendations

The Overview and Scrutiny Committee is recommended to:

1. Make any comments/suggestions on the draft Annual Report and agree its submission to the Annual Meeting of Cabinet in June 2023;
2. Note the report and make any recommendation(s) as appropriate on the information provided.

A. Context

1.1 Annual report

- 1.1.1 The Centre for Governance and Scrutiny's (CfGS) Good Scrutiny Guide and the Statutory Guidance on Overview and Scrutiny Committees refer to an Annual Scrutiny Report. Whilst the context of the reference relates to local authorities and the importance of ensuring that Council and not just the Executive are aware of the work of Overview and Scrutiny, for Combined Authorities the Statutory Guidance states:

"In order to maintain awareness of scrutiny at the Combined Authority and provoke dialogue and discussion of its impact, the business of scrutiny should be reported to the Combined Authority board...". (paragraph 11 h, page 10)

- 1.1.2 It was agreed as part of the Committee's work programme for 2022/2023 that an annual report of the work of the Committee would be produced for the last meeting of the municipal year. It is expected that this report will be submitted to Cabinet as part of the Annual Meeting in June to maintain its awareness of the activity of the Committee.
- 1.1.3 The report is intended to illustrate to the public and Cabinet the Committee's approach to its work this year, how it has developed and the impact it has made. The report is attached at appendix A.

1.2 Review of decisions

- 1.2.1 In accordance with the Cabinet-Scrutiny Protocol, decisions taken under any of the urgency provisions are reported to the last committee meeting of the municipal year.
- 1.2.2 No urgent decisions were made by NTCA or the North East LEP in 2022/23.
- 1.2.3 No Call-In requests were made in the year.
- 1.2.4 In December 2022 a North East Devolution Deal was announced by government and the seven north east local authorities of Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. The deal proposed a new combined authority of the seven with

the two existing combined authorities (the North of Tyne Combined Authority and the North East Combined Authority) being abolished with a mayoral election for a Mayor to lead the new North East Mayoral Combined Authority (NEMCA) in May 2024. Should the new MCA go ahead the people, assets and programmes of NTCA will transfer into the new combined authority. The first step to progress the creation of a new combined authority is a public consultation exercise which began in January 2023 and concludes on 23 March 2023. As these processes continue through 2023 and into 2024, the role and experience of NTCA's overview and scrutiny committee will be part of the development of NEMCA's policies, processes and procedures. A such a separate review of NTCA's policies and procedures has not been undertaken.

B. Impact on NTCA Objectives

The importance of the role of Overview and Scrutiny Committee to assist in the effective, efficient and transparent delivery of NTCA's objectives is set out in the Order, the Constitution and the adoption of the Cabinet-Scrutiny Protocol in March 2020. The independence of the committee from Cabinet is demonstrated by Cabinet delegating the appointment of the Chairperson of the committee each year to the committee itself (subject to the requirements of the Order that the appointment is an 'appropriate person', i.e. an elected member of the committee who is not of the same political party as the Mayor).

C. Equalities Statement

The Overview and Scrutiny Committee is mindful of its duty under the Public Sector Equality Duty and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it; and also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

D. Inclusive Economy and Wellbeing Statement

The Overview and Scrutiny Committee is mindful of the NTCA's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision has taken these fully into account.

E. Climate Change Statement

The Overview and Scrutiny Committee is mindful that the NTCA's and the three constituent Local Authorities have declared a Climate Emergency and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision has taken climate change fully into account.

F. Consultation and Engagement

The Chair and Vice Chair have been consulted on the production of the annual report and are consulted on key decisions which are being taken without 28 days notice; 'general exception' and 'special urgency' decisions. This process is set out in the NTCA Constitution.

G. Appendices

Appendix A – Draft Scrutiny Annual Report 2022-23

H. Background Papers

Cabinet-Scrutiny Protocol
NTCA Constitution

[Overview and scrutiny: statutory guidance for councils and combined authorities](#)

I. Contact Officers

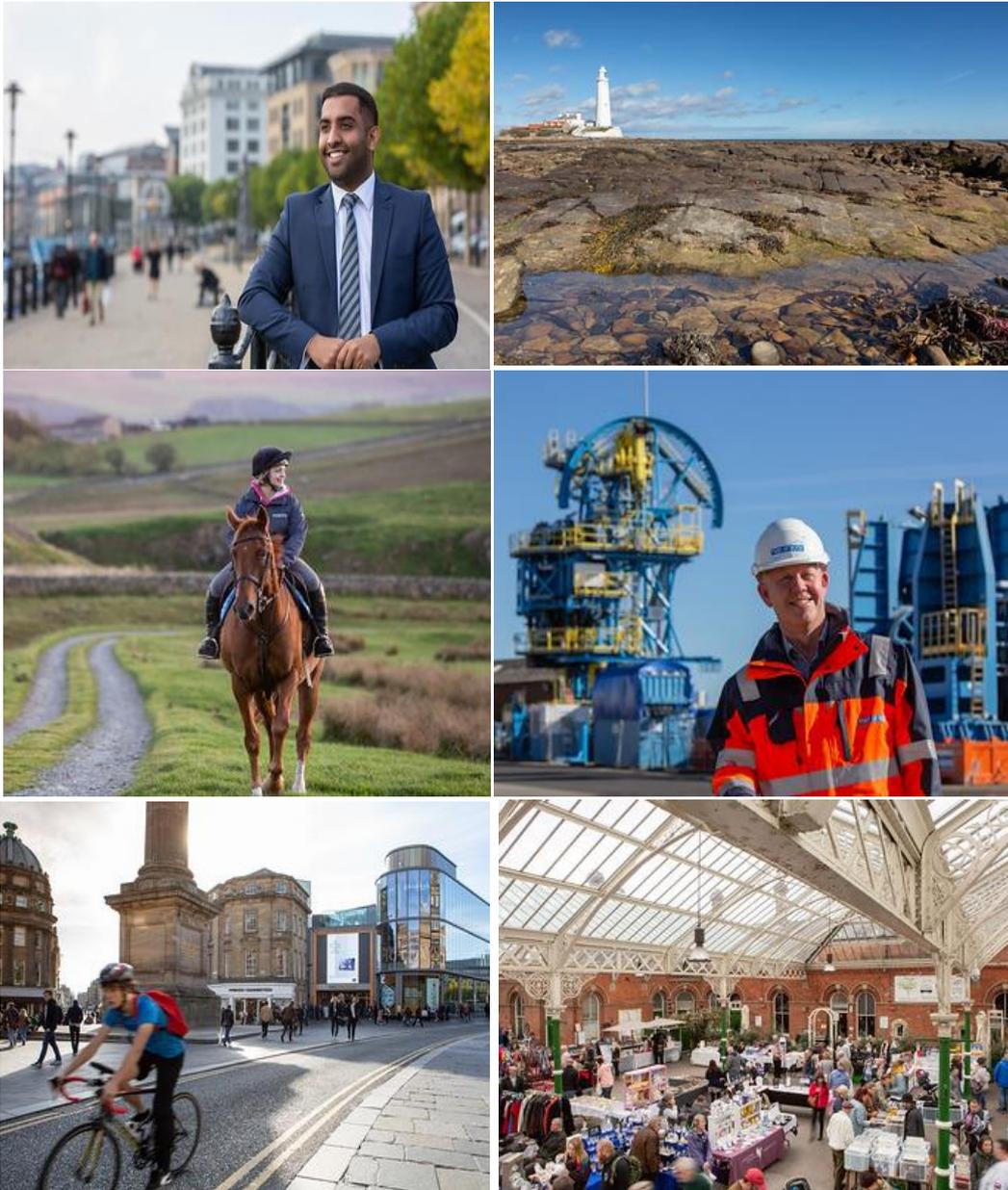
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John Softly, NTCA Monitoring Officer
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J. Glossary

NTCA North of Tyne Combined Authority

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Foreword from the Chair

Welcome to the 2022-23 Annual Report from the North of Tyne Combined Authority (NTCA). This report highlights the work carried out by the committee over the last year.

As Chair I was pleased to be re-elected, that is an honour and privilege, and I thank the Vice Chair, committee and substitute members for their work, commitment and support. I also thank the Mayor, NTCA officers and those from our constituent local authorities and partner organisations for keeping us informed of the progress of their work and support.

Our committee scrutiny process is a vital check and balance to how we spend public money. We can investigate, influence and recommend on ways to strengthen policies, improve services, ensure best value for money and secure positive change for local people.

The work and dedication during these years of the Combined Authority has resulted in NTCA having effective governance, a proactive and collaborative Cabinet-Scrutiny relationship. We have worked well together on effective cross-party work of the NTCA that represent the three local authorities.

Finally, we have a big year ahead with the proposed Devolution Deal with seven authorities in the North East that has been 'minded' to approve and consultation has begun. If the responses show support for this proposal our Overview and Scrutiny Committee will keep an eye on developments and use its experience to assist in the development of the proposals for new Scrutiny arrangements and procedures to ensure these will benefit all our communities.



A handwritten signature in black ink, appearing to read 'Catherine Seymour'. The signature is fluid and cursive, with a large initial 'C' and 'S'.

Councillor Catherine Seymour
Chair of the Overview and Scrutiny Committee

Overview and Scrutiny Committee Members 2022/23



Councillor John Beynon
Northumberland County
Council



Cllr Les Bowman
Northumberland County
Council



Cllr Stephen Fairlie
Newcastle City Council



Cllr John Harrison
North Tyneside Council



Councillor Joe Kirwin
North Tyneside Council



Cllr Catherine Seymour
Chair
Northumberland County Council



Cllr Jane Shaw
North Tyneside Council



Cllr Greg Stone
Newcastle City Council



Cllr Linda Wright
Vice Chair
Newcastle City Council

The Scrutiny Year

In a Mayoral Combined Authority there are three points of power and accountability – the directly elected Mayor; the NTCA Cabinet and the Overview and Scrutiny Committee which holds both to account. All three being accountable to the local people. All should have priorities which are broadly aligned. For decision-makers, this should mean that their activities reflect a collective vision for the future of the area; for scrutiny, this is about ensuring that the focus of the function engages closely with that vision.

This fact is why the function of scrutiny in an MCA differs from that of a local authority. Combined authority working is about long-term strategy; the delivery of services is not the dominant feature as is the case for local authorities. The scope and nature of overview and scrutiny must, therefore, look very different.

North of Tyne has one Overview and Scrutiny Committee which can investigate, influence, report and recommend ways to strengthen policies, improve services, ensure best value for money and secure long-lasting positive benefits for local people.

Councillor Catherine Seymour, from Northumberland County Council, was re-appointed the Chair of the Committee at the beginning of the municipal year in June 2022 and welcomed some new faces to the committee.

The work programme agreed by the committee at its July meeting has been met, including scrutiny of NTCA's Annual Report and Corporate Plan; the UK Shared Prosperity Fund; the work of NTCA on poverty, including the Poverty Truth Commission and child poverty; the work of the North East LEP; the Investment Fund, budget monitoring and the budget proposals. In addition the Mayor and Cabinet Members have attended a meeting of the committee to present an update on their work and answer questions from members.

Attendance at the meetings in the year has been good with the participation of substitute members when required, however there was one inquorate meeting in December 2022. The meeting only needed one more member to attend to be quorate and whilst noted, it is not anticipated to be a regular occurrence.

Members of the committee have been kept informed of progress of the work of the NTCA, other meetings in the region and matters of interest by regular Scrutiny Briefings. As the committee has four meetings a year this is particularly useful in keeping members informed between formal meetings.

Members of the public, Councillors or officers can make suggestions for issues to be considered by the Overview and Scrutiny Committee in the future by emailing the team at scrutiny@northoftyne-ca.gov.uk

Details of all matters considered by the Overview and Scrutiny Committee can be viewed on the NTCA website at <https://www.northoftyne-ca.gov.uk/who-we-are/committees/>

Holding Decision Makers to Account

The Elected Mayor, Jamie Driscoll, attended the Overview and Scrutiny Committee in October. He presented information regarding the delivery of programmes and projects; the Combined Authority's collaborative approach to work and the level of innovation achieved; the challenges being incurred and their impact, and the Combined Authority's dedication to driving improvements for the region. Members questioned the Mayor on Investment Zones; retrofitting; the local growth fund and the work towards a new devolution deal; transport and electric vehicles infrastructure; and the impact of the cost-of-living crisis.

Regular meetings between the Mayor and the Chair and Vice Chair of the Overview and Scrutiny Committee are held to allow them to discuss issues and consider the NTCA Forward Plan.

At each meeting of the committee this year a Cabinet member has attended to provide an update on their portfolio area of work and the agendas for these meetings have been focused on areas within their portfolios. This year the committee has had the opportunity to scrutinise, in addition to the Mayor, the Education, Inclusion and Skills; Culture, Creative and Rural; and the Housing, Land and Development portfolios.

Each report to the committee includes a paragraph which demonstrates how the project/policy/decision relates to or impacts on NTCA's inclusive economy ambitions; equalities; climate change; and consultation and engagement. All additional information requested at meetings has been provided in a timely and comprehensive manner and officers who have attended the meetings or been requested to provide information have actively engaged with the committee and the scrutiny process.

Pre-scrutiny work

UK Shared Prosperity Fund

The UK Shared Prosperity Fund (UKSPF) is a central pillar of the UK government's Levelling Up agenda and nationally provides £2.6 billion of funding for local investment by March 2025. The Fund aims to improve pride in place and increase life chances across the UK investing in communities and place, supporting local business, and people and skills. Government provided NTCA a non-competitive allocation of £51.2m for the North of Tyne area for delivery across Newcastle, North Tyneside and Northumberland.

At the July 2022 meeting the committee received information from the NTCA Chief Executive and Director of Finance on the process and work underway to shape the Authority's approach to the UKSPF and NTCA's plans and intentions for the Investment Plan prior to its submission to government for approval by August 2022.

The committee had the opportunity to consider the proposed investment principles, the objectives, proposed priorities and interventions and anticipated outcomes.

Members comments and suggestion were noted by officers and fed into the documents which were submitted by the deadline and approved by Government on 5 December 2022.

The NTCA Budget 2021-2022

In accordance with the Budget and Policy Framework Rules of Procedure (Part 3.2 of the Constitution) Cabinet must present to the Overview and Scrutiny 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.

At its October 2022 meeting the Overview and Scrutiny Committee received a report on the 2023-27 Financial Planning and Budget Process which provided information on the Authority's Financial Planning and Budget Process for 2023/24 as part of the proposed framework for the four years 2023/24 to 2026/27.

Cabinet met on 22 November 2022 to consider the initial draft budget for NTCA for 2023/24 and the medium-term financial plan for the period 2024/25 to 2026/27. On 6 December 2022 the Overview and Scrutiny Committee met to receive the draft budget proposals and accompanying information which included a draft budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget and the Brownfield Housing Fund. As NTCA is the accountable body for the North East LEP and Invest North East England (INEE) the report also included those proposals.

As part of its scrutiny of the budget 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 provide information and to answer any questions

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.

Overall the committee was satisfied with the budget proposals and made no recommendations on the individual elements. At Cabinet on 31 January 2023 Cabinet noted the committee's comments.

Relationship Building

The meetings between the Chair and Vice Chair of the committee and the Mayor have continued and by the end of the municipal year, five informal meetings to discuss the Forward Plan and the work of the NTCA will have taken place. This regular discussion helps to keep the committee informed of progress being made on projects between formal meetings and creates a good working relationship between scrutiny and the executive.

As the Accountable Body for the North East LEP, the Chair, Lucy Winskell O.B.E, and the Chief Executive, Helen Golightly, have both stated a willingness to share

information and present to the committee when required and attended the October meeting of the committee.

The committee intended to invite the Mayoral Ambassador for the Voluntary, Community and Social Enterprise sector to a meeting but this was deferred as a new Ambassador was appointed mid-year. The invitation to the new Ambassador will be renewed for the 2023/24 municipal year.

Further North East Devolution

The publication of the Levelling Up White Paper at the beginning of February 2022 had trailed further north east devolution and the announcement of a North East Devolution Deal was anticipated from the beginning of the 2022/23 municipal year, eventually being formally announced on 28 December 2022.

The Committee had received information about the progress being made throughout the year and dedicated time at the budget workshop in January 2023 to discuss the proposed deal, the next steps and the role of the committee in the process. NTCA's Chief Executive, Dr Henry Kippin, gave a presentation and answered questions.

Whilst the formal next steps and decisions to be made are for each of the constituent authorities of the proposed new mayoral combined authority to make, the committee will keep an eye on developments and use their experience as a combined authority overview and scrutiny committee to inform conversations around the proposals for the new scrutiny arrangements and procedures.

Looking Forward

The publication of a new North East Devolution Deal with the proposal to have a new North East Mayoral Combined Authority created and a Mayor elected in May 2024 will be a key factor in developing the work programme for the next year. The Overview and Scrutiny Committee will need to decide whether to focus its work on reflecting and reviewing the work undertaken to inform what may come for the proposed North East Mayoral Combined Authority or to ensure that the work of NTCA continues to be focussed and offer value for money and change for the people of the region or a bit of both.

The progress being made in the delivery of the UKSPF Investment Fund allocation and its achievements against expected outcomes will also be of interest to the committee for 2023/24.

Once the committee membership is appointed for 2023-24 a workshop will be held to discuss the work programme and ways of working for the year ahead and set its own priorities.

Useful Websites



[North of Tyne Combined Authority](#)

[North East Devolution Deal](#)

[Centre for Governance and Public Scrutiny](#)

[Local Government Association](#)

[North East Combined Authority](#)

[The North East Local Enterprise Partnership](#)

Contact Officers

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