

Cabinet

Tuesday, 28 July 2020 at 2.00 pm

This meeting will be held virtually and live streamed on the Combined Authority's YouTube page.

For members: Information on how to join the meeting will be circulated to all participants.

For press and public: View the live stream at <https://youtu.be/f8XVe0BQ4tM>

Committee documents and related information are available at www.northoftyne-ca.gov.uk

AGENDA

	Page No
1. Apologies for Absence	
2. Announcements	
3. Declarations of Interest	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be submitted to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
Note: The Audit and Standards Committee has granted dispensations to Cabinet members so that they may participate in decisions which relate to the constituent authority which appointed them.	
4. Minutes of the Previous Meeting	1 - 6
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9.	2019/20 NTCA and North East LEP Financial Outturn: including LEP 2020/21 Budget and Illustrations for 2021-22 and INEE 2019/20 Outturn and 2020/21 Budget	65 - 90
10.	Q.1 2020/21 Budget Monitoring Report	91 - 98
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12.	Date and Time of the Next Meeting Tuesday, 29 September 2020 at 2pm.	
13.	Exclusion of Press and Public	
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Cabinet, 2 June 2020

(2.03 - 2.30 pm)

This meeting was held virtually and live streamed.

Draft Minutes for Approval

Present:

Chair: Mayor J Driscoll

Councillors W Daley, N Forbes, P Jackson, J McCarty and B Pickard, Mayor N Redfearn and Mr A Hodgson

Also: Mr R Fry, Mayoral Ambassador for Voluntary, Community and Social Enterprise Sector (Observer)

65 **APOLOGIES FOR ABSENCE**

There were no apologies for absence received.

66 **ANNOUNCEMENTS**

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

67 **DECLARATIONS OF INTEREST**

There were no declarations of interests.

68 **MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 25 February 2020 were approved as a correct record and signed by the Chair.

69 **A MINUTE'S SILENCE**

The Cabinet held a minute's silence to pay respect to all those who had died as a result of COVID-19.

70 **NTCA'S PROGRAMME OF MEETINGS FOR 2020/21**

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

Members considered the report which explained the position with annual meetings of the constituent local authorities as a result of restrictions due to COVID-19 and recommended that the annual meeting should be deferred. The report also set out the proposed programme of future committee meetings of the Combined Authority up to June 2021.

RESOLVED – That:

- i. the annual meeting be deferred; and
- ii. the programme of committee meetings set out in the appendix to the report be agreed.

71 **CABINET - SCRUTINY PROTOCOL**

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

The report sought the Cabinet's adoption of the proposed North of Tyne Combined Authority's Cabinet – Scrutiny Protocol, as a document to govern relationships between the Cabinet and the Overview and Scrutiny Committee.

Councillor G Roughead, the Chair of the Overview and Scrutiny Committee introduced the Protocol. Amongst the matters reflected during his presentation, he welcomed the positive working relationships between the Overview and Scrutiny Committee, the Mayor, Cabinet and senior officers. Councillor G Roughead thanked the Scrutiny Officer and the Vice-Chair of the Committee for their work on the document.

The Mayor thanked Councillor Roughead. The Mayor found the regular meetings with the Chair, Vice-Chair and Scrutiny Officer of the Overview and Scrutiny Committee helpful; and these continued during the lock-down period.

RESOLVED – That the Cabinet-Scrutiny Protocol be adopted as part of the Authority's Constitution.

72 **SCRUTINY ANNUAL REPORT**

Submitted: A report of the Overview and Scrutiny Committee (previously circulated and attached to the Official Minutes).

Members considered the report which provided an overview of the work of the Overview and Scrutiny Committee since the establishment of the Combined Authority.

Councillor G Roughead, the Chair of the Overview and Scrutiny Committee introduced the report. He offered thanks to members and officers. The current and previous members of the Overview and Scrutiny Committee were thanked for their work and contribution for the period the report covered.

Councillor Roughead thanked Councillor L Wright, the Vice-Chair of the Committee, for her support and dedication and E Kerr, the Scrutiny Officer, and L Camsell, the Democratic Services Officer, for their support and commitment. He found that these officers were a credit to the Combined Authority's reputation.

During his presentation, Councillor Roughead highlighted the effectiveness, professionalism and dedication of the Overview and Scrutiny Committee. He spoke about the Committee's work programme and achievements.

Considering the effects of COVID-19, this subject matter, including economic recovery within the North of Tyne, would need to be added to the work programme of the Overview and Scrutiny Committee.

Councillor Roughead welcomed the positive working relationships between the Committee and the Mayor, Cabinet and senior officers, which, it was hoped, would continue and strengthen.

The Mayor commented on the good experience when working with the Scrutiny Team.

The Mayor thanked Councillor Roughead for this work and commended his chairmanship.

RESOLVED – That the report be noted.

73

NTCA'S ROLE AS ACCOUNTABLE BODY FOR THE NORTH EAST LOCAL ENTERPRISE PARTNERSHIP

Submitted: A report of the Head of Paid Service (previously circulated and attached to the Official Minutes).

Members considered the report which outlined the Combined Authority's role as the accountable body to the North East Local Enterprise Partnership (NE LEP).

P Hanson, the Head of Paid Service, introduced the report.

Mr A Hodgson, the Chair of NE LEP commented on the importance of an accountable body for the organisation. Mr A Hodgson thanked the Executive Teams involved for their support during the transfer time.

RESOLVED – That:

- i. The report be noted;

- ii. The Head of Paid Service be authorised to make delegated decisions on behalf of NTCA to give effect to the decisions made by NELEP as set out in paragraph 2.5 of the report; and

The reporting proposals as outlined in paragraph 2.6 of the report be agreed.

74 **NTCA CORPORATE POLICIES**

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

The Cabinet considered the report which sought adoption of the proposed North of Tyne Combined Authority (NTCA) policies relating to:

- Data Protection and Confidentiality;
- Environmental;
- Equalities and Diversity;
- Modern Slavery; and
- Social Value.

The Mayor commented on the importance of corporate policies to help to ensure the Combined Authority continued to maintain the very high standards of governance.

RESOLVED – That each of the proposed policies attached as appendices to the report be approved.

75 **INVESTMENT STRATEGY**

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

The Cabinet considered the report, which invited it to consider a set of principles that would guide the development of a Capital Investment Strategy that would form part of the budget setting process for 2021/22 - 2023/24. The Capital Investment Strategy, as the policy framework document, would set out the principles to be used to inform decisions on capital spending priorities in accordance with achieving the vision of the economic plan for the North of Tyne area. J Gillespie, the Chief Finance Officer, introduced the report.

RESOLVED – That the principles set out in paragraphs 1.4 to 1.6 of the report be approved.

76 **INVESTMENT FUND UPDATE AND FUNDING APPROVALS**

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

The Cabinet considered the report, which provided an update on the progress that had been made on the NTCA Investment Fund to bring forward the latest proposed investment decisions within the agreed NTCA economic framework and to set out next steps in relation to these propositions.

RESOLVED – That the Cabinet:

- i. Noted the progress to date on the Investment Fund, achievement of key milestones and ongoing development work, particularly in respect of defrayed expenditure and project development around our priority sectors.
- ii. Authorised the Head of Paid Service, in consultation with the Investment Proposal, to approve change requests to projects previously approved by Cabinet where such requests did not result in an increase in expenditure of more than £200,000 or an extension of delivery by more than 2 quarters (as set out in paragraph 1.2 of the report).
- iii. Noted the launch of the North of Tyne Capacity Fund to support local authorities' response to the COVID19 pandemic.
- iv. Noted progress to date on the Offshore and Subsea Programme and the launch of the call for Offshore Wind Infrastructure project proposals.
- v. Authorised the Interim Head of Paid Service, in consultation with Investment Panel, to approve the application from Advance Northumberland (Commercial) Limited for £793,654 funding for the Rural Design Centre Innovation Project subject to the satisfactory conclusion of the appraisal process, including further consideration of the strategic context for our work on rural development and the identification any appropriate conditions of funding.

77 DATE AND TIME OF THE NEXT MEETING

Tuesday, 28 July 2020 at 2pm.

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Subject: Investment Fund Update and Funding Approvals
Report of: Henry Kippin, Director of Economic Growth
Portfolio: Economic Growth

Report Summary

The purpose of this report is to update Cabinet Members on progress made on the NTCA Investment Fund and to bring forward latest proposed investment decisions within the agreed NTCA Investment Plan.

Recommendations

The Cabinet is recommended to:

1. Note progress to date on the Investment Fund, achievement of key milestones and ongoing development work, particularly in respect of defrayed expenditure and project development around our priority sectors.
2. Approve funding of £500,000 of Business Case Development funding for the Unlocking Sustainable Future Homes through Collaboration proposal subject to conditions in section 1.3 of this report.
3. Approve funding of £1,299,952 for the Advancing Circular Economy– R&D Demonstrator project subject to the funding conditions set out in section 1.4 of this report
4. Approve funding of £125,000 to fund NTCA's online community engagement and crowdfunding platforms, subject to the funding conditions set out in section 1.5 of this report;
5. Authorise the Interim Head of Paid Service to finalise the conditions to be attached to the above funding awards and authorise the Interim Monitoring Officer to complete the necessary documentation.

1. Background Information, Proposals and Timetable for Implementation

1.1 Background

- 1.1.1 The North of Tyne Investment Programme was established to support growth and job outcomes outlined in the Devolution Deal. It is shaped by the Economic Vision agreed by Cabinet and includes a growing portfolio of investments designed to benefit people, places, businesses and the economy across Northumberland, North Tyneside and Newcastle.
- 1.1.2 In recent months, Cabinet has made significant headline allocations to support key sectors, including around clean growth, digital and culture & creative. Mechanisms are now being designed to deliver on these programmes. Several exciting proposals are also due to come forward for consideration in the coming months, including on data and the ageing economy.
- 1.1.3 As of the beginning of June 2020, £27.8m has been committed against 34 projects. This report provides an overview of progress to date, as well as a forward look at upcoming milestones and priorities for the fund. It also sets out the recommendations from Investment Panel regarding a business case development fund application for Unlocking Sustainable Future Homes Through Collaboration and for two additional proposals: the Advancing Circular Economy R&D Demonstrator; and Community Engagement and Crowd-Funding Platform Development.

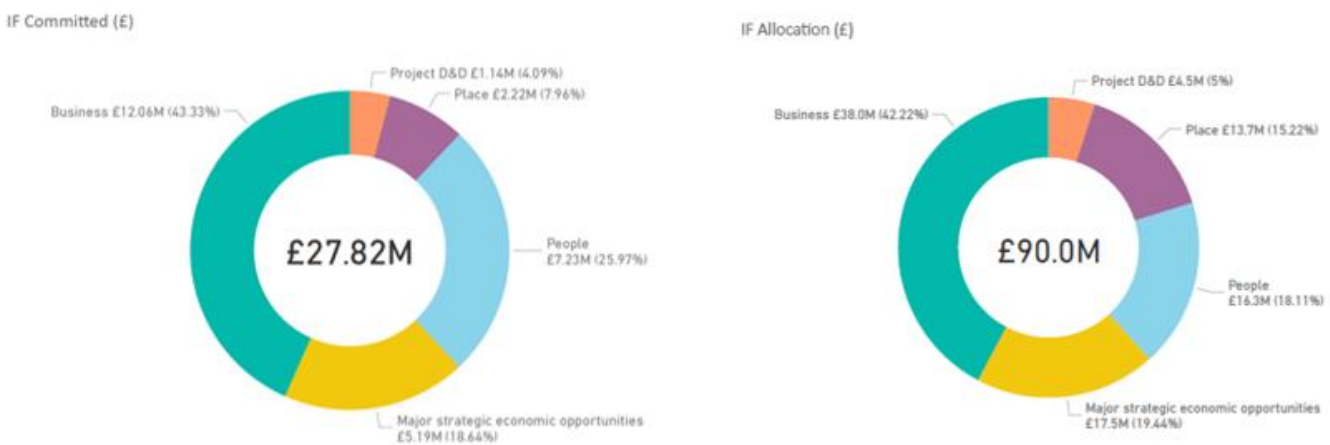
1.2 Investment Fund progress to date

1.2.1 The Investment Fund Programme continues to grow significantly as projects progress through the pipeline. We have seen some exciting funding proposals coming forward for consideration, around innovation and supporting our key sectors, several of which are included within this report. Work continues at pace to operationalise the headline sector strategies agreed by Cabinet. In addition, we are seeing a step change in the volume of contracts and supporting financial claims as projects and programmes come to fruition.

1.2.2 To date the Combined Authority has achieved:

- A commitment of £27.82m against 34 projects and programmes
- Defrayal of £805,370 expenditure
- These projects will attract £99.51m of private sector leverage and are forecast to deliver 2571 jobs.

Diagram 1: Investment Fund commitments to date against allocations in the Investment Plan.



1.2.3 To further support the impact of the COVID19 pandemic since last month the Combined Authority has approved £677,750 to fund a Digital Inclusion Programme, providing access to IT equipment and internet to vulnerable groups across Northumberland, North Tyneside and Newcastle, with a primary focus on young people in education.

1.2.4 In May, Cabinet endorsed proposals for the Rural Design Centre Innovation project, subject to completion of appraisal. £793,654 of NTCA funding has now been approved by Delegated Procedures, which will leverage ERDF and private sector resources. The project will provide innovation support to small and medium enterprises with the objective that they develop 'new to firm' products and services that help to address challenges faced by the rural economy. Over the next three years it will aim to deliver 25 Innovation Challenges, each focussing on a specific rural issue, enabling businesses to work alongside industry and academic experts and turn ideas and concepts into commercially viable solutions. Overall, 150 businesses will benefit from this support and the project will create 36 new jobs.

1.2.5 The COVID19 pandemic continues to have an impact on delivery across the programme, however the Combined Authority is working closely with project sponsors to provide additional support which enables the development of alternative delivery methods where appropriate. An example of this is our STEM and Digital programme where the NTCA funded organisations are working together, sharing knowledge and skills to develop an online offer which school children across the North of Tyne authorities can access.

1.2.6 Our first North of Tyne Growth Fund project is now live, a grant of £80,000 has been awarded to North Shields based company Datatron, to expand their operation and create 8.5 jobs. The pandemic has however resulted in a decrease in new enquiries to UMi, who manage the fund on behalf of the

Combined Authority. Marketing activity is planned over the next couple of months to promote the financial support available through the North of Tyne Growth Fund to SME's with exciting plans to develop their business. It is hoped demand will increase as businesses begin to adapt to the 'new normal'.

1.2.7 The North of Tyne Inward Investment Fund is proving successful and to date £3m of the £10m fund (available up to 2023) has been approved in principle. We are pleased to report the success of our first investment to Verisure Services (UK) Limited, the company are now established in their new premises at Quorum Business Park. Recruitment is underway as the company expands, bringing a minimum of 200 new jobs to the North of Tyne.

1.3 Business Case Development Fund – Unlocking Sustainable Future Homes Through Collaboration

Proposal Name	Unlocking Sustainable Future Homes Through Collaboration
Lead Organisation	North of Tyne Combined Authority
Partners	Newcastle City Council, Northumberland County Council, North Tyneside Council
Delivery Areas	North of Tyne CA area
Timescales	July 2020 – July 2022
Total expenditure	£500,000
NTCA Investment Fund	£500,000

1.3.1 This business case development fund application sets out an action of work associated with the proposals endorsed by Cabinet in the recent paper 'Unlocking Sustainable Future Homes through Collaboration', which was agreed by Delegated Decision on 28 April 2020. The funding will be used for extra capacity to complete this work and will also support the rapid deployment of the £24m Brownfield Housing Fund, which was recently allocated to the Combined Authority.

1.3.2 The project will: accelerate the development of an investable pipeline of key sites; create a Joint Infrastructure Plan, comprising of a prospectus of future infrastructure interventions; and develop an options paper for future co-investment in the quality and sustainability of existing housing stock across the North of Tyne area. The work will build on a strong background of working together across the three constituent authorities. The explicit purpose is to ensure that we are able to make a credible and robust case for further Government support via Homes England and through funding for Mayoral Combined Authorities identified in the March Budget.

1.3.3 The project will fund capacity to help pull together detailed information about the key sites. Initial work has already been undertaken by the local authorities to choose sites, but there is a need for more information to be collected so that the sites identified can then proceed to viability assessment. It is likely, based on the types of sites chosen by the local authorities, that the viability assessments will identify the need for further investment in transport infrastructure and land remediation.

1.3.4 This capacity will add value to existing local authority work and reflects the ethos of combined authority by working together on a suite of sites, sharing resource and working collaboratively. It is likely, particularly with the joint pipeline of key sites work, that this upfront work and investment in boosting capacity will leverage additional public funding to support our housing ambitions through the Government's housing accelerator, Homes England.

1.3.5 In addition to oversight by Portfolio Holder, officer team and NTCA Cabinet, it is envisaged that throughout the process, the Housing and Land board – acting in its advisory role – will comment, recommend and give insight into the work as it progresses.

- 1.3.6 The Investment Panel considered the proposal and recommend to Cabinet that the funding request for £500,000 of Business Case Development Funding is approved subject to the following conditions:
1. NTCA to develop a delivery plan which formally sets out the management arrangements, individual roles and responsibilities and timescales to enable successful delivery of the project.
 2. NTCA programme team to be formally updated with the actual project costs following completion of procurement exercises. This will be reported to Investment Panel.

1.4 **Advancing Circular Economy Research and Design Demonstrator**

Proposal Name	Advancing Circular Economy (ACE) – R&D Demonstrator
Lead Organisation	Procter & Gamble
Delivery Areas	North of Tyne
Timescales	July 2020 – Jan 2022
Total Expenditure	£2,700,397
NTCA Investment Fund	£1,299,952

1.4.1 The ACE R&D Demonstrator proposal is a 15 month project led by P&G (to be completed within 18 months), with support from two universities, one commercial partner, CPI and the Innovation SuperNetwork. The over-arching aim of the ACE project is to help establish an integrated innovation ecosystem in the North of Tyne area focused on exploiting economic opportunities presented by the circular economy (the economic system aimed at eliminating waste and the continual use of resources) with an initial focus in biotechnology and water. It is an opportunity to support an emerging sector of global significance through a project that is private-sector led and which maximises collaboration across private and public sectors.

1.4.2 There is an opportunity for the North of Tyne and the North East to take a global lead in user-led design of products and services that solve big global sustainability issues such as waste recycling, energy & water access, and renewable materials. The North East hosts the elements needed for success, most of them in the North of Tyne area, such as process industries & biotech across large industry, smaller technology providers, leading universities and UK Catapults. However, today these are not fully connected and co-ordinated in a way that industry can leverage, to create next generation sustainable, customised products for end users. The proposed ACE demonstrator will connect and amplify existing assets in the region across universities, CPI and industry in the North of Tyne and the wider North East.

1.4.3 The demonstrator will take a fast-track approach to confirm whether the region can bring together a synergistic, integrated network of Universities, SMEs and larger industrial partners, combining research and industrial assets to exploit new circular economy markets for North of Tyne and establish new capability.

1.4.4 The project will test whether a collaborative open innovation approach to industrial research, focused on the opportunities presented by the circular economy, can accelerate its commercialisation. The demonstrator will help to identify what would be needed in terms of resources, partnerships and collaborative models, to establish a new physical ACE Centre in the region, which would accelerate the commercialisation of research, bringing new products and services to markets in a relatively short time frame, generating additional investment and creating new jobs.

1.4.5 This project builds on both national and regional innovation priorities and helps build the case to leverage future private and public sector investment. Beyond any direct commercial outcomes, the ACE consortium will have a major benefit in relation to regional visibility and reputation, especially with the science and technology sectors. This will have long lasting downstream benefits in term of future investment and employment. It will sustain growth, investment and innovation within the North of Tyne area through this collaboration & partnership to build the relevant value and supply chains.

- 1.4.6 This R&D Demonstrator will have three main workstreams:
- **Enzyme & probiotic discovery**
Objective: Create a unique integrated enzyme & probiotic discovery platform to rapidly identify, develop and commercialize novel enzymes & probiotics for multiple industrial applications.
 - **Innovation for water scarcity**
Objective: Develop a suite of novel technological solutions to radically reduce domestic consumption of water from daily cleaning tasks e.g. laundry and washing dishes.
 - **Define circular economy opportunities**
Objective: Define several circular economy opportunities that could form part of a future ACE centre. The consortium will identify partnerships and work up proposals that can form part of the centre in areas such as alternative proteins and biomaterials, domestic waste-to-worth or low-cost separation & recovery of plastic waste streams
- 1.4.7 This project will build on and grow the region's existing strengths, while securing the skills and talent pipeline for the scientists for the future of the North of Tyne and UK PLC. It will also catalyse new projects in the region involving SMEs and new businesses. The project will support the creation of 14 direct jobs and 35 indirect jobs in the wider supply chain whilst safeguarding 2 direct jobs and 38 indirect jobs. All direct job created will above the real living wage and many of the jobs being created are permanent jobs and/or will last beyond the 15-month program. In addition, more than 50 schools engaged in STEM activities developed directly from the content of the ACE R&D Demonstrator project.
- 1.4.8 The partners are contributing a minimum of £1.4 million in matched eligible costs. P&G (the lead applicant) will fund the majority (£1.2million) of the matched project costs via their own R&D Budgets. Additionally, P&G will leverage (at their own cost) their external supplier and internal expert networks to further support this project work. Further, if the outcome of the specific research outcome of the demonstrator is successful, P&G has committed to funding the consequent Development part of this work 100% from its own budget.
- 1.4.9 A full appraisal has been undertaken which found that the project has a clear strategic rationale aligned to key national and regional strategies and supports the NTCA's Economic Vision. The appraisal also noted that there is a clear justification to invest in R&D and innovation activities which will capitalise on opportunities presented by the circular economy and support the transition to a low carbon economy. The demonstrator will test the effectiveness of a collaborative approach to R&D and innovation, to determine whether the approach can accelerate the commercialisation of research, with the outcome of the demonstrator informing the future development of a physical ACE centre in the region. The appraisal highlighted that the preferred option represents good value for money in return for the total public sector investment from the NTCA Investment Fund.
- 1.4.10 NTCA Investment Panel considered the proposal and recommend to Cabinet that funding of £1,299,952 (48.14% of overall project costs) is approved for the Advancing Circular Economy (ACE) – R&D Demonstrator project subject to the following funding conditions:
1. NTCA funding is subject to all match funding being confirmed;
 2. An updated monitoring and evaluation framework should be provided to confirm that evidence will be gathered to support the determination of economic benefits that could be secured for the North of Tyne area through the ACE Centre.
 3. The applicant should provide details of the steps to follow the completion of the demonstrator project to toward the development of a wider ACE Centre;
 4. Independent state aid advice should be provided, confirming the project is compliant with state aid requirements;
 5. The partners should provide confirmation of the eight new sustained posts when the created and provide ongoing monitoring information to ensure that these are sustained for the duration specified in the application.

The recommendation for a funding award should not be seen as a gateway to future funding from NTCA for the wider ACE project.

1.5 Community Engagement and Crowd-Funding Platform Development Funding

Proposal Name	Community Engagement and Crowd Funding Platform Development
Lead Organisation	North of Tyne Combined Authority
Partners	Northumberland county, Newcastle Council and North Tyneside Council
Delivery Areas	North of Tyne
Cost:	Up to £125,000 between July 2020 and 1st September 2021 - to be funded from the Inclusive Economy Innovation Fund budget line.
Match Funding:	Up to £100,000 of match funding from the National Lottery Community Fund is being negotiated subject to NTCA investment in the platform infrastructure set out in the report.
Timescales	July 2020 to 1st September 2021

- 1.5.1 Engaging with business and residents is of increased strategic importance for public authorities to strengthen relevance, responsiveness and accountability in a post-pandemic context and to build trust.
- 1.5.2 An investment of £125,000 in online community engagement and crowd funding platforms will enable the digital infrastructure needed for NTCA to improve the reach and profile of the combined authority into its communities and to deliver outcomes and impact through crowd-funding mechanisms. The proposal for investment adds clear value to the activities of constituent Local Authorities and provides an opportunity to crowd in significant investment from other sources.
- 1.5.3 Funding, if approved by Cabinet, will contribute to:
- Costs associated with registering and maintaining a presence on a crowd funding platform;
 - a financial contribution of an average of £1000 to selected projects proposed by residents and community groups through the crowd funding platform (up to £50,000 has been budgeted to support these small grants);
 - costs associated with registering and maintaining a presence on a community engagement and consultation platform.
- 1.5.4 By supporting communities to develop projects we facilitate their ambitions, creating the opportunities and potentially supporting new business ideas; this project will support people to utilise their talents. Across the world crowdfunding has been used to give talented people a vehicle for their ambitions and this project is instinctively entrepreneurial, supporting ideas and creativity from all our communities and going some way to meeting the funding gap for those residents and VCSE organisations who wish to develop small scale projects to aid recovery.
- 1.5.5 NTCAs investment in engagement and crowd funding platforms will provide the ability for people to physically take part in civic change through delivering projects – also giving NTCA a mechanism to part-fund these projects efficiently, quickly, at scale. It is expected that 50 groups or residents and third sector organisations will develop, crowdfund and deliver recovery focussed mini projects in their locality and as a result of this project well in excess of £150,000 of crowd funded and other match funding investment will be secured for our communities.
- 1.5.6 A full appraisal was conducted on the project which found that the project directly contributes to NTCA’s Vision of a more inclusive economy, helping to drive engagement with our mission and support residents, VCSE and businesses to creatively do more for themselves and each other - as a part of a real partnership between the combined authority and its residents. The appraisal also found that the project can articulate clear links to our economic vision and that the implications and risks associated with the options for third party delivery have been fully scoped and mitigated, with evidence

that in procuring and utilising an existing platform available in the market for this activity that the optimal mechanism for allocating funding & delivering objectives will be chosen, with minimal development costs and as such can be delivered in a way that demonstrates good value for money.

1.5.7 NTCA Investment Panel considered the proposal and recommend to Cabinet that funding of £125,000 is approved to fund NTCAs online community engagement and crowdfunding platforms subject to the following funding conditions:

1. NTCA to develop systems and processes for calculating and notifying beneficiaries of state aid received as part of project delivery;
2. Outputs including residents supported into employment and jobs created to be formally reported against Investment Fund performance where enough evidence can be collected that meets NTCAs requirements;
3. Contribution to Inclusive Economy target groups to be included as part of the assessment criteria for individual projects with assessment criteria to be agreed by the Mayor and Portfolio Holder for Employability and Inclusion.

2. Potential Impact on Objectives

2.1 The projects identified in the report are consistent with the priorities set out in the NTCA vision.

3. Key Risks

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

4. Financial and Other Resources Implications

4.1 The overall impact on the use of the Investment Fund arising from the approval recommended in this report are as outlined below:

	2020/21	2021/22	2022/23	Total (£)
BCDF – Housing	£100,000	£300,000	£100,000	500,000
ACE R&D Demonstrator	£762,437	£537,515		1,299,952
Community Engagement & Crowdfunding	£85,000	£40,000		125,000
TOTAL	£947,437	£877,515	£100,000	1,924,952

5. Legal Implications

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

6. Equalities Implications

6.1 Equality impact assessments are undertaken for all funding requests in accordance with the agreed process.

7. Inclusive Economy Implications

7.1 The inclusive economy case is assessed on an individual project basis as part of the assessment process and is embedded within the Investment Fund criteria.

8. Climate Change Implications

8.1 Climate change implications are assessed on an individual project basis as part of the assessment process. The activity described within this report is considered to positively support the climate change priorities of the Combined Authority.

9. Consultation and Engagement

9.1 Stakeholders have been fully engaged in the development of the project proposals.

10. Appendices

N/A

11. Background Papers

None

12. Contact Officers

Chrisi Page, North of Tyne Investment Programme Manager

Chrisi.page@northoftyne-ca.gov.uk, 07977 517556

13. Glossary

None



Subject: Community Hubs Investment Fund
Report of: Henry Kippin, Director of Economic Growth
Portfolio: Economic Growth

Report Summary

This report sets out proposals for a North of Tyne Community Hubs pilot programme. This aims to support community-led enterprise and innovation within our places – built through strong collaboration between local authorities, communities, the voluntary sector and the NTCA. The report:

- Describes the issues and outcomes this programme seeks to address – showing where and how it can add value to existing relationships, funding streams and initiatives already at play within the region.
- Establishes criteria for the Fund, and a process through which projects and funding would be allocated.
- Outlines an approach to testing, learning and iterating the programme through ongoing partnership and collaboration.

These issues were considered last year, and Officers have since worked up an approach and tested informally with the Mayor and Cabinet. This further iteration builds on our growing understanding of how to handle our investment decisions, input from the VCSE (voluntary, community and social enterprise sector) (including the Mayor's VCSE Ambassador) and the region's work on economic recovery.

Recommendations

The Cabinet is recommended to:

1. Agree an indicative overall Investment Fund of £1.53 million to establish a Community Hubs Investment Fund.
2. Endorse the development of a full business case – created through bottom-up identification of relevant projects by Local Authorities within a NTCA assurance framework; with funding subsequently devolved to Local Authorities on this basis.
3. Authorise the Interim Head of Paid Service, in consultation with the Investment Panel and the Mayor (as Portfolio holder for this workstream), to consider and approve the final business case which has been subject to a full appraisal and will set out clear assessment criteria and approach to delivery.

1. Background Information, Proposals and Timetable for Implementation

1.1 What is a Community Hub?

Community Hubs are defined by Locality (the national network for community organisations) as “a multi-purpose centre or building that is made accessible to the residents of the area that it occupies. It provides a range of community services, delivered by community members, and is often managed by a dedicated community organisation.” According to the UK-wide social funder Power to Change (which focuses on supporting community business), “Examples of services include parent and toddler groups, employment support, childcare, library services and health and wellbeing activities.” Community Hubs:

1. Deliver broad community and economic impact, often as a ‘hub’ for other activities and projects.
2. Are locally-rooted and demonstrate a strong understanding of neighbourhood needs and issues.
3. Trade for the benefit of the local community and are accountable to that community.¹

There are already many such facilities providing these and similar services within the North of Tyne area – ranging from micro/community level, to organisations like the Glendale Gateway Trust in Wooler which runs housing, youth services, libraries and community space.

Community Hubs will deliver a blend of services with different funding streams and ownership models. Our approach within this programme is specifically to support the capacity of Community Hubs to innovate and improve their ability to trade and achieve financial sustainability and support jobs.

1.2 Focus of a NTCA Community Hubs programme

The Community Hubs proposals outlined in this paper build on a commitment made by our Cabinet to support inclusive economic growth which supports our communities and places to thrive.

Our Economic Vision² makes clear the links between people, productivity and place – made real through an investment approach which is ambitious, balanced and which explicitly seeks to address inequalities.³

The Mayor’s Manifesto builds on this commitment – outlining support for ‘community hubs’ as a means to stimulating community-led enterprise and help keep resources and agency within communities. The goal is to make local communities and neighbourhoods more economically resilient, through innovative models of entrepreneurship coupled with greater resident engagement and involvement.

In 2019, an approach was proposed that:

- Reviews existing community hub provision in each of the three constituent Councils – working through Local Authorities to understand existing arrangements and relationships.
- Assesses where NTCA could add value to this – for example in supporting particular NTCA priorities around inclusive growth and community-led enterprise; and
- Bases the delivery of this programme on a principle of collaboration and ‘learning by doing’ – piloting new approaches, learning from these, and working closely with local partners.

¹ This definition is based on national funder Power to Change <https://www.powertochange.org.uk>

² Home of Ambition: The Vision for the North of Tyne Combined Authority, November 2018, p21

³ Inclusive Economy Policy Statement, North of Tyne Combined Authority, December 2018, p4

Discussions have highlighted a number of possible ways in which we might deliver on these goals. These discussions emphasised the need for a balanced approach which devolves funding to Local Authorities, as part of an overall framework which aligns to NTCA's assurance process, works closely with the voluntary and community sector, and which is clear about the outcomes we are trying to achieve.

Since these initial discussions took place, the region is also taking stock of the impact of Covid19 on the economy, local places and the voluntary and community sector. Community hubs have already proved critical to our area's response to the crisis: mobilising volunteers, supporting vulnerable people and aiding the massive health and social care effort. Community hubs, as places of coordination and connection, will have a crucial role to play in our recovery. The CHIF proposal will support and strengthen these critical local economic and social assets.

1.3 Why is Support for Community-Led Enterprise Important?

The value of Community Hubs rests on the relationship between the voluntary sector, local authorities, the wider social economy, and, of course, our communities. In the North of Tyne area, this relationship is varied, diverse and long standing.

- The North East as a whole is home to 7,000 VCSE organisations, supporting 37,500 full time equivalent employees (3-4% of the region's workforce), supported in turn by 150,000 volunteers delivering 10.8m hours of work.⁴
- The economic value of the sector is significant. In 2016/17 the voluntary sector contributed £17.1bn to the national economy.⁵
- At a local level, the sector continues to innovate. Recent research by Connected Voice, Newcastle's VCSE infrastructure organisation found that seven out of ten organisations had developed new services, projects, initiatives or events in the last year.⁶

Our local authorities play a central role in supporting this growth, innovation and community-based change. To give three of many examples:

- The Newcastle Fund helps residents to build sustainable community resources by offering grants to VCSE organisations to pilot, expand or diversify important community activities.
- Northumberland's specialist officer-lead on supporting communities to thrive has a cross-cutting portfolio which helps the County Council to understand and respond to social and financial issues in a joined-up way, across its communities and its departments.
- North Tyneside Council uses innovative mechanisms, such as its Community Lettings Policy, to offer VCSE organisations discounted rent in council premises, in recognition of their social value. Much of this work is co-designed with residents and VCSE organisations who know their places best and can develop effectively tailored responses.

Through their wider business support and community enterprise activities Newcastle, North Tyneside and Northumberland councils also support significant innovation in community enterprise and entrepreneurship. They are aided in their efforts by support from their VCSE Local Infrastructure Organisations which offer practical help to community hubs in areas such as governance and volunteer recruitment and management. Appropriately structured and devolved Combined Authority funding would build on these firm foundations, helping to grow economically and socially resilient places and local economies.

⁴ Third Sector Trends in the North East, Community Foundation for Tyne and Wear, 2017
<https://www.communityfoundation.org.uk/wordpress/wp-content/uploads/2017/09/Third-Sector-Trends-in-North-East-England-2017-1.pdf> Note: As community hubs do not follow a single legal structure exact numbers for the North of Tyne are not available.

⁵ UK Civil Society Almanac, NCVO, 2017, <https://data.ncvo.org.uk/impact>

⁶ Canaries in the Coal Mine, Connected Voice, July 2019
www.connectedvoice.org.uk/images/Publications/Canaries_in_the_Coal_Mine.pdf

The VCSE has also been an important stakeholder in developing the NTCA's vision for devolution, growth and change. Sector representatives are engaged through our VCSE Stakeholder Group, the appointment of our VCSE Mayoral Ambassador, and the development of a VCSE Accord for the North of Tyne. NTCA's wider plans for investment – for example in digital, business support and skills – offer further notable opportunities for organisations within the sector.

1.4 How will the Community Hubs programme add value?

Cabinet members have been clear about the benefits of supporting community hubs over the longer term – encouraging sustainable development through trading, keeping wealth in communities, empowering social entrepreneurs and innovators, and supporting enterprise that addresses some of our more important social issues. This is what distinguishes the NTCA approach. We are *not* proposing wider funding and support for voluntary sector activity, nor are we directly funding public service co-location. This does not rule out Community Hubs sharing spaces or collaborating with public services, VCSE organisations, or charitable organisations where the approach would benefit both parties.

Implementation of the NTCA approach will draw on insight and expertise from our three constituent local authorities, and the range of stakeholders we have consulted, to understand how these characteristics apply in the specific contexts of Newcastle, North Tyneside and Northumberland. For example:

North Tyneside – Community Hubs bringing services and people together

North Tyneside's proposed approach is in line with a strategic approach that prioritises community-led ways of working and strong engagement between the public sector and communities. A significant part of the borough's 'Our North Tyneside Plan 2018-2020' is the priority placed on 'Our People', ensuring that those with care and support needs are helped to lead healthy and fulfilling lives, free from abuse, neglect, and discrimination.

The establishment of community hubs in partnership with the voluntary sector is an important part of this approach. It will make available services to local people of all ages and will be a valuable resource for local voluntary and community groups; a place where people can make connections; and a place for people to access different types of services and skills.

The Hub will also be an opportunity for projects to develop social capital in the area, by developing social networks and structures through voluntary action. This opportunity to extend social networks and reduce isolation is seen as central to maintaining and improving people's health and wellbeing; and will help create the conditions for community entrepreneurship as part of post-Covid renewal.

Pivotal to the proposed Community Hub arrangements and the local offer is the role and involvement of the Community and Voluntary Sector. In North Tyneside VODA as well as a range of other VCS organisations continue to add significant value and work in a collaborative and innovative way in supporting residents.

Northumberland – Community Hubs that support sustainability, entrepreneurship and skills

Northumberland's approach builds on the successful model of centres such as the Cheviot Centre in Wooler. By forming partnerships with the County's communities, the Voluntary and Community Sector (VCS), skills and employability providers, wellbeing and wider services, the Community Hubs will support rural sustainability in some of the most remote areas by providing access to services, support, small business workspaces and shared facilities.

The approach will harness and build on the partnerships between communities, the VSC and others which have come together and strengthened in recent weeks, and which have delivered incredible and vital support to the most vulnerable people in society.

It will look at a range of centres/services in the context of the rural, mixed urban and rural and urban environments; and build on the existing good practice of neighbourhood learning hubs and learning hives which offer neighbourhood-based centres and/or networks delivering employment and skills support, and bringing in other services (such as money management and wellbeing support) to enable social and economic inclusion.

It will explore the expansion of services within the existing hubs and the possibility of introducing new hubs with a focus on digital inclusion and inclusive growth principles. There will be many people who will be looking to get back into work and to improve their skills or change careers and these developments will allow more residents to access this support.

Newcastle – Community Hubs that support children, families and communities

Newcastle's approach will be to create vibrant and empowering community hubs – 'magnets' that attract children, families and the wider community who, once there, can access the additional support that they need and a range of products and services. Services as diverse as; the local post office, laundry services, soft play, speech and language therapies, tutoring, adult learning, mental health, job search and money management services could operate from the hubs.

Newcastle's proposition will build on the strong partnerships and cross-sector relationships already in place within the city - with the voluntary sector, and with health, public service and social economy partners. The strength of these relationships will broaden the community offer available in the hubs. It will also allow us to deliver an integrated early intervention service from the hubs; which in turn creates opportunities for community-led innovation and growth.

1.5 Testing, Trialling and Learning

The programme will take a 'prototype' approach – prioritising investments which enable our partners to test, learn and develop distinct approaches within an over-arching outcomes framework agreed by NTCA Cabinet. Prototyping will involve using diverse implementations of the framework, with the intent to include new ways of empowering communities through co-design and co-production.

We will support projects to leverage additional funding streams where appropriate, from private, public and third-sector funds seeking to match our investments.

We will operationalise this in a way that mirrors our process for allocating the Covid Response Fund; that is, to award funding to constituent Local Authorities on the basis of mutually agreed proposals, with Local Authorities then responsible for implementation. This process is further detailed below.

1.6 Proposals for Implementation

The following specific next steps are proposed in order to develop a full business case and begin implementing NTCA's Community Hubs programme. They closely mirror the process through which the NTCA Covid Response Fund was developed and allocated.

1. Allocation from our Investment Fund to create a Community Hubs Investment Fund (CHIF) of £1.5 million. This will be split equally between the three component local authorities with each authority accessing up to the sum of £500k.

2. Local Authorities will develop proposals for community hub activity in their areas up to £500k (working collaboratively with the voluntary sector), and bring these forward through our assurance framework for consideration by Investment Panel. This would enable a good level of collaboration and peer support in developing the proposals – in line with the way in which Covid19 Response Fund packages were developed.
3. Funding would then be devolved to each Local Authority area on the basis of these approved applications.
4. NTCA will work with its Voluntary Sector Ambassador to establish a Community Hubs evaluation group, drawing on the expertise within the Inclusive Economy Board and across the social sector more widely. An additional budget of up to £30,000 has been allocated within the overall CHIF budget for this work. This will ensure that we learn from what works and adapt the programme over time to maximise social and economic impact.
5. A project timeline will be developed – drawing on the proposals developed for Investment Panel – which enables proper evaluation, learning and iteration to take place whilst recognising the flexibility that delivery partners will need within a changing economic and social context.

1.7 Proposed Criteria

The CHIF application will follow NTCA's established assurance framework procedures. This will include submission of an application to Technical Officers Group and Investment Panel covering the following: programme outline and objectives, details on proposed programme costs and outputs, project application and assessment approach and criteria.

Awards will be discretionary and will meet standard Investment Fund parameters (represents value for money, fits with the NTCA Vision and Inclusive Economy Policy Statement, evidences innovation and provides evidence of co-design with local people and/or organisations). The CHIF will promote the sustainability of community hubs by supporting prototype projects which meet the following criteria:

1. Supporting the diversification of income streams
2. Supporting the development and delivery of social enterprise activities, such as the creation of more community businesses
3. Evidencing the development and maintenance of strong local partnerships/networks
4. Evidencing strong staff and volunteer skillsets and roles
5. Evidencing strong governance and leadership
6. Supporting the development of local assets
7. Clearly demonstrating added value and the non-duplication of existing local provision

A detailed set of draft criteria are offered in Appendix 1.

2. Potential Impact on Objectives

NTCA is committed to “supporting and developing vibrant communities, which provide opportunities, choice and inspire pride”.⁷ Our measure of success, as outlined in our Vision, is

⁷ Home of Ambition: The Vision for the North of Tyne Combined Authority, November 2018, p21

more sustainable communities; NTCA's Inclusive Economy Policy Statement reinforces this by committing to developing an investment approach that links growth with inclusion.⁸

The expertise of Newcastle, Northumberland and North Tyneside will ensure individual projects meet NTCA objectives by:

- Delivering in-line with agreed NTCA need/areas of opportunity included within each application – reflecting the specific characteristics of our different neighbourhoods, people and places
- Strategic fit with NTCA Vision, Pillars and Inclusive Economy Policy Statement
- Value for money in respect of outputs and outcomes which the investment will deliver

3. Key Risks

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

Area	Risk	Mitigation
Scope of work	Proposed activities fall outside of NTCA's powers and accountabilities.	NTCA officers have sought advice from the NTCA Investment and Programme Team to ensure the proposed activities are appropriate and proportionate.
Identification / generation of suitable bids	There is either insufficient or excessive demand for the Fund, creating reputational risk.	Local authority officers and VCSE stakeholders have worked closely with NTCA officers to ensure the process is proportionate to the scale of funding available, targeted at gaps in the existing funding market and that these principles are communicated effectively.
Involvement of appropriate experts from across the NTCA area	The Fund does not meet an identified need or duplicates existing provision.	The Fund has been developed with advice from local VCSE and authority experts to ensure it adds value to the existing landscape of provision and supports new opportunities relevant to NTCA policy priorities.

4. Financial and Other Resources Implications

An indicative headline allocation of £1.53 million from the North of Tyne Investment Fund is requested. Detailed financial requirements will be developed in-line with NTCA's Investment Fund process. Provision of up to £30,000 within this fund is allocated for evaluation and project support.

5. Legal Implications

The comments of the Monitoring Officer have been incorporated in this report.

⁸ Inclusive Economy Policy Statement, North of Tyne Combined Authority, December 2018, p4

6. Equalities Implications

It is anticipated that NTCA's CHIF will have limited negative impact on any groups with protected characteristics, under the terms of the Equality Act 2010. Moreover by investing in Community Hubs which are responsive to the needs of particular places in the North of Tyne CHIF will specifically deliver the aims of the 2010 Equality Act to advance equality of opportunity for all and foster good relations between people of diverse backgrounds, including those with experience of protected characteristics.

The consultation and co-design elements of the programme will reinforce this by helping foster improved relationships with and between some cohorts who are typically excluded.

7. Inclusive Economy Implications

The CHIF proposal is part of NTCA's Social Economy and Communities policy priority, developing activities and interventions which connect local economic resilience with strengthened communities and participation of people and groups. Projects funded through the CHIF will deliver against all five characteristics of the inclusive economy and in particular:

- Participation – working with established and new community assets which retain and grow wealth and participation in their local area.
- Equity – by supporting organisations and projects which often work with groups experiencing marginalisation or disadvantage and connect them with employment, opportunity, services and support.
- Stability – by working with local organisations often seen as anchors, the CHIF proposal will deliver local stability and confidence for local communities.

8. Climate Change Implications

There are limited climate change implications to this report, however NTCA will ensure projects funded via the CHIF are connected to local services and NTCA's own programmes which provide climate education and support.

9. Consultation/Engagement

NTCA has engaged in a range of internal and external consultation exercises on the development of this proposal. This has been conducted in partnership with our constituent local authorities, drawing on their established expertise supporting the VCSE sector across the North of Tyne, and their knowledge of local communities and places. Specific activities have included:

1. Work with NTCA officers, the Elected Mayor and the Chief Executive portfolio lead for community hubs to develop a shared understanding of the policy area.
2. Fact-finding meetings with officers, funders and VCSE support organisations in the three constituent authorities to understand current activities, ambitions and opportunities in neighbourhoods for CHIF.
3. Presentations to NTCA's VCSE Stakeholder Group and agreement for their support in developing further work on a community hub's proposition.

This has ensured the CHIF is effectively informed by local authorities understanding and expertise in relation to their people and places. Therefore, CHIF is designed to: add value to the current funding landscape without duplicating the offer of charitable funders and local authority investment and support; respond to identified gaps in funding and support; and meet the requirements of the NTCA Investment Fund and Assurance Framework.

10. Appendices

APPENDIX I - Draft Assessment Criteria for Community Hubs

11. Background Papers

Community Hubs Presentation, VCSE Stakeholder Group Meeting, November 2019

Chief Executive's Report, Community Hubs Update, December 2019

12. Contact Officers

Rhiannon Bearne, Policy and Development Officer Email: Rhiannon.bearne@northoftyne-ca.gov.uk 0191 211 5981

13. Glossary

CHIF	Community Hubs Investment Fund
NTCA	North of Tyne Combined Authority
VCSE	Voluntary, community and social enterprise

Draft Assessment Criteria for Community Hubs

The following criteria are proposed for the CHIF. These have been developed from national charitable funder Power to Change – which has recognised expertise in supporting community enterprise. Their work has identified the following key features of strong and sustainable community hubs.

Key features of strong and sustainable community hubs:

1. Developing assets (e.g. through developing an existing asset or asset transfer).
2. Diversifying income streams (e.g. introducing new services as part of trading activity).
3. Developing and maintaining strong partnerships with the local community and with other service providers.
4. Focussing on the needs of their community to ensure the relevance of the services provided.
5. Achieving buy-in from the community – their customers – and potential funders who can be reassured that the hub is meeting the community's needs.

See for example: <https://www.powertochange.org.uk/research/works-successful-community-hubs/>

Adapting these for a North of Tyne context we propose the following draft criteria for consideration. We recognise that across our area there are both established community hubs as well as new ideas and organisations emerging, along community hubs principles. The proposed criteria have been developed to work with the diversity and difference our local neighbourhoods and communities in mind, the “distinctive but interconnected communities” of our Vision.

1. *Diversification of income streams* – for example, funding the development of new traded services, commissioned services, and the capability to begin doing this.
2. *Development of social enterprise activities* – for example, funding the development of (or training for) social enterprise or cooperative business models.
3. *Strengthening local partnerships and networks* – for example, funding capacity to support communications, marketing and networking activity to expand the impact of community hub activities.
4. *Building staff and volunteer capability* – for example, funding specialist training, staff and volunteer skills, or purchasing vital equipment.
5. *Strengthening governance and leadership* – for example, funding skills development for trustees and staff leaders; development plans for Boards; and enabling peer learning.
6. *Building and maintaining the asset base of Community Hubs* – for example, funding vital work to buildings or work to support community asset transfers.
7. *Adding value and clearly not duplicating existing provision* – led by intelligence and expertise from our constituent authorities.

Finalising the criteria for the CHIF will be consistent with NTCA's established Investment Fund procedure. This will include submission of an application to Investment Panel covering the following: programme outline and objectives, details on proposed programme costs and outputs, project application and assessment approach and criteria.



Subject: Adult Education Budget Devolution
Report of: Head of Inclusive Growth
Portfolio: Employability and Inclusion

Report Summary

The purpose of this report is to provide a summary of how the devolved Adult Education Budget will be invested from 1 August 2020 and details the benefits and opportunities it will provide for our residents, employers and the economy.

This is the devolution of over £23million in Government money for adult education. We have worked hard to begin to shape that towards what our communities need, working closely with all relevant stakeholders. The impact of Covid-19 is being closely monitored and we have already made progress to ensure that the investment will support the area's recovery. We believe we have structured the spend in a way that will secure better outcomes for our residents and business, with greater participation in quality qualifications linked directly to the opportunities available in our area. We have embedded a truly place-based approach to this investment.

Recommendations

The Cabinet is recommended to note the progress which has been made in preparation for the North of Tyne Combined Authority taking control of the devolved Adult Education Budget and endorse the investment approach to address local need.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 In November 2019 the statutory order to devolve the Adult Education Budget (AEB) to the North of Tyne Combined Authority (NTCA) was approved. This enables the AEB to be transferred to NTCA from 1st August 2020 onwards.
- 1.2 In February 2020 the Department for Education (DfE), confirmed NTCA's devolved AEB funding allocation for 2020/21 as £23,144,967.
- 1.3 The devolved AEB will provide NTCA with the opportunity to develop new relationships with post-16 skills and training providers, focussed on positive outcomes for learners and ensuring that AEB provision is better aligned to the needs of our residents, employers and our economy.
- 1.4 Devolution of the AEB will allow us to move from a system of numerous providers working in competition, to fewer providers more actively engaged in local collaboration, with common agreement to address local need. The published NTCA AEB Strategic Skills Plan sets out the priorities for the devolved AEB, linked to the needs of our local communities and employers and in support of the wider North East Strategic Economic Plan.
- 1.5 The devolved AEB will enable us to deliver meaningful adult education with better outcomes for residents and the regional economy including:
 - a focus on delivering a step-change to improve basic, generic and transferable skills;
 - breaking new ground in a collaborative strategic partnership working with an absolute focus on 'place';
 - delivering a more responsive, accessible adult skills offer for residents and Employers;
 - preparing the ground for greater influence and new performance management while maintaining confidence and stability in the sector; and

- establishing protocols for joint working across all post-16 skills activity, bringing together planning, funding and regulation, regardless of whether funding is devolved or not.
- 1.6 AEB focuses on ensuring that adults have the core skills that they need for progression in learning and work, including
- guaranteeing a number of statutory entitlements relating to English, maths and digital skills
 - first full Level 2 and 3 qualifications
 - English for Speakers of Other Languages (ESOL).

Commissioning Approach

Grant agreements

- 1.7 NTCA will continue to Grant fund ten providers who are currently Grant funded by the Education and Skills Funding Agency (ESFA). These providers are either located within the North of Tyne boundary and/ or already deliver a significant volume of provision to North of Tyne residents which aligns to the NTCA priorities. Continuing to fund these institutions through a Grant agreement will provide stability for residents and ensure appropriate levels of statutory entitlement provision is available to learners and enable us to accommodate the current travel to learn patterns in the NTCA area. A total of £15,505,134 has been allocated to these 10 providers.

Contract for Services – Procurement, December 2019

- 1.8 In December 2019 a procurement exercise was undertaken to enable all adult education providers to bid for a Contract for Service with NTCA. An indicative £6.6million was put out to procurement across three Lots as follows:

<p>Lot 1 Unemployed – Provision which is accessible to key target groups e.g. 19-24 NEETs, over 50-year olds, the long term unemployed and the economically inactive with significant barriers to work, such as physical or mental health conditions. Indicative Lot value of £2million per year. Contract values between £50,000-£500,000</p>
<p>Lot 2 Employed – Provision which provides in-work progression in NTCA’s growth sectors. This provision will provide residents in low skilled, low paid work the necessary skills and support to progress in employment. This provision will also provide NTCA the opportunity to address skills gaps in our growth sectors. Indicative Lot value of £4million per year. Contract values between £100,000-£1000,000.</p>
<p>Lot 3 Innovation – NTCA supports the use of innovation and this Lot will enable organisations to deliver highly responsive provision that is targeted and specific to a range of residents’ needs which require more flexibility and intensity than which is currently available through the core AEB provision. Indicative Lot value of £600,000 per year. Contract values between £25,000-£150,000.</p>

- 1.9 Following a rigorous appraisal process a total of £5,886,093 was allocated to 22 Contract for Services.
- 1.10 53 providers scored 60% or more for their bids have been placed onto the NTCA AEB Provider Framework which is detailed in **Appendix 1**. This Framework gives NTCA the flexibility to hold mini-competitions and ‘call off’ providers for specific AEB funding opportunities.

Contract for Services - Mini-competition, May 2020

- 1.11 An indicative £720,000 was made available to the providers on the NTCA AEB Provider Framework as a ‘mini-competition’ throughout May 2020, focussed on COVID-19 recovery. Three Lots were available for providers to bid for as follows:

Lot 1 Unemployed. Provision targeted at unemployed residents who have been impacted by the Covid-19 crisis, supporting them back into sustainable employment. Provision may also focus on people who have volunteered as part of the crisis to gain the training needed to progress into paid employment.

Indicative Lot value of £300,000 per year. Contract values between £50,000 to £150,000

Lot 2 Employed. Provision targeted to support local employers and employees who have been severely impacted by Covid-19 to up-skill and re-train to support businesses to adapt and grow.

Indicative Lot value of £200,000 per year. Contract values between £50,000 to £100,000

Lot 3 Innovation. NTCA support the use of innovation and this Lot enables organisations to deliver highly responsive provision that is targeted and specific to supporting recovery from the Covid-19 crisis.

Indicative Lot value of £220,000 per year. Contract values between £20,000 to £110,000

- 1.12 Following a rigorous appraisal process a total of £730,143 has been allocated to 7 Contract for Services.

Commissioning next steps

- 1.13 £329,248 of the devolved NTCA AEB remains unallocated as we enter the 2020/21 Academic Year (AY). NTCA will review the performance of the devolved AEB at the first performance management point in November 2020. This will enable NTCA to have a more informed picture of delivery in the first quarter of 2020 and enable any gaps to be addressed and any growth to be supported. This will also enable NTCA to respond to 'Economic Shocks', unexpected fluctuations in the skills sector, increases in digital entitlement and support the National Retraining Scheme (NRS).

Monitoring and Evaluation

- 1.14 NTCA have developed a robust provider performance and compliance management process which will be standardised across all providers in receipt of funding. Performance will be monitored and evaluated throughout the year to ensure residents have access to quality provision which continues to be in line with regional priorities. Providers will be expected to manage and monitor social value commitments, working to achieve key performance indicators, in line with the Public Services (Social Value) Act 2012. Social Value Key Performance Indicators will form an ongoing element of the performance management and review.

1.15 Timetable for Implementation

June 2019	NTCA Devolved AEB Readiness self-assessment approved by the DfE Secretary of State
July 2019	NTCA AEB Stakeholder Engagement event open to all interested parties
September 2019	NTCA AEB Strategic Skills Plan published
October 2019	NTCA AEB Procurement event open to all interested parties
December 2019	Parliament approve the making of the NTCA AEB Devolution Order and it comes into effect
December 2019	NTCA and DfE complete Memorandum of Understanding relating to practical arrangements for AEB devolution
Dec 19 - Mar 20	Procurement exercise open to all providers to bid for a Contract for Service
February 2020	DfE notifies NTCA of confirmed AEB allocation for AY 2020/21
May-June 2020	Procurement 'mini-competition' open to providers on the NTCA AEB Supplier Framework to bid for a Contract for Service
July 2020	Grant agreements and Contract for Services finalised.
July 2020	Provider on-boarding events
1 August 2020	Go live. NTCA takes ownership of administering the devolved AEB
November 2020	First provider performance management point

2. Potential Impact on Objectives

2.1 The devolved AEB supports the NTCA pillar ‘Hotbed of talent’ empowering our people with the skills and resources they need to take ownership of their futures and secure good jobs with fair wages. We want everyone to have the opportunity to thrive, with access to good employment and progression. Supporting the availability of good quality, well paid work, whilst providing the right support for people to access these jobs and further training, is crucial to our economic and social success.

Devolved AEB delivery

2.2 All commissioned providers have submitted comprehensive delivery plans which set out the key priorities the provider is seeking to achieve and how these relate to the delivery of NTCA AEB Strategic priorities. These plans will be performance managed in-year and at year end. This process of review will provide a comprehensive evidence base which shows what is working best for residents and will inform future commissioning decisions.

2.3 NTCA AEB officers preparing for the implementation of the AEB from August 2020 have undertaken robust analysis of the delivery plans that have been submitted and continue to work collaboratively with national strategic partners and local stakeholders to align the devolved AEB delivery with other funding streams and activity to ensure it complements, rather than duplicates the wider learning experiences and opportunities aimed at supporting our residents to progress in learning and to move towards or into productive and sustained employment.

2.4 The AEB delivery plans have also been compared against non-devolved ESFA 2017/18 full year data and the most recent non-devolved ESFA 2018/19 full year data delivered to NTCA residents. The analysis quantifies the positive changes that will be achieved by the devolution of AEB and demonstrates the shift towards a greater focus on the economic and social outcomes for residents secured by this investment. A visual summary of this analysis is included in **Appendix 2**.

Provider Base

2.5 A significant number of providers delivered AEB provision to NTCA area residents in 2017-18 and 2018-19. This included a very large number of providers delivering small volumes of provision. These providers were located across England and the funding allocations varied from less than £100 up to more than £5 million.

2.6 Devolution of the AEB has allowed us to move from this system of numerous providers working in competition, to fewer providers more actively engaged in local collaboration, with common agreement to address local need.

2.7 **Table 1** illustrates the number of providers by type that NTCA’s devolved AEB will fund in 2020-21 compared to ESFA allocations in AY 2017-18 and 2018-19.

Table 1

Provider Type	No of AEB Providers 2017-18	No of AEB Providers 2018-19	NTCA Devolved AEB Providers 2020-21
Local Authority	17	18	5
General FE College incl Tertiary	106	116	5
Independent Training Provider	64	53	23
Specialist College	3	2	*0
Sixth Form College	2	0	0
Total	192	189	33

* Specialist Colleges are out of scope for devolution and will continue to be funded by the ESFA for 2020-21

Enrolments

- 2.8 A key consideration in the first year of devolution of the AEB budget was to minimise the risk to continuity of provision for learners and develop effective, high trust relationships with providers, delivering positive long-term impact for North of Tyne learners.
- 2.9 There will be over 37,000 enrolment opportunities for residents through the devolved AEB in 2020-21. These opportunities include quality sector specific training which will enable unemployed residents to gain qualifications, progress through their learning journey at different levels and access jobs in NTCA growth sectors. Provision is also focused on upskilling residents in lower skilled, lower paid jobs to enable achievement of skills such as English, maths and computing, together with higher level vocational training required by employers.
- 2.10 **Table 2** illustrates the number of enrolment opportunities through the devolved AEB compared to non-devolved 2017/18 full year data and the most recent non-devolved 2018/19 full year data. The lower number of enrolments in 2020-21 compared to 2018-19 is a consequence of more sector specific provision being available in 2020-21, in particular at Level 2, in support of meaningful learner progression.

Table 2

Overall Enrolment Opportunities		
Non-Devolved AEB End of Year 2017-18	Non-Devolved AEB End of Year 2018-19	NTCA Devolved AEB Delivery Target 2020-21
35,614	38,155	37,589

Enrolments by Local Authority area

- 2.11 NTCA have ensured that 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.
- 2.12 **Table 3** illustrates the proportion of enrolment opportunities available in the three Local Authority areas in NTCA. Newcastle continues to have the largest proportion of opportunities as you would expect in terms of population size and density. However, enrolments will slightly increase on previous years in North Tyneside & Northumberland.

Table 3

Proportion of Enrolment Opportunities by Local Authority Area			
	Non-Devolved AEB 2017-18	Non-Devolved AEB 2018-19	Devolved AEB 2020-21
Newcastle	50%	51%	48%
North Tyneside	21%	22%	23%
Northumberland	29%	27%	28%

Community Learning

- 2.13 In 2020-21, 19% (7,115) of enrolment opportunities will be delivered as Community Learning. NTCA recognise the value and positive impact of this type of provision and will continue to support this delivery through devolved AEB funding.

2.14 Traditionally this provision has been used for leisure type courses that have little credibility in terms of raising skills levels to support economic success. Going forward, the devolved Community Learning activity will have a primary aim of engaging hard to reach learners, providing basic skills and progression to further learning and/or work. Key target groups for this are hidden NEETs, the long-term unemployed and the economically inactive with significant barriers to work, such as physical or mental health conditions. This delivery will add value to, rather than duplicate, other services targeting these cohorts.

Enrolment by level of provision

2.15 Most of the learning currently funded through non-devolved AEB in the North of Tyne is relatively low level and in non-technical areas. Of the 35,613 enrolments in 2017/18, 72% were below Level 2 and in 2018/19 67% were below Level 2.

2.16 We recognise that there is a clear link between qualification levels and economic participation and success and that the devolved AEB needs to address the balance of low level non-technical provision to ensure that there are progression opportunities for residents to valued provision at level 2 and above.

2.17 **Table 4** illustrates a significant increase in the proportion of adult skills enrolment opportunities at Level 2 through the planned devolved AEB delivery in 2020-21. 49% of the overall enrolment target is being offered at Level 2 compared to 33% in 2018-19 and 27% in 2017-18.

Table 4

Proportion of Adult Skills Enrolment Opportunities by Level			
	Non-Devolved AEB 2017-18	Non-Devolved AEB 2018-19	Devolved AEB 2020-21
Below Level 2	72%	67%	50%
Level 2	27%	33%	49%
Level 3	1%	1%	1%

2.18 The table does not contain enrolments in Community Learning as the ESFA do not require providers do assign a level to this provision. NTCA will expect providers to assign a level to Community Learning in the devolved AEB. This will ensure that progression in this type of delivery is captured and provides an evidence base that learners are upskilling and moving towards further learning or into work.

2.19 A small proportion of devolved AEB delivery has been planned at Level 3 by providers and this is reflective of the previous 2 years. Some Level 3 provision for adults is funded through Learner Loans and therefore not available to those over the age of 24 through AEB funding. The take up of Level 3 learner loans across the NTCA area is low and this is also the case in national statistics. NTCA is working with providers and their links with employers to gather intelligence on whether a more flexible 'fully funded' offer of Level 3 targeted in specific sectors would engage more residents into higher levels of provision.

Enrolment by Subject Sector Area (SSA)

2.20 The ESFA currently define provision in 15 Subject Sector Areas. The non-devolved data for the years ending 2017-18 and 2018-19 reveals that the majority of AEB enrolments were in the subject sector area 'Preparation for Life & Work'. Remaining enrolments were spread thinly across 14 other subject sectors with no significant proportions in individual areas.

- 2.21 The devolved AEB has provided NTCA with the opportunity to set out a number of subject sector areas across which we would expect to see delivery in as a priority. This means that provision, even at lower levels, is better aligned to the needs of employers and NTCA's growth sectors. We will continue to support important delivery in Preparation for Life & Work which enables residents to gain essential Maths and English qualifications as well as to retrain and develop skills for employment.
- 2.22 **Table 5** illustrates the proportion of enrolment opportunities in subject sector areas that are aligned to NTCA's growth sectors. These include Health, Public Services and Care, Information and Communication Technology and Business, Administration and Law. Devolved AEB will deliver a significant increase in enrolment opportunities in the Health and Care sector accounting for 16% of the overall enrolment target in 2020-21.

Table 5

Proportion of enrolment opportunities in areas aligned to NTCA growth sectors			
	Non-Devolved AEB 2017-18	Non-Devolved AEB 2018-19	Devolved AEB 2020-21
01 - Health, Public Services and Care	8%	12%	16%
04 - Engineering and Manufacturing Technologies	5%	5%	5%
06 - Information and Communication Technology	4%	3%	8%
14 - Preparation for Life and Work	45%	48%	43%
15 - Business, Finance, Administration and Law	3%	3%	3%

- 2.23 Provision in 'Preparation for Life and Work' includes English, maths, English for Speakers of other Languages (ESOL) as well as essential skills for work. Over 13% (4043) of devolved AEB enrolment opportunities will be focused on maths and English qualifications for NTCA residents in 2020-21 and 18% (5507) of enrolment opportunities will provide ESOL which are essential for social and economic inclusion.
- 2.24 Through the devolved AEB NTCA expects providers to increase delivery of sector specific activity in Preparation for Life and Work. This provision at Level 2 will offer routeways into areas such Engineering and Manufacturing, Business, Finance and Law and Digital as well as the Health and Social Care sector.
- 2.25 The on-set of the Covid-19 crisis and subsequent lock down in March 2020 makes it even more important that we co-ordinate NTCA's devolved AEB funding and focus priorities to ensure that it supports the Economic recovery.
- 2.26 NTCA AEB officers have been in regular communication with the AEB provider base to ascertain the impact of the crisis on their current delivery, provide reassurance that agreed delivery plans and contracts will remain in place, and gather intelligence on what additional provision could be made available through the AEB provider base to support recovery.
- 2.27 As a result of this dialogue NTCA is assured that providers have innovative plans in place to ensure delivery of the devolved AEB will commence from August 2020 as planned and that it will make an important contribution to NTCA's vision of an inclusive economy. The devolved delivery will ensure better skilled residents that are more able to fulfil their potential, earn more and use their skills for the benefit of their families and communities.
- 2.28 NTCA recognise that the devolved AEB of over £23 million per year has a significant role in providing the skills that are essential to a successful and sustainable economy in the NTCA area. Historically this funding may not have been viewed as an important economic driver but NTCA's ambition is to put Adult Education back on the map. Full consideration must be given to the new

skills offer that is being commissioned through the AEB when determining investment in other skills & employability programmes. This will ensure that additional investment in skills and employability complements rather than duplicates what is already on offer through the devolved AEB from AY 2020-21 onwards.

3. Key Risks

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

4. Financial and Other Resources Implications

- 4.1 As agreed at the NTCA July 2019 Cabinet meeting, the NTCA devolved AEB will be allocated to providers via a mix of grant allocations (approximately 67% of the overall budget) and procured contracts for services (approximately 30% of the overall budget). The remaining 3% has been allocated to administering the fund.

NTCA AEB allocations for AY 2020/21	
Allocated to administration costs	£694,349
Allocated to 10 Grant agreements	£15,505,134
Allocated to 29 Contract for Services	£6,616,236
amount remaining to allocate during 2020/21	£329,248
Total devolved NTCA AEB	£23,144,967

Details of NTCA AEB allocations are provided in **Appendix 3**. This appendix is confidential and will not be published.

- 4.2 All providers will have a profile detailing their monthly spend, within their allocation. Providers will be paid monthly, in arrears, against that profile, with reconciliation points throughout the year to minimise any risk of over-payment.

Subcontracting

- 4.3 NTCA is committed to growing and diversifying the range of adult learning courses to widen participation, target and support the most vulnerable, engage in new and emerging markets and meet the regional and local economic development agenda.
- 4.4 Subcontracting and collaborative partnerships will have an important role to play in AEB. They allow smaller providers to access funding and to benefit from economies of scale, whilst enabling learners to access provision in locations and via delivery models which best suit their needs.
- 4.5 In addition to the providers that have secured direct awards of Grants or Contract for Service a further 26 providers will be supported through the devolved AEB as subcontractors. Details of these subcontractors and their allocations are included in **Appendix 4**. This appendix is confidential and will not be published.

5. Legal Implications

- 5.1 The procurement process has been undertaken pursuant to the NTCA Order and Constitution and The Public Contracts Regulations 2015. In accordance with those legal requirements, the contract awards are based on the most economically advantageous tender.
- 5.2 The grant funding process has also been undertaken in accordance with all relevant legal requirements. A robust set of funding terms and conditions have been developed to protect NTCA's position.

5.3 The Interim Monitoring Officer's representative has advised throughout these processes (both procurement and grant funding) and attends the AEB Operational Steering Group on a weekly basis. There are no negative legal implications associated with either process.

6. Equalities Implications

6.1 As required by Section 149 of the Equality Act 2010, the Combined Authority has considered its obligations regarding the Public Sector Equality Duty and there will be no anticipated negative impact on groups with protected characteristics from these proposals.

6.2 Each organisation the Combined Authority will contract with will be required by law to meet all relevant requirements in the workplace in respect of equalities. Through the Due Diligence process, we have sought assurance from each provider that they have appropriate policies in place which protect and champion equality within their service.

6.3 In addition, we will encourage all companies we work with to be mindful of our commitment to equalities and direct them to guidance provided by the Equalities and Human Rights Commission. <https://www.equalityhumanrights.com/en/advice-and-guidance/guidance-businesses>.

7. Inclusive Economy Implications

7.1 The Combined Authority believe the approach taken will positively contribute to creating a more inclusive economy in the North of Tyne with specific positive impact on addressing inequalities in skills and qualifications across the area.

7.2 The Adult Education Budget will be used to better equip residents with low or no qualifications in the North of Tyne with the skills required to participate in our key growth sectors. The realignment of provision towards the North of Tyne growth sectors will better meet the needs of our businesses and in turn provide residents with clearer opportunities to contribute to and benefit from economic growth now and in the future.

7.3 Whilst the decision to grant fund providers will provide stability for the adult education market and ensure our residents continue to receive a quality and accessible service, The Combined Authority's procurement exercise has added innovative, localised provision which responds to the needs of our residents and local economy.

7.4 The Combined Authority has chosen to extend the national 'low wage pilot' to residents who are paid below the Real Living Wage enabling more residents to develop the skills needed to progress their careers and further address inequalities in learning and earning.

7.5 The Combined Authority will continue to monitor the impact of the Adult Education Budget on the inclusive economy aspirations as part of all performance management processes.

7.6 In due course, all providers will be invited to commit to the North of Tyne Good Work Pledge to advance their contributions as employers to the Combined Authority's inclusive economy aspirations.

8. Climate Change Implications

8.1 The Combined Authority has considered the implications relating to climate change in decisions regarding allocation of the Adult Education Budget and believe there will be no negative impact as a result.

8.2 All providers are required to provide assurance that they have an environmental and sustainability policy.

- 8.3 In all procurement exercises, applicants were appraised on their commitments to climate change as part of Social Value. Where specific commitments have been made in relation to climate change, the Combined Authority will monitor compliance through performance management processes.
- 8.4 With the impact of Covid-19, early indication shows the provider base in the Combined Authority have significantly increased the use of online learning as a means of delivery. Although no measurements are in place, the Combined Authority understand this will likely reduce carbon emissions associated with staff and learner travel.

9. Consultation and Engagement

- 9.1 Public consultation events were held in July 2019 and October 2019 which provided an update on NTCA priorities for AEB, details of the procurement process and timescales, in preparation for administering the budget from the AY 2020/21. The consultations also provided NTCA with the opportunity to listen and seek feedback from providers and wider stakeholders to inform the development of the AEB devolution process and to ensure we have been open, transparent and fair.
- 9.2 During the procurement exercise in December 2019 and the mini-competition in May 2020 providers were invited to seek clarification via the North East Procurement Organisation (NEPO) portal regarding the process and ask questions related to the devolved AEB. All clarifications were responded to.
- 9.3 NTCA officers maintain regular contact with the NTCA provider base, developing an effective strategic relationship focussed on place, collaboration and outcomes.
- 9.4 NTCA AEB officers hosted a workshop in January 2020 with the Department for Work and Pensions (DWP) and Grant providers planning to deliver ESOL provision. The workshop was held to inform and share best practice and encourage collaboration to ensure ESOL places are available throughout the North of Tyne provider network.
- 9.5 NTCA AEB officers attend regular meetings with DfE, ESFA and other Mayoral Combined Authorities (MCAs) to share information and best practice.
- 9.6 NTCA will continue to work collaboratively with national strategic partners and local stakeholders to align the devolved AEB with other funding streams and activity to ensure it complements, rather than duplicates the wider learning experiences and opportunities aimed at supporting our residents to progress in learning and to move towards or into productive and sustained employment.
- 9.7 NTCA AEB officers have held regular provider meetings with the providers who have already had a funding agreement confirmed with NTCA. Valuable intelligence has been gathered on the impact of Covid-19 on AEB delivery as well as other funding models such as apprenticeships. This intelligence has fed into a number of reports related to Covid-19 response.
- 9.8 Induction meetings which will provide providers with final guidance on funding and performance management and technical requirements for submitting data and documents related to their provision will be held between the 30th June and 1st July in time for delivery to commence on 1st August.

10. Appendices

- Appendix 1: NTCA AEB Provider Framework (Contract for Services)
- Appendix 2: Visual Summary of Devolved AEB Provision
- Appendix 3: NTCA AEB allocations
- Appendix 4: Details of Subcontracted Provider and Allocations

(Appendices 3 and 4 are confidential and not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, Information relating to the financial or business affairs of any particular person (including the authority holding that information).)

11. Background Papers

AEB Strategic Skills Plan

AEB Cabinet papers 24th April 2019, 4th June 2019, 30th July 2019, 22nd October 2019 and 25th February 2020.

12. Contact Officers

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

13. Glossary

AEB	Adult Education Budget
AY	Academic Year
DfE	Department for Education
DWP	Department for Work and Pensions
ESFA	Education and Skills Funding Agency
ESOL	English for Speakers of Other Languages
MCA	Mayoral Combined Authority
NTCA	North of Tyne Combined Authority

14. Sign-off

1) Mayor and Portfolio holder Yes	2) Director/SMT Yes	3) Chief Finance Officer: Yes	4) Monitoring Officer: Yes	5) Head of Paid Service: Yes
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Appendix 1: NTCA AEB Provider Framework (Contract for Services)

Lot 1 AEB Provider Framework
Aspire Education
Back 2 Work Complete Training Ltd
B-Skill Limited
CECOS Computing International Limited
Gateshead College
Go Train Limited
Health and Safety Training Limited
Itec NE Ltd
JK Training
Learning Curve Group
McCrorry Training Limited
New College Durham
Newcastle City Council
Northern Rights CIC
Nova Payroll Services - (Pin Point Training)
Penshaw View Training
People Plus Group Limited
Release Potential Limited
Resources North East Limited
Skills North East
Solvo Vir Limited
Standguide Limited
Triage Central Limited
University Centre Quayside Limited
Vocational Skills Solutions Limited

Lot 2 AEB Provider Framework
B-Skill Limited
CECOS Computing International Limited
East Durham College
Gateshead College
Key Training Limited
McCrorry Training Limited
New College Durham
Newcastle College
People Plus Group Limited
Profile and Development Training
Serco Limited
Skills North East
Skills Training UK
The Skills Network
Trainingworks4U Limited
University Centre Quayside Limited
Vocational Skills Solutions Limited

Lot 3 AEB Provider Framework
Action Foundation
Barnardo's
Cedarwood Trust
FIRST Face to Face Ltd
Gateshead College
North Tyneside Metropolitan Council
Northumberland Business Service Ltd
Northumberland County Council
Release Potential Limited
Serco Limited
The Alnwick Garden Trust

Appendix 2 – Visual Summary of Devolved AEB provision

The following charts illustrate analysis of enrolment opportunities in devolved AEB delivery plans compared against non-devolved ESFA 2017/18 full year data and the most recent non-devolved ESFA 2018/19 full year data delivered to NTCA residents.

Chart 1 illustrates the number and proportion of enrolment opportunities available in the three Local Authority areas in NTCA.

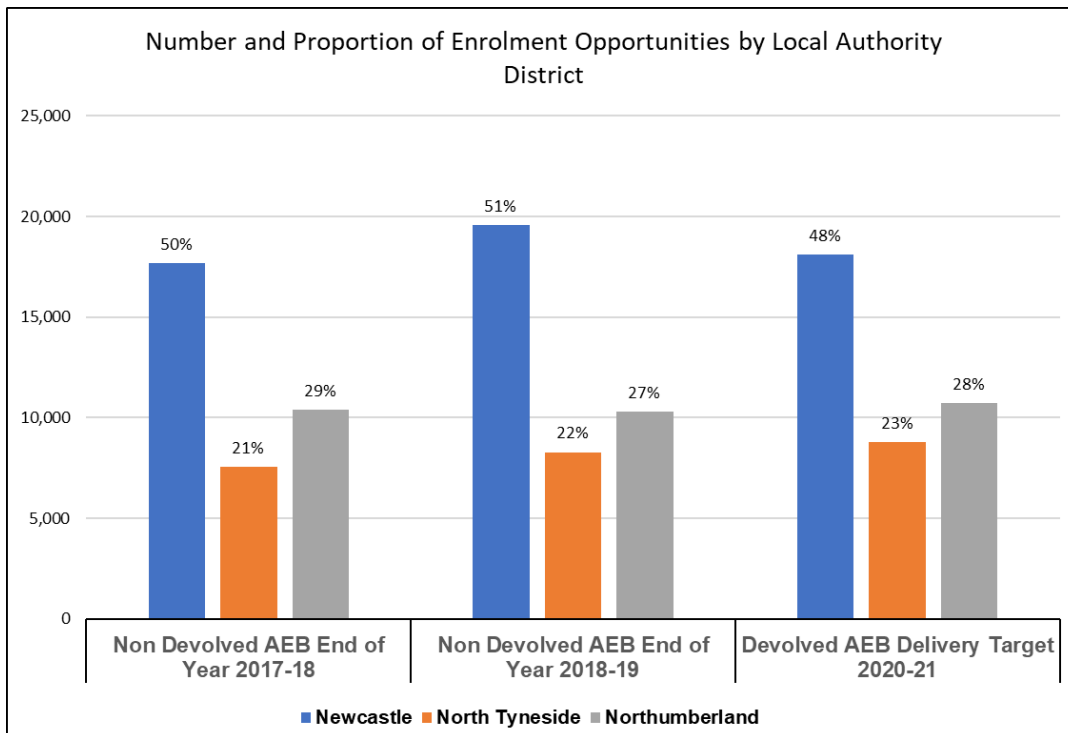


Chart 2 illustrates the number and proportion of enrolment opportunities by AEB Skills and Community Learning.

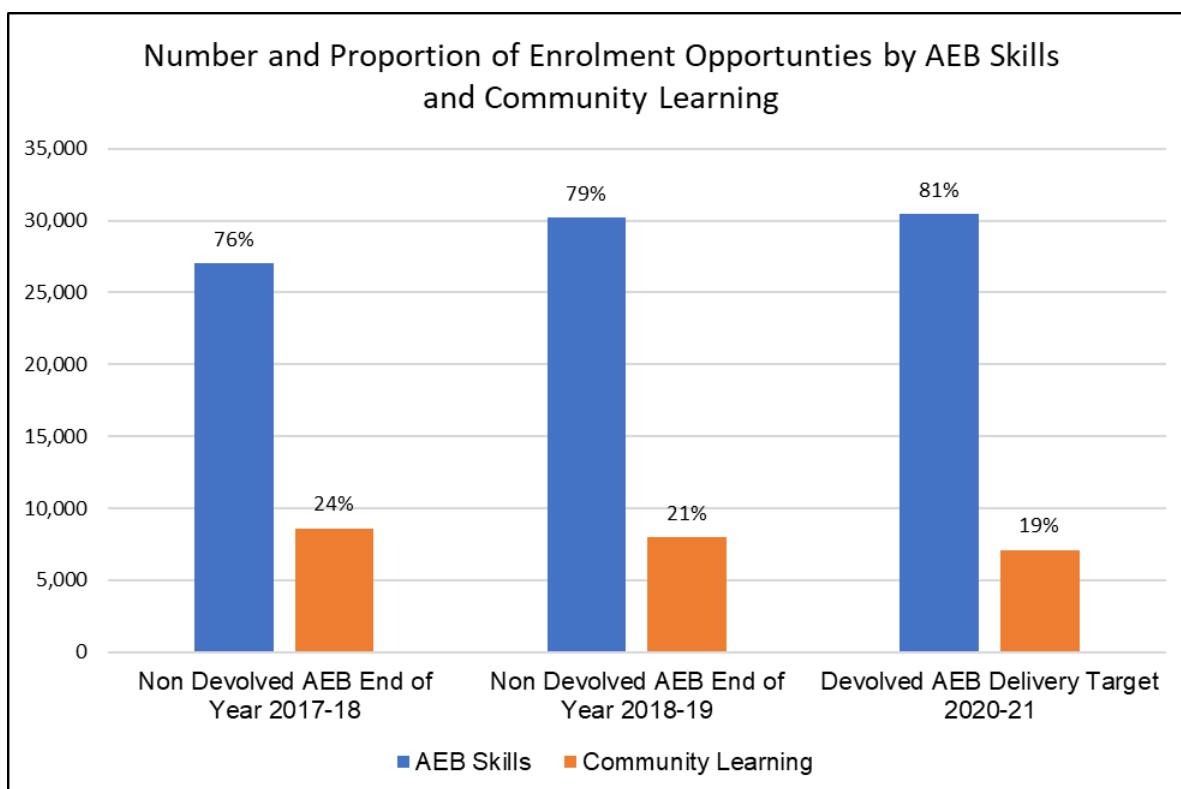


Chart 3 illustrates the number and proportion of enrolment opportunities by level of provision

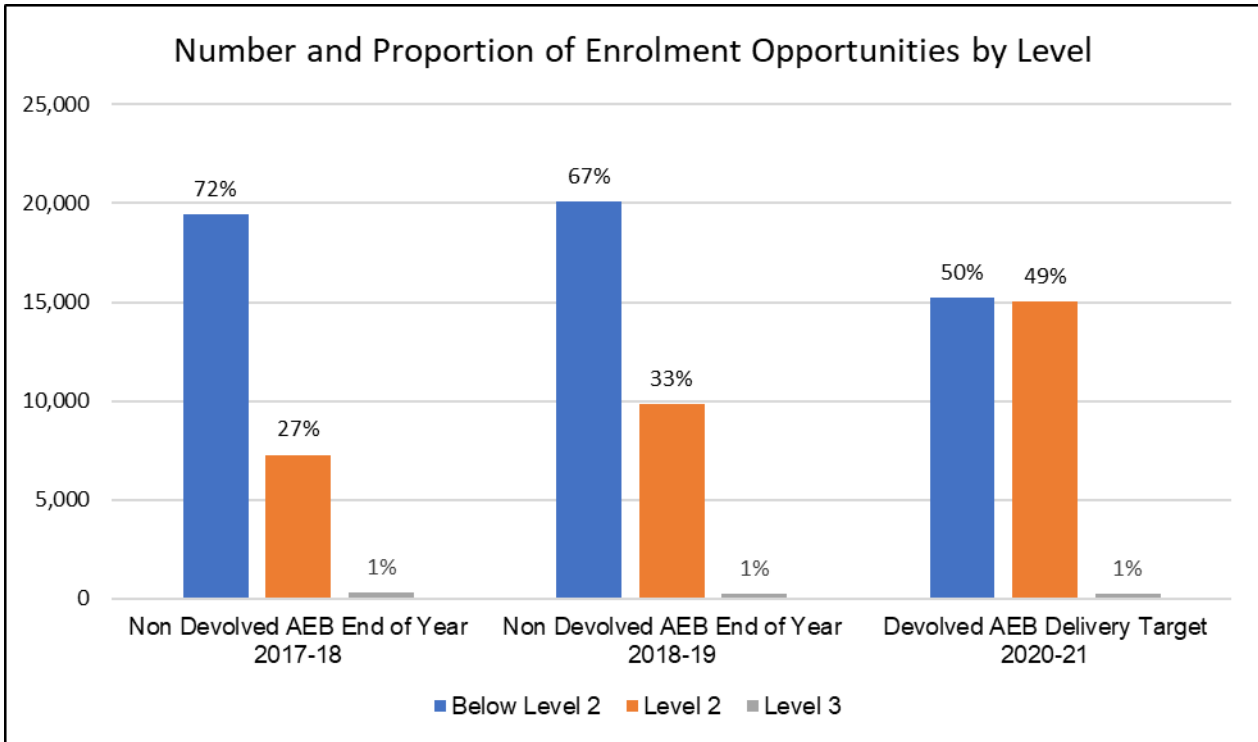


Chart 4 illustrates the proportion of enrolment opportunities by subject sector area.

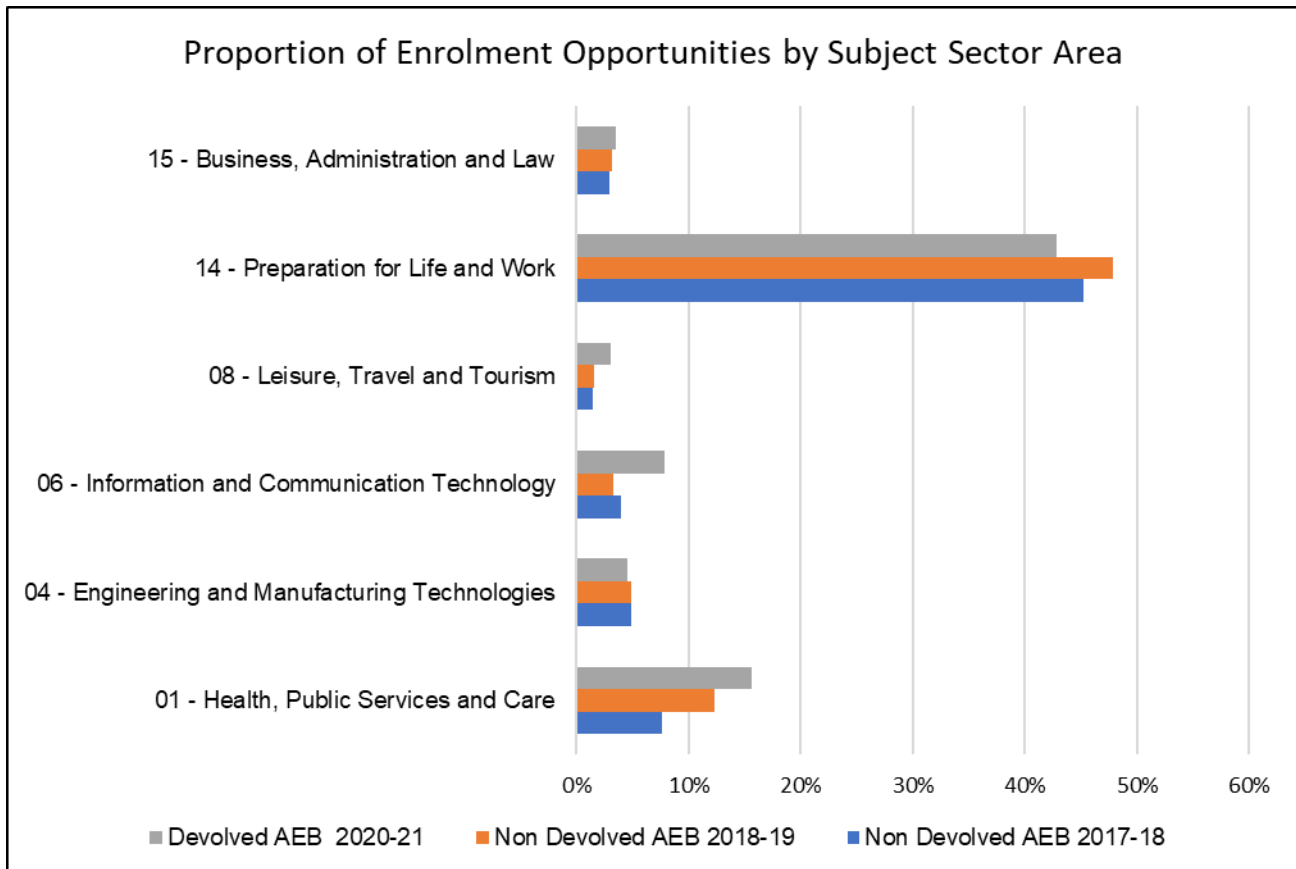
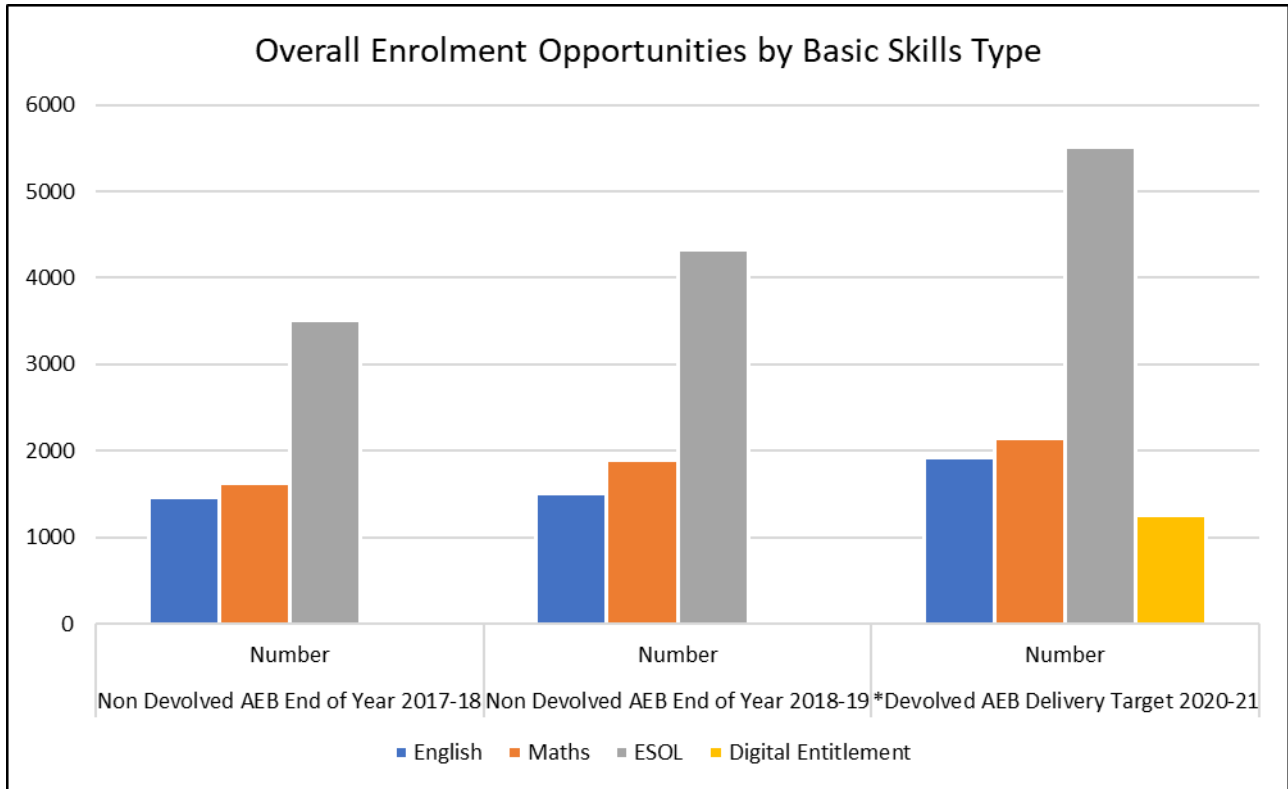


Chart 5 illustrates enrolment opportunities by basic skills type which includes English, maths and English for Speakers of other Languages (ESOL). In addition, from Academic Year 2020/21, the Government has introduced a new basic digital skills entitlement for adults aged 19+ who lack the essential digital skills to realise the benefits of modern technology.



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Appendix 3: NTCA AEB Provider Allocations

Contract Type	Provider Name	2020-21 Provider Allocation £
Grant	Gateshead College	642,594
Grant	Gateshead Council	109,352
Grant	Newcastle City Council	3,035,981
Grant	Newcastle College Group	5,254,682
Grant	North Tyneside Metropolitan Council	1,938,476
Grant	Northumberland College	1,318,313
Grant	Northumberland County Council	1,134,672
Grant	South Tyneside Council	454,376
Grant	Tyne Coast College	1,265,836
Grant	Workers Educational Association	350,852
Total Grant		15,505,134
Lot 1 Contract for Services	Skills North East	97,224
Lot 1 Contract for Services	People Plus Group Ltd.	497,520
Lot 1 Contract for Services	CECOS Computing International Ltd.	343,173
Lot 1 Contract for Services	Health & Safety Training Ltd.	499,410
Lot 1 Contract for Services	Learning Curve	499,286
Lot 2 Contract for Services	CECOS Computing International Ltd.	497,394
Lot 2 Contract for Services	East Durham College	101,275
Lot 2 Contract for Services	Skills North East	213,040
Lot 2 Contract for Services	Profile & Development Training	126,568
Lot 2 Contract for Services	McCrary Training Limited	495,200
Lot 2 Contract for Services	Newcastle College	286,435
Lot 2 Contract for Services	Gateshead College	497,333
Lot 2 Contract for Services	University Centre Quayside Ltd.	200,135
Lot 2 Contract for Services	B-Skill Limited	253,270
Lot 2 Contract for Services	Key Training Ltd.	630,066
Lot 3 Contract for Services	North Tyneside Metropolitan Council	149,764
Lot 3 Contract for Services	FIRST Face to Face Ltd.	50,000
Lot 3 Contract for Services	The Alnwick Garden Trust	31,000
Lot 3 Contract for Services	Action Foundation	35,000
Lot 3 Contract for Services	Release Potential Limited	150,000
Lot 3 Contract for Services	Northumberland Business Service Ltd.	83,000
Lot 3 Contract for Services	Cedarwood Trust	150,000
Total (from procurement exercise held December 2019)		5,886,093
Lot 1 Contract for Services	Back to Work Complete Training	£149,820
Lot 1 Contract for Services	Health & Safety Training Ltd	£148,930
Lot 2 Contract for Services	New College Durham	£99,700
Lot 2 Contract for Services	University Centre Quayside Ltd	£99,693
Lot 3 Contract for Services	Cedarwood Trust	£110,000
Lot 3 Contract for Services	Action Foundation	£50,000
Lot 3 Contract for Services	Northumberland Business Service	£72,000
Total (from mini competition held May 2020)		£730,143

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Subject: Joint School Improvement Strategy
Report of: Henry Kippin, Director of Economic Growth
Portfolio: Education Improvement

Report Summary

The North of Tyne Devolution Deal calls for a unified approach to school improvement. Building on discussions in the Sub-Regional School Improvement Board and engagement with school leaders and stakeholders, the North of Tyne Combined Authority began work on a Joint School Improvement Strategy in 2018, with Cabinet approving set of priorities in April 2019. This resulting strategy is presented and summarised for Cabinet's consideration.

Recommendations

1. Cabinet is asked to consider the strategy outlined and endorse the overall approach.
2. Cabinet is recommended to agree that Officers in each constituent authority and at North of Tyne commence work on the actions outlined in the strategy.
3. Cabinet is also recommended to delegate authority to the Head of Paid Service, in consultation with the Cabinet portfolio holder, to finalise the terms of reference for and appointments to the Education Improvement Board and the associated arrangements set out in this report.

1. Background Information, Proposals and Timetable for Implementation

1.1 Introduction

Cabinet will recall that at its meeting on 24th April 2019, it approved a set of five priorities to underpin development of Joint School Improvement Strategy. The resulting Joint School Improvement Strategy represents a unified approach to school improvement across the constituent North of Tyne authorities. It identifies how our education teams will collaborate to add value, contributing to improved performance against five key priorities, considering national and local best practice. Our collective impact will raise the standard of education and improve life chances for the young people we serve.

1.2 What are we trying to improve?

Evidence suggests that not enough of our children enter the North of Tyne education system ready for school, with early reading highlighted as one of our biggest areas of concern. This contributes to a long-term negative impact on academic outcomes, particularly for white British boys from disadvantaged backgrounds. We are also concerned about the mental health of our pupils, highlighted by a rising number of Education, Health and Care Plans accountable to Social, Emotional & Mental Health issues. We expect this situation to have been exacerbated by the impacts of Covid-19.

Progress between Key Stage 2 and Key Stage 4 has historically been and continues to be a significant problem. At the end of Key Stage 4, 4000 of our young people do not achieve a 'strong' 9-5 pass in English and Maths GCSEs. Our exclusions North of Tyne are higher than the national average, both for fixed-term and permanent exclusions.

The achievement gap (the difference in attainment between pupils from disadvantaged and non-disadvantaged backgrounds) is one of the biggest challenges in the North of Tyne education system. Evidence suggests this problem will be compounded due to Covid-19 school disruption. In the North of Tyne secondary phase, pupils receiving the Pupil Premium for deprivation are more likely to receive a Fixed Term Exclusion than their peers. Similarly, pupils from the 20% and 40% most deprived areas are more likely to receive a Fixed Term Exclusion than pupils from other areas.

On leaving school, too many of our young people are Not in Education, Employment or Training. We expect this to get worse owing to the impact of Covid-19 – we have already seen a sharp decline in apprenticeship uptake among our 16 to 18-year olds. We also face an employability skills gap across the North of Tyne, which needs to be addressed before our young people leave school.

Evidence tells us that quality teaching has the most positive impact on pupil outcomes, particularly for those from a disadvantaged background. It is therefore of concern that we have a notable gap in Physics, Maths and Computing specialist teachers, and a problem retaining new entrants to the profession. At the moment, 92% of our Primary schools and only 68% of our Secondary schools are graded as Good or Outstanding by Ofsted. Our leadership development training needs to better reflect the current challenges of school leadership (including how to lead through a crisis), in order to raise standards and prepare a strong pipeline of tomorrow's school leaders.

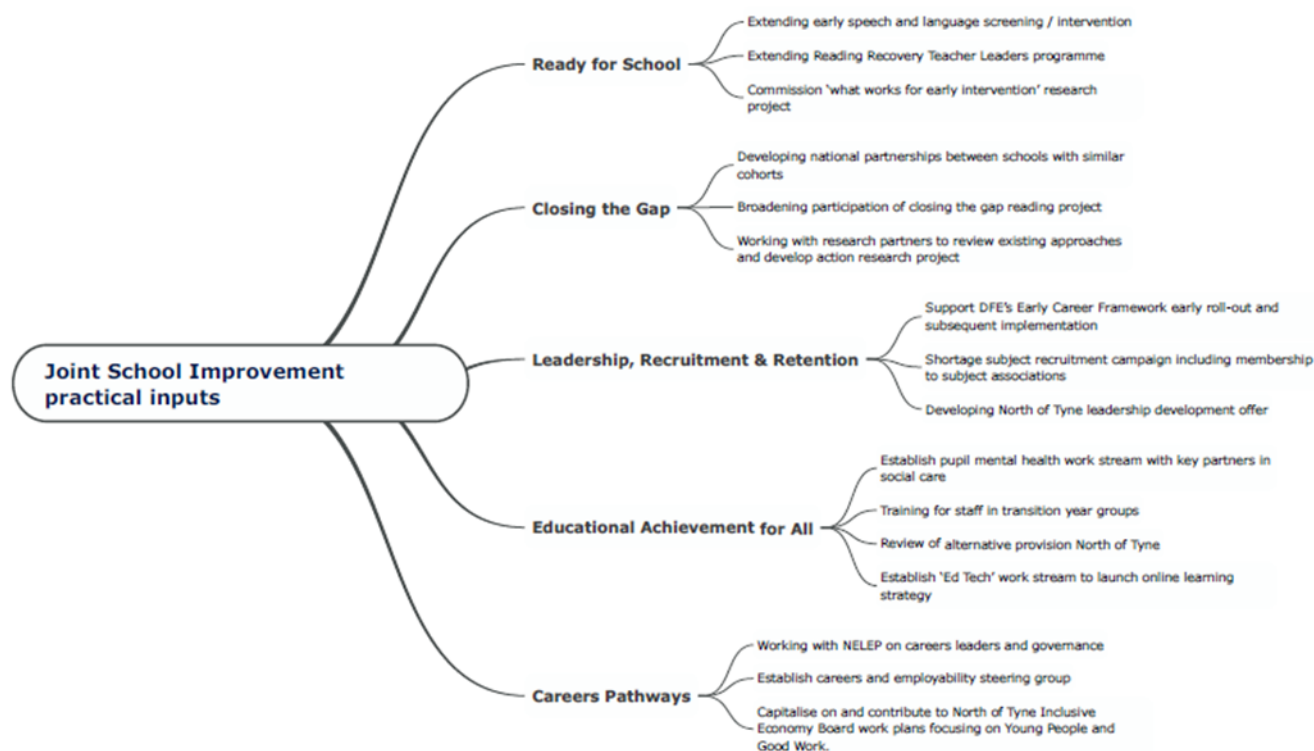
1.3 Our approach

We intend to add value to the efforts of our three constituent authorities by collaborating to raise standards against our five shared priorities. We will share best practice across North of Tyne schools, academies, colleges and specialist provision. We will build on the strong partnerships that already exist and will share our learning with the wider sector. We will use rigorous evaluation processes to ensure that our research, learning and impact are robustly tested.

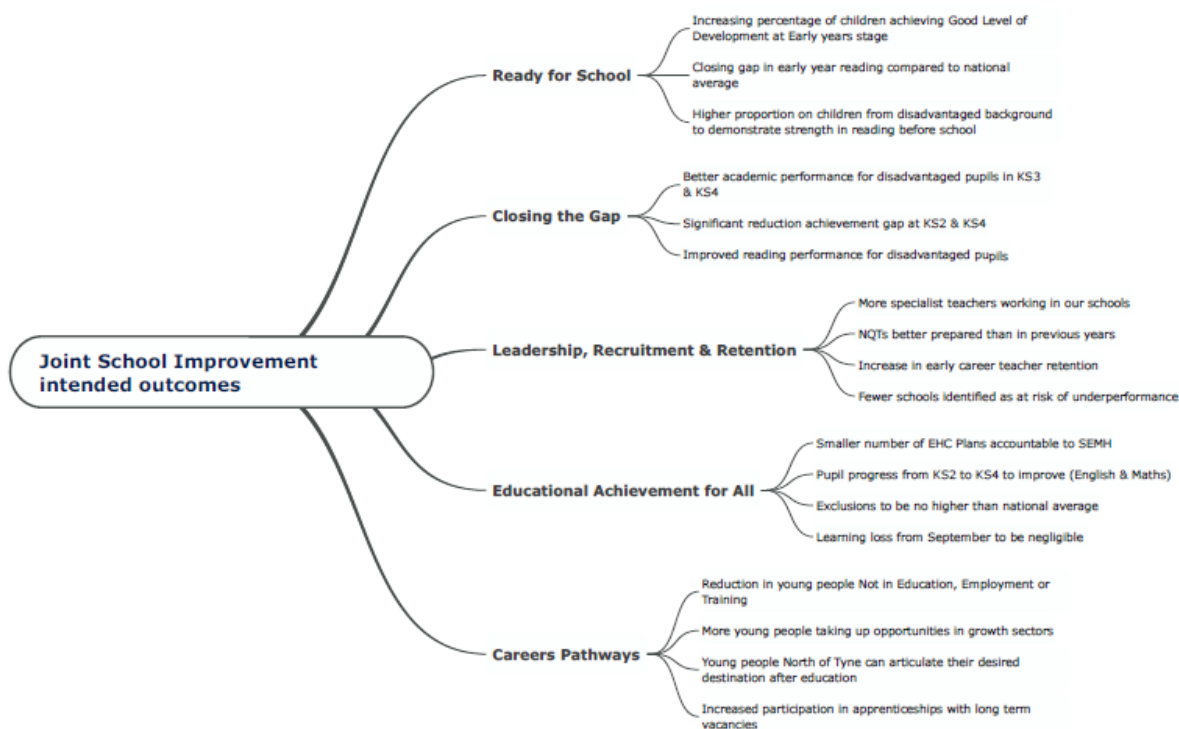
This strategy outlines what the system needs, some approaches are about identifying opportunities to share current best practice and extend successful interventions, some will require extra funding.

This strategy is a companion to an ambitious North of Tyne Education Challenge. The Challenge will impact positively upon all priorities outlined here, supporting the work with additional, related interventions.

1.4 The practical inputs we intend to focus on:



1.5 **Our intended outcomes:**



1.6 **What will success look like?**

If we have succeeded, most children will arrive into our school system ready for school. Pupils in the Early Years will show confidence and competence in reading, regardless of their background. Pupils in our schools will demonstrate strong mental health, with a reducing number of EHCPs stating SEMH as a contributory factor.

We will have addressed the historical issue of transition and pupils will progress between Key Stages, particularly Key Stage 2 to Key Stage 4, with increased success. Our fixed and long-term exclusions will show a long-term downward trend, demonstrating a truly inclusive education system.

The difference in attainment between pupils from disadvantaged backgrounds and their peers will have reduced at Key Stage 4. Our work in Early Years and at transition points will have contributed towards a long-term reduction in the attainment gap. Our young people will demonstrably understand the skills and qualifications they need for a successful life after school. The very large majority of our young people will be in education, employment or training.

We will have a thriving community of specialist teachers and school leaders ready to successfully teach our children, to develop our school workforce and to lead our schools. The number of schools graded as Good or Outstanding by Ofsted will have increased and be higher than that seen nationally. Where a school is not yet Good or Outstanding, the local authority will be confident that the leadership of the school is bringing about rapid improvement. Our strategies and research will be nationally recognised and reflect the outstanding education practice that exists across our region.

1.7 **Evaluation and Governance**

As we move from strategy into early delivery, it is important to get our governance right. Acknowledging existing accountability measures from the Department for Education, Regional

Schools Commissioner, Ofsted and individual Local Authorities, in our report to Cabinet on 24th April 2019 we proposed Governance in five parts:

- The existing Devolution Deal 5 Year Gateway Process;
- The Mayor, Portfolio Holder and Cabinet of the North of Tyne Combined Authority;
- A Stakeholder group to provide input and assurance;
- The Overview and Scrutiny committee;
- An advisory North of Tyne Education Improvement Board (as presented to Head of Paid Service in Education Portfolio Update on 28th April 2020)

Each priority presented in this strategy will be reviewed by NTCA Education Improvement Board in the summer term, with opportunity to challenge, test and contribute to the current strategy in the preceding terms. The NTCA Education Strategy Group will monitor progress every half-term, presenting findings to (and encouraging feedback from) the wider NTCA Education Stakeholder Group every term.

NTCA Education Improvement Board

Cabinet will recall that a North of Tyne Education Improvement Board was proposed in the School Improvement Strategy and Education Challenge report on the 24th April 2019, and subsequent Education Portfolio Update circulated to Cabinet on 28th April 2020.

The primary role of an Education Improvement Board will be to play an advisory role to the NTCA Cabinet and challenge, test and contribute to the current strategy and its delivery as presented by the lead officer for education in each of the constituent authorities and Strategic Lead for Education at NTCA.

Our colleagues at the Department for Education have suggested that we reshape what was the Sub-Regional School Improvement Board, repurposing it to cover the North of Tyne Combined Authority Joint School Improvement Strategy and proposed Education Challenge.

It is intended that this advisory board will bring together senior leaders delivering education improvement from our constituent authorities, local and national education experts, as well as representatives from the Teaching Schools Council, teaching and leadership unions, diocesan partners, Multi Academy Trusts, and schools from all phases and settings including alternative provision and colleges. We propose that in readiness for the Education Challenge, this group be chaired by a significant national figure. This arrangement also provides an opportunity to raise the profile of our work within and beyond the education community, strengthening credibility and visibility both locally and nationally.

It is the intention that this board will meet on a termly basis, in line with the cycle of school activity.

It is proposed that the Head of Paid Service, in consultation with the Cabinet portfolio holder, finalises the terms of reference for and appointments to the Education Improvement Board.

NTCA Education Strategy Group

This is a regular opportunity for the lead officers for education in each of our constituent authorities, Strategic Lead for Education Challenge at NTCA and a representative from the North East DfE regional team to meet and develop the Joint School Improvement Strategy delivery and Education Challenge. This group will meet on a half-termly basis, in line with the cycle of school activity.

NTCA Education Stakeholder Group

This group allows for contributions from a wide range of local and national education expertise, ensuring our thinking is robust and representative of the sector. This group will meet on a termly basis, in line with the cycle of school activity.

2. Potential Impact on Objectives

2.1 The North of Tyne Combined Authority's Vision describes how the Authority aims to support: "A high quality, inclusive education system, which ensures our young people have the skills and qualifications to take up good quality training, apprenticeships and jobs."

The Joint School Improvement Strategy is an opportunity for the Combined Authority to deliver its priority of Leaders of Tomorrow.

The Vision identifies key outcomes that the Authority wishes to achieve, linked to the Leaders of Tomorrow priority:

- Through good schools and colleges, make sure our young people have the skills and qualifications to take up good quality training and jobs.
- Improve opportunities for local people to take up employment and progress.
- Stronger partnership with employers to improve training and skills, meeting the changing needs of businesses while helping improve pay and future prospects.

The development of an ambitious and effective Joint School Improvement Strategy linked to other initiatives within the Inclusive Growth portfolio and across other portfolios, will play a critical role in delivering the Authority's vision and key outcomes.

3. Key Risks

3.1 The main risks attached to this work are insufficient resource or ineffective governance to drive forward and oversee the development of a Joint School Improvement Strategy that match the ambition of the Combined Authority. However, through the effective management of these risks (including the approaches outlined in section 1.7) there is an opportunity to develop proposals that have the potential to attract significant investment and deliver substantially improved outcomes for children and young people in the North of Tyne area.

4. Financial and Other Resources Implications

4.1 A successful application to the Business Case Development Fund was made in May 2019 to fully develop the School Improvement Strategy and prepare an Education Challenge proposal to government.

5. Legal Implications

5.1 The comments of the Interim Monitoring Officer have been included in this report. Each constituent authority retains its own statutory functions in these areas. The proposals in this report are focused on adding value at a North of Tyne level to the work carried out by the individual constituent authorities and their partners. The Education Improvement Board will be an advisory board similar to the Housing and Land Board and the Inclusive Economy Board.

6. Equalities Implications

6.1 As required by Section 149 of the Equality Act 2010, the Combined Authority has considered its obligations regarding the Public Sector Equality Duty and there will be no anticipated negative impact on groups with protected characteristics from these proposals. Further, we anticipate that those young people from a socio-economic disadvantaged background will gain significantly from the strategy and the unified approach to school improvement ensures that we will work positively with schools to improve life chances for young people with protected characteristics.

7. Inclusive Economy Implications

7.1 The Combined Authority believe the Strategy will positively contribute to creating a more inclusive economy in the North of Tyne with specific positive impact on addressing inequalities in the achievement gap (the difference in attainment between pupils from disadvantaged and non-disadvantaged backgrounds). As stated, evidence suggests this problem will be compounded due to Covid-19 school disruption. The strategy will ensure that young people in the North of Tyne will improve their attainment and will be able to contribute to and benefit from economic growth in the future.

The Combined Authority will monitor the impact of the Strategy on the inclusive economy aspirations as part of our performance management processes.

8. Climate Change Implications

8.1 There are limited climate change implications to this strategy, however NTCA will ensure that interventions identified as a result of activity on this strategy will signpost to local services and NTCA's climate education programme.

9. Consultation/Engagement

9.1 We have worked with over 250 education professionals to co-develop our strategy and test the vision, scale of ambition, and priority areas. We value the expertise of school leaders, teachers, governors, teacher educators, sector trade unions, local and national system leaders. To this end we have engaged over time with this diverse group of stakeholders. An initial round of stakeholder events was held in April 2018, followed by discussions with MHCLG and the DfE, and then further stakeholder workshops and headteacher briefings between June and July 2019. Meetings with teaching unions followed conversation between the NTCA Mayor and TUC. Views gathered from school leaders, teachers, health and social care leaders, businesses, government representatives, teaching unions and sector experts have been fed into the strategy.

10. Appendices

10.1 Joint School Improvement Strategy

11. Background documents

11.1 None

12. Contact Officers

12.1 Adrian Dougherty, Strategic Lead Education Challenge
adrian.dougherty@northoftyne-ca.gov.uk
01912774726

13. Glossary

13.1 DfE (Department for Education)
ONE (Opportunity North East)
STEM (Science, Technology, Engineering and Mathematics)
ECF (Early Career Framework)
AD (Associate Director [for Education])

EHCP (Education, Health and Care Plan)
SEMH (Social, Emotional and Mental Health)

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Executive Summary

Purpose

The North of Tyne Devolution Deal calls for a unified approach to school improvement. Building on discussions in the Sub-Regional School Improvement Board and engagement with school leaders, the North of Tyne Combined Authority began work on a Joint School Improvement Strategy in 2018 and Cabinet have since agreed a set of underlying priorities. This document is the resulting strategy and is presented for Cabinet's consideration.

Introduction

This Joint School Improvement Strategy represents a unified approach to school improvement across the constituent North of Tyne authorities. It identifies how our education teams will collaborate to add value, contributing to improved performance against five key priorities, considering national and local best practice. Our collective impact will raise the standard of education and improve life chances for the young people we serve.

What are we trying to improve?

Evidence suggests that not enough of our children enter the North of Tyne education system ready for school, with early reading highlighted as one of our biggest areas of concern. This contributes to a long-term negative impact on academic outcomes, particularly for white British boys from disadvantaged backgrounds. We are also concerned about the mental health of our pupils, highlighted by a rising number of Education, Health and Care Plans accountable to Social, Emotional & Mental Health issues. We expect this situation to have been exacerbated by the impacts of Covid-19.

Progress between Key Stage 2 and Key Stage 4 has historically been and continues to be a significant problem. At the end of Key Stage 4, 4000 of our young people do not achieve a 'strong' 9-5 pass in English and Maths GCSEs. Our exclusions North of Tyne are higher than the national average, both for fixed-term and permanent exclusions.

The achievement gap (the difference in attainment between pupils from disadvantaged and non-disadvantaged backgrounds) is one of the biggest challenges in the North of Tyne education system. Evidence suggests this problem will be compounded due to Covid-19 school disruption. In the North of Tyne secondary phase, pupils receiving the Pupil Premium for deprivation are more likely to receive a Fixed Term Exclusion than their peers. Similarly, pupils from the 20% and 40% most deprived areas are more likely to receive a Fixed Term Exclusion than pupils from other areas.

On leaving school, too many of our young people are Not in Education, Employment or Training. We expect this to get worse owing to the impact of Covid-19 – we have already

seen a sharp decline in apprenticeship uptake among our 16-18-year olds. We also face an employability skills gap across the North of Tyne, which needs to be addressed before our young people leave school.

Evidence tells us that quality teaching has the most positive impact on pupil outcomes, particularly for those from a disadvantaged background. It is therefore of concern that we have a notable gap in Physics, Maths and Computing specialist teachers, and a problem retaining new entrants to the profession. At the moment, 92% of our Primary schools and only 68% of our Secondary schools are graded as Good or Outstanding by Ofsted. Our leadership development training needs to better reflect the current challenges of school leadership (including how to lead through a crisis), in order to raise standards and prepare a strong pipeline of tomorrow’s school leaders.

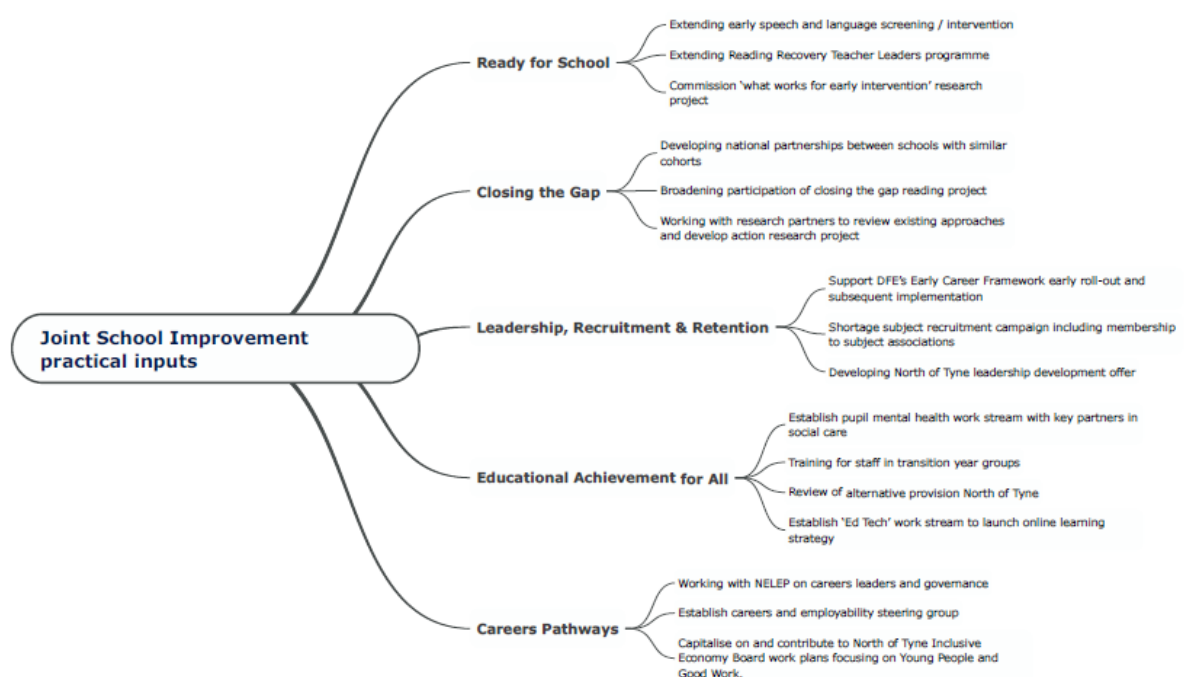
Our approach

We intend to add value to the efforts of our three constituent authorities by collaborating to raise standards against our five shared priorities. We will share best practice across North of Tyne schools, academies, colleges and specialist provision. We will build on the strong partnerships that already exist and will share our learning with the wider sector. We will use rigorous evaluation processes to ensure that our research, learning and impact are robustly tested.

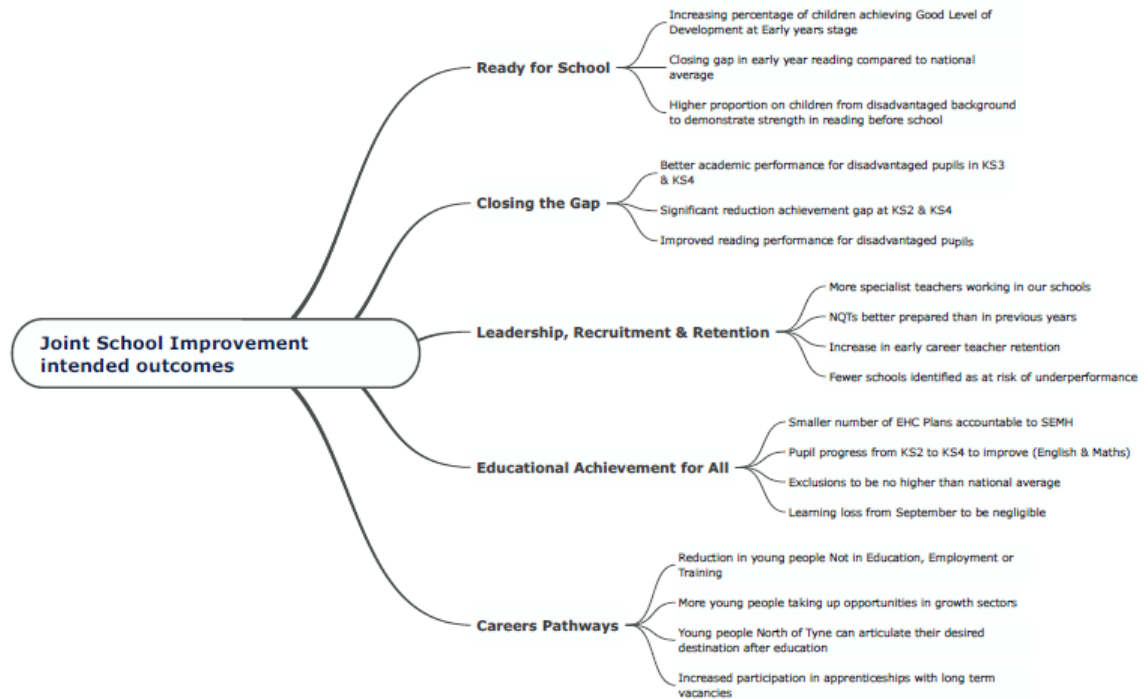
This strategy outlines what the system needs, some approaches are about identifying opportunities to share current best practice and extend successful interventions, some will require extra funding.

This strategy is a companion to an ambitious North of Tyne Education Challenge. The Challenge will impact positively upon all priorities outlined here, supporting the work with additional, related interventions.

The practical inputs we intend to focus on:



Our intended outcomes:



What will success look like?

If we have succeeded, most children will arrive into our school system ready for school. Pupils in the Early Years will show confidence and competence in reading, regardless of their background. Pupils in our schools will demonstrate strong mental health, with a reducing number of EHCPs stating SEMH as a contributory factor.

We will have addressed the historical issue of transition and pupils will progress between Key Stages, particularly Key Stage 2 to Key Stage 4, with increased success. Our fixed and long-term exclusions will show a long-term downward trend, demonstrating a truly inclusive education system.

The difference in attainment between pupils from disadvantaged backgrounds and their peers will have reduced at Key Stage 4. Our work in Early Years and at transition points will have contributed towards a long-term reduction in the attainment gap. Our young people will demonstrably understand the skills and qualifications they need for a successful life after school. The very large majority of our young people will be in education, employment or training.

We will have a thriving community of specialist teachers and school leaders ready to successfully teach our children, to develop our school workforce and to lead our schools. The number of schools graded as Good or Outstanding by Ofsted will have increased and be higher than that seen nationally. Where a school is not yet Good or Outstanding, the local authority will be confident that the leadership of the school is bringing about rapid improvement. Our strategies and research will be nationally recognised and reflect the outstanding education practice that exists across our region.

North of Tyne Joint School Improvement Strategy

Background

The North of Tyne Devolution Deal calls for a unified approach to school improvement in the form of a Joint School Improvement Strategy.

The constituent local authorities of the NTCA will work together to explore the scope for developing a unified approach to school improvement for the schools they maintain, initially through the preparation of a Joint School Improvement Strategy that would significantly assist in identifying constituent strengths and weaknesses, and support efforts to work together to learn from and replicate good practice as appropriate.

Building on discussions in the Sub-Regional Improvement Board and engagement with school leaders, the North of Tyne Combined Authority began work on a Joint School Improvement Strategy in 2018. At its meeting on 24th April 2019 Cabinet agreed shared priorities for that strategy. They are

- Ready for School
- Educational Achievement for All
- Closing the Gap
- Careers Pathways; and
- Leadership, Recruitment and Retention.

Scope

This document outlines a strategy for school improvement through constituent North of Tyne authorities working together, with a focus on the Combined Authority adding value under each of the agreed priorities. Officers of the constituent authorities have sought to identify specific issues underlying each priority and have identified local and national best practice interventions.

Progress will be cumulative; the nature of a joint improvement strategy means that outcomes will only be achieved as part of a wider programme of work in each constituent authority. The impact of Covid-19 has exacerbated many of the issues we had originally sought to address. The Children's Commissioner has stated that a worrying number of children are likely to miss six months or more of education as a result of the coronavirus crisis. This presents us with the imperative to work together and improve learning opportunities for children now.

None of the approaches identified here are 'quick fixes', and we acknowledge uncertainty about the practicalities of school operations in September 2020. This strategy outlines what the system needs, some approaches are about identifying opportunities to share current best practice and extend successful interventions, some will require extra funding.

This is a collaborative strategy, with the lead education officer from each of our local authorities representing the considerations of their wider team. The vision, scale of ambition and priority areas have been tested with a wide range of stakeholders. A series of engagement events have been held since April 2018, with views gathered from headteachers, teachers, health and social care leaders, businesses, government representatives, and sector experts. National and local education system leaders and organisations have been engaged and we hope to further test our strategy through a NTCA Education Stakeholder Group

This strategy is a companion to an ambitious North of Tyne Education Challenge. The Challenge will impact positively upon all priorities outlined here, supporting the work with additional, related interventions.

Vision

We have the highest expectations for all our children and young people. We believe that all children and young people have the right to the very best education, and the very best personal support advice and guidance. We want all children and young people to reach their potential and have the knowledge, skills and understanding needed to lead fulfilling lives.

We intend to work together as a combined authority, adding value to the efforts of our three constituent authorities by collaborating to raise standards against our five shared priorities. We will champion excellence and share best practice across North of Tyne schools, academies, colleges and specialist provision. We will build on the strong partnerships that already exist, capitalising upon the skills and resources of diocesan partners, universities, business partners, research school partners, teaching school alliances, school networks, trusts, teaching and leadership unions and the Local Enterprise Partnership in addition to national research groups, CPD providers and thought-leaders. We are committed to sharing our learning from this work with the wider sector at a national level. We will use rigorous evaluation processes to ensure that our research, learning and impact are robustly tested.

1. Ready for school

We want all children to be ready for school, so they can excel in our education system.

At the moment, 72% of North of Tyne pupils reach a Good Level of Development at the end of the Early Years Foundation Stage, meaning around 2,400 children North of Tyne are not achieving a Good Level of Development. These children and their families are a key focus for us.

Granular data shows that there is an opportunity for us to improve early reading attainment across all pupil groups with focus on our most disadvantaged children. This will have significant positive impact later in their educational life.

Our approach here is to focus on early reading, improve screening and early intervention across the piece, and support parents and pupils through the EYFS.

The region is already working towards tackling these issues. We will share learning from existing work across all constituent authorities, including a '1001 days' project focusing on extra support for families and young children most in need, an EYFS 'Passport' to capture key milestones in preparation for a child's transition into school and a strong reading recovery programme. The practical things we want to focus on include:

- Capitalising upon economies of scale and seeking funding to extend early speech and language screening and subsequent intervention.
- Extending a Reading Recovery Teacher Leaders programme to train colleagues across North of Tyne.
- Work with local and national research partners to commission 'what works for early intervention' research project.

The outcomes we want to achieve are:

- Increasing the percentage of children achieving a Good Level of Development at the end of the Early Years Foundation Stage.
- Closing the current gap in early years reading (the literacy strand of GLD) in comparison to national average.
- Seeing a higher proportion of children from a disadvantaged background demonstrate strength in reading before starting school.

2. Educational achievement for all

Pupil mental health underpins successful academic achievement and the overall life experience of the pupils we serve. It is therefore a key focus of this strategy. Recognising our biggest challenges outside of mental health, we must place emphasis upon points of transition in our education system and our relatively high exclusion rate.

Before Covid-19, we saw an increase in EHC Plans, approximately quarter of which are accountable to SEMH. Initial indications suggest an understandable spike in mental health problems for children and young people attributable to the pandemic. We expect to see this borne out through experiences and academic performance at school.

Progress between Key Stage 2 and Key Stage 4 has historically been a key issue for our school system in constituent authorities. This means that at the end of Key Stage 4, over 4000 of our young people do not achieve a 'strong' 9-5 pass in English and Maths GCSEs.

Across the North of Tyne, A-Level and Academic average points are in line with National and North East regional averages (North of Tyne is 32.87 for A level and 32.95 for all Academic qualifications). Average points for Tech levels are similarly in line with National and regional performance, however average points for Applied General qualifications, whilst in line with national are slightly below the regional average.

Overall Absence and Persistent Absence in the North of Tyne area are worse than national average in the secondary phase and special school setting.

Our exclusions North of Tyne are higher than the national average, both for fixed-term and permanent exclusions. We are committed to continuing to work on this issue, understanding that we cannot enable achievement for all if we have large numbers of pupils excluded from our education system.

It is uncertain what school will look like in the coming academic year and we need to be prepared for some of the children we serve being at home for some of their learning. We need a more structured online learning provision than what we currently have available.

Our approach therefore is to focus on pupil mental health provision, transition points and exclusions. We also intend to develop an evidence-based approach to online learning.

We will share learning from existing work from constituent authorities including participation in a national mental health Trailblazer project, student counsellors in collaboration with universities, successful middle school models, and effective approaches to reducing unnecessary exclusions. The practical things we want to focus on include:

- Establish pupil mental health workstream with key partners in health and social care (e.g. Early Help)
- Training for staff in transition year groups to enable them to prepare pupils for next steps; including independent learning and life skills.

- Review of alternative provision across North of Tyne, with recommendations about how best to move forward collectively.
- Establish a North of Tyne 'EdTech' workstream to launch an online learning strategy.

The outcomes we want to achieve are:

- A smaller number of EHC Plans accountable to SEMH and a reducing trend of learners at ET Support.
- Pupil progress data between KS2 and 3, and KS3 and 4 to improve in English and Maths.
- Fixed and permanent exclusions to be no higher than the national average.
- Learning loss due to home/remote learning from the beginning of the academic year to be negligible.

3. Closing the gap

The achievement gap (the difference in attainment between pupils from disadvantaged and non-disadvantaged backgrounds) is one of the biggest challenges in our post-Covid-19 education system.

At Foundation Stage, the achievement gap is smaller North of Tyne than the national average. This changes at KS2, becoming larger than the national average. By KS4, we have a significantly larger achievement gap than the national average.

In the secondary phase, pupils receiving the Pupil Premium for deprivation are more likely to receive a Fixed Term Exclusion than their peers. Similarly, pupils from the 20% and 40% most deprived areas are significantly more likely to receive a Fixed Term Exclusion than pupils from other less deprived areas.

Granular evidence suggests a gap in reading attainment, particularly for white British boys from a disadvantaged background which ultimately has a long-term effect on their academic outcomes.

To work towards reducing this gap and offer a fair chance for all North of Tyne children, our approach is to focus on identifying what works nationally, reducing the gap in reading achievement and having a focus on inclusion training.

We will amplify existing promising practice evident in many schools across constituent authorities and share learning from an ambitious place-based change pilot. The practical things we want to focus on include:

- Developing partnerships between schools with significant achievement gap and those who have demonstrated success with similar very similar pupil cohorts (nationally).
- Building upon and broadening participation of existing 'closing the reading gap' project.
- Work with local and national research partners to review existing approaches to 'closing the gap' and develop an action research project.

The outcomes we want to achieve are:

- Better academic performance for disadvantaged pupils in KS3 and 4
- Indicative data to show significant reduction of achievement gap at KS2.

- Indicative data to show significant reduction of achievement gap at KS4.
- Increased attainment in reading for specific cohorts of disadvantaged pupils.

4. Careers pathways

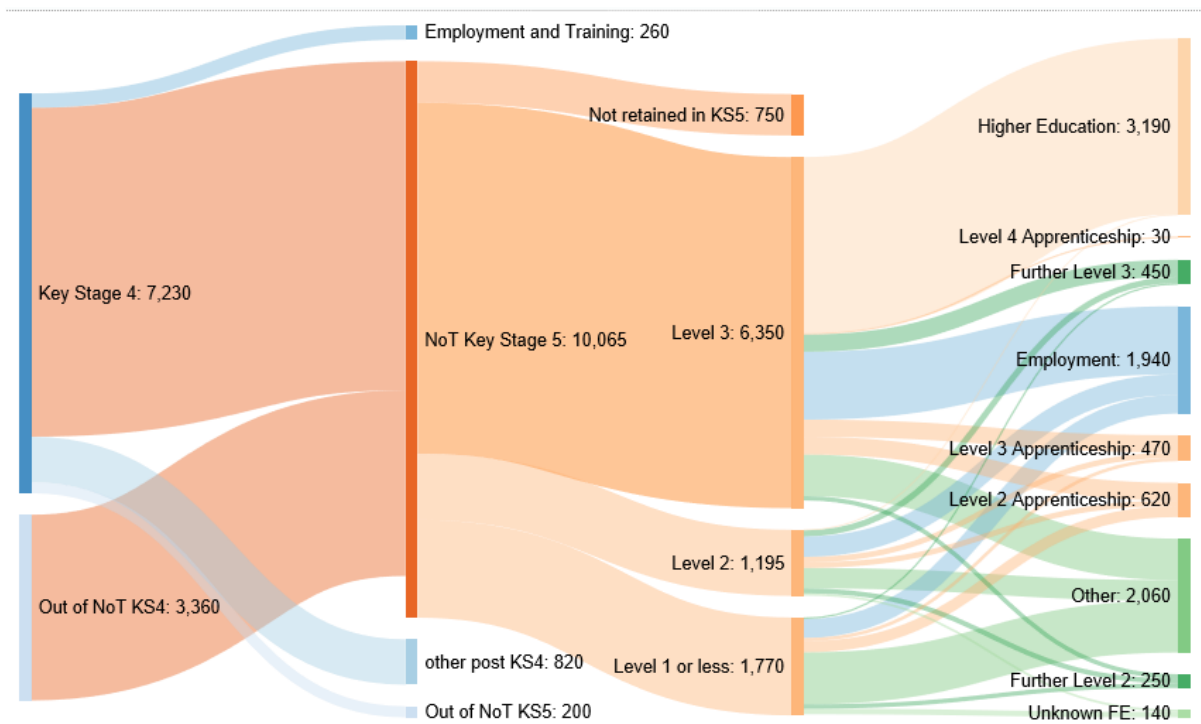
Too many of our young people in the North of Tyne are not in Education, Employment or Training. We are facing a significant employability skills gap, which needs to be addressed before our young people leave school.

840 of our 16-17 year olds last year were considered Not in Education, Employment or Training (NEET). Worryingly, local data suggests at least a 5% increase in young people NEET in the coming year as a result of disruption to education services and placements.

Some of our young people were in employment with training that does not lead to a regulated qualification, which does not therefore meet the 'duty to participate'.

Apprenticeship start rates in the North of Tyne area are relatively low (especially for the 19-24-year-old age band). The overall apprenticeships start rate for under-19s in North of Tyne is 7.3%, which is lower than the North East regional average. Apprenticeships have seen a sharp decline in uptake in the North of Tyne as a result of Covid-19, with the greatest reduction in participation coming from the 16-18 age bracket.

We have an employability skills gap. 26% of the vacancies in North of Tyne were skills shortage vacancies. 54% of these for high skills roles and 19% for service intensive roles (such as carers and sales staff).



The above diagram shows the 2014-15 KS4 cohort, their activities mapped to the following KS5 cohort (finishing in 2017) and their activities mapped to 2018 destination.

As part of North of Tyne Economic Recovery efforts, much work is underway to mitigate unemployment among school leavers, including working alongside Government to make a difference locally. In addition to supporting these efforts, our approach will be to work with

North of Tyne businesses, ensuing careers education is aligned to key sector opportunities – preparing our young people with relevant skills to thrive in these roles. This will dovetail with our wider NTCA inclusive economic vision and capitalise upon employer engagement to raise aspirations, through some of our highest profile North of Tyne assets (including NHS partners who have committed to recruiting from cohorts where we know career pathways are difficult). The practical things we want to focus on include:

- Working in partnership with the North East Local Enterprise Partnership to amplify good practice including work with careers leaders and governance.
- Establish a careers and employability steering group, bringing together in-school practitioners, North of Tyne key sector businesses, and skills and careers education providers.
- Capitalise upon and contribute to North of Tyne Inclusive Economy Board work plans focusing on ‘young people’ and ‘good work’.

The outcomes we want to achieve are:

- Reduction in young people Not in Education, Employment or Training in North of Tyne
- Ensuring more young people leave school able to take up opportunities in key North of Tyne growth sectors.
- Pupil, parent, teacher and employer voice indicating that young people can articulate their desired destination after education.
- Increase participation in Apprenticeships in sectors with long term job vacancies.

5. Leadership, recruitment and retention

We recognise that teachers have the biggest impact upon pupil outcomes, even more so for those from a disadvantage background. We are driven to ensure we have a specialist, motivated teaching workforce. We have a strong commitment to leadership development and succession planning, so all schools can secure high quality and sustained leadership.

Regional data shows we’re overproducing specialist teachers for Primary, Biology, English and History. Following a national trend, we have around a 30% gap for Maths and Computing teachers and more than a 50% gap for Physics teachers. In keeping with the national trend, we have an issue with retention of early career teachers (practitioners in the first three years of their career).

Regional insight tells us that our existing leadership development programmes have proven strengths but could benefit from further development. We see a need to incorporate elements of training to address the current challenges of school leadership (including how to lead through a crisis).

We have 343 schools in the North of Tyne combined authority. There are 249 Primary schools – of which 92% are currently graded as Good or Outstanding, 63 Secondary – of which 68% are Good or Outstanding and 22 Special – of which 90% are Good or Outstanding.

Our approach will be to address the specialist teacher shortage, better support our early career teachers and better develop our existing and future school leaders to help raise standards.

We are already working with the DfE, supporting the Opportunity North East (ONE) programme to ensure as many of our schools are engaged in the early roll-out of the Early Careers Framework (ECF) as possible. We have established good partnerships with all ECF providers, cascaded key information and hosted a webinar for schools in lieu of a face-to-face DfE event. In addition, we have committed to working together with the DfE on a project to support Maths departments as part of the ONE delivery plan.

We will capture and share the best of the existing leadership development programmes across constituent authorities and build upon work with the Great North East Maths Hub and the Science Learning Partnership. The practical things we want to focus on include:

- Continued support for uptake of DfE Opportunity North East's Early Career Framework and sharing the best practice from early roll-out.
- Shortage subject recruitment campaign including membership to subject associations for new Computing, Maths and Physics teachers.
- Developing a North of Tyne leadership development offer, incorporating the best local and national development programmes.

The outcomes we want to achieve are:

- More shortage-subject specialist teachers working in NTCA schools.
- Mentor voice to show that NQTs are better-prepared than in previous years.
- Increase in early career teacher retention (2023/24)
- Fewer schools identified as at risk of underperformance.

Additional North of Tyne Combined Authority projects

Existing and future NTCA projects running alongside this strategy will support our work. For example: an ongoing STEM and Digital Skills Programme (delivered through various partners including Sunderland Software City, NUSTEM at Northumbria University, Woodhorn Museum, Centre for Life and Kielder Observatory) supports the Education Achievement for All priority; an ambitious NU Futures project delivered through the Newcastle United Foundation will contribute to our Closing the Gap and Careers Pathways priorities; and the NTCA Digital Inclusion project has set aside funding for provision of learning equipment to a number of digitally excluded school-age children, which will support our Closing the Gap priority.

Evaluation and Governance

As we move from strategy into early delivery, it is important to get our governance right. Acknowledging existing accountability measures from the Department for Education, Regional Schools Commissioner, Ofsted and individual Local Authorities, in our report to Cabinet on 24th April 2019 we proposed Governance in five parts:

- The existing Devolution Deal 5 Year Gateway Process;
- The Mayor, Portfolio Holder and Cabinet of the North of Tyne Combined Authority;
- A Stakeholder group to provide input and assurance;
- The Overview and Scrutiny committee;
- An advisory North of Tyne Education Improvement Board (as presented to Head of Paid Service in Education Portfolio Update on 28th April 2020)

Each priority presented in this strategy be reviewed by NTCA Education Improvement Board in the summer term, with opportunity to challenge, test and contribute to the current strategy in the preceding terms. The NTCA Education Strategy Group will monitor progress every half-term, presenting findings to (and encouraging feedback from) the wider NTCA Education Stakeholder Group every term.

NTCA Education Improvement Board

A North of Tyne Education Improvement Board was proposed in the School Improvement Strategy and Education Challenge report on the 24th April 2019, and subsequent Education Portfolio Update circulated to Cabinet on 28th April 2020.

The primary role of an Education Improvement Board will be to play an advisory role to the NTCA Cabinet and challenge, test and contribute to the current strategy and its delivery as presented by the lead officer for education in each of the constituent authorities and Strategic Lead for Education at NTCA.

Our colleagues at the Department for Education have suggested that we reshape what was the Sub-Regional School Improvement Board, repurposing it to cover the North of Tyne Combined Authority Joint School Improvement Strategy and proposed Education Challenge.

It is intended that this advisory board will bring together senior leaders delivering education improvement from our constituent authorities, local and national education experts, as well as representatives from the Teaching Schools Council, teaching and leadership unions, diocesan partners, Multi Academy Trusts, and schools from all phases and settings including alternative provision and colleges. We propose that in readiness for the Education Challenge, this group be chaired by a significant national figure. This arrangement also provides an opportunity to raise the profile of our work within and beyond the education community, strengthening credibility and visibility both locally and nationally.

It is the intention that this board will meet on a termly basis, in line with the cycle of school activity.

It is proposed that the Head of Paid Service, in consultation with the Cabinet portfolio holder, finalises the terms of reference for and appointments to the Education Improvement Board

NTCA Education Strategy Group

This is a regular opportunity for the ADs from each constituent LA, Strategic Lead for Education Challenge at NTCA and a representative from the North East DfE regional team to meet and develop the Joint School Improvement Strategy and Education Challenge.

NTCA Education Stakeholder Group

This group allows for contributions from a wide range of local and national education expertise, ensuring our thinking is robust and representative of the sector.

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**Subject: 2019/20 NTCA and North East LEP Financial Outturn:
including LEP 2020/21 Budget and Illustrations for 2021-22 and
INEE 2019/20 Outturn and 2020/21 Budget.**

Report of: Janice Gillespie, Chief Finance Officer

Portfolio: All

Report Summary

The purpose of this report is to advise Cabinet of the 2019/20 outturn position of the North of Tyne Combined Authority (NTCA). The Accounts and Audit (Coronavirus) Amendment Regulations 2020 (SI 2020/404) extended the statutory audit deadline for all local and combined authorities from 31 July to November 30 2020, with the public inspection period being on or before the first working day of the 1st September 2020 which means the draft accounts must be published by 31st August 2020. In line with these regulations the NTCA are extending the deadline for completion of the draft accounts 28 July 2020.

This report also includes a report on the North East LEP (LEP) Financial Outturn position, including the LEP 2020/21 budget and illustrations for 2021-22 and Invest North East England (INEE) 2019/20 Outturn and 2020/21 budget for information.

Recommendations

The Cabinet is recommended to:

1. Note the information contained in this report;
2. Note the positive 2019/20 NTCA Outturn position of (£0.285m);
3. Recommend the carry forward of £0.200m for commissioning work;
4. Note the Draft 2019/20 Audited Statement of Accounts to be presented at Audit and Standards Committee 28 July 2020
5. Note the intention to present the audited 2019/20 Statement of Accounts to Cabinet on the 29 September 2020 following consideration by the Audit and Standards Committee on the 22 September 2020.
6. Note the update on the North East LEP 2019/20 financial outturn; the updated 2020/21 budget and illustrations for 2021/22 and 2022/23; including the North East Investment Fund, Enterprise Zone Account and the Invest North East England outturn and budget position;

1. Background Information, Proposals and Timetable for Implementation

1.1 Statement of Accounts

In line with the revised reporting timetable the Combined Authority's draft Statement of Accounts will be taken to Audit and Standards Committee on the 28th July 2020 for information and review and published after this but prior to the 1st September 2020. The audited Statement of Accounts (the Accounts) 2019/20 will be presented to Cabinet for discussion and approval on the 29 September 2020. The Accounts are a statutory document which set out the Authority's financial position and performance for the period from 01 April 2019 to 31 March 2020. They are a series of formal accounts prepared according with specific statutory and regulatory frameworks.

This report sets out the Combined Authority's financial performance in an outturn report. This reflects the Combined Authority's structure and is presented on a similar basis to the financial management reports that have been presented to Cabinet throughout the financial year. This report is also the end point of the Combined Authority's financial management process for the first full financial year to 31 March 2020.

The figures contained in this report are provisional until the completion of the Accounts. In accordance with the Amendment Regulations 2020 the draft accounts will be "certified" by the Chief Finance Officer by 31 July 2020 and the audited Accounts taken to Audit and Standards 22 September 2020 to be recommended to Cabinet for full approval at the Cabinet meeting 29 September 2020.

Budget Setting

The budget for 2019/20 was approved by full Cabinet at its meeting of 12 March 2019. The Corporate Budget was set at a net zero position covering the costs associated with capacity to deliver. The Investment Fund Budget was set at a £15.625m reflecting the costs associated with the continuing development of proposals to be delivered from the Investment Fund.

Outturn and Reserves

The Outturn for 2019/20 indicates a net income position of (£0.285m) for the Corporate Budget based on the budgeted level of contribution from the Investment Fund of (£2.400m). This position reflects the transfer of (£0.182m) taken to the Preparing to exit the UK Earmarked Reserve based on the specific grant income received from Government, and also (£4.909m) in total of Business Rates Pooling from the three constituent authorities in line with the 2019-20 Pilot, and a carry forward commitment of (£0.200m) to cover work committed in 2019/20 in relation to sector commissioning work for pipeline projects in the Investment Fund and also to commission work in relation to the Covid-19 Recovery.

The Investment Fund outturn reflected a (£16.804m) net income position against budget of (£15.625m) net income position, reflecting £1.179m under delivery against budget.

Table 1 overleaf details the summary outturn position for both the Corporate and Investment Fund Budget.

Table 1 Summary Outturn Position

Summary Outturn 2019/20	2019/20 Budget	2019/20 Outturn	Variance
	£	£	£
Investment Fund Budget	(15,625,000)	(16,803,585)	(1,178,585)
Corporate Budget	(0)	(285,000)	(285,000)
Total	(15,625,000)	(17,088,585)	(1,463,585)

Accounting Adjustments

As part of statutory reporting regulations there is a requirement to ensure there is a clear audit trail between the outturn figures reported to Cabinet and those published in the Statement of Accounts. For 2019/20 there are no specific statutory accounting adjustments that will apply directly to the Combined Authority, however, the statutory accounts will include an element of the accounts for the North East Combined Authority that relate to transport activities that can be attributed to the North of Tyne Authorities.

Draft Statement of Accounts

A set of draft Statement of Accounts are currently under review, based on the direct income and expenditure of the NTCA, and will be taken to Audit and Standards Committee on the 28 July 2020.

1.2 Corporate Budget Outturn

A detailed outturn for 2019/20 is set out in Table 2 overleaf, the narrative below provides more detail:

Expenditure Variations

The gross expenditure outturn position was £37,018,800 (including JTC Levy), this is £0.048m over budget. The staffing expenditure budget was underspent by (£0.125m) arising from the timing of posts being filled and seconded posts being funded through SLA charges. Miscellaneous expenditure reflects an overspend of £0.047m, key expenditure within the budget was expenditure relating to Election costs in relation to the Mayoral Election £1.034m, there was also an additional external audit charge in relation to the appointment of new auditors for 2018/19 accounts. The Service Level Agreements (SLA) Budget was overspent by £0.090m, the majority of which related to seconded staff within the Finance SLA. The SLA's are with the North of Tyne constituent authorities and include legal, HR, IT, Finance support (transactional and accountancy support) and Data and Analytics. Service Level Agreements are reviewed on an annual basis to ensure they are in line with support required by the Combined Authority.

External advisor fees were higher than budgeted contributing to the net expenditure variance. One of the key contributors to the overspend is due to sector commissioning work to inform

pipeline projects within the Investment Fund. In addition, a small portion of expenditure (£0.046m) related to an Adult Education Budget advisor, which is funded from the AEB Implementation Fund income stream. It is recommended that the net income outturn (£0.200m), as shown in Table 2 is earmarked in 2020/21 to cover the work committed in 2019/20 and also to commission work in relation to the Covid-19 Recovery.

Table 2 Corporate Budget Outturn 2019/20

Corporate Budget 2019/20	2019/20 Budget	2019/20 Outturn	Variance
Expenditure	£	£	£
Staffing / Secondments	1,772,345	1,646,939	(125,406)
Miscellaneous Expenditure (including Election costs)	1,399,000	1,445,772	46,772
Advisors External	305,000	341,574	36,574
SLA with Constituent Authorities	197,270	287,015	89,745
JTC Levy	33,297,500	33,297,500	0
Total Expenditure	36,971,115	37,018,800	47,685
Income			
Contributions from the Constituent Authorities	(120,000)	(111,000)	9,000
Mayoral Capacity Fund	(1,000,000)	(1,000,000)	0
Investment Fund	(2,400,000)	(2,400,000)	0
IF Workstream Development Support	0	(61,234)	(61,234)
AEB Implementation Funding	(153,615)	(381,891)	(228,276)
JTC Levy	(33,297,500)	(33,297,500)	0
EU Exit Grant	0	(181,818)	(181,818)
Business Rates Pilot 2019/20	0	(4,909,292)	(4,909,292)
ERDF Grant Income	0	(23,375)	(23,375)
Interest Receivable	0	(225,800)	(225,800)
Miscellaneous Income	0	(3,000)	(3,000)
Total Income	(36,971,115)	(42,594,910)	(5,623,795)
Net Income/Expenditure	0	(5,576,110)	(5,576,110)
Preparing to Exit EU Reserve		181,818	181,818
Business Rates Pilot 2019-20		4,909,292	4,909,292
Commitment to future sector commissioning work		200,000	200,000
2019/20 Outturn/Transfer to General Reserve	0	(285,000)	(285,000)

Income Variations

Income exceeded budget in the year by (£5.624m), this included Business Rates Income monies received from the three constituent authorities (£4.909m in total) in relation to 2019-20 Business Rates Pilot undertaken, this money is to be held in an earmarked reserve. In addition, (£0.182m) was received from MHCLG in relation to Preparing to Exit EU funding, again this is

to be held in reserves. Other contributory factors for the excess income over budget was due to higher than anticipated AEB Implementation Funding (£0.228m), interest earned on investments was (£0.226m) this was achieved through investment with other Local Authorities in line with our Treasury Management Strategy, and earning greater levels of interest compared to those available through the Debt Management Office (DMO). The Investment Fund contribution was in line with budget £2.400m, with additional funding stream (£0.061m) reflected to specific posts employed on delivering Investment Fund workstreams such as Education Challenge and the Returnships programme.

1.3 Investment Fund Outturn

Table 3 below sets out the detailed outturn against the budget for Investment Fund.

Table 3 Investment Fund 2019/20 Outturn

Investment Fund 2019/20	2019/20 Budget	2019/20 Outturn	Variance
Expenditure	£	£	£
Supporting Business Case Development	750,000	61,234	(688,766)
Workstreams	975,000	719,447	(255,553)
Technical Support	250,000	15,735	(234,265)
Contribution to Corporate Costs	2,400,000	2,400,000	0
Total Expenditure	4,375,000	3,196,416	(1,178,584)
Income			
Investment Fund	(20,000,000)	(20,000,000)	0
Net (Income) Expenditure	(15,625,000)	(16,803,584)	(1,178,584)

Expenditure on delivery against the Investment Fund has increased steadily throughout the year with £0.676m paid out in relation to grants including Kielder Observatory and Tour of Britain Cycle Race with Cabinet approval being given to support projects such as Northumberland Hexham Hydro, Energy Central Learning Hub and transforming NTCA Transport proposal. In totality the Investment Fund has committed £27.8m against 34 projects, these projects will attract £99.51m of private sector leverage and are forecast to deliver 2571 jobs. Forecast private sector leverage currently £99.51m, £57m of which is forecast to come from the Inward Investment Fund.

Table 4 Commitment against Investment Fund Thematic Area

	Committed	Allocation	% Allocated
	£m	£m	
Business	12.06	38.00	32%
People	7.23	16.30	44%
Place	2.22	13.70	16%
Major Strategic Economic Opportunities	5.19	17.50	30%
Business Case Development Fund	1.14	4.50	25%
	27.84	90.00	31%

Delivery against the Investment Fund Programme has been delayed in part due to the impact of Covid-19 Pandemic impacting at the end of the financial year. This remains the highest programme risk, with pressure on resources as activity both on developing pipeline and contract management increases.

To further support the impact of the COVID19 pandemic the Combined Authority has approved £677,750 to fund a Digital Inclusion Programme, providing access to IT equipment and internet to vulnerable groups across Northumberland, North Tyneside and Newcastle, with a primary focus on young people in education

Forecast private sector leverage currently £99.51m, £57m of which is forecast to come from the Inward Investment Fund.

1.4 Reserves Statement

Reserves held at 31st March 2020 are detailed below in Table 4.

Table 4 2019/20 Reserves Statement

Reserves Statement	2019/20
	£
Homeless Veteran Grant Reserve	90,909
Preparing to Exit Europe Grant	271,909
Business Rates Pilot 2019/20	4,909,292
Strategic Reserve	200,000
Investment Fund Reserves	36,839,162
Total General (Useable) Reserves	42,311,272
Pension Reserve	285,000

Reserves have increased by £22.412m being the uncommitted portion of the 2019/20 Devolution Grant monies (£17.289m) including the (£0.200m) commitment towards sector commissioning work and (£0.285m) outturn surplus transferred to the reserve, after transfer of (£0.181m) to the Preparing to Exit Grant.

A new earmarked reserve has been set up of (£4.909m) in relation to the Business Rates Pilot undertaken in 2019-20, this includes Business Rates Pool monies from the three constituent authorities, figures in relation to this will be finalised post audit in July 2020 and proposals will be brought forward to Cabinet in due course.

In relation to the Homeless Veteran Grant, all reporting requirements have been suspended by MHCLG. The project has not had any movement since the start of the year owing to Covid-19 work on homelessness by the three constituent authorities. The EU exit grant will be drawn down during 2020/21 in match with the North East Combined Authority's EU exit grant to fund Brexit work across the Region.

1.5 Treasury Management Performance

The second tranche of the Devolution Grant monies (£20.000m) was received in April 2019, adding this to the uncommitted balance of Devolution Grant from 2018/19 allowed a balance of approximately (£36.000m) to be invested over the financial year. This was invested with other Local Authorities in line with the NTCA Treasury Management Strategy achieving interest on investment income of (£0.225m).

- 1.6 Cabinet are aware that as part of the requirements arising from the establishment of the Combined Authority that a Joint Transport Committee (JTC) was created in order to continue to take decisions on Transport across the previous LA7 area of the NECA.

The nature of the JTC is such assets and liabilities of the JTC are required to be disclosed in the Statement of Accounts of the Combined Authority and will be allocated on a population basis between the North East Combined Authority (NECA) and NTCA. The accounts will include a note of the income and expenditure and assets and liabilities relating to Transport and how these have been apportioned between the NECA and NTCA. Outside the statutory audited accounts, information on the Transport budgets across the whole JTC area will be reported to that committee. For completeness of information the NECA Revenue and Capital Outturn Report being reported to the NECA Leadership Board is included as background report to this report.

- 1.7 Prior to the creation of the North of Tyne Combined Authority (NTCA), the seven local authorities and North East Combined Authority (NECA) entered into a Deed of Co-operation which set out the parties' intention that NECA would be the accountable body for the Joint Transport Committee (JTC) and NTCA would be the accountable body for the North East LEP and Invest North East England (INEE). The transfer was completed on 1st April 2020 and the NTCA became the accountable body for the North East LEP and INEE.

At the Cabinet meeting on 25 February a report was taken on the update to the 2020/21 Budget reflecting implications of the North East LEP transfer. Within this report it stated that the 2019/20 outturn report and including the latest information about funding and a three-year budget projection will be reported back to June Cabinet after it has been approved at LEP Board on 28 May 2020. Due to timing this report is now being taken to July Cabinet alongside the NTCA 2019/20 financial outturn.

This includes performance of the Enterprise Zone account, Local Growth Fund and North-East Investment Fund. A small revenue surplus of £0.018m was generated on the LEP's core revenue budget, compared with a small deficit of £0.026m projected in the revised estimate for the year reported to the Board in January 2020. The outturn was better than projected and the LEP's General Reserve increased to £0.603m.

The North East LEP Outturn report including the 2020/21 budget and illustrations for the further two financial years as reported to the May LEP Board are shown below in Appendix A.

Invest North East England (INEE) 2019/20 Outturn position and 2020/21 Budget is shown in Appendix B.

2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority vision document sets out the strategic objectives of the Combined Authority, this report sets out how the Combined Authority are delivering against these objectives.

3. Key Risks

- 3.1 There are no key risks identified at this time.

4. Financial and Other Resources Implications

- 4.1 This report sets out the finance and resource implications in detail.

5. Legal Implications

- 5.1 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.

Under the Accounts and Audit (Coronavirus) Amendment Regulations 2020 (SI 2020/404) the statutory audit deadline for all local and combined authorities was extended from 31 July to November 30 2020, with the public inspection period being on or before the first working day of the 1st September 2020 which means the Combined Authority is required to publish their draft accounts by 31st August 2020.

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 out of 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/Engagement

9.1 The creation of the North of Tyne Combined Authority has been subject to significant and regional consultation. The 2019/20 budget was subject to wide consultation across the North of Tyne Region. The constituent authorities have been consulted directly on the production of the outturn statement.

10. Appendices

Appendix A: North East LEP 2019/20 Outturn and 2020/21 Budget Report

Appendix B: Invest North East England 2019/20 Outturn and 2020/21 Budget

11. Background Papers

11.1 12th March 2019 Cabinet Budget Report

North East Combined Authority Leadership Capital and Revenue Outturn Report

12. Contact Officers

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North East Local Enterprise Partnership Board



28th May 2020

ITEM 6: Financial Outturn 2019/20; Update on 2020/21 Budget; and Illustrations for 2021/22 and 2022/23

1. Introduction

- 1.1 The purpose of this report is to provide an update to the Board on the final outturn revenue budget position for 2019/20, including the performance of the Enterprise Zone account, Local Growth Fund and North-East Investment Fund. A small revenue surplus of £0.018m was generated on the LEP's core revenue budget, compared with a small deficit of £0.026m projected in the revised estimate for the year reported to the Board in January 2020. The outturn was better than projected and the LEP's General Reserve increased to £0.603m.
- 1.2 This report also provides the Board with an update of the current financial year budget (2020/21), taking into account the outturn position for 2019/20 and providing an illustration for the following two financial years 2021/22 and 2022/23. This is in line with previous requests from the Board for a medium-term view of the North East LEP's revenue budget. The illustration for 2021/22, 2022/23 reflects significant uncertainty around Government funding streams and presents only a core level of activity for that year. The budgets for these financial years will be updated as further announcements of additional funding streams are received.

2. LEP 2019/20 Revenue Budget Outturn

- 2.1 The LEP core budget covers LEP operational activity and also management of the Local Growth Fund, North East Investment Fund and Enterprise Zone programmes. Table 1 provides; the original approved budget, revised forecast reported to the Board in January 2020 and the actual spend for the year, with further details explaining significant variations provided below.
- 2.2 The North East LEP Board approved budget for 2019/20 comprised gross expenditure of £4.156m and gross income of £4.121m, therefore projecting a drawdown requirement from the LEP general reserve of £0.035m. The update to the Board in January revised the 2019/20 forecast expenditure to £4.664m and income to £4.638m, providing a reduced forecast use of reserves of £0.026m.
- 2.3 Actual total revenue expenditure in 2019/20 amounted to £4.579m, which is £0.085m lower than the January

forecast. The actual income also saw a minor reduction of £0.041m, from £4.638m to £4.597m. Overall the LEP recorded a £0.018m surplus for the financial year.

Table 1 2019/20 Outturn

	2019/20 Base Budget	2019/20 Revised Budget	2019/20 Outturn	Variance between Final Outturn and Revised Budget
	(£)	(£)	(£)	(£)
Employees	2,508,000	2,516,000	2,451,288	(64,712)
Premises	190,000	193,000	199,274	6,274
Communications	247,000	247,000	257,306	10,306
Transport LGF Monitoring	100,000	72,000	63,226	(8,774)
Growth Hub Operational Costs (inc.Brexit increa	117,000	141,000	142,911	1,911
Invite (Horizon 2020) Operational Costs	66,000	56,000	57,155	1,155
LIS (Local Industrial Strategy)	24,000	68,000	68,550	550
Other Operational Costs	614,000	662,000	708,343	46,343
North East Ambition Operational Costs (ESF)	100,000	96,000	90,499	(5,501)
Brexit Intelligence and Business Support	0	204,000	210,925	6,925
LGF High Potential Operational	0	78,000	64,861	(13,139)
Energy Programme Operational Costs (Strateg	0	40,000	16,100	(23,901)
Inward Investment Contribution	140,000	140,000	140,000	0
Other NEIF / LGF / EZ Costs	50,000	151,000	108,852	(42,148)
GROSS EXPENDITURE	4,156,000	4,664,000	4,579,291	(84,709)
LEP Core & Strategy Grant from DCLG	(500,000)	(500,000)	(500,000)	0
Local Authority Match Contributions	(250,000)	(250,000)	(250,000)	0
BEIS - LIS production and LEP review	(224,000)	(224,000)	(224,488)	(488)
CORE FUNDING	(974,000)	(974,000)	(974,488)	(488)
Local Growth Fund (programme mgmt costs)	(950,000)	(950,000)	(827,842)	122,158
Interest Generated on Funds to fund INEE	(140,000)	(167,000)	(190,691)	(23,691)
Growth Hub (including Brexit increase)	(410,000)	(442,000)	(441,579)	421
Brexit Intelligence and Business Support	0	(204,000)	(212,252)	(8,252)
Enterprise Adviser grant - CEC	(190,000)	(250,000)	(292,243)	(42,243)
Invite (Horizon 20/20)	(102,000)	(84,000)	(67,088)	16,912
ERDF + Digital Catapult + AHSN	(103,000)	(75,000)	(64,627)	10,373
NEIF Contribution to cover activity costs	(66,000)	(106,000)	(232,273)	(126,273)
EZ Contribution to cover activity costs	(52,000)	(107,000)	(127,686)	(20,686)
NECOP	(136,000)	(143,000)	(100,134)	42,866
European Social Fund North East Ambition	(464,000)	(417,000)	(416,178)	822
LGF match North East Ambition (ESF project)	(314,000)	(143,000)	(144,030)	(1,030)
EY Foundation	(75,000)	(75,000)	(47,136)	27,864
DfE	(40,000)	(75,000)	(62,771)	12,229
LA Contributions re ESIF Co-ordinator	(20,000)	(20,000)	(20,000)	0
LGF High Potential	0	(93,000)	(108,893)	(15,893)
Brexit Policy Work Programme	0	(59,000)	(34,103)	24,897
Energy Strategy BEIS / TVCA	(79,000)	(99,000)	(72,363)	26,637
Energy Programme Misc. Contribution	0	(69,000)	(41,581)	27,419
Energy Programme LGF Rev Contribution	0	(14,000)	(33,018)	(19,018)
5G Pilot - LGF	0	(35,000)	(35,308)	(308)
Invest NE Comms Contribution	(6,000)	(6,000)	(6,000)	0
DfE One Vision	0	0	(8,055)	(8,055)
Other Income	0	(31,000)	(36,806)	(5,806)
EXTERNAL FUNDING	(3,147,000)	(3,664,000)	(3,622,657)	41,343
GROSS INCOME	(4,121,000)	(4,638,000)	(4,597,145)	40,855
NET BUDGET	35,000	26,000	(17,854)	(43,854)
BROUGHT FORWARD BALANCE	(585,000)	(585,000)	(585,000)	
Use or (Contribution) LEP Reserves	35,000	26,000	(17,854)	
CARRY FORWARD BALANCE	(550,000)	(559,000)	(602,854)	

2.4 Expenditure

Expenditure of £4.579m was £0.423m higher than the original budget for the year and £0.085m below the revised estimate that was reported in January. This was mainly due the additional activities that the LEP undertook during the year, such as Brexit/EU exit preparations and skills activity, which were funded by additional income streams. The main areas of expenditure variation since the last update to the Board are noted below.

2.5 Employee Costs

Employee expenditure totalled £2.451m, which is marginally lower than forecast. This underspend is a mix of the savings arising from vacant posts held at various points throughout the year partially offset by new posts being created linked to new projects attracting additional external funding.

2.6 Premises

This expenditure has increased beyond the budget due to one-off costs associated with the move to a larger office within St James Gate e.g. workstation refit costs.

2.7 Communications

The Communications expenditure for the year was £0.257m, which exceeds the budget of £0.247m by £10,000, with £6,000 of this increase being funded by a contribution from Invest North East. The successful delivery of the LEP communication strategy is a key aspect of ensuring an effective North East LEP operation.

2.8 Transport LGF Monitoring and Evaluation

The recharge from the regional transport team for LGF transport project support was £0.063m, a further reduction on the Revised Estimate. This is due to the majority of LGF transport schemes having progressed through appraisal and requiring less support last year.

2.9 Growth Hub Operational Costs

Non-salary costs in delivery of the Growth Hub initiatives increased during the year following an additional grant award from BEIS to provide EU exit readiness advice. The increase in spend was fully matched by the increase in grant.

2.10 Other Operating Costs

Expenditure on this budget area totals £0.708m for 2019/20, which is £0.046m greater than the Revised Estimate of £0.662m. This relates to costs associated with NEIF and EZ support/appraisal activity and Skills initiatives, all of which are funded by external income sources or fund drawdowns.

2.11 Brexit Intelligence and Business Support

As noted in the January 2020 Board update, additional funding was provided by BEIS during 2019/20 to support regional Brexit preparation activity.

2.12 Income

Income of £4.623m was £0.476m higher than the original budget for the year and £0.041m below the revised estimate that was reported in January. This was mainly due the additional activities that the LEP undertook during the year, such as Brexit/EU exit preparations and skills activity, which were funded by additional income streams. There now are a large number of core and specific income streams (over 27) that fund the activity of the LEP, as outlined in Table 1. The main variations since the last update to the Board are detailed below.

- 2.13 Local Growth Fund (programme management costs)
The drawdown from Local Growth Fund to support programme management activity was £0.828m which was lower than forecast. This reduction was due to lower external support activity and a lower recharge from the regional transport team for LGF transport project support. Funding freed up from the reduced drawdown will be available to support activity in future years.
- 2.14 Local Growth Fund Interest
The annual LGF grant allocation paid by government in full at the beginning of the financial year attracts sizable interest sums which are used to fund the INEE team. The £0.190m interest generated is a further increase of £0.023m on the Revised Estimate due to an improved cash flow position.
- 2.15 Growth Hub
As noted at section 2.9 the original annual £0.410m Growth Hub allocation was increased by £0.031m to support EU exit readiness activity and income was in line with the revised estimate for the year.
- 2.16 Brexit Intelligence and Business Support
As regional Cluster Lead, the North East LEP managed additional grant funds totalling £0.282m on behalf of the North East LEP and Tees Valley areas. Of this funding £0.213m was utilised in support of the regional initiatives with £0.069m to be repaid to BEIS as it was unable to be utilised within the strict grant conditions.
- 2.17 Careers Enterprise Company
£0.292m of grant funding was applied in 2019/20, which was £0.042m greater than the Revised Estimate and a result of meeting additional operational costs from this funding source.
- 2.18 NEIF & EZ Contribution
As previously agreed by the Board, activity relating to the delivery and management of the Enterprise Zone and North East Investment Fund (NEIF) initiatives is funded via a drawdown from the respective Enterprise Zone Business Rates account and NEIF Repayments' reserve. The drawdown from the EZ reserve to fund costs in 2019/20 amounted to £0.127m and NEIF repayments reserve charge for 2019/20 was £0.232m. The increase in the NEIF drawdown links to fund development and appraisal activity carried out in the final quarter and an update of staff time apportionments. The increase in the income to fund EZ activity reflected additional activity to update income projections for future years and legal and finance work needed to complete EZ funding agreements.
- 2.19 North East Collective Outreach Programme (NECOP)
£0.100m grant funding was applied in 2019/20, which was £0.042m less than the Revised Estimate and a result of maximising other funding streams.
- 2.20 North East Ambition – Europeans Social Fund and LGF
The utilisation of the skills-based funding sources into this project have been drawn down to maximise external grant. The lower use of the Local Growth Funding when compared to the original budget will be available to support the projects 2020/21 activity.

3. North East LEP Revenue Balances

- 3.1 Table 2 below shows the North East LEP revenue balance as at 31st March 2020. The reserve has increased by £0.018m over the year to £0.603m.

Table 2 – Revenue Balances

Budget Area	Opening Balance £000	Movement in 2019/20 £000	Closing Balance £000
LEP Reserve	585	18	603

4. North East Enterprise Zones

- 4.1 Round 1 Enterprise Zones are located across four local authority areas; Newcastle, North Tyneside, Northumberland and Sunderland. Business Rates growth generated on these designated sites accrues to the benefit of the North East LEP for a 25-year period, 2019/20 was the seventh year of the Round 1 zones' life.
- 4.2 In April 2017 these were joined by a further ten sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside and Sunderland with the International Advanced Manufacturing Park (IAMP) site launched on the 1st April 2018 to complete the coverage. With the exception of the IAMP, it is the third year of the round 2 sites life. Ramparts (Northumberland) and Follingsby North (Gateshead) have generated Business Rates Growth Income during 2019/20, as the result of occupation on parts of the sites requiring no capital investment to enable occupation to occur.
- 4.3 Table 3a below provides a summary of the Enterprise Zone account over the last three years and a summary of the position for 2019/20 compared with a budget reported in May 2019. Business Rate Income for 2019/20 and interest amounted to £2.030m and was lower than the budget for the year. Expenditure was also below the budget, and the repayment to funds to the NEIF was adjusted to enable a surplus of £0.140m to deliver a cumulative surplus of £3.020m by the year end, which had been the objective previously reported. Actual Income figures for 2018/19 have been adjusted downwards from the income previously reported to reflect adjustments and changes in income after the year end.

Table 3a – Enterprise Zone Account

	Actual 2016/17 £000	Actual 2017/18 £000	Actual 2018/19 £000	Budget 2019/20 £000	Actual 2019/20 £000	Variance £000
Business Rates Income						
<u>Round 1</u>						
- Newcastle – North Bank	614	437	501	457	508	51
- North Tyneside – Swans	165	160	118	198	160	-38
- Northumberland – Blyth sites	173	321	334	336	308	-28
- Sunderland – A19 Corridor	743	708	750	812	752	-60
<u>Round 2</u>						
- Northumberland – Ramparts			40	43	40	-3
- Gateshead – Follingsby				279	242	-37
Total Rates Income	1,695	1,626	1,743	2,125	2,010	-115
Interest	5	11	25	25	20	-5

Grant income	30					
Total Income	1,700	1,667	1,768	2,150	2,030	-120
Expenditure						
-NEIF/LGF Loan repayments	1,306	1,302	1,238	1,274	1,438	164
-Financing Costs (interest)	0	0	235	570	258	-312
-Invest North East contribution	6	148	71	170	66	-104
-Operating Costs	115	112	100	87	128	41
Total Costs	1,427	1,562	1,644	2,101	1,890	-211
Annual Surplus	273	105	124	49	140	91
Cumulative Surplus	2,602	2,707	2,831	2,880	3,020	140

- 4.4 Business Rate Growth Income was slightly lower than expected due mainly to slightly lower levels of business rates on most sites as a result of business rate adjustments or new buildings being occupied slightly later than expected. The income is higher than in 2018/19, due mainly to £0.242m of income being received from a new property on the Follingsby North site.
- 4.5 Revenue operating costs were higher than budgeted due to additional finance and legal activity linked to the more detailed review of income projections in Q1 and Q2 and work related to the completion of EZ funding agreements in Q3 and Q4 prior to the transfer of the accountable body.
- 4.6 Financing costs were lower than expected due mainly to slippage of capital expenditure on several projects into 2020/21. In addition, an updated approach to the calculation of interest on the expenditure that did occur in year also reduced interest payments slightly. The level of repayment of temporary loans from the NEIF of £1.438m has been adjusted to deliver an annual surplus of £0.140m and a cumulative surplus of £3.020m. The level of repayment is higher than the amount anticipated in May 2019 but is less than the repayment that had been due to the NEIF. A cumulative surplus of c £3.020m had been envisaged as part of the revised estimate for the year.
- 4.7 Enterprise Zone Account 2020/21 – 2022/23 Estimates

Information about estimated Business Rate Income is being collected from councils with a view to an update report being presented to the Investment Board and the Full LEP Board in July. The estimates for 2020/21 to 2022/23 that were provided in July 2019 are summarised below alongside the Actual for 2019/20. These estimates will be updated at a future meeting.

Table 3b Enterprise Zone Account 2020/21 – 2022/23

	Actual 2019/20 £m	Estimate 2020/21 £m	Estimate 2021/22 £m	Estimate 2022/23 £m
Business Rates Income	2.0	2.4	3.5	7.2
Expenditure				
-Capital Financing Costs	1.7	1.8	3.4	6.8
-Revenue Costs	0.2	0.3	0.2	0.2
Annual Surplus	0.1	0.3	-0.1	0.2
Cumulative Surplus	3.0	3.3	3.2	3.4

- 4.8 At this point a break-even position or a small surplus in 2020/21 appears to be achievable, as the increase in estimated Business Rate Income was relatively small and we expect that three new Buildings on IAMP will be generating business rates next year. Although the Government has given some new COVID 19 business rate relief to some business premises in 2020/21, the loss of rates income should be compensated for by a section 31 Government grant.
- 4.9 In terms of Capital Financing Costs, the first loan for the Northumberland Energy Centre (East Sleekburn) site has been confirmed at an interest rate of 2.84% and this will generate an annuity payment of £589k this year and each year over the life of the Round 1 enterprise zone. This will need to be accommodated within the capital financing cost budget, if necessary, by adjusting the repayment of loans from the NEIF account.
- 4.10 The estimate of Capital Financing costs will also be updated based upon the actual level of capital expenditure in 2019/20 and updated estimates of capital expenditure in 2020/21 and future years.
- 4.11 An important consideration for the medium term and lifetime projection of Income and the Enterprise Zone account Surplus will be the extent to which the anticipated significant increase in Business Rate Income can be delivered from 2022/23 onwards, in order to cover the increasing capital financing costs, as loans are taken out to fund completed capital investment on the EZ sites.
- 4.12 The objective over the next few years is to seek to maintain an annual break- even position or a small surplus. This will provide a sufficient cumulative surplus to enable the LEP Revenue Budget to be supported, or to compensate for a year in which income may not be sufficient to cover growing annual capital financing cost commitments. The estimates for 2020/21 and future years will be updated at the Board in July or September.

5. Local Growth Fund and North-East Investment Fund

- 5.1 The Local Growth Fund programme delivered over £28.06m of activity during 2019/20 across the SEP themes making full use of all LGF grant available for the year and cumulatively. This is very good performance and further details are explained in more detail in the separate report on the LGF Programme.
- 5.2 The NEIF initial £55m allocation was made up of £25m Growing Places and £30m Regional Growth Funding. A number of projects supported through loans are now making repayments and as this is returned the funding is available for reinvestment in new projects and other opportunities. Repayments (including interest) received in the year including the Enterprise Zone transfer totalled £8.622m (£8.016m principal and £0.606m interest).
- 5.3 A further short-term loan advance from the NEIF of up to £0.777m (£0.500m capital and 2 deferred repayments against the first loan of £0.139m) was granted to the Cobalt ICT Broadband Infrastructure scheme, this was repaid in full during the year. This loan to Stellium supported infrastructure costs to link the Data Centre at Cobalt to the broadband infrastructure landing at Seaton Sluice, Northumberland providing a connection from the North East to Esbjerg, Denmark resulting in a high-speed broadband link from the North East to Europe.
- 5.4 A commitment of up to £1.208m approved for the North-East Mining Institute (with £0.859m paid out). In addition, £0.278m was paid out against an approval of £0.293m for the Integra 61 project. The funding for the Mining Institute is to support the restoration and refurbishment of the Mining Institute and the regeneration of its importance as a regional focus for the economic and social development of the NE Region as the Common Room of the Great North.

The aim is to achieve this through engagement with the business community providing education and enrichment for young people, promoting skills and development for the region's workforce and engaging the public with the rich heritage of the building.

- 5.4 Notable loan repayments during the year activity included full repayment of both loans to CUOS Ltd for Stellium Data Centre (Cobalt); full repayment of the loan to The Jesmond; full repayment through clawback (via NTC) of 100% of the funding paid to Kier Property Development Ltd following early termination of the approved project at the Swans EZ site; and repayment of £1.438m of loans made to the Enterprise Zone Account for infrastructure works on EZ sites in Sunderland, Newcastle and North Tyneside. In April we received a substantial repayment of £0.350m in respect of the Loan to the Durham Cricket Club, leaving a small outstanding balance of £0.095m. Durham University commenced the quarterly repayments of its loan in accordance with the repayment schedule following an approved 5-year repayment holiday.
- 5.5 The investment into the Integra 61 scheme will support with the site infrastructure costs to unlock a 204-acre strategic employment and housing site near Bowburn, County Durham, leading to the creation of over 3,600 jobs (and over 1000 construction jobs) and over £160m of follow-on investment on site
- 5.6 At the year-end some £20.3m was available to support new projects. This is envisaged to be used to fund Inwards Investment Activity and to support the proposals for a new Commercial Property Investment Fund, which has been developed during the year and is expected to be presented for approval later this year.
- 5.7 As part of the response to the COVID 19 outbreak, action has been taken to protect the North East Investment Fund as it currently stands, by temporarily suspending receipt of new individual project proposals for business growth based upon the existing investment criteria at this time. With markets particularly unpredictable, limits the ability to complete accurate due diligence on project proposals for business development loans. The availability of NEIF based upon existing investment criteria will cease until review of NEIF operations is completed to determine more appropriate criteria for new economic conditions post COVID.
- 5.8 In addition, to support projects within the programme, opportunity is available to suspend loan repayment for three months to end of June 2020 in line with Government loan deferral schemes. This is being made available upon request and may be extended for a further period on a case by case basis. As an example, The Boiler Shop event space had to close in early March as a result of Government guidance. A request was made to suspend their monthly payments of £11,500 per month, which has been granted to the end of June, when the position will be reviewed to see when the loan repayments may be resumed. The decision on the reprofiling of the repayment of this loan to 2024/25 has also been delayed until there is more clarity about the reopening of the facility; the impact on its financial position of COVID 19; and the potential date for the refinancing of the loan.

6 LEP Revenue Budget 2020/21 to 2022/23

- 6.1 The budget position for 2020/21 was reported to the North East Combined Authority (NECA) as the accountable body for the North East LEP on 4th February 2020, and the North East LEP Board on 30th January 2020. The proposed budget was approved by both Boards with no issues identified. This report includes latest information about the 2020/21 budget taking account of the outturn for 2019/20 and will be reported to the North of Tyne Combined Authority (NTCA) Cabinet on June 2nd, 2020, as the new accountable body for the North East LEP.

- 6.2 Table 4 provides a summary of the three-year revenue budget for the North East LEP showing financial years 2020/21, 2021/22 and 2022/23. The explanatory notes from sections 7 to 8 provide further information.
- 6.3 Over the three years, if no additional income is identified the costs are estimated to exceed the available grant and core contributions income by up to £0.158m in 2020/21; £0.554m in 2021/22 and £0.687m in 2022/23. This deficit is funded from the assumed surplus on the Enterprise Zone account in 2020/21 (contribution of £0.055m), 2021/22 (contribution of £0.500m) and 2022/23 (contribution of £0.500m) as previously agreed by the Board. This enables the potential risk of not securing additional income to be managed.
- 6.4 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income (EZ BRGI) surplus of up to £0.500m per annum could be utilised to support the revenue budget if required. To date there has not been a requirement to use this facility and therefore in effect saving £2.0m of potential spend from the EZ account. However, due to anticipated drop in funding and core funding remaining fixed at the same level coupled with the increased salary costs due to pay award commitments it is anticipated that the maximum amount of £0.500m will be required from the EZ BRGI in 2021/22 and a further £0.500m in 2022/23 to maintain a LEP Reserve balance of £0.500m at 31st March 2023.
- 6.5 There are active funding bids which if successful will provide additional income and reduce the potential drawdown against the EZ account in both years. Furthermore, an announcement is expected shortly in respect of additional LGF funding (our share of £387m nationally) with the potential to secure continuation of funding for salaries and other operational activity from 2021/22 onwards. Until this funding is confirmed, only a core budget, including budget funding of the ESF is illustrated for 2022/23.
- 6.6 The LEP manages the uncertainty of funding by using fixed term staffing contracts and by being able to reduce other operating costs to reflect the available funding streams; and by the availability of reserves and other funds which it can draw on to support activity, such as the use of the agreed Enterprise Zone contingency contribution, which is illustrated in table 3 above. The opportunity to draw on the EZ reserve, if necessary, helps compensate for the uncertainty of other income streams. In recent years, this contingency has not been called upon as other income streams have been confirmed or new income streams have been identified.

7. Adjustments to 2020/21 Original Budget

- 7.1 The overall budget for 2020/21 presented to the board in January 2020, indicated a £4.909m gross expenditure budget, funded by a range of Government grant income sources; a £0.250m core contribution from the seven local authorities; and interest on revenue balances.
- 7.2 The latest 2020/21 Budget position is showing £5.369m of gross expenditure. The increase in gross expenditure is largely due to additional Growth Hub funding for Covid-19 and Cluster Management (£0.290m and £0.080m respectively) which will require additional capacity to deliver. The staffing budget also includes 5.2% superannuation (£0.140m) this is returned as a contribution from North of Tyne Combined Authority (NTCA) to allow the North East LEP to maintain the benefit of the zero net pension cost it received when the North East Combined Authority was their accountable body.

Table 4 – Three Year North East LEP Budget 2020/21 – 2022/23

	Original Budget 2020-21 (Jan 2020)	Revised Budget 2020-21	Indicative 2021-22 Base Budget	Indicative 2022-23 Base Budget
	£'000	£'000	£'000	£'000
Employees	2,624	3,104	2,498	2,567
Premises	190	190	190	190
Communications	252	250	225	200
Transport LGF Monitoring	72	20	0	0
Growth Hub Operational Costs (inc.Brexit increase)	93	74	63	56
Invite (Horizon 2020) Operational Costs	23	60	0	0
Other Operational Costs	626	600	400	400
North East Ambition Operational Costs (ESF)	312	165	165	165
Growth Hub Covid-19	0	210	0	0
Growth Hub Cluster Management	0	80	0	0
LGF High Potential Operational	319	189	0	0
Brexit Policy Work Programme (Strategy & Policy)	110	109	0	0
Energy Programme Operational Costs (Strategy & Policy)	23	23	0	0
Skills Other Operational Costs	0	109	0	0
Inward Investment Contribution	140	140	140	140
Other LGF inc studies	23	0	0	0
Other NEIF and EZ Costs - Legal/Finance Support	102	45	0	0
GROSS EXPENDITURE	4,909	5,369	3,681	3,718
LEP Core & Strategy Grant from DCLG	(500)	(500)	(500)	(500)
Local Authority Match Contributions	(250)	(250)	(250)	(250)
CORE FUNDING	(750)	(750)	(750)	(750)
Local Growth Fund (programme mgmt costs)	(850)	(768)	(454)	(412)
Interest Generated on Funds to fund INEE	(80)	(140)	(140)	(140)
Growth Hub	(410)	(410)	(410)	(410)
Growth Hub Covid-19	0	(290)	0	0
Growth Hub Cluster Management	0	(80)	0	0
Enterprise Adviser grant - CEC	(150)	(239)	0	0
Invite (Horizon 20/20)	(63)	(74)	0	0
ERDF + Digital Catapult + AHSN	(75)	(80)	0	0
NEIF Contribution to cover activity costs *	(125)	(124)	(110)	(110)
EZ Contribution to cover activity costs	(160)	(139)	(110)	(110)
Education Challenge was NECOP	(97)	(144)	0	0
North East Ambition (European Social Fund)	(620)	(618)	(212)	(629)
LGF match North East Ambition (ESF project)	(472)	(389)	(453)	0
EY Foundation (20/21 seed)	(30)	(139)	0	0
DfE	(35)	(12)	0	0
LA Contributions re ESIF Co-ordinator	0	(20)	0	0
LGF High Potential	(336)	(237)	0	0
Brexit Policy Work Programme (Strat & Policy)	(121)	(146)	0	0
Energy Strategy BEIS / TVCA (Strat & Policy)	(15)	(25)	0	0
Energy TVCA RCEF	0	(27)	(13)	0
Energy Programme Misc. Contrib (Innovation/Rural/Offshore -	(44)	(70)	(7)	0
Energy Programme LGF Rev Contrib. (Stratgy & Pol)	(70)	(86)	0	0
BEIS - Local Energy Programme	0	(43)	(34)	0
DfE One Vision	0	(11)	(324)	(358)
Contribution NTCA (Pension)	0	(140)	(100)	(102)
Other Income	(79)	(10)	(10)	(10)
EXTERNAL FUNDING	(3,832)	(4,461)	(2,377)	(2,281)
GROSS INCOME	(4,582)	(5,211)	(3,127)	(3,031)
NET BUDGET	327	158	554	687
Funded by				
Use or (Contribution) LEP Reserves	(18)	(103)		
Enterprise Zone Contribution, if required	(309)	(55)	(500)	(500)
Shortfall requiring Expenditure Savings/Additional Income			(54)	(187)
	0	(0)	0	0
LEP RESERVE				
BROUGHT FORWARD BALANCE	550	603	500	500
Use or (Contribution) LEP Reserves	(18)	(103)	0	0
CARRY FORWARD BALANCE	532	500	500	500

- 7.3 Employee cost budget has risen from £2.624m to £3.104m. As detailed above in section 7.2, £0.140m of this was attributable to applying 5.2% superannuation cost. Although the 2020/21 base budget, presented to LEP Board in January, included salary costs based on the NTCA TUPE equivalent grades the level of superannuation pension contribution had not yet been confirmed and so was not included. This superannuation cost is fully funded by an income contribution from NTCA, as part of the guaranteed funding for pension costs set out in the accountable body agreement. The other key contributor to the increase in employee expenditure was the extension of key funding streams, such as ESF, providing additional capacity in the Skills Team and allowing fixed term contracts of a number of staff to be extended (approx. £0.300m in total) and additional Growth Hub funding in relation to Covid-19 allowing additional capacity (£0.080m). The employee budget also includes £0.020m for the remuneration package for the new LEP Chair. It should be noted that the Employee budget includes £0.345m relating to 6 vacant posts.
- 7.4 An operational budget of £0.109m is included in the revised estimate to cover the cost of Innovation activity and an Action Researcher in relation to additional funding secured from EY Foundation.
- 7.5 There has been a reduction in North East Ambition Skills operational costs from £0.312m to £0.165m, a decrease of £0.147m. This is as a result of further work being undertaken to refine the grant funding allocation across direct delivery costs associated with the project, and overhead costs reflected in existing corporate budgets.
- 7.6 The budget for the regional transport team for LGF transport project support has reduced from £0.072m to £0.020m in the revised estimate. This is due to the majority of LGF transport schemes having progressed through appraisal and the reduced level of transport staff time spent as a result.
- 7.7 Gross Income has increased to £5.211m from £4.582m (£0.629m). Additional funds have been secured in relation to Growth Hub Covid-19 and Cluster Management (£0.370m in total) and EY Foundation (£0.109m). In addition, the Energy Strategy Team has also secured additional funding from BEIS of £0.043m, and £0.027m in relation to the Rural Community Energy Fund, in addition to securing further contributions from working on projects with NTCA on Offshore Renewable Energy and Gateshead College, totalling £0.023m.
- 7.8 The gross income figure also includes the contribution from NTCA (£0.140m) to fully recover the cost of the superannuation in year.
- 7.9 The Local Growth Fund recharge for programme management activity income has reduced by £0.082m from £0.850m to £0.768m in line with current reduced programme. Funding freed up from the reduced drawdown will be available to support activity in future years.
- 7.10 While the latest budget projection for 2020/21 is indicating a call on the Enterprise Zone surplus of £0.030m this has reduced from £0.309m reflected in the January budget position and this position should reduce further as further funding assumptions are firmed up. The intention will be to manage costs and income to try to avoid using reserves at the year end.

8. Budget illustrations in Future Years

8.1 Indicative budget figures are also shown in Table 4 for the financial years 2021/22 and 2022/23. Inflation of 2% has been built into the estimate of employee costs and where appropriate other expenditure estimates.

8.2 Employees

The Employee expenditure budget shows a reduction in 2021/22 of £0.606m due to the potential for a number of fixed term posts coming to an end in conjunction with the related income sources. The new stream of ESF North East Ambition funding has reduced the impact of this. If further additional funding, such as the expected additional LGF funding, is secured, there is the potential for continued activity and higher employee costs are likely. There is a slight increase in the employee expenditure in 2022/23 (£0.069m) due to increments and pay award assumptions due.

A 2% annual national pay award assumption has been factored into the employee budget for all three financial years, and the national pay award will be implemented which is agreed each year.

The NECA pension fund, enabled the LEP to benefit from a 0% employer superannuation contribution rate which provided a significant budget saving. The change in accountable body status to NTCA, has meant an employer superannuation contribution rate of 5.2% is now applicable, however, in order to maintain the saving benefit to the LEP the NTCA are providing a contribution at the same level to achieve a net budget impact. This was made possible by a transfer of Pension Fund assets from NECA to NTCA within the Tyne and Wear Pension Fund at the end of 2019/20.

A staff turnover allowance of 3% has been factored into the employee budget for all three financial years, which is considered prudent given experience in recent years.

8.3 Premises

The LEP have negotiated a 5-year lease with a 3-year break clause to accommodate a larger office area within St James Gate to support the team. The accommodation costs are fixed until the break in 2022, however, a provision to recover these costs is built into the funding that would be secured for additional activity of people using the accommodation space.

8.4 Communications

The proposed Communications budget for 2020/21 onwards represents a continuation of the budget agreed by the Board at its meeting in March 2017 adjusted for inflation. Key aspects of the budget include development of the communications activity related to delivering the SEP, plus the continuation of essential PR & Media support

8.5 Transport LGF Monitoring and Evaluation

The reduced budget allocation of £20k in 2020/21, and nil in 2021/22, 2022/23 reflects the fact that the majority of the LGF transport schemes have progressed through appraisal.

8.6 Growth Hub Operational Costs

The continuation of £410k Growth Hub funding in 2020/21 has been confirmed and has been indicated that it will continue in future years by central government. The Growth Hub connectors which are funded through this source currently have Fixed Term Contracts which expire in March 2021. Once confirmation is received it is likely to result in extension of these contracts.

8.7 Invite (Horizon 2020) Operational Costs

The Invite budget relates to a three-year Horizon 2020 project ending in 2020/21.

8.8 Other Operating Costs

An on-going corporate delivery budget of £0.320m is required for general LEP running costs for example IT equipment, travel expenses and support services. In addition, the North East LEP led SEP strands including Innovation, Business Growth and Skills have an operational allocation to ensure delivery and that the necessary progress can be obtained. Allocations for LGF finance and legal support provided by the accountable body, Investment Fund (NEIF) support and Enterprise Advisor delivery are also included. Small reductions have been made against some of these budget lines to provide a small budget of £0.030m for operational costs in relation to Sector Leads, Digital, Life Sciences and Energy.

The total budget for 2020/21 to 2022/23 is broken down over the noted areas as follows:

Delivery Area	Budget (£'000)
Corporate / General	320
Innovation	80
Strategic Policy & Economic Analysis	80
Business Support/Access to Finance	20
Skills	20
Sector Leads	30
LGF Legal and Finance Support	50
Operating Costs TOTAL	600

Other operating costs budget line has been reduced in line with reduced activity and funding in 2021/22 and 2022/23.

8.9 Inward Investment Contribution

The agreed allocation of £0.140m per annum is included in the budget for 2020/21 through to 2022/23. This is dependent on the continuation of match funding provided by the seven local authorities. This has been confirmed for 2020/21, however, future funding will need to be considered in line with interest across the seven local authorities and funding available. The continuation of funding has been assumed for the purpose of the 2021/22 and 2022/23 indicative budget illustrations.

8.10 Income

8.11 LEP Core Funding & Strategy Grant

Funding of £0.500m is expected to continue over the medium term although it is only confirmed by Government in the Spring of the calendar year to which it relates. The Local Authority Match Contribution requirement of £0.250m will be provided in equal 1/7th shares by the 7 Local Authorities that are members of the North East LEP for 2020/21. It is considered on an annual basis.

8.12 Local Growth Fund (LGF)

As previously agreed by the Board, a 2.5% top-slice of the Local Growth Fund allocation is available to support the delivery of the programme, primarily LEP team staffing costs. Although the LGF programme officially ends in March 2021, by using funding SWAPs, revenue funds will be available in 2021/22 and 2022/23 to support extended activity. As the programme reaches conclusion there has also been a reduction in qualifying expenditure which explains the decrease between years.

The drawdown of the balance of the top-slice budget is profiled to be made as follows:

	2020/21	2021/22	2022/23
	£'000	£'000	£'000
LGF Programme Management	768	454	412

The LEP is expecting to receive a share of the £387m additional national LGF grant that was announced in the March National Budget. The amount is not yet confirmed and once announced this should increase the funding available to manage the programme. A £10m additional allocation would enable an extra £250k of income to be made available in 2021/22 to manage the programme.

8.13 Local Growth Fund Interest

As the annual LGF grant allocation is normally paid by government in full at the beginning of the financial year, the cash balances held are able to attract interest (£196k in 2019/20). An estimate for each financial year is included within the budget, based on an assumption of the timing of LGF expenditure. The level of interest generated naturally reduces in line with the reducing LGF grant receipts in future years and also depends on the rate of interest that can be earned on fund balances. BEIS have recently announced that only 2/3 of the grant for 2020/21 will be paid in May, with the balance paid in September. We are seeking the early release of this grant. We will continue to seek to maximise the level of interest earned on cash flow balances and will update the estimate when the budget is reviewed during the year. It is unlikely that £140k of interest can be earned on LGF revenue balances in 2020/21 onwards. To maintain a contribution of interest of £140k per annum, it will be necessary to use interest that would have been earned on other LEP fund balances including interest on NEIF balances as well as LGF grant balances.

8.14 Growth Hub Grant

The continuation of the Growth Hub grant funding has been confirmed for 2020/21 at £0.410m. It is expected to continue at least the same level for the ensuing two years although we await confirmation and exact details.

8.15 Growth HUB Covid-19 and Cluster Management

New funding stream confirmed for 2020/21 only, in respect of Growth Hub Covid-19 and Cluster Management (£0.290m and £0.080m respectively).

8.16 Brexit Policy Work Programme

Two-year work programme from 2019/20, total project cost £0.240m, funded by NTCA (£0.090m), NECA (£0.090m) and LEP own resource. Of the £0.180m external funding into the project, £0.034m incurred in 2019/20, £0.146m carried into 2020/21.

8.17 Careers Enterprise Company (CEC)

An allocation of £295k CEC funding was secured and made available until August 2020, by maximising ESF funding will enable the Enterprise Advisor roles to continue to March 2021 in addition to the creation of Enterprise Co-ordinators positions plus a Careers Hub Facilitator on an FTC basis. The figures included in the budget represent the expected grant drawdown in each of the respective years.

8.18 Energy Strategy Grants

Energy Strategy includes a number of funding streams in 2020/21 to cover salary costs of the Energy Team in addition to operational costs, these include contributions from Tees Valley

Combined Authority Rural Community (TVCA RCEF) £0.027m, and £0.013m in 2021/22, contributions totalling £0.069m from Northumberland County Council, NTCA, and Gateshead college. LGF Energy contribution provides £0.086m and new funding from BEIS Local Energy Fund of £0.043m and £0.034m in 2020/21, 2021/22 respectively.

8.19 Invite (Horizon 2020)

An allocation of €271k euros which equates to approximately £242k was made available until March 2021, with activity beginning in 2017/18.

8.20 ERDF, Digital Catapult and AHSN

Approximately £0.080m of ERDF and Digital Capital funds remain at the beginning of 2020/21 after taking into account the drawdown in 2019/20. AHSN have agreed to provide funding for a Life Sciences specialist until the end of March 2021.

8.21 NEIF / EZ contributions

Relates to support in these areas to cover the cost of the two dedicated programme managers and project appraisal support.

8.22 Education Challenge Funding (Edge, formerly NECOP)

Approximately, £0.034m NECOP funding remains at the beginning of 2020/21, in addition to this there is additional funding from Edge of £0.062m to end of March 2021.

8.23 European Social Fund and LGF North East Ambition match funding

The LEP was successful in securing ESF grant totalling £1,059k (which has subsequently been revised to £1,040k), and is available until March 2021. The budgeted drawdown for 2020/21 is reflected within the budget. As part of this bid a supplementary match contribution of £750k towards the North-East Ambition project from the LGF was made over the same period, which is in addition to the existing LGF programme management contribution. Approximately £0.618m of ESF and £0.389m of LGF North East Ambition remains at the beginning of 2020/21. New ESF/LGF North East funding including an additional DfE One Vision funding totalling £2.350m is anticipated to be confirmed May 2020 this is profiled over 2021/22, 2022/23 and extended through to 2023/24. This funding will pay for the Skills Team in addition to providing a contribution towards fixed corporate overheads.

8.24 Other Income

Local Authorities are also billed for 1/8th contribution towards the ESF Co-ordination role.

9. Recommendations

9.1 The Board is requested to:

- i. Note the positive budget outturn position for 2019/20.
- ii. Approve the 2020/21 budget and, note the 2021/22 and 2022/23 medium term budget illustrations for the North East LEP.
- iii. Note the potential requirement to drawdown up to £0.5m from the Enterprise Zone account in financial years 2021/22 and 2022/23 in line with a previous LEP Board approval.

Invest North East England 2019/20 Financial Outturn and 2020/21 Budget

Invest North East England (INEE)	2019/20 Original Budget	2019/20 Actual	2020/21 Original Budget
	£	£	£
Expenditure			
Salaries	160,000	164,112	166,000
Staff training	2,000	0	2,000
Travel Subsistence (Inc.International Travel)	10,000	6,423	9,000
Web, telecoms and computing	10,000	1,999	8,000
Marketing/Comms/Events	100,000	100,793	100,000
Membership Fees	3,000	10,304	3,000
Visit Hospitality costs	10,000	2,791	7,000
Professional Consultancy	20,000	5,363	20,000
Lead generation / representation	110,000	48,862	110,000
Research resource licenses	25,000	18,333	25,000
Propositions refresh	10,000	0	10,000
Total Expenditure	460,000	358,979	460,000
Income			
Local Authority contributions	(140,000)	(140,000)	(140,000)
Private sector contributions to events	(10,000)	(8,500)	(10,000)
North East LEP	(310,000)	(140,000)	(310,000)
Contribution from EZ account		(65,799)	
Key Account Management	0	(4,680)	0
Total Income	(460,000)	(358,979)	(460,000)
Net Expenditure/(Income)	0	0	0

2019/20 Outturn

The main area of underspend in 2019/20 was on lead generation. INEE carried out a procurement exercise to engage lead generation consultants. This took longer than expected and the contract did not commence until September 2019.

2020/21 Budget

The NECA Leadership Board on 4 February 2020 recommended that the budget for 2020/21 in respect of Invest North East England (INEE) to be set at £460,000, with the contribution of £20,000 per local authority being retained, providing funding of £140,000 which is matched by a £140,000

contribution from the North East LEP. The North East LEP also contribute up to £170,000 from the Enterprise Zones account with a further £10,000 usually sourced from private sector contributions, however this may not be achieved this year due to no attendance at MIPIM UK. The accountable body for INEE transferred from NECA to NTCA as at 1st April 2020. The local authority contributions will be payable to NTCA during 2020/21.

Due to the impact on Covid-19, INEE decided to pause its lead generation contract at the end of March as it was not felt that it was appropriate to proactively contact companies about new investment projects during the crisis. It is anticipated that the contract will be re-started towards the end of the summer.

It is anticipated that there will be increased spend on the marketing budget line. This is due to all the marketing materials and website undergoing a significant refresh to reflect recently updated information underpinning the work of the team, and also to focus on new market and sector opportunities as a result of Covid-19.

The anticipated £10,000 private sector contribution will not be achieved this year. This is because this relates to the private sector contributions to the INEE stand at the MIPIM UK property and investment show scheduled for October, which we are not attending this year.

A new income line - the Team will receive £6,000 from DIT to pay for the administration of the Northern Powerhouse DIT Key Account Management Programme which INEE manages on behalf of the Region (this brings in more than £150,000 of income pa to participating local authorities).

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Report Summary

This report is the first quarter monitoring report to Cabinet on the 2020/21 financial position. The report brings together the forecast financial position for both the Corporate, Investment Fund and Adult Education budget and provides an indication of the potential position of the Combined Authority at 31st March 2021. It also sets out the potential position on 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.

1. Background Information, Proposals and Timetable for Implementation

1.1 Summary

Cabinet approved the 2020/21 budget on 28th January 2020. Included in that budget was estimated expenditure across the year for both the Corporate Budget, Investment Fund and the Adult Education Budget.

The budgets were set reflecting the continued development of the Combined Authority and were based on a range of estimates 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.

1.2 Corporate Budget Monitor

The Corporate Budget for 2020/21 set a zero-net income/expenditure position, continuing set up activities, and remaining recruitment of capacity to deliver the authority's vision.

Table 1 overleaf sets out the forecast outturn position across the key income and expenditure heads as approved by Cabinet. In total there is a forecast net expenditure of £0.075m at the year end. This position reflects the anticipated cost of moving office accommodation to the Lumen.

Table 1: Q1 Budget Monitoring 2020/21 Corporate Budget

	Budget	Forecast	Variance Over/(Under)
Expenditure	£'000	£'000	£'000
Staffing	2,400	2,266	(134)
Advisors External	70	70	0
Other costs	540	935	395
Transport Levy	27,074	27,074	0
SLA's	403	266	(137)
Total Expenditure	30,487	30,611	124
Income			
Contributions from CAs	(111)	(111)	0
Mayoral Capacity Fund	(1,000)	(1,000)	0
Investment Fund	(1,400)	(1,400)	0
Investment Fund workstream funded posts	(207)	(256)	(49)
AEB Implementation Fund	(130)	(130)	0
AEB contribution	(396)	(396)	0
Interest Receivable	(170)	(170)	0
JTC Levy	(27,073)	(27,073)	0
Total Income	(30,487)	(30,536)	(49)
Net (Income)/Expenditure	0	75	75

Corporate Expenditure Variances**Staffing**

Progress on recruitment has been made in line with the agreed financial plan. There are 41 staff now directly employed, including the Director of Economic Growth and Director of Policy and Performance. The Education Challenge post has also been filled funded from the Business Workstream within the Investment Fund.

Work has been undertaken in relation to workforce planning to explore the capacity of NTCA in the light of increasing numbers of projects and programmes, this will include recruitment, capacity management and retention of a competent, productive and collegiate workforce with the aim of creating a long-term staffing plan.

Staffing estimates reflect a lower rate of employer superannuation rate (5.2%) from introductory rate applied in 2019/20 (25.2%) this is a contributory factor to the underspend on staffing expenditure.

Advisors External

The Advisors External budget in 2020/21 had been reduced from prior years in recognition that a substantial amount of work had been commissioned in 2019/20 as part of establishing pipeline delivery in relation to the Investment Fund and the Adult Education Work (AEB). However, delays in commissioning this work has meant the impact will be reflected in 2020/21, an amount has been earmarked from the 2019/20 underspend position to cover this commitment and will be reflected in the Investment Fund Budget. It is assumed at this early point in the financial year the £0.070m budget will be fully committed by the end of the year.

Other Costs

This category forecasts a significant overspend (£0.395m) against the original budget set, this overspend is largely due to increased costs anticipated as a result of the move to the Lumen (£0.120m). In addition to this, the forecast includes estimated costs in relation to the procurement of a new Management Information System to facilitate effective monitoring and reporting of the Investment Fund and AEB (£0.092m) being the first-year cost. New webpage is also being developed for NTCA (£0.030m).

Service Level Agreements

The Service Level Agreements (SLAs) cover IT, insurance, communications, payroll, governance, audit and HR, the approach to Service Level Agreements (SLA's), is to maintain a cost effective, efficient and collegiate approach. SLAs are currently under review and with the aim to renegotiate those which require adjustment.

Joint Transport Committee levies

These will remain as per budget.

Income

The key sources of income supporting the Corporate expenditure budget is the contribution from the Investment Fund, including supporting posts funded from specific workstreams (£0.256m) within the Investment Fund such as the Digital, Education Challenge and Returnship posts. The first tranche of the Adult Education Budget (£14.000m) has been received in year which again provided a contribution to corporate costs of £0.396m being part year in year 1. In addition to this there is the £0.037m contribution received from each of the three constituent authorities.

Other one-off income streams are £1.000m Mayoral Capacity Fund and £0.130m AEB Implementation Fund. These funding sources are secured. In addition to this is interest on investment income, the Combined Authority has now received its third amount of Devolution funding from MHCLG totaling £60.000m, although some of this has been spent the majority is being invested, in line with the Treasury Management Strategy, with other Local Authorities to earn interest levels over and above what can be achieved with the Debt Management Office. The budget for this has been set at a prudent level of £0.176m (2019/20 achieved £0.226m) due to uncertainty arising from Corvid-19 pandemic.

1.3 Investment Fund Budget Monitor

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.

To date the Combined Authority has achieved:

- A commitment of £27.82m against 34 projects and programmes
- Defrayal of £805,370 expenditure
- These projects will attract £99.51m of private sector leverage and are forecast to deliver 2571 jobs.

In May, Cabinet endorsed proposals for the Rural Design Centre Innovation project, subject to completion of appraisal. £793,654 of NTCA funding has now been approved by Delegated Procedures, which will leverage ERDF and private sector resources. The project will provide innovation support to small and medium enterprises with the objective that they develop 'new to firm' products and services that help to address challenges faced by the rural economy. Over the next three years it will aim to deliver 25 Innovation Challenges, each focussing on a specific rural issue, enabling businesses to work alongside industry and academic experts and turn ideas and concepts into commercially viable solutions. Overall, 150 businesses will benefit from this support and the project will create 36 new jobs.

The North of Tyne Inward Investment Fund is proving successful and to date £3m of the £10m fund (available up to 2023) has been approved in principle

Table 2 Commitment against Investment Fund Thematic Area

	Committed	Allocation	% Allocated
	£m	£m	
Business	12.06	38.00	32%
People	7.23	16.30	44%
Place	2.22	13.70	16%
Major Strategic Economic Opportunities	5.19	17.50	30%
Business Case Development Fund	1.14	4.50	25%
	27.84	90.00	31%

The COVID19 pandemic continues to have an impact on delivery across the programme, however the Combined Authority is working closely with project sponsors to provide additional support which enables the development of alternative delivery methods where appropriate. An example of this is our STEM and Digital programme where the NTCA funded organisations are working together, sharing knowledge and skills to develop an online offer which school children across the North of Tyne authorities can access (£0.678m).

Table 3 Budget Monitoring Investment Fund

Investment Fund	Budget 2020/21	Forecast 2020/21	Variance
	Budget	Forecast	Variance
Expenditure	£'000	£'000	£'000
Work streams	13,773	13,773	0
Technical Support	250	450	200
Contribution to Corporate Costs	1,400	1,400	0
Total Expenditure	15,423	15,623	200
Income			
Investment fund	(20,000)	(20,000)	0
Total Income	(20,000)	(20,000)	0
Net (Income)/Expenditure	(4,577)	(4,377)	200
Investment Reserve brought forward	(36,840)	(36,840)	0
Net Investment Fund Reserve carried forward	(41,417)	(41,217)	0

Table 3 above shows the overall forecast for 2020/21 for the Investment Fund, there is a real step change in volume of contracts and support of financial claims as projects come to fruition. The forecast position reflects the drawdown of £0.200m against the Technical Support budget which was allocated to commissioned sector commissioning work from 2019/20 outturn surplus position. This is reflected as being net off the Investment Fund Reserve as it is used in year.

1.4 Adult Education Budget Monitor

As part of the devolution deal the Combined Authority is progressing the devolution of the Adult Education budget. The devolution of AEB will give the Combined Authority significant new powers and responsibilities in delivering both their mayoral priorities and the national skills agenda and priorities. The statutory order to devolve the AEB to NTCA has now been made with the AEB transferred to NTCA for the academic year 2020-21 onwards.

AEB costs are collected within the Corporate budget with a contribution of 3% of overall AEB income made towards Corporate support costs (£0.396m part-year 2020/21).

Table 4 below reflects a high-level balanced Budget with all funding to be awarded to grant providers and other procured deliveries. The expected split between grant and procured service is also detailed, based on historic delivery.

Table 4: Adult Education Budget 2020-21 – 2023-2024

	4 Year Adult Education Budget Summary				
	2020-21	2021-22	2022-23	2023-24	Total
	£'000	£'000	£'000	£'000	£'000
Expenditure					
Grant Awards	8,014	15,369	15,369	15,369	55,072
Procured Services	4,869	6,659	6,659	6,659	23,861
Corporate Contribution	396	678	678	678	2,430
Total Expenditure	13,279	22,706	22,706	22,706	81,363
Income					
Funding Sources and Total Income	(13,245)	(22,706)	(22,706)	(22,706)	(81,363)
Net Position (Inc)/Exp	0	0	0	0	0

Grant Awards

Ten providers located in the North of Tyne boundary and deliver significant volume of provision to North of Tyne residents and who are currently grant funded by the Education and Skills Funding Agency (ESFA) will continue to be funded. A total of £15,505,134 has been allocated to these 10 providers.

Contract for Services

In December 2019 a procurement exercise was undertaken to enable all adult education providers to bid for a Contract for Service with NTCA. Following an appraisal process a total of £5,886,093 was allocated to 22 Contract for Services

Future budget monitor reports will continue to report commitment against the AEB devolved budget as progress is made.

1.5 Reserves

Based on the current assumed forecast outturns set out above in paragraphs 1.2 and 1.3 an update on the reserves position is shown in Table 5 below.

Table 5 Movement in Reserves

Reserves Statement	Opening Balance 1 April 2020	Transfer In/(Out) during 2020/21	Closing Balance 31 March 2021
	£'000	£'000	£'000
Homeless Veteran Grant Reserve	91	91	-
Preparing to Exit Europe Grant	272	91	181
Business Rates Pilot 2019/20	4,909	4,909	-
Strategic Reserve	200	-	200
Investment Fund Reserves	36,840	15,623	21,217
Total General (Useable) Reserves	42,312	20,803	21,509

The Homeless Veteran Grant was received in 2018/19, since then the three constituent authorities have been determining the appropriate use of the grant, however, the project has not had any movement since the start of the year owing to Covid-19 work on homelessness by the three constituent authorities. It is anticipated however, that this grant will be drawn down during 2020/21.

Cabinet are aware that late in 2018/19 the Combined Authority was awarded a £0.091m grant to support the preparations for the exit from the European Union and further to this Cabinet agreed a proposed approach to BREXIT agreed at its meeting on 5 February 2019 with a recommended approach. Officer have worked with the LEP and have committed £0.091m to support additional capacity to support delivery of a Brexit work programme over the North of Tyne and North East Combined Authority area. An additional £0.181m grant was awarded in 2019/20 in respect of preparations for the exit from the European Union, no commitments have been identified against this award and therefore the monies have been transferred into reserves.

A new earmarked reserve has been set up of (£4.909m) in relation to the Business Rates Pilot undertaken in 2019-20, this includes Business Rates Pool monies from the three constituent authorities, figures in relation to this will be finalised post audit in July 2020 and proposals will be brought forward to Cabinet in due course.

2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Combined Authority, detailing the key priorities and the first steps in the journey around the six key pillars. The Treasury Management Strategy will support and enable the budget process so that the Combined Authority can properly discharge its functions and assist in delivering the Combined Authority's vision, policies and priorities.

3. Key Risks

- 3.1 As highlighted in the report there is a key risk to programme delivery to the Investment programme as a result of Corvid-19, the mitigations for this is detailed in the report and also reported through the Investment Fund update report to Cabinet. No other risks identified at this time.

4. Financial and Other Resources Implications

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

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 Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance on Local Government Investments.

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 out of 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/Engagement

9.1 The Treasury Management Policy and Strategy was included with the 2019/20 Budget which was subject to consultation with NCTA constituent authorities, NTCA Cabinet in addition to key officer groups. The 2019/20 Budget is based on the devolution deal and the Parliamentary Order which created the Combined Authority and the Combined Authority's Vision which has been agreed by Cabinet and is being shared with stakeholders in a range of events.

10. Appendices

10.1 None

11. Background Papers

11.1 January 28, 2020 – 2024 Budget Report

12. Contact Officers

12.1 Janice Gillespie, Chief Finance Officer,
Janice.gillespie@northoftyne-ca.gov.uk 0191 643 5701



Subject: Updated Financial Regulations and Contract Standing Orders

Report of: Janice Gillespie, Chief Finance Officer

Portfolio: All

Report Summary

This report recommends that Cabinet approve revised Financial Regulations, including Contract Standing Orders, for the North of Tyne Combined Authority.

Recommendations

The Cabinet is recommended to

1. approve the changes to existing Financial Regulations, including Contract Standing Orders, described in this report and set out in Appendices A and B; and
2. authorise the Chief Finance Officer and the Monitoring Officer to finalise the terms of the revised Financial Regulations and the Contract Standing Orders.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 Financial Regulations provide the overall framework for the financial administration of NTCA with a view to ensuring that its financial affairs are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge. Financial Regulations are not intended to constitute a set of detailed rules to respond to every contingency.
- 1.2 NTCA's Financial Regulations form part of its Constitution. A review of Financial Regulations has been undertaken and a number of amendments are now proposed, most importantly in respect of Contract Standing Orders.

2. Proposed changes to procurement thresholds

- 2.1 At present NTCA's Financial Regulations provide that it shall carry out procurement in accordance with the Contract Standing Orders (CSOs) of the constituent authority which provides it with procurement support, i.e. North Tyneside Council.
- 2.2 Now NTCA is well established it is proposed that the authority adopts its own CSOs which reflect its own approach to the procurement of goods, works and services. This will ensure the openness, integrity, accountability and probity of the process continues in line with previous CSOs and also ensures value for money is obtained and gives confidence that the Combined Authority is fulfilling its fiduciary and legal responsibilities. In particular, this will enable it to determine the procurement processes which should apply to contracts for goods, works and services according to their value.

2.3 The procurement processes which currently apply to NTCA procurements are those in North Tyneside Council's Contract Standing Orders and are set out in the table below:

Banding Threshold	Number of tenders / quotations to be sought	Minimum number of quotations to be returned	Records required	Method of invitation
Up to £5,000	1	1	Written record if possible	Verbal or written quotation
£5,001 to £10,000	3	1	Written record	Written quotation or use of E Tendering system
£10,000 to £20,000	3	1	Written Record	Written quotation or use of E Tendering System
£20,001 to £50,000	5 or tender	3	Written Record	E Tendering System
Over £50,000	Tender exercise		Written Record	E Tendering System

North Tyneside Council are currently reviewing their own contract standing orders to become more flexible and, in light of Covid-19, to allow greater scope for orders to be placed with local companies to assist in the local economic recovery. Newcastle City Council and Northumberland County Council also have more flexible arrangements at present. It is therefore proposed that NTCA's Contract Standing Orders contain the following thresholds:

Banding Threshold	Process used	Method
Up to £10,000	One quote required	Written quotes
£10,000 to £50,000	Tenders required unless Procurement Team agree VFM achieved by seeking one quote	Use of e-tendering portal
£50,000 to OJEU	Tender process	Use of e-tendering portal
OJEU and above	Tender process	Use of e-tendering portal

3. Revised Financial Regulations and new Contract Standing Orders

3.1 A revised draft of Financial Regulations is set out at Appendix A. Aside from the changes required to reflect the fact that NTCA will have its own Contract Standing Orders, the following changes have been made:

- The term "Designated Officers" has been extended to include the Director of Economic Growth, and the Director of Policy and Performance, as well as the Head of Paid Service, Chief Finance Officer and Monitoring Officer. Designated Officers have certain responsibilities as set out in Financial Regulations.
- The definition of Capital Expenditure now includes a reference to loans and share capital.
- FPN 6 has been changed so that checks of staff paid and charged to the financial accounts are undertaken on a regular rather than annual basis.

3.2 A draft of the proposed Contract Standing Orders is attached at Appendix B. This is largely based upon the CSOs of North Tyneside Council which previously applied to NTCA procurements but includes the revised procurement thresholds set out above. In addition, it

proposes the following arrangements for who is authorised to sign a contract on behalf of NTCA and what record of that decision is required:

Contract Value	Authorisation required	Signatory
Up to £50,000	Written record	Senior Manager*
Over £50,000	Delegated decision	Monitoring Officer

* Senior Manager in this context includes the Designated Officers under Financial Regulations as set out above and (in respect of matters relating to the North East LEP) the Chief Executive of the North East LEP.

3.3 Subject to Cabinet’s approval of the changes proposed in this report, all officers of NTCA shall be made aware of the revised and updated Financial Regulations and Contract Standing Orders and these documents will be included in the Constitution on the Authority’s website.

4. Potential Impact on Objectives

4.1 The amendments proposed in this report will assist the Authority in the delivery of its objectives.

5. Key Risks

5.1 There are no risks associated with the adoption of these amendments.

6. Financial and Other Resources Implications

6.1 The proposed amendments to Financial Regulations and Contract Standing Orders will ensure the openness, integrity, accountability and probity of the Authority’s financial and procurement processes. They also ensure value for money and give confidence that the Authority is fulfilling its financial and legal responsibilities.

7. Legal Implications

7.1 The comments of the Monitoring Officer have been included in this report.

8. Equalities Implications

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

9. Inclusive Economy Implications

9.1 There are no direct inclusive economy implications arising out of the recommendations in this report.

10. Climate Change Implications

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

11. Consultation and Engagement

11.1 The revised Financial Regulations and Contract Standing Orders have been developed in consultation with the Procurement Team of North Tyneside Council (as lead authority for

procurement) and the Monitoring Officer's representative. The exercise has taken account of the equivalent arrangements across each of the constituent authorities.

12. Appendices

Appendix A: Financial Regulations
Appendix B: Contract Standing Orders

13. Background Papers

Financial Regulations (November 2018)

14. Contact Officers

Janice Gillespie, Chief Finance Officer,
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NTCA Constitution

Part 4 - Financial Regulations

Part 4 Financial Regulations

Introduction

1. Definitions

In these Regulations:

The “Direct Services” of the Combined Authority include those services provided directly to it by the lead authorities responsible for providing the services.

“Designated Officers” are those officers listed below, together with any other officers or consultants that may be approved by the Combined Authority for the purpose of these regulations:

Head of Paid Service

Chief Finance Officer

Monitoring Officer

Director of Economic Growth

Director of Policy and Performance

Any duty or power devolving upon a Designated Officer may (in his or her absence) be exercised by a nominated deputy.

2. Financial Regulations provide the framework for the financial administration of NTCA with a view to ensuring that its financial affairs are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge. Financial Regulations are not intended to constitute a set of detailed rules to respond to every contingency. The Regulations allow for variation in detailed controls by the Designated Officers where justified by local circumstances.

- a) Financial Regulation 1 defines responsibility for financial control.

- b) Financial Regulations 2, 3, and 4 lay down the tasks required of the Combined Authority, joint committee, committee, sub-committee or designated officer for the fundamental financial processes of:
 - (i) forward planning and budgetary strategy;
 - (ii) incurring and controlling revenue spending and income;
 - (iii) incurring and controlling capital spending and income.
 - c) Financial Regulation 5 covers the requirements for Risk Management.
 - d) Financial Regulations 6 and 7 cover the standards required for:
 - (i) accounting;
 - (ii) internal audit.
 - e) Financial Regulation 8 governs procedures for obtaining goods, materials, works and services.
 - f) Financial Regulation 9 regulates the 'day to day' financial systems of the NTCA. It requires designated officers to ensure that prescribed controls are present, but allows them, except where explicitly stated otherwise, to determine the detail of the controls in order to meet service circumstances.
3. All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action.
 4. Failure by officers to observe Financial Regulations and the codes and guidance issued under them may result in action under the Combined Authority's disciplinary procedures.
 5. Failure by Members to observe Financial Regulations may amount to a breach of the Code of Conduct for Members.
 6. Amendments to Financial Regulations require the approval of the Cabinet following a report from the Chief Finance Officer. The Cabinet may amend all other Procedures, Policies, Codes and Checklists referred to in these Financial Regulations. The Chief Finance Officer will review as often as he/she considers appropriate supporting advice and guidance to the Financial Regulations and report any recommended changes to the Cabinet for approval.
 7. If any financial issues arise which result in any uncertainty or ambiguity as to the correct procedure to follow under these regulations, then the Chief Finance Officer shall have delegated powers to give a valid direction as to the appropriate procedure to follow.

1. Responsibilities

1.1 Responsibilities to the Combined Authority

All Members, Designated Officers and Officers of the Combined Authority are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner. They should strive to achieve value for money and avoid legal challenge to the Combined Authority. These responsibilities apply equally to Members and Designated Officers and officers when representing the Combined Authority on outside bodies. Members must also comply with the Code of Conduct for Members.

1.2 Personal Responsibilities

Any person charged with the use or care of the Combined Authority's resources and assets should understand the Combined Authority's requirements under these Financial Regulations. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to the person providing internal audit services to the Combined Authority.

All Officers (including Officers of lead authorities providing services to the Combined Authority) must report to their manager or supervisor any illegality, impropriety, breach of procedure or serious deficiency in the provision of service. Officers shall be able to do this without fear of recrimination providing they act in good faith and, in such circumstances, managers must record and investigate such reports and take action where appropriate. Compliance with the Combined Authority's Anti-Fraud and Corruption Policy (see Part 5.4 of the Constitution) and the Code of Conduct for Officers (see Part 5.2 of the Constitution) is mandatory.

Note: The Combined Authority's Whistleblowing Policy (see Part 5.5 of the Constitution) for confidential reporting of concerns exists to:

- Make Officers feel confident to raise concerns and to question and act upon concerns about practice;
- Give Officers avenues to raise concerns and receive feedback on any action taken;
- Guarantee that an Officer will receive a response to his or her concerns raised and that he or she is aware of the process to follow if not satisfied;
- Reassure an Officer that he or she will be protected from possible reprisals or victimisation.

1.3 The Cabinet

The Cabinet is responsible for:

- The adoption and revision of these Financial Regulations;

- The determination of the policy framework and annual revenue budget and capital programme;
- Providing the Chief Finance Officer and Designated Officers with sufficient staff, accommodation and other resources to carry out their duties.

1.4 Overview and Scrutiny Committee

The Overview and Scrutiny Committee has a monitoring and scrutiny role to help ensure that the Combined Authority's corporate budgets and financial management systems are managed efficiently and are ensuring value for money. The Overview and Scrutiny Committee is responsible for considering and responding to proposals from the Cabinet in respect of the budget and those plans/strategies that fall within the Budget and Policy Framework.

1.5 Audit and Standards Committee

The Audit and Standards Committee is a key component of the Combined Authority's governance arrangements and is responsible for overseeing issues relating to financial probity and the adequacy of the Authority's controls. In accordance with its terms of reference, the Audit and Standards Committee receives interim and end of year reports from both internal and external audit, and other information appropriate to its programme of work.

1.6 Chief Finance Officer

1.6.1 The Combined Authority shall appoint an officer, the Chief Finance Officer, who shall, for the purposes of Section 73 of the Local Government Act 1985, be responsible for ensuring the proper administration of the Authority's financial affairs.

1.6.2 The Chief Finance Officer shall issue, and keep under continuous review, such instructions, advice or procedures relating to financial matters as he or she considers necessary to secure the proper administration of the Combined Authority's financial affairs.

1.6.3 The Chief Finance Officer is responsible for reporting, where appropriate, breaches of Financial Regulations to the Cabinet.

1.6.4 Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Cabinet and external auditor where it appears that the Combined Authority or an officer has made, or is about to make, a decision that would involve:

- Unlawful expenditure;
- An unlawful action likely to cause a loss or deficiency;

- An unlawful item of account;
- Proposed expenditure that is in excess of available resources

Section 114 of the Local Government Finance Act 1988 requires:

- The Chief Finance Officer to nominate a properly qualified member of staff to deputise, should he or she be unable to perform the duties under section 114 personally;
- The Authority to provide the Chief Finance Officer with sufficient staff, accommodation and other resources, including legal advice where necessary, to carry out the duties under section 114.

1.6.5 The Chief Finance Officer has responsibility for ensuring compliance with the requirements of the Accounts and Audit Regulations 2015 relating to accounting records, control systems and audit.

1.7 Designated Officers

Designated Officers are responsible for ensuring that appropriate staff under their control are aware of the existence of the Combined Authority's Financial Regulations and other regulatory documents and that they are observed throughout all areas under their control and shall:

- Provide the Chief Finance Officer with such information and explanations as the Chief Finance Officer feels is necessary to meet his or her obligations under Financial Regulations;
- Ensure that the Chief Finance Officer has sufficient opportunity to comment on all proposals with unbudgeted financial implications, before any commitments are incurred;
- Ensure that Combined Authority members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the Chief Finance Officer;
- Inform immediately the Chief Finance Officer of failures of financial control resulting in additional expenditure or liability, or loss of income or assets;
- Inform the Chief Finance Officer where amendment to Financial Regulations is considered necessary; and
- Be responsible for ensuring the legality of all actions.

Note: It is the Monitoring Officer's duty to report to the Combined Authority in respect of any proposed action, decision or omission that is contrary to law, or constitutes maladministration or injustice where the Ombudsman has conducted an investigation.

1.8 Exceptions to Financial Regulations

1.8.1 Exceptions to these Financial Regulations shall be made only:

- in cases of urgency or where it is in the interests of the Combined Authority to do so; and
- with the prior written approval of the Chief Finance Officer.

1.8.2 The Chief Finance Officer shall keep a record of all such exceptions and submit an annual report to the Combined Authority summarising the exceptions.

1.9 Arrangements for the discharge of responsibility

1.9.1 Designated Officers and their staff are required to carry out their tasks in accordance with these Financial Regulations. Designated Officers may arrange for any of their staff to carry out tasks for which they have responsibility as set down by these Financial Regulations provided that the terms of those delegated arrangements are clearly defined and documented. A record of all such arrangements will be prepared by each Designated Officer and submitted to the Chief Finance Officer on an annual basis.

1.9.2 Notwithstanding such arrangements, the person making the arrangements remains responsible for compliance with these Financial Regulations.

2. Forward Planning and Budget Strategy

The Cabinet decides on the annual budget; this will include the levy on the constituent authorities as approved by the Joint Transport Committee.

2.1 Designated Officers shall provide information to the Chief Finance Officer to enable him/her to produce and submit to the Combined Authority annually a medium-term financial forecast and a medium-term capital forecast.

2.2 The Chief Finance Officer shall annually advise the Mayor and Cabinet on:

- Financial planning and budget strategy matters.
- Procedures, timetables and estimated resources for planning revenue

and capital spending.

- The annual revenue and capital budget; transport levies.

2.3 Designated Officers, in consultation with the Chief Finance Officer, shall prepare revenue and capital estimates in accordance with such guidelines as set out by the Combined Authority. In doing so, Designated Officers shall ensure that:

- The estimated expenditure and income, or the cost of any proposal submitted by them, are as accurate as possible and provide provision for all costs involved.
- The revenue and capital estimates are consistent with Combined Authority policy.
- The revenue implications of capital schemes are fully included in revenue estimates.

3. Incurring and Controlling Revenue Spending and Income

The Combined Authority monitors financial performance during the financial year and considers any significant developments affecting its financial position.

3.1 The Chief Finance Officer shall advise the Cabinet, on a quarterly basis, on:

- Progress against the Cabinet approved budget;
- Significant developments affecting the financial position of the Combined Authority.

3.2 The Chief Finance Officer shall:

- Provide guidance on and co-ordinate the budget monitoring process.
- Prescribe the form, basis, supporting information and timetable for the preparation of final accounts.
- Within delegated limits approve supplementary estimates and transfers of estimates.

3.3 Each Designated Officer shall:

3.3.1 Authorise revenue spending and collect income within the estimates, targets and/or limits approved by the Cabinet provided that:

- The expenditure is lawful.
- Financial Regulations have been complied with;
- Expenditure is within approved revenue budget or capital programme provision.
- Expenditure is in respect of Combined Authority policy.

3.3.2 Monitor progress on revenue spending and the collection of income and promptly provide the Chief Finance Officer with such information as requested. They should report on variances within their own areas to the Chief Finance Officer. They should also take any action necessary (without affecting policy) to avoid exceeding their budget allocation, in accordance with the Financial Regulations.

3.3.3 Review fees and charges annually and implement changes in accordance with officer delegations or alternatively report them for approval to the Cabinet.

3.3.4 Seek, in consultation with the Chief Finance Officer, the approval of the Combined Authority to budgetary changes that would have a significant impact on the nature or level of service provided.

3.3.5 Ensure that transfers between budgets (virement) fulfill the following requirements:

- Transfers apply only to the transfer of funds within the delegated budget of the Designated Officer.
- The proposal is consistent with Combined Authority policy.
- Any virement over £10,000 is a significant decision and is therefore approved by the Chief Finance Officer.
- The total net delegated budget is still within the delegated cost limit.

3.4 Transfers from reserves to revenue budgets, other than those covered by the provisions of 3.3.5 above, require the prior written approval of the Chief Finance Officer.

3.5 Designated Officers shall, in an emergency (being a situation which demands action of a nature that could not have been anticipated and for which there is no budget line), and with the prior written approval of both the Chief Finance Officer and the Mayor or Chair of the Cabinet, have authority to incur unbudgeted expenditure.

4 Incurring and Controlling Capital Spending and Income

The Combined Authority oversees the capital and leasing programme and approves the award of contracts in accordance with the Procedure for the Commitment of Capital Expenditure (FPN 11).

4.1 The Chief Finance Officer shall advise the Cabinet quarterly on:

- Progress on implementation of the Cabinet approved capital and leasing programme.
- Additions and amendments to the Cabinet approved capital and leasing programme.
- The procedure for the commitment of the Cabinet approved capital expenditure.

4.2 The Chief Finance Officer shall as appropriate:

- Provide guidance and co-ordinate capital monitoring procedures.
- Certify capital proposals as required by the Procedure for the Commitment of Capital Expenditure.

4.3 Designated Officers shall:

- Authorise capital spending in accordance with the Procedure for the Commitment of Capital Expenditure (FPN11).
- Monitor progress on implementation of the capital and leasing programme and provide the Chief Finance Officer with such information as requested.
- Only commit the Combined Authority to match-funding arrangements for which capital programme approval has been obtained.
- Undertake the disposal of land and buildings in accordance with any scheme of officer delegation approved by the Cabinet or otherwise with express approval of the Cabinet.

4.4 Capital expenditure – Definition

For the purposes of this regulation, capital expenditure is deemed to include the procurement, improvement or enhancement for the Combined Authority's purposes of land, buildings, vehicles and equipment and the provision of grants to external organisations to enable the purchase of land, buildings, vehicles and equipment, regardless of how financed. Capital expenditure also includes the procurement of loans and share capital Expenditure below the de-minimis sum determined by the Chief Finance Officer is not capital expenditure. If there is doubt whether expenditure is capital, the decision of the Chief Finance Officer is final.

5 Risk management

The importance of risk management to the wellbeing of the Combined Authority is outlined in its Risk Management Policy Statement.

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational and strategic risks to the Combined Authority. This should include the proactive participation of all those associated with planning and delivering services.

The Cabinet is responsible for reviewing the effectiveness of risk management and for ensuring that proper insurance exists where appropriate. The Chief Finance Officer will advise the Cabinet on proper insurance cover where appropriate.

The Chief Finance Officer will be responsible for the Combined Authority's risk management policy statement, which may be prepared by a nominated officer. The risk management policy statement will be promoted throughout the Combined Authority.

Designated Officers are responsible for ensuring that risk management is an integral part of their management processes and activities within their respective areas of responsibility.

- 5.1** Designated Officers will assign clear roles and responsibilities for managing risk.
- 5.2** Designated Officers are responsible for ensuring that a register of significant risks is maintained, reported and monitored.
- 5.3** Designated Officers will:
 - Produce a strategy for the management of risk in their service.
 - Ensure that risk considerations are embedded into planning and decision-making processes.
 - Identify those activities which have or may give rise to significant loss producing events.
 - Measure the impact of potential loss.
 - Take reasonable physical or financial steps to avoid or reduce the impact of potential losses.
 - Allocate risk management resources to areas of identified priority.

- Maximise risk management opportunities that can impact positively on the Combined Authority's reputation, aims and objectives.
- Ensure managers and Officers are equipped with the necessary skills to manage risk effectively.
- Ensure that strategic partners and service providers are aware of the importance of risk management.
- Ensure that the Chief Finance Officer is promptly provided with any information he requires on risk management issues.
- Report the risk implications of recommended strategies, policies, and service delivery options to Members of the Combined Authority.

6 Accounting

6.1 The Chief Finance Officer shall, with respect to the services provided by the constituent council identified by the Head of Paid Service as the lead authority for these roles:

- Determine accounting systems and procedures and the form of financial records and statements.
- Provide guidance and advice on all accounting matters.
- Monitor accounting performance to ensure an adequate standard for all services.
- Certify financial returns, grant claims and other periodic financial reports required of the Combined Authority.

6.2 Each Designated Officer shall:

- Implement accounting procedures and adopt the form of financial records and statements as determined by the Chief Finance Officer.
- Obtain the prior written approval of the Chief Finance Officer before introducing or changing significantly the form or method of existing accounting systems and procedures, financial records or statement (see below).
- Complete and pass to the Chief Finance Officer financial returns and other

financial reports requiring certification.

- Keep a proper and effective separation of duties for staff with financial responsibilities.

NOTE: Approval procedure for changes to financial systems: Prior approval is to be requested from the Chief Finance Officer in writing. The request must give details of the proposed change and the anticipated benefit from the change, an estimate of the costs involved and the proposed implementation date. Internal Audit advice should be sought for all proposed changes at as early a stage as possible.

7 Internal Audit

The Combined Authority has responsibility for all matters of financial significance including the review of matters arising from audit, both internal and external. The Audit and Standards Committee is responsible for overseeing issues relating to financial probity. Reference should also be made to the Anti-Fraud and Corruption Policy.

7.1 Internal Audit is required to provide an objective audit service in line with the Public Sector Internal Audit Standard and other professional auditing standards. To this end, Internal Audit will have no executive functions that might compromise its objectivity, and the Chief Internal Auditor of the Lead Authority providing the internal audit service shall have direct access to, and the freedom to report to Members and all senior management including the Chief Finance Officer, the Head of Paid Service and the Monitoring Officer to the Combined Authority.

7.2 The Chief Finance Officer shall:

- Maintain an adequate and effective system of internal audit of the accounting records and control systems of the Combined Authority;
- Advise the Authority of material issues of financial control and report to Audit and Standards Committee on the adequacy of the systems of internal control:
- Where evidence of fraud, misappropriation or theft is discovered, decide after consultation with the relevant Designated Officer(s) and the Monitoring Officer, whether to refer the matter to the Police.

7.3 The Chief Finance Officer or his or her representatives is authorised to:

- Visit any establishment of the Combined Authority;
- Have immediate access to all records and documents;

- Require the immediate production of cash, stores or any other property owned or held by the Combined Authority;
- Require and receive promptly full and accurate explanations to any points requested.

7.4 Each Designated Officer shall:

- Ensure that all reasonable assistance and co-operation is given to internal auditors.
- Respond fully without undue delay to any enquiries or recommendations made by the Chief Finance Officer.
- Inform the Chief Finance Officer, as soon as possible, of failures of financial control, including matters that involve, or may involve, financial irregularity.

The Chief Finance Officer and each Designated Officer jointly shall investigate failures of financial control, including matters that involve, or may involve, financial irregularity.

8 Procurement and Contracts

8.1 The Contract Standing Orders for the North of Tyne Combined Authority for the following exercises shall apply and be followed whenever the Combined Authority wishes to arrange for:

- a) The purchase of goods, materials and related services (that is, services which are integral to the provision of those goods or materials, such as installation, servicing, maintenance etc);
- b) The execution of works; or
- c) The provision of other services (including consultancy).

8.2 The Contract Standing Orders of the Combined Authority are part of this Financial Regulation 8 and failure to comply with them shall amount to a breach of financial regulations.

8.3 In addition to the specific provisions of the Contract Standing Orders, any procurement of goods, materials, works or services shall have regard to and seek to implement the following general principles:

- a) The need to ensure the Combined Authority and those within its area obtain good value for money and are properly protected as consumers of the goods, works or services;

- b) The need to ensure and demonstrate true and fair competition, without unlawful discrimination;
- c) The need to ensure the procurement process is transparent and accountable and susceptible to full audit;
- d) The need to ensure the elimination of any opportunities for fraud or corruption.

9 Financial Controls

- 9.1** As required by Financial Regulation 1.7 the Designated Officers are, for the areas under their control, responsible for ensuring that the arrangements, guidelines and procedures for the proper administration of financial affairs are operated in accordance with the appropriate Financial Regulations.
- 9.2** Designated Officers are required to ensure that the controls as listed in Financial Procedure Notes issued from time to time are present, although these officers may, except where explicitly stated otherwise, determine the detail of the controls in order to meet service circumstances.
- 9.3** The Financial Procedure Notes issued under this regulation by the Chief Finance Officer are:
- FPN1 Orders for work, goods and services
 - FPN2 Income
 - FPN3 Payment for works, goods and services
 - FPN4 Security and control of assets
 - FPN5 Insurance
 - FPN6 Staffing and payroll
 - FPN7 Reimbursement of expenses and payment of allowances
 - FPN8 Banking arrangements and cheques
 - FPN 9 Investments and borrowing
 - FPN10 Information technology and data protection
 - FPN11 Commitment of Capital Expenditure.
- 9.4** Further Financial Procedure notes, or amendments, may be made from time to time by the Chief Finance Officer.
- 9.5** Further advice on all areas of financial control is available from the Chief Finance Officer who may issue detailed guidance notes on specific controls as necessary. These will be referred to as Financial Best Practice Notes.

Financial Procedure Note 1 – Orders for Work, Goods and Services

a) Objective

To ensure that work, goods and services are only ordered for the purposes of the Combined Authority's business and that the resulting expenditure is within budget and complies with the statutory duty of achieving best value in part through economy and efficiency.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

c) General

Every officer and Member of the Combined Authority has a responsibility to declare any links, relationships or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the Combined Authority, in accordance with the requirements of section 117 of the Local Government Act 1972 and the Authority's own code of conduct.

Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of Combined Authority contracts. Staff involved in ordering or otherwise committing expenditure must ensure that there is budgetary provision before an order is placed, and that standing orders with respect to contracts are complied with.

d) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- There is adequate budget provision before committing expenditure;
- Any necessary Combined Authority approvals have been obtained;
- Purchases are in accordance with the Financial Regulation 8;
- That all order documentation used meets the requirements of Financial Regulation 8.

Note: Official Authority orders must:

- Be headed 'NTCA' on behalf of the 'Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority';
- State 'Official Order';

- Be numbered;
- Include the name and address of the ordering section, and delivery address if different;
- Show the cost code to be charged;
- Be signed by, and state post of an authorised officer; and
- Include the information required in Financial Regulation 8, including the Procurement Procedure Rules.

Orders must be signed only by staff with proper authorisation (in line with the scheme of delegation).

e) Comments

Staff authorised to order work, goods and services must ensure that they are aware of any necessary authorisations required and of the Combined Authority's Purchasing Policy.

The Purchase Order System adopted by the Combined Authority must be used whenever possible as it facilitates compliance with the above requirements and collects data to support development of the Purchasing Policy.

Financial Procedure Note 2 – Income

a) Objective

To ensure that all income due to the Combined Authority is promptly collected, banked and properly accounted for. It is preferable to obtain income in advance of supplying goods or services as this improves the Combined Authority's cashflow and also avoids the time and cost of administering debts.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- Budgeted income is fully and promptly collected;
- The Chief Finance Officer is promptly informed of all new sources of income, the sums anticipated and collection arrangements;
- The advice of the Chief Finance Officer is sought prior to the signing of agreements which provide for variable income;
- The basis and level of fees and charges are regularly reviewed;
- Income is collected in advance of service, or where not possible, by official invoice;
- All cheques received are made payable to 'NTCA' on behalf of the "Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority". Uncrossed cheques received are crossed 'NTCA' on behalf of the "Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority";
- Money received is acknowledged by the issue of an official receipt, ticket or voucher. (See (d) below.);
- The transfer of official money between staff is evidenced;
- Income collected is banked promptly and held securely prior to banking;
- Money held awaiting banking is insured against theft;

- Money banked is credited to the correct financial account and compared to budget estimate;
- Arrangements for payment by instalment are authorised in advance by the Chief Finance Officer;
- Prior authorisation is obtained to the write-off of uncollectible income by the Chief Finance Officer;
- The Chief Finance Officer must approve claims requiring certification in the name of the Chief Financial Officer.

d) Special requirements

Personal cheques must not be cashed out of money held on behalf of the Combined Authority.

Financial Procedure Note 3 – Payment for Works, Goods and Services

1. Objective

To ensure that payments are made only for works, goods or services received by the Combined Authority and has been certified as such.

2. Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

3. Control Checklist

To achieve the above objective systems should be present to ensure that:

1. Pre-payment checks are undertaken to ensure that:

- The goods have been received and examined, meet the required specification and work done or services rendered have been satisfactorily carried out;
- The invoice is in accordance with the contract or order, is arithmetically correct, and has due discounts deducted;
- The payment has not previously been made;
- The payment is authorised.

2. The method of payment is appropriate.

- By use of the corporate creditors system for payment by BACS or cheque (note BACS is the preferred method and must be used wherever possible);
- By imprest account or petty cash for minor sums;
- By some other means as agreed with the Chief Finance Officer.

3. Payment is timely.

- To meet supplier/contractor terms of trade and legislative requirements;
- Justification is provided if urgent payment or dispatch of cheque is required.

4. Transactions are properly accounted for, including;
 - proper use of financial codes;
 - compliance with HM Revenue and Customs regulations;
 - The maintenance of a Register of Contracts by the Chief Finance Officer.

d) Special Requirements - Advance Payments

No commitments shall be entered into for goods, work or services for which the supplier or contractor requires payment in advance until the Designated Officer has confirmed the financial standing of the payee with the Chief Finance Officer.

Financial Procedure Note 4 – Security and Control of Assets

a) Objective

To ensure the proper use and safeguarding of assets owned by the Combined Authority or for which the Combined Authority has responsibility.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective systems should be present to ensure that:

- Proper security is maintained at all times;
- Assets are recorded and accounted for;
- The use of assets is restricted to authorised Combined Authority business;
- Surplus assets, except land and buildings, are disposed of in accordance with procedures agreed with the Purchasing Manager of the constituent council identified by the Head of Paid Service as being responsible.

In addition, the following controls apply to land and buildings:

- The Head of Property Services of the constituent council identified by the Head of Paid Service as being responsible for such land and buildings has overall responsibility for advising on land issues;
- The disposal of land and buildings will be carried out under any scheme of delegations or protocol agreed by the Cabinet or otherwise with the express approval of the Cabinet;
- A detailed record of all land and property owned by the Combined Authority shall be maintained by the Head of Property Services of the constituent council identified by the Head of Paid Service as being responsible for such land and buildings;
- The Monitoring Officer shall have custody of all title deeds and be responsible for their security;

- Entry should not be allowed into property of NTCA without the signing of formal documentation. (If a situation should arise where early entry in connection with a major transaction is required, the Head of Property Services of the constituent council identified by the Head of Paid Service as being responsible for such land and buildings will have delegated authority to agree this as appropriate.

d) Comment

This financial procedure note applies to all assets, including stocks, stores equipment and vehicles (with either an individual value of £500 or more or a collective value of £2,000 or more) and all cash, land and buildings, that are owned by, or are in the possession of the Combined Authority and for which the Combined Authority is responsible. The form and content of the record is for local decision following consultation with the Chief Finance Officer but must be sufficient to allow verification and to support Balance Sheet entries.

Financial Procedure Note 5 – Insurance

a) Objective

To ensure that the Combined Authority manages all potential insurable risks and liabilities with the authority for arranging insurance cover limited to the Chief Finance Officer.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- New risks and any alterations to existing risks are reported to the Chief Finance Officer immediately;
- Combined Authority risks are reviewed annually in accordance with the timetable issued by the Chief Finance Officer;
- Claims are reported in accordance with the guidelines issued by the constituent council identified by the Head of Paid Service as being responsible for insurance and supporting information is provided within required timescales;
- Policy requirements and warranties, notified by the constituent council identified by the Head of Paid Service as being responsible for insurance, are complied with at all times;
- Insurers' loss control requirements are responded to within the relevant timescales.

d) Comment

Each Designated Officer is responsible for identifying, assessing and reporting risks to the Chief Finance Officer.

The Chief Finance Officer is responsible for arranging all insurance cover and for ensuring the annual review of insurance cover.

Financial Procedure Note 6 – Staffing and Payroll

a) Objective

To ensure that staff are appointed in accordance with the Combined Authority's Code of Practice on Recruitment and Selection, are paid in accordance with their Contract of Employment and to ensure leavers are removed from the payroll.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- The Code of Practice on Recruitment and Selection is observed in the appointment of staff;
- Amendments to the payroll – including appointments, resignations and changes to Contracts of Employment - are notified to the Head of Service of the relevant constituent council with which the lead SLA for Human Resources lies in accordance with payroll deadlines and in the form specified;
- Details of salary and wage amounts to be paid are provided in a form and to a timetable determined by the Chief Finance Officer;
- Uncollected payments are promptly returned to the Combined Authority that made the payment;
- Regular checks of staff paid and charged to the financial accounts is undertaken.

Financial Procedure Note 7 – Reimbursement of Expenses and Payment of Allowances

a) Objective

To ensure that the reimbursement of allowances and expenses to staff and members is in accordance with the appropriate agreements and legislation.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective systems should be present to ensure that:

Staff

- Claims are submitted within one calendar month of the expense being incurred and include sufficient information to allow verification.
- Allowances and expenses are as approved for payment to Combined Authority staff.
- Payment is made in accordance with procedures determined by the Chief Finance Officer.

Members

- Claims are submitted within one calendar month of the expense being incurred and include sufficient information to allow verification.
- Allowances for independent members and expenses are as approved for payment to Combined Authority members.
- Payment is made in accordance with procedures determined by the Chief Finance Officer.

d) Comment

Particular care must be taken to ensure that all payments to individuals, including additional payments to Officers, meet the requirements of the Inland Revenue.

Expenses claims should be supported by receipts whenever possible.

Financial Procedure Note 8 – Banking Arrangement and Cheques

a) Objective

To ensure sound banking and payment arrangements, by limiting responsibility to the Chief Finance Officer.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- No bank account, or similar, is to be opened except with the authority of the Chief Finance Officer.
- The maintenance of Combined Authority bank accounts is in accordance with arrangements determined by the Chief Finance Officer.
- Cheques shall be ordered only on the authority of the Chief Finance Officer and controlled securely prior to use.
- The approval of the Chief Finance Officer is obtained to any proposal to enter a credit agreement.

Financial Procedure Note 9 – Investments and Borrowing

a) Objective

To limit the authority for managing the Combined Authority's Investments and Borrowing to the Chief Finance Officer and to ensure those activities in this area are properly regulated.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- No investment or borrowing transaction is undertaken except with the prior written authority of the Chief Finance Officer;
- Combined Authority bank accounts do not become overdrawn;
- The Chief Finance Officer shall ensure that:
 1. The Combined Authority will create and maintain, as the cornerstones for effective treasury management:
 - a) a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - b) suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
 2. The content of the policy and the TMPs will follow the recommendations contained in Section 6 and 7 of the Prudential Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
 3. The Cabinet will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

4. The Combined Authority delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Standards Committee, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Combined Authority's policy statement and TMPs and if that officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
5. The Combined Authority is responsible for ensuring effective scrutiny of the treasury management strategy and policies.
 - All investments and borrowing are made by the Chief Finance Officer and are in the name of the Newcastle Upon Tyne, North Tyneside and Northumberland Combined Authority,
 - All securities are held by the Chief Finance Officer;
 - The Chief Finance Officer is the Combined Authority's Registrar of Stocks, Bonds and Mortgages;
 - Investments held at the end of each financial year are reported to Cabinet by the Chief Finance Officer as soon as possible after 31 March;
 - All Treasury Management activities are conducted in line with the relevant CIPFA Code of Practice for Treasury Management in Local Authorities; and
 - There is an adequate division of duties between arranging and settling of transactions.

Any exceptions to the above can only be authorised by the Combined Authority.

Financial Procedure Note 10 - Information Technology and Data Protection

a) Objective

To ensure the orderly and secure development of information technology and the proper control of information held.

b) Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

c) Control

Checklist to achieve the above objective, systems should be present to ensure that:

- Investment in IT complies with the Combined Authority's IT and Information Security strategies and policies.
- All IT purchases:
 - i) Comply with the combined authority's corporate standards and guidelines (including the IT procurement guidelines) unless there are sound reasons to do otherwise;
 - ii) Have necessary capital approvals in place;
 - iii) Are included on a Combined Authority-wide register of IT assets.
- The use of IT and the control of information held are subject to the IT security policy of the constituent council designated by the Head of Paid Service as being responsible for IT.

Financial Procedure Note 11 – Commitment of Capital Expenditure

- a) The Combined Authority is to commit capital expenditure based on the Capital Programme (the Programme). The Programme is approved by the Cabinet and is updated regularly to reflect changes in the cost and phasing of schemes and the addition of new schemes.
- b) Inclusion of a scheme in the Programme gives the authority to begin procurement and contract procedures subject to the limitations below.
- c) For schemes included in the Programme for commencement in the first financial year (i.e. current financial year) Designated Officers have the authority to progress a scheme up to and including contract signature subject to:
- The Corporate Procurement Strategy of the Combined Authority or (if no such Strategy has been adopted) the constituent council identified by the Head of Paid Service as being responsible for procurement.
 - Full compliance with the provisions of Financial Regulation 8 on tenders and quotations;
 - Tender costs not exceeding the Programme provision by more than 5% or £50,000, whichever is the lower, provided the source of funding for the additional cost has been identified;
 - Completion of a tender summary report in the form prescribed by the Chief Finance Officer;
 - Certification by the Chief Finance Officer of the tender summary report.

Schemes not meeting these conditions, or where:

- It is proposed to accept other than the lowest tender (where price is the determining criteria), or
- The Cabinet has directed its approval is required

Must be reported to the Cabinet for approval to proceed to contract Signature.

- d) Financial Regulation 8 covers contract signature requirements.
- e) For schemes included in the Programme for commencement in any subsequent financial year, Designated Officers have authority to prepare plans and carry out other preliminary work during the first financial year up to a maximum of £50,000.
- f) Proposals to incur preliminary expenditure or commitments above £50,000 must be approved by the Chief Finance Officer and must be recorded by the Chief Finance Officer as a delegated decision.

Note: This authority for preliminary expenditure only applies to schemes in the programme. Confirmation of scheme approval must be sought at the earliest opportunity if significant changes, either in objective, estimated cost or phasing, are proposed.

g) Once commenced, Designated Officers have approval to incur:

- Additional expenditure arising from the operation of a 'fluctuation of price' clause;
- Increased costs not exceeding 5% of the contract value or £50,000 whichever is the lower.

Subject to the increased amount being reported for inclusion in the Capital Monitoring Progress Reports to the Cabinet (where deemed significant by the Chief Finance Officer) and inclusion in the Capital Programme at the earliest opportunity

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CONTRACT STANDING ORDERS

**MADE BY NORTH OF TYNE COMBINED AUTHORITY PURSUANT TO SECTION 135
OF THE LOCAL GOVERNMENT ACT 1972****1. Introduction**

- (1) The North of Tyne Combined Authority (The Combined Authority) is required by Section 135 Local Government Act 1972 to have Standing Orders in relation to its contracts. All contracts for goods, works and services must comply with these.
- (2) The purpose of these Standing Orders is to set clear rules for the procurement of goods, works and services for the North of Tyne Combined Authority (Combined Authority). This will ensure the openness, integrity, accountability and probity of the process. It also ensures value for money and gives confidence that the Combined Authority is fulfilling its fiduciary and legal responsibilities.
- (3) Any dispute or difference as to the interpretation of these Standing Orders and/or any related Code of Practice shall be resolved by the Combined Authority's Monitoring Officer (Monitoring Officer). All such documents will be regularly reviewed.
- (4) The Monitoring Officer in consultation with the Chief Finance Officer of the Combined Authority has delegated authority to review and propose any amendments to these Standing Orders.
- (5) Various figures in the Standing Orders are subject to review by Cabinet annually and can also be changed by legislation. The current figures should always be checked. All figures and thresholds included in these Standing Orders exclude VAT.
- (6) The Head of Paid Service, Monitoring Officer, Chief Finance Officer and the Procurement Manager may delegate to named officers within their service area any of the specific duties identified in these Contract Standing Orders. In these circumstances documentary evidence of the authorisation must be kept.
- (7) A reference to any statute, order, regulation or similar instrument shall be construed as a reference to that statute, order, regulation or instrument as from time to time amended, modified or re-enacted by any subsequent statute, order, regulation or instrument after the date of these Contract Standing Orders and include any by-laws, statutory instruments, rules, regulations, orders, notices, directions, consents or permissions (together with any conditions attaching to any of the foregoing) made thereunder.
- (8) In these Contract Standing Orders, the following terms shall have the meanings set out below:
 - (a) "Lead Authority" shall mean the constituent authority which provides procurement support to the Combined Authority under an SLA,

- (b) "Procurement Team" shall mean the procurement team of the Lead Authority;
- (c) "Procurement Manager" shall mean the lead officer of the Procurement Team as identified in the SLA;
- (d) "Senior Manager" shall mean any officer of the Combined Authority who is a Delegated Officer under Financial Regulations and (in respect of matters relating to the North East LEP) the Chief Executive of the North East LEP.

2. Compliance and Conduct of Officers and Members

- (1) Every contract made by or on behalf of the Combined Authority must comply with:
 - (a) All relevant statutory provisions;
 - (b) The relevant European Procurement rules (i.e. the EC Treaty, the General Principles of EC law and the EC Public Procurement Directives implemented by the UK Regulations);
 - (c) The Combined Authority's Constitution including these Contract Standing Orders, the Combined Authority's Financial Regulations and Officer Delegation Scheme and associated codes of practice; and
 - (d) The Combined Authority's strategic objectives, procurement strategy and policies.
- (2) All Combined Authority employees and organisations engaged to act in any capacity to manage or supervise a contract **must** comply with these Contract Standing Orders, Financial Regulations, the Officer Delegation Scheme and associated codes of practice, and Designated Officers and Senior Management Team must ensure such compliance in the Service Areas for which they are responsible. Failure to comply with Contract Standing Orders, Financial Regulations, the Officer Delegation Scheme or any associated code of practice may result in disciplinary action and legal proceedings against the officers or organisations concerned.

All Combined Authority employees and organisations engaged on the Combined Authority's behalf must ensure that any conflicts of interest are avoided. (See also the Code of Conduct for Employees).
- (3) Where it becomes apparent that there has been a failure to comply with these Standing Orders then the relevant Senior Manager is required to produce a report outlining the reasons for the non-compliance and the steps taken to prevent a reoccurrence. That report will be submitted to the Head of Paid Service, Monitoring Officer and Chief Finance Officer.
- (4) Members, including the elected mayor must conform to the Members Code of Conduct. Officers must comply with the Code of Conduct for Employees.

- (5) No member of the Cabinet, including the elected mayor, shall enter either orally or in writing into any contract on the Combined Authority's behalf.
- (6) Any officer, member, agent of the Combined Authority, whilst acting on the Combined Authority's behalf in relation to any contractual matter shall ensure that the independence and integrity of the Combined Authority's procedures are at all times maintained. Failure to observe such standards of conduct will be referred to the Head of Paid Service and Monitoring Officer.

3. Waiving of Contract Standing Orders

- (1) The waiving of Contract Standing Orders may only be authorised in the following circumstances:
 - (a) Where the total value of the works/services to be procured exceeds £50,000 the appropriate Senior Manager shall obtain the approval of the Procurement Manager and following this submit a report to the Monitoring Officer and Chief Finance Officer. In the absence of agreement, the matter may be referred to the Head of Paid Service for a decision; or
 - (b) In circumstances where the funding for the procurement of the goods/services is from a third party and the procurement process is specified as a condition of the funding (in the absence of such conditions the Combined Authority's Contract Standing Orders shall apply)
- (2) The Chief Finance Officer will ensure that a register of all such waivers of Contract Standing Orders is maintained.
- (3) In all cases a full record of the decision-making process will be retained for a minimum of six years.

4. Role of the Procurement Team

The Procurement Team is central to procurement strategy. The role of the Team is to support and manage all procurement activities and processes within the Combined Authority via a service level agreement (SLA). The Team is responsible for:

- (a) Ensuring that the Combined Authority complies with EU Procurement Regulations, UK Legislation and Standing Orders;
- (b) Providing support to Service Areas of the Combined Authority as to content of the tender, tendering process, tendering timescales, length and type of contract, award criteria, performance monitoring and action; and
- (c) Providing direction, advice and guidance to Service Areas on all procurement issues with the aim of ensuring continuous improvement in procurement practice across the Combined Authority.

5. Prior Information Notices and Statistics

The Combined Authority has responsibilities to publish Prior Information Notices under the European Procurement requirements and to the Government in relation to producing annual data relating to its procurement activities.

- (1) Where it is considered appropriate by the Procurement Manager, the Combined Authority may publish a Prior Information Notice in the Official Journal of the European Union at the beginning of the financial year listing the contracts for services and supplies which it expects to procure for the financial year and which in aggregate will exceed the threshold limits for the European Rules to apply. In relation to contracts for works, the Combined Authority may publish a Prior Information Notice in the Official Journal of the European Union when the works are approved.
- (2) The contracts register is an electronic, searchable register of all Combined Authority contracts and is maintained by the Procurement Team. All Senior Managers must provide the Procurement Team with the information required to maintain a complete contract register. The purpose of the register is to:
 - (a) Maintain a complete and accurate record of all Combined Authority contracts;
 - (b) Ensure compliance to contract. Service Areas, when sourcing non-catalogued goods and services, should search the register for contracted suppliers before initiating a request for the contracting of a supply opportunity; and
 - (c) Ensure that the re-contracting of goods and services are initiated, in a timely manner, in accordance with EU procurement regulations, UK legislation, Contract Standing Orders and associated codes of practice.

6. Pre-Procurement Requirements

- (1) Before commencing any proposed procurement process, the appropriate Senior Manager must:
 - (a) Consult the Procurement Manager on the method of procurement and notify the Chief Finance Officer where that method involves a tendering process;
 - (b) Before engaging with any external works or service provider, check their status against any existing approved framework agreement. (see section 10) Deviation from an approved framework agreement must be sanctioned by the Chief Finance Officer;
 - (c) Be satisfied that a specification that will form the basis of the contract has been prepared;
 - (d) Have prepared and documented an estimate of the anticipated cost of the contract, including where appropriate any maintenance costs and the costs of any options to extend the contract. This estimate must be

used in determining the correct tendering procedure under Standing Order 8;

- (e) Have clearly established the contract period in consultation with the Procurement Manager outlined in Standing Order 4(b); and
 - (f) Ensure that all the evaluation criteria have been determined in advance.
- (2) Where any procurement exercise involves more than one service area, a lead officer will be appointed to ensure compliance with the Combined Authority's Contract Standing Orders, Financial Regulations and any relevant Codes of Practice.
- (3) Senior Managers must ensure that arrangements for the procurement of works/services are not artificially split either to remove them from control through these Contract Standing Orders or to reduce their value in terms of the thresholds referred to in Contract Standing Order 8.

7. Pre-Contract Requirements

- (1) Before entering into a contract with any prospective contractor, the appropriate Senior Manager must:
- (a) Be satisfied about the technical capability of that contractor on the basis of the information provided by that contractor;
 - (b) Where an approved framework agreement exists for the supply of, the works or services concerned, ensure that the contractor is included in the agreement;
 - (c) Ensure that these Contract Standing Orders and associated codes of practice have been complied with, and that the proposed contract represents value for money.
- (2) All Senior Managers are under a duty to ensure that works/services purchased within their service area are reviewed in order that the scope for establishing medium to long-term contract arrangements is fully explored. This is essential to securing optimum value for money and economies of scale for the Combined Authority. The Procurement Manager should also be consulted to identify any opportunities for establishing arrangements across service areas.

8. Contract Thresholds and Tendering Procedures (see also Contract Standing Order 9)

- (1) For contracts valued up to £50,000, the Senior Manager concerned should consult with the Procurement Team on the number of quotes required in order to achieve value for money. Quotations over £10,000 must be invited and received through the Lead Authority's electronic contract management system, unless the Monitoring Officer approves the use of an alternative method. Quotations within this threshold must be returned to the Procurement Team and opened by a representative of the Procurement Manager in conjunction with a representative of the appropriate Senior

Manager. A standard template as determined by the Procurement Manager may be used for such quotations. Where there is an approved framework agreement in existence then that agreement must be used as the source of providing the names of contractors from whom quotations are sought. Details of Framework Agreements can be obtained from the Procurement Team. This will be subject to periodic checks as part of the internal audit process.

The Senior Manager may, depending on the nature and/or evaluated risk of the contract, wish to invite tenders rather than written quotations. An example could be due to the complexity of the service to be provided or the Combined Authority may feel that suppliers could provide a more innovative solution. In such instances the Senior Manager must consult with the Procurement Manager on the most appropriate option.

- (2) For contracts with an estimated value of £50,000 and above a tendering procedure is required using either the restricted or open procedure or through a competitive procedure with negotiation, a competitive dialogue process or an innovative partnership. Details of these procedures are set out in Appendix 1. All tenders must be invited and received through the Lead Authority's electronic contract management system, unless the Monitoring Officer approves the use of an alternative method.
- (3) Appendix 5 shows threshold detail in table format.
- (4) In addition, the appropriate Senior Manager will make arrangements to notify the relevant Cabinet Member of all procurement with a value of between £50,000 and £500,000. Where a contract may exceed the relevant European Union threshold, as set out in Appendix 2, advice must be obtained from the Procurement Manager prior to any procurement activity taking place and an auditable process must be applied to ensure compliance.
(See also Contract Standing Order 9)

Where it is proposed to undertake a procurement exercise and the estimated total cost of the works/services to be procured will or is reasonably expected to exceed £500,000 in value, a report must be submitted to Cabinet. The report must include details of the works/services concerned, the financial implications over the whole length of any proposed contract and the procurement method to be utilised. The approval of the Cabinet is required to enable the procurement to be progressed.

- (5) Contract Standing Orders 8(1), 8(2), 8(3) and 8(4) above shall not apply in the case of:
 - (a) Goods or materials purchased at auction sales;
 - (b) The extension of existing contracts where prices have remained unaltered or have varied only slightly and are otherwise clearly competitive provided that provision for extension has been included in the original contract. In such instances the Senior Manager must maintain a record of all decisions taken and the reasons for those decisions; (See also Contract Standing Order 19);
 - (c) Purchase of patented or proprietary goods or materials sold only at a fixed price;

- (d) Goods or materials in respect of which effective competition is prevented by government control;
 - (e) The purchase of a named product required to be compatible with an existing installation as approved by the appropriate Senior Manager;
 - (f) The instruction of, advice from or service provided by counsel or instructions to solicitors to act on the Combined Authority's behalf;
 - (g) Procurements made through or on behalf of any consortium, association or similar body provided that tenders or quotations are invited, and contracts placed in accordance with procedures which are broadly equivalent to these Standing Orders and also comply with any National or EU Legislation;
 - (h) The purchase of a work of art or museum specimen as approved by the appropriate Designated Officer;
 - (i) Purchases, works and services required by the appropriate Senior Manager so urgently as not to permit compliance with the requirements of competition. The urgency in this case must arise from unforeseen circumstances and not just failure to address the need for compliance in a timely manner. In any event the national and European procurement regulations will still apply;
 - (j) Special education or social care contracts, if in the opinion of the appropriate Senior Manager and Monitoring Officer, it is considered in the Combined Authority's interests and to meet its obligations under a relevant legislation (Guidance note attached as Appendix 3); and
 - (k) The exercise of specified Statutory Grant Aid powers delegated to an appropriate Senior Manager.
 - (l) Subscriptions to statutory bodies
- (8) In any of the circumstances set out in Standing Order 8(7) above, a report should be written by the Senior Manager to the Procurement Manager where the total value exceeds £50,000 a report should be submitted to the Senior Manager, Procurement Manager, Monitoring Officer and Chief Finance Officer. This report should detail items procured, cost to the Combined Authority reason for urgency (if applicable) and supplier information.

9. Contracts subject to European Regulations

- (1) Where an estimated value of a contract exceeds the current European Union Threshold then the contract shall be tendered in accordance with the European Regulations. Advice should be sought from the Procurement Manager as to the need for compliance and as to the process to be followed. A broad outline of the requirements is set out in Appendix 2. The requirements are complex, and it is essential that guidance be sought as the Combined Authority can be heavily penalised for non-compliance with European requirements.

10. Framework Agreements

- (1) A framework agreement is an overarching agreement or arrangement between one or more contracting authorities (contracting authorities include local authorities, fire authorities, police authorities, government bodies etc. as listed in Schedule 1 of the Public Contract Regulations 2015) and one or more contractors. The framework agreement sets out the terms and conditions for any subsequent specific call-offs (i.e. individual orders for supplies, services or works placed under that framework) made by the contracting authority during the term of that agreement or arrangement. The overarching framework agreement or arrangement itself may or may not create any binding obligations (such as any exclusivity obligations, or whether to buy or supply or not to buy or supply) on either or both parties.
- (2) Where a framework agreement has an estimated maximum contract value over its lifetime above the relevant EU threshold prevailing from time to time, the procurement and award of the framework agreement will be subject to EU procurement rules, and the duration of the framework must not exceed four years unless there are exceptional circumstances.
- (3) Where a framework agreement has been identified by the Procurement Team, Senior Managers can authorise the use of these frameworks in consultation with the Procurement Manager.
- (4) The framework agreement should set out clear price structure and the call-off award criteria applicable to future call-offs. Where the pricing or terms of future call-offs are not precise or complete enough when the framework agreement is set up, a mini-tendering should be held with those framework contractors who are capable of meeting the particular requirements of the relevant call-off (i.e. not necessarily every provider under the relevant framework), using the call-off contract award criteria previously set out when the framework was first set up.
- (4) As per Office of Government Commerce (OGC) Guidance on Framework Agreements updated in October 2016, precise terms to be agreed at the particular mini-tender stage for a specific call-off could include:
 - (a) Delivery time;
 - (b) Invoicing arrangement and payment profiles;
 - (c) Additional security needs;
 - (d) Incidental charges;
 - (e) Associated services such as installation, maintenance and training;
 - (f) Mixes of rates and quality;
 - (g) Price mechanism; and
 - (h) Terms specific to the particular products or services required to meet a particular requirement.
- (5) The contractors' technical ability and or financial standing are not relevant in the mini-tendering stage. Sufficient time is to be allowed for the return of bids for the relevant call-off, taking into account the complexity of the call-off. The weighting of applicable award criteria (based on those set out in the framework) to be used in the mini-tendering can vary to reflect the requirements of the particular call-off.

11. Submission, Registration and Opening of Quotations (see also Contract Standing Order 8)

- (1) A quotation is defined as a written priced offer provided to the Combined Authority for the supply of goods, works and/or services. It may be provided on the supplier's paperwork and be subject to the supplier's terms and conditions.
- (2) For quotations up to the value of £10,000 Senior Managers must make appropriate arrangements for their receipt, recording and opening. Arrangements should include a specified period of time during which quotations will be received for the procurement of specific works/services. Quotations received verbally must be confirmed in writing. A record of quotations received, opened and considered must be retained.
- (3) All quotations between £10,001 and £50,000 in value must be returned through the Lead Authority's electronic contracts management system. The Senior Manager is responsible for ensuring that such quotations are returned in an envelope pre marked with the word "Quotation" and the subject to which it relates or in a form prescribed by any electronic system used for the purpose. All quotations must be submitted by the time and date specified in the invitation as being the last time and date for receipt. A record of quotations received, opened and considered must be retained.
- (4) The Procurement Manager must make arrangements for the receipt, registration and secure retention of all quotations valued between £10,001 and £50,000. All such quotations must be opened at one time with representatives of the Procurement Manager and the Senior Manager present and details recorded.

12. Submission, Registration and Opening of Tenders (see also Contract Standing Order 8)

- (1) A tender is defined as a supplier's written, priced offer (made in a form prescribed by the Combined Authority) in response to a specific invitation for tendering by the Combined Authority for the supply of goods, works and/or services as described in the specification prepared by the Combined Authority. Other than in exceptional circumstances (as determined by the Monitoring Officer) the tender must be submitted in an electronic format via the Lead Authority's electronic management system and will be subject to the Lead Authority's, and therefore the Combined Authority's, terms and conditions.
- (2) Invitations to tender shall state that no tender will be received unless it is:
 - (a) in an electronic tender time-box specifically set up for the purpose: and
 - (b) submitted by the time and date specified in the Invitation to Tender as being the last time and date for the receipt of tenders.
- (3) Each tender submitted will remain in the electronic tender time-box until the time appointed for opening. Tender documents received within the electronic tender time-box will remain in a read only state throughout the tender opening and evaluation.

- (4) A representative of the Monitoring Officer will open electronic tenders.
- (5) Prior to opening, the Monitoring Officer must have details of the type of goods or materials to be supplied or disposed of, or the work or service to be carried out and the name of all potential tenderers.
- (6) No tender received after the date and time indicated for the receipt of tenders will be considered. Any such tender will be opened separately, and after those that are received prior to the submission deadline, so as to enable the Monitoring Officer to identify the tenderer and notify them of the late receipt and rejection of the tender in question.
- (7) Only the Monitoring Officer can exclude a tender from the process, if that tender does not comply either with these Contract Standing Orders or the tendering instructions.
- (8) Where the Monitoring Officer considers that a non-electronic tender exercise can be carried out, the invitation to tender instructions shall specify that no tender will be received unless it is:
 - (a) In a sealed tender envelope, which must bear the word "Tender", and the subject to which it relates;
 - (b) In an envelope which bears no details of name, mark, slogan or logo of the firm on the exterior;
 - (c) Returned to the Monitoring Officer; and
 - (d) submitted by the time and date specified in the Invitation to Tender as being the last time and date for the receipt of tenders.
- (9) The Monitoring Officer, on receipt of a non-electronic tender, shall indicate on the envelope the date and time of its receipt.
- (10) Non-electronic tenders will be opened at one time by a representative of the Monitoring Officer. Such tenders must only be opened at meetings pre-arranged by the Monitoring Officer. The Procurement Manager, and the relevant Senior Manager must be represented at all non-electronic tender openings.
- (11) Prior to opening, the Monitoring Officer must have details of:
 - (a) The type of goods or materials to be supplied or disposed of, or the work or service to be carried out;
 - (b) The name of all potential tenderers; and
 - (c) The date and time of receipt of each tender/quotation as recorded on the envelope.
- (12) At the time the non-electronic tenders are opened, the Monitoring Officer or their representative must record:
 - (a) The amount of each tender where appropriate;
 - (b) The date of the opening of a tender;

- (c) The signatures of all persons present at the opening of each tender;
 - (d) The reason for any disqualification of any tender;
 - (e) The name of each organisation invited to tender but who did not submit a tender;
 - (f) Where possible the position by competitive order of value of tenders received;
- and ensure that:
- (g) The form of tender is initialled.

13. Errors in Tenders

Where the Construction Industry Board Code of Practice applies then errors in tenders will be dealt with in accordance with that code. In all other cases errors in tenders shall be dealt with in one of the following two ways:

- (a) The tenderer shall be given details in writing of the error(s) found during the examination of the tender and shall be given the opportunity of confirming in writing without amendment or withdrawing a tender; or
- (b) Amending the tender to correct genuine arithmetic errors provided that in this case, apart from these genuine arithmetic errors, no other adjustment, revision or qualification is permitted.

Invitations to tender must state which method will be used for dealing with errors in tenders.

14. Tender Evaluation (see also Standing Order 16)

- (1) Tenders that are subject to European Regulations will be evaluated in accordance with the relevant Regulations and the evaluation criteria will be clearly set out in any invitation to tender.
- (2) All other tenders, except those where lowest price is predetermined to be the appropriate criteria, will be evaluated on criteria predetermined in consultation with the Procurement Manager. Such criteria will include considerations of quality as well as price and will aim to secure a contract that is the most economically advantageous to the Combined Authority.
- (3) The predetermined evaluation criteria must be listed in any invitation to tender, including any weighting to be applied. Such criteria must be strictly observed at all times by those involved in the tender evaluation.
- (4) For each contract that involves an evaluation process, the relevant Senior Manager must form an evaluation team with responsibility for carrying out the evaluation process. Representatives of other service areas (where necessary) and the Procurement Team will be included in the evaluation team.

- (5) A summary sheet recording the outcome of the evaluation process must be completed, signed by all those involved in the evaluation and retained.

15. Acceptance of Tenders/Quotations

- (1) Authority to accept tenders/quotations lies with Senior Managers in accordance with the Combined Authority Officer Delegation Scheme and subject to compliance with the general provisions of these Contract Standing Orders and specifically where:
 - (a) The tender to be accepted is the lowest in price where payment is to be made by the Combined Authority and where price has been the predetermined criteria;
 - (b) The tender to be accepted is the highest where payment is to be received by the Combined Authority and where price has been the predetermined criteria;
 - (c) The tender is identified as the most economically advantageous by virtue of the predetermined evaluation criteria; or
 - (d) The tender is identified as the most suitable tender according to any evaluation criteria required under relevant European Regulations.
- (2) The provisions for the waiving of Contract Standing Orders to accept a tender/quotation that does not comply with this Standing Order are set out in Standing Order 3.
- (3) Subject to Contract Standing Order 15(2) above, if after evaluation, the tender/quotation is within the relevant budget provision then:
 - (a) In the case of a tender, the appropriate Senior Manager may authorise the acceptance of the tender on behalf of the Combined Authority, such acceptance to be notified in writing to the successful tenderer in a manner specified by the Monitoring Officer; or
 - (b) In the case of a quotation, the appropriate Senior Manager may accept the quotation by issuing an Official Order (which should be signed by that Senior Manager) where appropriate accompanied by an Agreement signed by the Monitoring Officer.
 - (c) An electronic order, or purchasing card, may be used to accept a quotation, in accordance with the systems procedures and controls in place relating to their use.
 - (d) Notwithstanding the above, the appropriate Senior Manager where appropriate must, prior to the Combined Authority entering into any

contract, consult with the Chief Finance Officer to establish the need to undertake any evaluation of the financial standing of the firm to whom it is proposed to award the contract. Where the contract value exceeds £250,000 the Chief Finance Officer will carry out a detailed financial appraisal of the proposed contractor.

16. Bonds, Guarantees and Insurance

- (1) For contracts above £50,000, the evaluation team shall consider as part of its pre-qualification assessment and evaluation process whether a performance bond and/or a parent company guarantee (if applicable) shall be required from the preferred contractor.
- (2) The evaluation team, where appropriate in consultation with other relevant officers specialising in finance and insurance, shall consider the appropriate type (employer liability, public liability, professional indemnity, etc.) and level of insurance requirements for each contract.

17. Post-Tender Negotiations

- (1) This Standing Order relates to negotiations after the receipt of a quotation or tender.
- (2) Negotiations can only be commenced after the Chief Finance Officer and the Monitoring Officer have given the relevant Senior Manager written approval of the procedure/s to be adopted to negotiate. A contract can be entered into only when the Chief Finance Officer and the Monitoring Officer have given written approval to the outcome of the negotiations.

18. Contract Variations

Variations relate to the content of the contract and are subject to the following:

- (1) All variations must be in the form of written instruction to the contractor. The likely cost effect of each variation should be assessed prior to the issue of the instruction. In cases where this would cause serious disruption to the contract, or where immediate action is necessary to prevent danger or damage, the instruction may be issued without prior costing, but in such cases this costing must be completed within twenty working days of the instruction being issued.
- (2) Wherever a variation to a contract is such that without it the contract cannot be properly completed in accordance with the original design, with a performance standard required by the original design, then it is an essential variation.

Senior Managers may authorise variations on contracts up to a value of £30,000 on contracts up to £500,000 in value and up to a value of £75,000 on contracts above £500,000 in value. Variations beyond these figures must be reported to Cabinet. Any additional costs resulting from the variations should be set against accrued savings elsewhere in the contract or other funding for the essential variation must be identified. Where a variation is likely to exceed the authorised amount of the

contract to be exceeded, the appropriate Senior Manager shall seek the necessary approval set out in Financial Regulations prior to issuing the variation. Variations must also comply with the provisions of the Officer Delegation Scheme, Contract Standing Orders and Financial Regulations.

19. Contract Extensions

Extensions to contracts apply in circumstances where it is proposed to extend the contract for a further specified period of time and such extensions are subject to the following:

- (1) The terms of any contract extension(s) must be agreed on awarding the original contract;
- (2) The appropriate Senior Manager in consultation with the Procurement Manager must review the arrangements in respect of all contracts where extensions are proposed to ensure that value for money is obtained and the relevant procurement regulations have been observed;
- (3) Provision for any contract extension(s) must have been made in the original contract and exceptions to this are only permitted where the necessary approvals have been obtained in accordance with Contract Standing Order 3.

20. Nominated Sub-Contractors or Suppliers

- (1) This Standing Order applies where a sub-contractor or a supplier is to be nominated by the Combined Authority to a main contractor.
- (2) Nominated sub-contractors or suppliers are defined as those persons specified in a main contract for the discharge of any part of that contract.
- (3) Where the estimated amount of the sub-contract or the estimated value of goods or materials to be supplied by a nominated supplier is less than £10,000 a Senior Manager should request a minimum of one written quotation. If oral quotations are received, they must be confirmed in writing.
- (4) Where the estimated amount of the sub-contract or the estimated value of goods or materials to be supplied by a nominated supplier is between £10,001 and £50,000 then quotations must be invited in accordance with Standing Order 8(3).
- (5) Where the estimated amount of the sub-contract or the estimated value of goods or materials to be supplied by a nominated supplier is £50,000 or more then tenders must be invited in accordance with Standing Order 8(4).
- (6) The terms of any invitation for nominated sub-contractor suppliers must require that, if selected, the firms would be willing to enter into:
 - (a) A contract with the main contractor on terms which indemnify the main contractor against the main contractor's own obligations under the main contract in relation to the work or goods and materials included in the sub-contract; and

- (b) An agreement to indemnify the Combined Authority in such terms as may be prescribed.

(6) The appropriate Senior Manager must nominate to the main contractor the organisation whose tender or quotation in his/her opinion is the most economically advantageous, provided that, where the tender is other than the lowest received, the Senior Manager must submit a report for the agreement of the Monitoring Officer and the Chief Finance Officer. In the absence of agreement, the matter may be referred to the Head of Paid Service for decision.

21. Written Contracts (see also Contract Standing Order 22)

- (1) Every contract must be in writing.
- (2) All contracts for less than £50,000 shall be in writing and signed by the relevant Senior Manager.

All contracts for more than £50,000 shall be signed by the Monitoring Officer

- (3) Every contract for the acquisition or disposal of an interest in land is to be in writing and signed by the Monitoring Officer.
- (4) Electronic signatures may be used in accordance with the Electronic Signature Regulations 2002 provided the sufficiency of security arrangements has been approved by the Monitoring Officer, the Procurement Manager and the relevant Senior Manager.

22. Contents of Contracts

- (1) All contracts shall contain such standard terms and conditions that shall be approved or required from time to time by the Monitoring Officer in consultation with the Procurement Manager. All contracts exceeding £50,000 in value will be in a form to be approved by the Monitoring Officer.
- (2) The appropriate Senior Manager must ensure that:
- (a) Every contract must set out:
- i) The work, goods, services, materials, matters or things to be carried out or supplied;
 - ii) The price to be paid and, or the amounts in frequency or the method of calculation of contract payments with a statement of discounts or other deductions;
 - iii) The time(s) within which the contract is to be performed; and
 - iv) Such other matters referred to in this Standing Order or as may be agreed between the parties.
- (b) **Cancellation:** Every contract must state that if the organisation fails to comply with its contractual obligations in whole or in part, the Combined Authority may:
- i) Cancel all or part of the contract;
 - ii) Complete the Contract

- iii) Recover from the organisation any additional costs in completing the contract;
 - iv) Take other legal action against the organisation.
- (c) **Liquidated Damages:** Unless the Monitoring Officer and the appropriate Senior Manager consider it to be unnecessary or impractical, every contract must provide that:
- i) Liquidated damages must be paid by the contractor if it fails to comply with the terms of the contract;
 - ii) Where under any contract; one or more sums of money are to be received by the Combined Authority, the contractor responsible for the payment of such sum or sums must pay interest at the rate stated in the contract from the date when payment is due until the date when payment is received;
 - iii) **Statutory Obligations:**
 - a. Each contract must provide that, in the performance of the contract, a contractor must not act incompatibly with the rights contained within the European Convention on Human Rights or within the meaning and scope of any law, enactment, order or regulation relating to discrimination in employment (whether in race, gender, religion, disability, sexual orientation or otherwise).
 - b. The contractor must provide any information reasonably requested relating to the performance of the contract to ensure that the Combined Authority meets its statutory obligations under Section 71 of the Race Relations Act 1976 (Amendment) Regulations 2003; in relation to the Transfer of Undertakings (Protection of Employment) Regulations 2006; and in relation to Best Value.
 - iv) In the performance of the contract, the contractor must comply with the requirement of the Health and Safety at Work etc Act 1974 and of any other relevant Acts, Regulations, Orders or Rules of Law pertaining to health and safety.
 - v) **Subcontract Obligations:**
 - a. The contractor must not sub-contract the works or any part of the works, without the prior written consent of the appropriate Senior Manager who will take advice from the Monitoring Officer where appropriate.
 - b. Without prejudice and subject to any other condition of the contract, no sub-letting by the contractor will relieve the contractor of its liability to the Combined Authority for the proper performance of the contract.
 - c. The contractor is responsible to the Combined Authority for the proper performance and observance by all sub-contractors of the contractor's obligations under the

contract as references in the contract to “the contractor” were references to the sub-contractors. Failure or neglect by a sub-contractor is deemed to be failure or neglect by the contractor.

- vi) **Assignment:** The contractor is prohibited from transferring or assigning directly or indirectly to any person or persons whatsoever any part of its contract, without the prior written consent of the appropriate Senior Manager, following consultation with the Monitoring Officer and the Chief Finance Officer.
- vii) **Standards:** All goods, materials, services or work must comply with any appropriate European Union Specification or Code of Practice or British Standards Specification or British Standard Code of Practice or European Union equivalents in force at the date of tender/quotation.
- viii) **Bribery and Corruption:** The Combined Authority is entitled to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation, if the contractor or its employees or agents (with or without its knowledge): -
 - (i) does anything improper to influence the Combined Authority to give the contractor any contract;
 - (ii) commits an offence under the Prevention of Corruption Act 1889-1916 or under Section 117(2) of the Local Government Act 1972.
- ix) **Deductions from amounts due:** Contracts shall provide that whenever under the contract any sum of money is recoverable from or payable by the contractor, this sum may be deducted from any sum due or which at any time may become due to the contractor under this or any other contract with the Combined Authority. Exercise by the Combined Authority of its rights under this clause is without prejudice to any other rights or remedies available to the Combined Authority under the contract.
- x) **Insurances:** The contractor must be required to provide evidence of adequate insurance to cover both public and employer’s liability.
- xi) **Non-fetter of power and discretion:** The Contract shall provide that nothing contained in the Contract shall fetter prejudice, restrict, interfere with or otherwise affect any of the statutory or any other discretionary rights, powers, obligations and/or duties for the time being vested in the Combined Authority howsoever as a public authority or the performance by the Combined Authority of any such obligations or duties or the means by which the Combined Authority shall in its absolute discretion exercise its rights or powers or fulfil or discharge any such obligations or duties.

- (3) Any standard terms and conditions of contracts submitted by contractors shall not be accepted without advice from the Monitoring Officer. Proposed payment arrangements under a contract must be discussed with and agreed by the Chief Finance Officer in advance of any contract being entered into.
- (4) No term or condition of any contract, whether submitted by contractors or otherwise, shall be agreed which requires or purports to require non-disclosure by the Combined Authority of any information contained within or arising from the contract, or the performance of the contract, without the prior agreement of the Monitoring Officer.

This Contract Standing Order shall not apply in respect of public utilities order forms.

23. Retention of Documents

Other than in the case of circumstances set out below, all documents relating to contracts that have been subject to a procurement exercise must be retained for a minimum of 6 years from the expiry of the contract. Such documents include all those relating to the pre-tender stage, validation of tenders, evaluation process and contract award and monitoring.

Documents relating to any contracts under seal or signed as a deed must be retained for a minimum of 12 years.

Documents relating to building contracts must be retained for 15 years following the completion of works.

24. Joint Procurement

Any joint procurement arrangements with local authorities or public bodies, including membership or use of purchasing consortia, will be undertaken in accordance with the principles set out in these Contract Standing Orders and/or the Contract Standing Orders of the lead authority or lead public body.

25. Procurement by Consultants/Agents

Any consultants/agents used by the Combined Authority shall be appointed in accordance with these Contract Standing Orders. Where the Combined Authority uses consultants/agents to act on its behalf in relation to any procurement, then the Senior Manager shall ensure that the consultants/agents carry out any procurement in accordance with these contract Standing Orders. No consultant/agent shall make any decision on whether to award a contract or to whom a contract should be awarded. The Senior Manager shall ensure that the consultant's/agent's performance is monitored.

Appendix 1

Tendering Procedures under Contract Standing Order 8(3)

- 1.1 The procedures set out in this Appendix apply to contracts with an estimated value of £50,000 or over or if the Monitoring Officer considers that a call off under an established framework arrangement as described in Standing Order 10 is inappropriate.
- 1.2 There are four main procurement procedures to award a public contract.
2. **The Open Procedure**
 - 2.1 Under this procedure, all interested economic operators who meet the qualification criteria may tender. This procedure has been referred to as “one stage” tendering in that the assessment of tenderers, their qualifications for the contract, and the assessment of the bids they submitted take place at the same time.
 - 2.2 Public Notice must be given on the Combined Authority’s website and electronic tendering system and may, where appropriate, be published in one or more newspapers or journals circulating among organisations who undertake such contracts. Public notice must be given in the Official Journal of the European Union and the information must be published on Contracts Finder, if the estimated contract value exceeds the prevailing EU threshold for supplies, services or works as the case may be.
 - 2.3 All organisations expressing an interest are invited to tender.
3. **Restricted Tendering Procedure**
 - 3.1 This procedure applies to contracts with an estimated value over EU service threshold limits or more or if the Monitoring Officer considers that a call off under an established framework arrangement as described in Standing Order 10 or an open procedure are inappropriate. Where the Authority uses the restricted procedure, suppliers are able to ‘pre-qualify’ based on their financial standing, technical or professional capabilities to narrow the number of suppliers permitted to submit bids.
 - 3.2 Ten days Public Notice may be given on the Combined Authority’s website and electronic tendering system and where appropriate, if the estimated value of the contract exceeds EU service threshold limits, in one or more newspapers or journals circulating among such organisations who undertake such contracts, setting out details of the proposed contract, inviting tenders and stating the last date on which tenders will be received.
 - 3.3 After the expiry of the period specified in the Public Notice, tender documents must be sent to at least five of the organisations who expressed an interest in tendering and have passed pre-qualification criteria or, if fewer than five organisations have applied and are considered suitable, to all such organisations.
4. **Competitive Procedure with negotiation**

4.1 The Public Contracts Regulations 2015 abolished the standard Negotiated Procedure and replaced it with a new procedure called the "competitive procedure with negotiation". (A Negotiated Procedure without notice for use in very restricted circumstances will be retained.) Like Competitive Dialogue it is a competitive process where negotiations are to be carried out with all the bidders still in the procurement. The major change from the previous Negotiated Procedure will be that following negotiation on submitted tenders there will be a formal end to the negotiating and bidders will then be invited to submit a revised tender. This procedure specifies the extent to which the authority can change its requirements during the process. The Directive specifically precludes an authority from making changes to:

- the description of the procurement
- the part of the technical specifications which define the minimum requirements
- the award criteria.

However, it acknowledges the right to make changes to other parts of the specification provided bidders are given sufficient time to make an adequate response.

Other points to note include:

- as with Competitive Dialogue, there will be specific grounds which permit its use, this will include that "due to specific circumstances related to the nature or the complexity of the works, supplies or services or the risks attaching thereto, the contract cannot be awarded without prior negotiations"
- the minimum number of bidders to be invited is three
- it will be possible to hold the negotiation in stages and reduce the number of bidders at the end of a stage
- the ability to hold an accelerated procedure, currently limited to the Restricted Procedure, will be extended to the new procedure making it possible to use it in cases of urgency
- a bidder's solution or other confidential information is not to be revealed to other bidders without specific consent.

The procedure will have much in common with Competitive Dialogue. What will distinguish them is that, in Competitive Dialogue the first phase solutions are developed until the authority considers that it has identified one or more capable of meeting its needs and then seeks to formalise positions in a tender, whereas in the new Competitive Procedure with Negotiation tenders are submitted initially, are then subject to negotiation and then resubmitted to finalise positions. Authorities may therefore be attracted to the new procedure in those cases where at present they might seek to run a truncated Competitive Dialogue procedure. This may be where the requirement is well developed, and full tender documents can be produced and submitted but it is felt that there may be advantage in retaining the ability to hold negotiations if there are certain aspects which bidders raise.

5. Competitive Dialogue

5.1 The Competitive Dialogue is a procedure which is only available for use in circumstances when what is being procured is a “particularly complex contract” and the contracting authority considers that the use of the open or restriction procedure do not allow the award of that contract.

5.2 The decision to use competitive dialogue has to be justified in accordance with the relevant procurement regulations.

6. Innovation Partnerships

6.1 The innovation partnership is a new procurement procedure introduced under the Public Contracts Regulations 2015 that will enable contracting authorities to run a tender competition for both the development and the purchase of innovative goods, works or services in a single award process. Under the previous rules, where a contracting authority wishes to run a procurement procedure that combines both development and purchase elements together it encountered difficulties in structuring a competition that does not infringe upon the principles of equal treatment and transparency. The innovation partnership introduces a new procedure that allows for the combination of both the development and purchase elements, with express rules in place to seek to ensure equal treatment and transparency.

6.2 The process can only be used in limited circumstances, where (i) the goods, works and services that are sought are “innovative” and (ii) there is an intention to include both the development and purchase elements in the procedure, provided they correspond to agreed performance levels and maximum costs.

6.3 Competitions under the innovation partnership procedure will be governed by the same rules that will apply to other procurement procedures under the Directives. However, there are certain additional requirements specific to innovation partnership competitions which contracting authorities must also adhere to. Some of the key requirements include the following:

Required solution:

- The contract notice must set out sufficient information to allow tenderers to identify the nature and scope of the required solution as a whole and the minimum time limit for receipt of requests to participate is 30 days from the day which the contract notice is issued.
- The need for the innovative solution that cannot be met by products, works or services already available in the market must also be set out. It must also set out performance levels and maximum costs to which the resulting products or services must adhere.

Process:

- It will be in successive stages including the research and development of the solution which can take place in several stages, and the subsequent supply to the contracting authority of the solution. More than one partner can be identified, and partners can then be eliminated as the development work progresses. The partnership will set intermediate targets to be attained by the partners and can provide for payments in appropriate instalments.

Selection criteria:

- Criteria must be applied in respect of tenderers' capacity in the field of research and development when selecting candidates. Capacity is distinguished from experience, so as not to rule out the involvement of start-ups.

Award phase:

- Whilst the minimum requirements and award criteria are not subject to negotiation, contracting authorities are required to negotiate with tenderers on their tenders to improve their content, save for the final tender. The criteria to award the innovation partnership must always be the most economically advantageous tender with the best price-quality ratio.

IP rights:

- Importantly, in the context of innovative products, works, or services, the procurement documents must provide for the protection of tenderers' intellectual property rights.

Proportionality:

- The estimated value of the supplies works, or services must not be disproportionate in relation to the value of the investment required for their development. This requirement seeks to avoid the abuse of the procedure and limit the quantum of the award to an amount that is essential to incentivise the development.

Subsequent purchase:

- The purchase of supplies, services or works developed under the partnership may be made only where they correspond to the agreed performance levels and maximum costs.

Appendix 2

A Summary of the Public Contracts Regulations 2015 (“the Regulations”)

Section 1

1. A procurement process must comply with the Regulations if the potential value of the contract exceeds the threshold values referred to below and the subject matter (goods, services or works) falls within the requirements of the Regulations.
2. Under the Regulations a relevant contract may be tendered under the open or restricted or, in exceptional circumstances as set out in the Regulations, the competitive procedure with negotiation or innovation procedure.
3. A contract notice in the prescribed form must be published in the Official Journal of the European Union (OJEU) in order to invite tenders for or expressions of interest for Services Contracts and Supplies and works tenders subject to the Regulations.
4. The distinction between Part A and Part B services is abolished in favour of a ‘Light touch regime’ to some contracts. However, the Regulations relating to technical specifications and the publication of contract award notices and the information to be published on Contracts Finder shall be observed for all contracts as shall the EC Treaty and the general principals of EC law including non-discrimination, equal treatment, proportionality and transparency.
5. The Regulations set out the minimum time scales for receipt of expressions of interest in tenders and also subsequently for the submission of bids. Where the Combined Authority has published a Prior Information Notice announcing its forthcoming contracts for the year ahead, then the Combined Authority may rely on reduced time scales if appropriate.

European Thresholds

- (1) The Regulations relate to the procurement of contracts for services and have a two-tier application. Some contracts will be subject to a ‘light touch regime’.
- (2) [Schedule 2](#) gives details of contracts subject to the ‘light touch regime’.
- (3) The current threshold for service contracts (as at 1 January 2020) is £189,330 with the following exceptions:
 - (a) Some of the telecommunications services in Category 5 (i.e. the television and radio broadcast services, interconnections services and integrated telecommunications services)
 - (b) Research and development services - Category 8
 - (c) Light Touch Regime
 - (d) Subsidised services contracts under Regulation 34 of the Regulations

The current threshold for the above exceptions is also £189,330.

- (5) The current threshold for supplies ~~Contracts 450~~ £189,330.

- (6) The current threshold for works contracts (as at 1 January 2016) is £4,733,252 including for subsidised works contracts under Regulation 34 of the Regulations.
- (7) Section 4 gives details of the instances in which the Regulations shall not apply.

Instances in which the Regulations do not apply: -

- (a) the acquisition of land, including buildings and other structures, land covered with water, and any estate, interest, easement, servitude or right in or over land
- (b) the acquisition, development, production or co-production of programme material for radio or television by a broadcaster or for the purchase of broadcasting time
- (c) voice telephony, telex, radio telephony, paging or satellite services
- (d) arbitration or conciliation services
- (e) financial services in connection with the issue, purchase, sale or transfer of securities or other financial instruments
- (f) central banking services
- (g) research and development services unless: -
 - (i) the benefits are to accrue exclusively to the contracting authority for its use in the conduct of its own affairs
 - (ii) the services are to be wholly paid for by the contracting authority
- (h) contracts to which the provisions of Article 296 of the EU Treaty apply
- (i) a contract which is classified as secret or where the carrying out of the services under it must be accompanied by special security measures in accordance with the laws, regulations or administrative provisions of any part of the United Kingdom or when the protection of the basic interests of the security of the United Kingdom require it
- (j) where different procedures govern the procedures leading to the award of the contract and it is to be entered into:-
 - (i) pursuant to an international agreement to which the United Kingdom and a state which is not a relevant State are parties and it provides for the provision of services intended for the joint implementation or exploitation of a project pursuant to that agreement
 - (ii) pursuant to an international agreement relating to the stationing of troops
 - (iii) in accordance with the contract award procedures of an organisation of which only States are members (an "international organisation") or of which only States or international organisations are members
- (k) services which are to be provided by another contracting authority, or by a person which is a contracting authority in another member state for the purposes of

Directive 2004/18/EC, because that contracting authority or person has an exclusive right: -

- (i) to provide the services; or
- (ii) which is necessary for the provision of the services, pursuant to any published law, regulation or administrative provision, which is compatible with the EEC Treaty.

Appendix 3

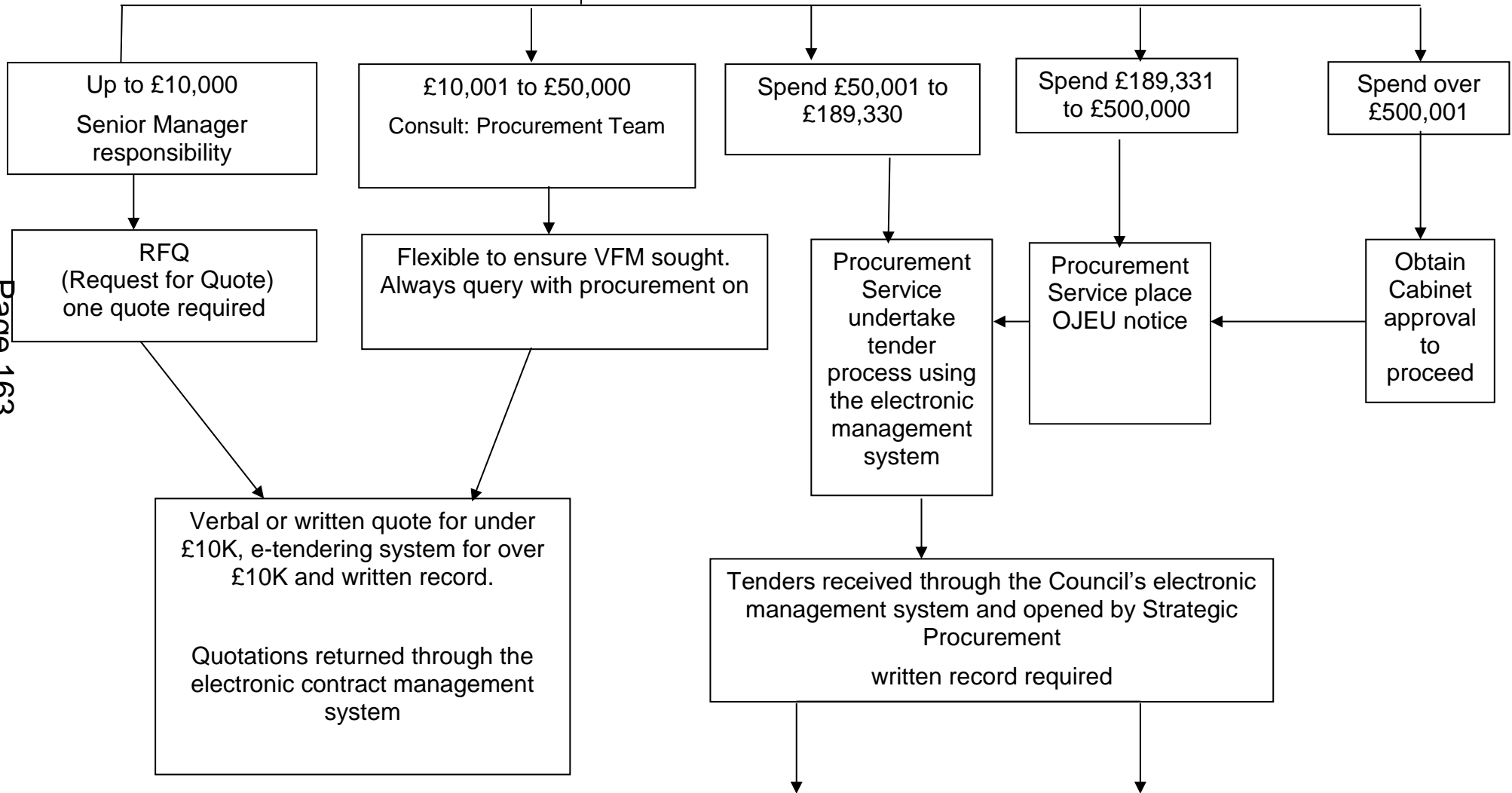
Guidance on Exemptions under Paragraph 8(4)(j) of Contract Standing Orders

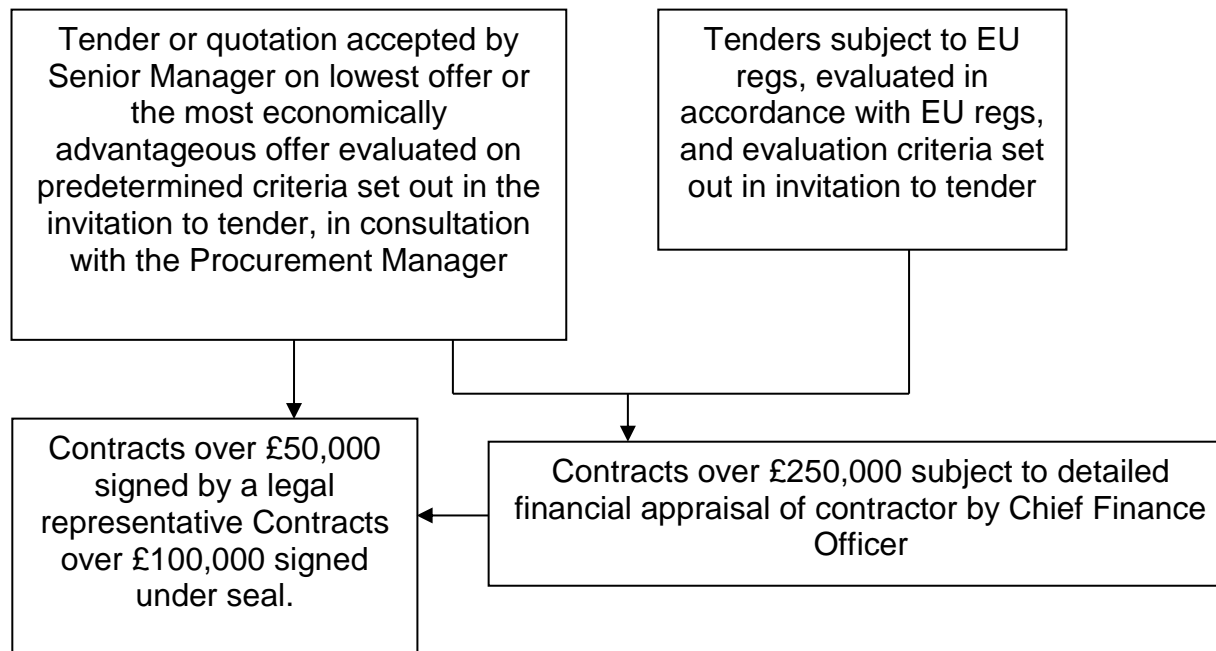
The exemption pursuant to paragraph 8(5)(j) provides that the contract thresholds and tendering procedures will not apply where, in relation to special education and social care contracts, if in the opinion of the Senior Manager and the Monitoring Officer, it is considered necessary in the Combined Authority's interests and to meet its obligations under relevant legislation.

1. In approaching the provision of all services, the Combined Authority must always aim to achieve value for money and to demonstrate compliance with its obligations in terms of undertaking fair and transparent procurement processes.
2. It is recognised that in the education and social care areas individual needs will need to be met in accordance with the Combined Authorities legal responsibilities. Where possible, services should be provided through providers who have been procured through the Combined Authorities normal procurement processes to ensure value for money and appropriate service standards will be achieved.
3. The exemption from the Combined Authority's standard tendering thresholds and requirements will be relevant where:
 - an individual's needs are so special that the Combined Authority's contracted service providers are unable to meet the need, or
 - the Combined Authority's contracted service providers do not have the capacity to provide the service required; and
 - the needs are genuinely urgent and there is no time to procure services through the normal route, or the service required is so specialist that there is only one available provider
4. In each case the Standing Orders require the Senior Manager and Chief Finance Officer to agree the criteria are met. A form in the same format as that used for waiver of standing orders should be completed, signed by the above, kept by the service area and copied to Chief Finance Officer.
5. An overarching contract (i.e. a framework agreement) or placement agreement (i.e. individual call off/order placed under the framework agreement) should still be entered into to ensure clarity of the arrangements between the two parties.

Appendix 4 Procurement Process Flowchart

Start Procurement Process by consulting with Strategic Procurement





The flowchart represents a summary of Combined Authority’s Standing Orders with respect to Contracts.

The diagram is designed to assist officers in understanding the contract process but is not a comprehensive model. If in doubt reference should be made to full Contract Standing Orders – or advice sort from the Strategic Procurement Service.

Appendix 5 Threshold Bands Chart

Banding Threshold	Number of tenders / quotations to be sought	Records required	Method of invitation	Responsible
Up to £10,000	RFQ – one quote required	Written quotes	Verbal or written quote for under £10K, e-tendering system for over £10K.	Senior Manager for under £10K
Up to £50,000	Tenders required unless Procurement Team agree VFM achieved by seeking one quote	Written record		Procurement Team for over £10K
Over £50,000	Tender exercise	Written Record	E Tendering System	Procurement Team

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

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