

Cabinet

Tuesday, 28 January 2020 at 2.00 pm

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

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SUPPLEMENTAL AGENDA

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Overview and Scrutiny Committee Report to Cabinet

28 January 2020

Subject: North of Tyne Combined Authority 2020-2024 Budget Proposals

Report of: Overview and Scrutiny Committee

Report Summary

The purpose of this report is to present to Cabinet the response of the Overview and Scrutiny Committee to its proposals for 2020-24 Budget for the North of Tyne Combined Authority.

Recommendations

The Overview and Scrutiny Committee makes the following recommendations:

- 1) Cabinet accepts this report as the response from the Overview and Scrutiny Committee to the 2020-24 Budget proposals for the North of Tyne Combined Authority and takes its comments and observations into account when agreeing the Budget at its meeting on 28 January 2020;
- 2) Cabinet formally reviews the agreed budget proposals after six months; and
- 3) Cabinet includes in the Budget Setting timetable for 2021-22 more details on who will be consulted on the draft proposals and when and makes provision for members of the public to be able to comment if they so wish.

1. Introduction

- 1.1. In accordance with the Budget and Policy Framework Rules of Procedure (Part 3.2 of the Constitution) the Overview and Scrutiny Committee has a particular role in the setting of the North of Tyne Combined Authority's (NTCA) budget.
- 1.2. This report details the scrutiny of the proposed budget undertaken by the Committee and makes the Committee's recommendations to Cabinet.
- 1.3. Cabinet must have regard to any recommendations and/or observations from the Overview and Scrutiny Committee when finalising the Authority's budget. The final budget proposals are expected to be agreed at the Cabinet meeting to be held on 28 January 2020.

2. Budget process

- 2.1. At its 8 October 2019 meeting the Overview and Scrutiny Committee received a report on the 2020/2024 Financial Planning and Budget Process which provided information in relation to the proposed 2020/24 Financial Planning and Budget process, including the development of a Medium-Term Financial Strategy (MTFS), the development of the detailed budgets for 2020/21 and the timetable for the setting of the budget.
- 2.2. The Committee noted the work on the Deed of Cooperation to allow NTCA to become the accountable body for the North East Local Enterprise Partnership (LEP) and the development of a borrowing limit for the combined authority. The budget setting timetable was agreed and that, once available, further information on the 5-yearly gateway review process would be shared with the committee.

3. Draft budget proposals

- 3.1. Cabinet met on 17 December 2019 to consider and agree the draft budget proposals for the NTCA and the medium-term financial plan for the period 2020-2021 to 2023-24. These draft budget proposals and accompanying information were then referred to the Overview and Scrutiny Committee.
- 3.2. The Overview and Scrutiny Committee met on 18 December 2019 to receive the draft budget proposals and accompanying information and the medium-term financial plan for the period 2020-2021 to 2023-24 and noted the following:
 - It was confirmed that the Mayor would not be setting a Mayoral precept for 2020-21.
 - It was confirmed that when progress on the Investment Fund was reported to the Overview and Scrutiny Committee, through the quarterly budget monitoring

reports, the budget table would reflect the position at the time of the report in the current years' column and show the expected positions in columns for the next three years.

- That the funding provided by central government for costs associated with Brexit were separate and did not form part of the reserves for the NTCA.
- That the North East Combined Authority (NECA) was the current accountable body for the LEP but it was anticipated that the NTCA would take over this role in due course.

3.3. The Committee requested information on the levels of grant funding for the LEP to be presented to the budget workshop in January if it was known or, if it wasn't, for information on the previous year's budget to be provided as a guideline.

4. Budget workshop

4.1. The Overview and Scrutiny Committee agreed in July that as part of its work programme it would hold a workshop in January 2020 to consider in detail the Authority's draft budget proposals. This workshop took place on Wednesday 15 January 2020.

4.2. Due to the short timeframe between the workshop and the Cabinet meeting, the Committee agreed at its meeting on 18 December 2019 to grant authority to the Chair of the Committee, in consultation with the Vice Chair, to approve the final wording of any recommendations in relation to the budget proposals agreed at the budget workshop for submission to Cabinet on 28 January 2020.

4.3. The Chief Finance Officer (Interim Section 73 Officer) and the Mayor attended the budget workshop to present information on what had changed in the proposals since the draft proposals were considered by the Committee at its meeting in December 2019, discuss the proposals and to answer questions.

4.4. Information presented to the Members included the process the NTCA would need to undertake to receive borrowing powers and also updated information on the draft Investment Fund Budget. To date 25 projects had been agreed, committing £20.9m of the Investment Fund, with a further £67m projects in the pipeline identified through recent sector commissioning work. The investment to date had secured over £99.9m of additional funding into the NTCA area (including the Inward Investment Fund of £57m) through the provision of match funding, and the expectation that around 2,500 jobs will be created. In response to a question on the types of jobs being created, the Members were informed that they were anticipated to be sustainable office-based jobs.

4.5. The Members noted that the Business Rates Retention Pilot would not continue beyond 2019-20 and that no assumptions had been made in the budget for either

what the value of that additional income would be or that it would be continued going forward. The value of the additional income would be confirmed when the final NNDR3 return (National Non-Domestic Rates outturn position) was completed for the pool during May 2020 and any additional growth secured would be available to the NTCA to further support the delivery of the Vision with the three constituent authorities.

- 4.6. When discussing the devolution of the draft Adult Education Budget (AEB) Members sought reassurance that the grant awards would not be used to continue the existing provision unless the existing provision could demonstrate that it met the NTCA's values and objectives and provided value for money. Whilst accepting that continuity of provision was important, there was concern that the three big colleges (Northumberland, Newcastle and Tyne Coast Colleges) potentially received all the attention and resources, resulting in smaller providers being unable to compete with those colleges, despite offering the same/similar course, of a same/similar standard, closer to the students' homes, which then also impacted on the viability of the smaller providers. In addition, when discussions with providers took place an element of understanding how they would promote the course or communicate with potential students needed to be understood. This was because Members had significant anecdotal evidence of people in their areas travelling to Newcastle when the course was available nearer their home. It was considered that a re-balancing of offer might be a useful exercise to undertake for the first full year of the devolved AEB. Members also noted that each constituent authority would have a role in providing adult education and the importance of not duplicating effort.
- 4.7. Members noted that the proposals also included the medium-term financial plan for the period 2020-21 to 2023-24 as well as the corporate budget for 2020-21, the Treasury Management Strategy, the draft Investment Fund and the draft Adult Education Budget. The proposals indicated that they would be 'regularly reviewed as the delivery of key priorities and actions progress' (page 3, para 1.1 of the draft proposals). As this was the first full year of the NTCA, the Authority was taking on a new role as the accountable body for the LEP (see below) and the anticipated AEB, the Members considered that there should be a formal review by Cabinet after six months. Members would also be requesting a six-month review be added to the Overview and Scrutiny Committee work programme for 2020-21.
- 4.8. Whilst acknowledging that the budget for the NTCA was fundamentally different from a budget for a local authority, the Members did consider that as the NTCA developed and increased its profile in the area residents and stakeholders would be interested in the Authority's budget proposals and would expect a mechanism for viewing them in a more accessible way than a formal Cabinet report and to have the opportunity to comment on them. The Members supported the idea of co-production and co-design of schemes in general but, in order to seek the opinions of people who were not directly engaged with those groups and organisations, an engagement plan should

be developed including a section of the NTCA website dedicated to the budget which could show what the proposals were and include a mechanism for providing feedback on the draft proposals.

5. Treasury Management

- 5.1. In accordance with the NTCA Treasury Management Strategy, responsibility for ensuring effective scrutiny of the treasury management strategy and policies is delegated to the Overview and Scrutiny Committee. Responsibility for the implementation and regular monitoring of its treasury management policies and practices is delegated to the Audit and Standards Committee. The Treasury Management strategy must be approved every year and the strategy for 2020-21 was included as part of the draft budget proposals.
- 5.2. When the Committee considered the NTCA budget in February 2019 it requested that training on Treasury Management be provided to Councillors appointed to the NTCA. This training took place on 10 December 2019.
- 5.3. Having considered the draft Treasury Management Policy Statement and Strategy for 2020-21 the Members were satisfied with the reporting regime as set out on page 2 and the attitude to risk on investments detailed in the Investment Policy section on pages 7 and 8. The Members noted and welcomed that the appointment process for external treasury management advice was progressing, with an appointment expected by the new financial year, and that additional work will progress during 2020-21 to identify potential synergies from the alignment of the NTCA Treasury Management strategy with those of the constituent authorities.

6. North East Local Enterprise Partnership

- 6.1. It was noted that when the NTCA was established the seven North East authorities agreed that the former accountable body responsibilities should be shared between the new North East Combined Authority (NECA) and NTCA. The intention was that the NTCA will take on the accountable body function for the North East Local Enterprise Partnership (LEP), while NECA would continue to act as the accountable body for the Joint Transport Committee.
- 6.2. At the workshop the Committee received illustrative information on the budget for 2020/21 and 2021/22 from May 2019 to understand how the LEP was financed for when the NTCA becomes the Accountable Body for the LEP. It was noted that a further report will be submitted to Cabinet once the LEP have made their decision regarding the accountable body function.
- 6.3. The Members had no specific comments to make on the LEP as part of the budget proposals and looked forward to learning more about the LEP as part of the Overview

and Scrutiny Committee's own work programme once the NTCA became its accountable body.

7. Conclusion

In conclusion, the Overview and Scrutiny Committee complimented the officers on clear presentations throughout the budget setting process and welcomed the focus on delivering the Devolution Deal and passing the Gateway Review. As this was the first full year of the NTCA the Members believed it was appropriate to review this budget in six-months. The Members also consider that a review of the budget setting process should be undertaken before the process begins next year with a view to providing more information on who is being consulted and when and to provide an opportunity for the public to comment.

The Overview and Scrutiny Committee:

- a) Notes the draft Corporate budget for 2020-21 as set out in Paragraph 1.1 of Cabinet's budget proposals;
- b) Notes the draft Investment Fund as set out in paragraph 1.2 of Cabinet's budget proposals;
- c) Notes the draft Adult Education Budget as set out in paragraph 1.3 of Cabinet's budget proposals but expresses the concerns relating to the AEB grant allocation process outlined in paragraph 4.6 above to the Cabinet Member for Employability and Inclusion;
- d) Notes the draft Treasury Management Strategy 2020-21 as described in paragraph 1.5 of Cabinet's budget proposals and attached as an Appendix;
- e) Considers that Cabinet should undertake a formal review of the agreed budget proposals after six months; and
- f) Considers that Cabinet makes provision for residents and stakeholders to comment on the budget.

8. Background papers

[2020/2024 Financial Planning and Budget Process Report to Cabinet, 26 September 2019](#)

[NTCA Budget Proposals 2020-2024 Report to Cabinet, 17 December 2019](#)

[Minutes of NTCA Overview and Scrutiny Committee meetings held on 8 October and 18 December 2019](#)

[Overview and Scrutiny Committee Work Programme for 2019/20 Report to Overview and Scrutiny Committee 2 July 2019](#)
[North of Tyne Combined Authority Treasury Management Strategy 2019/20](#)
[North of Tyne Constitution](#)

9. Contact Officer

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Subject: NTCA Budget Proposals 2020-2024 – Update on support arrangements to the North East Local Enterprise Partnership and the Joint Transport Committee

Report of: Janice Gillespie, Chief Finance Officer

Report Summary

This paper seeks authority to finalise the arrangements between NTCA, NECA and the seven local authorities regarding the support provided to the North East Local Enterprise Partnership (LEP) and the Joint Transport Committee (JTC).

Recommendations

The Cabinet is recommended to:

1. Authorise the Head of Paid Service, in consultation with the Mayor, to finalise the arrangements between both combined authorities and the seven local authorities regarding the support arrangements to the LEP and JTC as described in this report,
2. Authorise the Monitoring Officer to complete a new Deed of Co-operation and a new Accountable Body Agreement as described in this report: and
3. Authorise the Chief Finance Officer and the Monitoring Officer to take such other steps as are necessary to give effect to the proposals in this report.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 As part of the process of establishing NTCA, it was recognised that joint working would be maintained across the region in terms of the continued operation of the LEP and the creation of the JTC through which NECA and NTCA would exercise transport functions jointly.
- r1.2 The LEP, which is a partnership of private sector and public sector representatives, is not a corporate entity and, as such, it cannot hold funding and property or employ staff in its own right. It can only do so through a legal entity acting on its behalf as an “accountable body”. Sunderland City Council acted as the accountable body for the LEP when it was first established and then NECA took over this role when it was established. Similarly, the JTC is not a legal entity and it also requires an accountable body to operate effectively (eg as the recipient of grant funding).
- 1.3 Prior to the creation of NTCA, the seven local authorities and NECA entered into a Deed of Co-operation which set out the parties’ intention that NECA would be the accountable body for the JTC and NTCA would be the accountable body for the LEP. Work has been on-going since then to finalise the practical arrangements, such as the associated staffing transfers and provision of support services through SLAs. A key element of this work related to the sharing of pension assets and liabilities between the combined authorities to support the proposed arrangements. This work is nearing completion and it is intended that the agreed arrangements shall be put in place with effect from 1 April 2020. As part of this process, it will be necessary for the seven local authorities and both combined authorities to enter into a new Deed of Co-operation. The combined authorities (together with the LEP) will also need to enter into a further agreement to regulate the transfer of the LEP accountable body role from NECA to NTCA. Therefore, this report recommends that officers are given delegated authority to finalise these legal documents and the practical arrangements necessary for these purposes.

2. Potential Impact on Objectives

- 2.1 The proposals in this report are intended to put into effect the sharing of the accountable body roles in line with the principles previously agreed by the authorities.

3. Key Risks

- 3.1 There are no key risks identified at this time. The legal documentation will set out how costs and liabilities are shared between the parties.

4. Financial and Other Resources Implications

- 4.1 The Deed of Co-Operation sets out the requirement that “there shall be no financial or operational detriment to the North East LEP operations as a consequence of the New Order or any change in the Host Combined Authority”. The key area of concern/risk is with regard to the Pension fund and any changes to the employer’s pension contribution rates. The Chief Finance Officers from across the LEP area authorities have been working together on a proposed solution that will secure as far as is reasonable the financial requirements of the

LEP, the solution also secures no detrimental financial implication for this authority. There are no proposed changes required to the 2020-21 budget for this authority, other than the requirement to include the LEP budget at the appropriate time, in order to be in place for 1 April 2020.

5. Legal Implications

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

6. Consultation/Engagement

6.1 As set out above, the proposals in this report are intended to put into effect the sharing of the accountable body roles in line with the principles previously agreed by the authorities.

7. Appendices

7.1 None.

8. Background Papers

8.1 None.

9. Contact Officers

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10. Glossary

10.1 JTC – Joint Transport Committee
LEP – North East Local Enterprise Partnership
NECA – North East Combined Authority

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