

Leadership Board

Tuesday 16th January, 2018 at 2.00 pm

Meeting to be held: Committee Room, Civic Centre, Regent Street, Gateshead, NE8 1HH

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AGENDA

Page No

1. **Appointment of Chair for the Purpose of the Meeting**
2. **Apologies for Absence (Members)**
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 handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

4. **Minutes of the Previous Meeting Held on 21 November 2017** 1 - 6

For approval as a correct record.

5. **Minutes of the Extraordinary Meeting Held on 12 December 2017** 7 - 8

For approval as a correct record.

6. **Updates from Thematic Leads**

(a) **Economic Development and Regeneration** 9 - 20

(b) **Employability and Inclusion** 21 - 34

(c) **Transport and Digital Connectivity**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

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|-----|--|------------------|
| 7. | Budget 2018/19 and Transport Levies | 35 - 84 |
| 8. | Capital Programme 2018/19 and Treasury Management Policy and Strategy 2018/19 | 85 - 118 |
| 9. | Project Approvals: South Shields Transport Interchange Local Growth Fund Approval | 119 - 126 |
| 10. | Metro Futures New Fleet Procurement Update | 127 - 144 |
| 11. | The setup of a not for profit company - Company Limited by Guarantee | 145 - 154 |
| 12. | Date and Time of Next Meeting | |
| | Tuesday, 20 March 2018 at 2pm at South Tyneside Council. | |
| 13. | Exclusion of Press and Public | |
| | Under section 100A and Schedule 12A Local Government Act 1972 because exempt information is likely to be disclosed and the public interest test against disclosure is satisfied. | |
| 14. | Confidential Minutes of the Previous Meeting Held on 21 November 2017 | 155 - 156 |
| | For approval as a correct record. | |
| 15. | Confidential Minutes of the Extraordinary Meeting Held on 12 December 2017 | 157 - 160 |
| | For approval as a correct record. | |

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To All Members

Leadership Board

21 November 2017

Meeting held: Committee Room, Town Hall, Westoe Road, South Shields, NE33 2RL

Present:

Mayor N Redfearn (Chair)

Councillors N Forbes, M Gannon, P Jackson, I Malcolm and H Trueman and Mr A Hodgson

40 APOLOGIES FOR ABSENCE (MEMBERS)

An apology for absence was received from Councillor S Henig.

41 APPOINTMENT OF CHAIR FOR THE PURPOSE OF THE MEETING

RESOLVED – That Mayor N Redfearn be appointed as Chair for the purpose of the meeting.

42 DECLARATIONS OF INTEREST

There were no declarations of interest.

43 MINUTES OF THE PREVIOUS MEETING HELD ON 19 SEPTEMBER 2017

The minutes of the previous meeting held on 19 September 2017 were approved as a correct record and signed by the Chair.

44 THE APPOINTMENT OF THE INDEPENDENT VICE-CHAIR OF THE OVERVIEW AND SCRUTINY COMMITTEE

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

Members considered the report which recommended appointment of the Independent Vice-Chair of the Overview and Scrutiny Committee of the North East Combined Authority, following the recent recruitment and selection exercise.

RESOLVED – That Mr Simon Hart be appointed as the Independent Vice-Chair of the Overview and Scrutiny Committee for an initial term of 3 years.

45 UPDATES FROM THEMATIC LEADS

(a) **Economic Development and Regeneration**

Submitted: An update report of the Thematic Lead for Economic Development and Regeneration (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority. The Chair welcomed the report.

RESOLVED – That:

- i. The report be noted; and
- ii. The Leadership Board agreed to the key messages, as set out in the report and endorsed by the Economic Development and Regeneration Advisory Board, to inform the UK Shared Prosperity Fund development.

(b) Employability and Inclusion

Submitted: An update report of the Thematic Lead for Employability and Inclusion (previously circulated and copy attached to Official Minutes).

Members considered the report which provided information on the latest progress made in delivering the Employability and Inclusion and Skills themes of the Strategic Economic Plan. The Chair welcomed the report.

RESOLVED – That:

- i. the report be noted; and
- ii. the Leadership Board noted the intention to respond to the Department for Work and Pensions (DWP) with regard to both their action to vary the contract and the process of decision-making on locally delivered programmes to meet strategic priorities as referred to in section 1.13 of the report.

(c) Transport and Digital Connectivity

Submitted: An update report of the Thematic Lead for Transport (previously circulated and copy attached to Official Minutes).

Members considered the report which provided an update on progress regarding activities that were helping to deliver the key principles of the Transport Manifesto.

The Thematic Lead for Transport asked that thanks be recorded to Councillor Marshall for his work in representing NECA on Transport for the North and Rail North. Thanks were also offered to all constituent local authorities.

As an update, it was noted that an announcement was expected from the government on the new Metro fleet, possibly as part of the Autumn Budget 2017. The Chair referred to the impact of transport on jobs and productivity and expressed hope that the government would appreciate this important relationship.

Also as an update, it was noted that, at its meeting earlier today, the Transport North East (Tyne and Wear) Sub-Committee had agreed the new approach to the Metro and Ferry ticketing.

The Chair welcomed the report.

RESOLVED – That the report be noted.

46 **DRAFT BUDGET 2018/19 AND TRANSPORT LEVIES**

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

Members considered the report which set out the key budget issues, principles and proposals that were likely to be included in the 2018/19 budget report for the North East Combined Authority.

As an update on the consultation process to date, it was noted that, at its meeting earlier today, the Transport North East (Tyne and Wear) Sub-Committee had considered the proposed draft transport budget for Tyne and Wear and the proposals with regard to the tolls for the Tyne Tunnels.

RESOLVED – That:

- i. The report be noted;
- ii. The budget approach of setting out a detailed revenue budget for 2018/19 as another transitional year, while the future role and responsibilities of NECA were clarified, be agreed. This would take into account the need to meet the statutory responsibilities of NECA that would continue in 2018/19 as well as the need to achieve savings to help constituent authorities deal with reductions in their transport funding as part of continuing Government austerity measures. Indicative transport budgets would be set out over a three year period, where it was possible to do so;
- iii. The following proposals for the basis of consultation about the NECA 2018/19 Revenue Budget be agreed:
 - a. The Transport Budget for Tyne and Wear was indicatively proposed to be set at £61.800m which was a further reduction of £1.240m (1.97%) compared with the budget for 2017/18. The budget savings needed to deliver this were expected to be made in 2018/19 without any significant impact on transport services, through efficiencies and temporary use of Nexus reserves.
 - b. The indicative Transport Budget and Levy for the Durham County Council area was expected to be £15.690m, which was a small net increase of £0.208m (1.3%). No significant reductions in services were envisaged for 2018/19.

- c. The indicative Transport Budget and Levy for the Northumberland County Council area was expected to be £6.199m, which was a small net decrease of £0.023m. No significant reductions in services were envisaged for 2018/19.
 - d. The £250k contribution towards the North East LEP, which was required to match fund government grant, was proposed to be continued in 2018/19.
 - e. NECA would need to maintain sufficient capacity to meet its statutory requirements. It was proposed that the level of corporate contributions from the constituent authorities was maintained at £300k.
 - f. The contribution to the Invest North East England team was subject to discussion with constituent councils and the North East LEP. The current council contributions of £140k were proposed to be maintained for 2018/19, as part of an overall budget of at least £461k.
 - g. The North East LEP budget was being prepared to reflect its responsibilities and the estimated available resources for 2018/19. A draft budget had been prepared and more detailed information would be included in the January Leadership Board report.
 - h. NECA would need to set out a balanced budget for 2018/19, maintaining a sufficient but minimal level of reserves to managed risk and would set out a treasury management strategy for borrowing and lending which would comply with the Prudential Code.
- iv. The following be agreed in relation to the tolls on the Tyne Tunnels:
- a. The increase in tolls for class 3 vehicles from £3.30 to £3.40 to take effect during February 2018, as set out in sections 2.1.17 to 2.1.20 of the report, with tolls for class 2 vehicles (cars) being maintained at £1.70 be agreed;
 - b. The continuation of the 10% discount for permit holders as set out in section 2.1.20 of the report be approved; and
 - c. The Monitoring Officer be authorised to publish the relevant notices and submit the necessary documentation to the Secretary of State, as prescribed in the River Tyne (Tunnels) (Modification) Order 2011.
- v. This report, which had already been circulated to start a two months budget consultation period, be updated to reflect any changes agreed at this meeting and be re-circulated as part of the budget consultation.

47 **TREASURY MANAGEMENT 2017/18 MID-YEAR REVIEW**

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

Members considered the report which provided a summary of the treasury management activity during 2017/18, which was in line with the original budget for the year and no changes were proposed as part of this mid-year review.

RESOLVED – That:

- i. the investment criteria and limits set out in section 2.10 be noted; and
- ii. the updated 2017/18 prudential indicators set out in section 2.11 be noted.

48 **ENTERPRISE ZONE IMPLEMENTATION UPDATE**

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

Members considered the report which sought their approval to enter into an overarching Business Rate Growth Income (BRGI) Agreement as the accountable body for the North East Local Enterprise Partnership (North East LEP).

RESOLVED – That:

- i. Agreement be given to entering into the overarching Enterprise Zone Pooled Business Rate Income Agreement in the form approved by the Monitoring Officer, having consulted the Chief Finance Officer and the Head of Paid Service. The Agreement would be with its seven constituent authorities, and NECA would enter into the agreement in its capacity as the accountable body for the North East LEP. The agreement would not be entered into without the prior approval of the North East LEP Board; and
- ii. Agreement be given to arranging the use of NECA’s internal funds or external borrowing where it was necessary to repay the LEP’s North East Investment Fund (NEIF) or the Local Growth Fund (LGF) in respect of Round 1 funding agreements set out in section 8.1 of the report, where it was requested to do so by the constituent authority and where it had the legal power to do so.

49 **PROJECT APPROVALS – INTERNATIONAL ADVANCED MANUFACTURING PARK (IAMP) AND GATESHEAD QUAYS**

RESOLVED – That agreement be given to consideration later at the meeting of a **replacement and**, by reasons set out in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, **now confidential report** titled “Project Approvals – International Advanced Manufacturing Park (IAMP)” on the grounds of urgency due to the timetabled involved, following the exclusion of press and public.

50 **DATE AND TIME OF NEXT MEETING**

Tuesday, 16 January 2018 at 2pm.

51 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 press and public be excluded for the remainder of the meeting during the consideration of agenda items 13 (Confidential Minutes of the Previous Meeting held on 19 September 2017) and 14 (Project Approvals – International Advanced Manufacturing Park (IAMP)) because exempt information was likely to be disclosed and the public test against the disclosure was satisfied.

Leadership Board (Extraordinary Meeting)

12 December 2017

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

Present:

Mayor N Redfearn (Chair)

Councillors W Daley, N Forbes, M Gannon, S Henig, I Malcolm and H Trueman and Mr A Hodgson

54 APOLOGIES FOR ABSENCE (MEMBERS)

An apology for absence was received from Councillor P A Jackson.

55 APPOINTMENT OF CHAIR FOR THE PURPOSE OF THE MEETING

RESOLVED – That Mayor N Redfearn be appointed as Chair for the purpose of the meeting.

56 DECLARATIONS OF INTEREST

Councillors I Malcolm and H Trueman declared an interest in agenda item 5 (Project Approvals - International Advanced Manufacturing Park (IAMP)) as the Leaders of the local authorities that promoted the proposed scheme and that Sunderland was the grant recipient, with South Tyneside also receiving a benefit as a result of the grants. The Monitoring Officer confirmed that dispensations had been granted to each of them in respect of these types of interest. Accordingly, they remained at the meeting and participated in the decision-making on this item.

Councillor M Gannon declared an interest in agenda item 6 (Project Approvals – Gateshead Quays) as the Leader of Gateshead Council, which was the proposed grant recipient. The Monitoring Officer confirm that dispensation had been granted to him in respect of this type of interest. Accordingly, Councillor Gannon he remained at the meeting and participated in the decision-making on this item.

57 EXCLUSION OF PRESS AND PUBLIC

RESOLVED – That by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 press and public be excluded from the meeting during the consideration of agenda items 5 (Project Approvals – International Advanced Manufacturing Park (IAMP)) and 6 (Project Approvals – Gateshead Quays) because exempt information was likely to be disclosed and the public interest test against the disclosure was satisfied.

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Leadership Board

Date: 16th January 2018

Subject: Economic Development and Regeneration Theme Update

Report of: Economic Development and Regeneration Thematic Lead

Executive Summary

The purpose of this report is to provide an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority.

Recommendations

The Leadership Board is recommended to:

- i. note this report for information

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1. Background Information

- 1.1 This report provides an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority, including:
- Inward Investment North East Update
 - Government Policy update
 - Brexit Monitoring
 - European Structural Investment Fund Update
- 1.2 The Leadership Board is recommended to receive the update for information.

2. Inward Investment North East (INEE) Update

2.1 Successes to date 2017/18

In the first two quarters of 2017/18 there have been a total of 49 inward investment successes into the NECA area. These investments will lead to the creation of 1,208 jobs. 38 projects and 1,053 jobs are a result of foreign direct investment. 11 projects and 155 jobs are from UK companies, not previously in the North East, investing in the area.

Compared to the same period last year, this represents a greater number of successful projects (49 vs 38) but a lower number of jobs (1,208 vs 3,993). The exceptional job creation figures recorded last year reflects the fact that six large business services investments at Resq, Teleperformance, Convergys, Accenture and Sitel all landed in the first six months and created over 3,000 jobs between them.

Key investments in this period included:

- Faerchplast - (advanced manufacturing; Denmark)
- Komatsu - (advanced manufacturing; Japan)
- Phonovation - (IT/digital; Ireland)
- Panther Group - (advanced manufacturing; UK)
- Norton Rose Fulbright - (FPBS; Switzerland)
- DRS - (FPBS; UK)
- Global Marine Systems - (energy; USA)
- Smulders Projects UK - (energy; Belgium)
- METEC - (advanced manufacturing; Italy)
- Lear Corporation - (automotive; USA)
- CT Automotive - (automotive; UK)

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2.2 Current Enquiries

The Invest North East England (INEE) Team is very busy handling a range of enquiries. Good quality enquiries have been generated through the OCO contract in London, direct via the INEE website, and through DIT. Current enquiries on the INEE pipeline include both UK and foreign owned enquiries in a number of sectors from life sciences, software, contact centres, automotive and other advanced manufacturing including offshore energy. Of particular interest is a very significant potential advanced manufacturing enquiry for the energy sector, a significant enquiry from a large US software company and a number of potentially significant business services enquiries.

2.3 Marketing and Events

The INEE team, with support from the North East Local Enterprise Partnership communications team and Sarah Hall Consulting, continues to improve and refresh a range of marketing materials, website and plan/deliver campaigns. Over time, it is expected that this will generate new investment enquiries in addition to raising the profile of the region nationally and internationally. Key elements of this include:

Marketing Collateral

- A general INEE Brochure has been completed (Aug 2017)
- Sector specific inserts are being produced (to date Offshore Wind, BPO, Immersive Tech and Video Games have been completed for specific events that INEE has attended in 2017)
- INEE is continuing to produce additional inserts – INEE is looking to produce these inserts on small print runs as well as electronically so visitors to the website can download the information / INEE team can send electronically

Website

- INEE team is continually refreshing website content, adding news stories and images to keep the website up to date and relevant. New pages include Immersive Technology and a revised Offshore Wind page. Videos have also been sourced and added where appropriate
- INEE has sourced a number of 'guest bloggers' to produce relevant and interesting news stories and comment and have coordinated 3 x new blogs for early 2018
- INEE is producing new case studies for key companies in the North East

Press

- INEE Director editorial featured in the Journal Top 200 (Nov 2017)
- Various press releases on successes/ events featured in regional press throughout the year
- BQ Handbook 2018 – INEE has provided refreshed copy for a regional double page spread

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- INEE has sponsored the Inward Investment 'Hot Topic' page on Bdaily and providing sponsored content on a monthly basis to feature across the Bdaily websites (nationally)

Social Media

- Twitter and LinkedIn social platforms continue to grow in followers and impressions
- A new Facebook page has been produced to dovetail with the digital campaign

Digital Campaigns

- INEE has launched two digital campaigns around key sectors – FPBS and Offshore Wind
- Both are targeted at CEOs / CFOs / key decision makers in target markets and geographical locations (FPBS = London + South East / Offshore Wind = Germany, Denmark, Holland, Aberdeen)
- Digital adverts are on social platforms including Facebook, LinkedIn, Media IQ
- INEE will review the success of the campaigns in January 2018
- Key pages on the INEE website are being refreshed to complement the digital campaigns and social activity is being produced internally to dovetail the promotion of the key sectors

Following the completion of the Offshore Energy Study, INEE has produced a strategy document and recommendations for taking this work forward. A working group from across the local authorities and three main ports has been established with a view to developing a new offshore energy focussed website and new marketing collateral as well as proactively engaging with potential energy sector investors.

Events

The INEE team has attended a number of events in 2017 which align with some of the key priority sectors which are being targeted for investment. These included:

- **NOF Energy – A Balanced Future**, March 2017. INEE attended this annual energy conference. The team organised a boat trip down the Tyne to coincide with the beginning of the conference. This was attended by over 100 people and generated some investment leads.
- **MIPIM London**, October 2017. As in previous years, the INEE team represented the region at MIPIM UK with support from individual local authorities and private sector sponsors. A range of regional development opportunities were showcased. Feedback received to date from the private and public sectors has been excellent. A report on this event is attached for information.
- **Vrtgo Conference**, November 2017. Following a very successful Vrtgo Conference for the Virtual Reality/Immersive Reality tech sector in Gateshead in

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2016, INEE worked with a range of partners, including local authorities, DIT, the Digital Catapult and an events management company, to attract potential inward investors to the conference. A 'wrap around' programme of activity was developed in addition to the conference to showcase the strength and assets of the digital and tech sector in the North East. Six overseas companies and five out of region UK companies attended the 'wrap around' programme of activity and INEE is in discussion with three overseas companies about possible projects in the area.

- **TIGA Awards**, November 2017. INEE sponsored a category at this key games industry awards in London with the objective of raising the profile of the digital gaming sector in the North East. A separate pre-awards lunch was arranged to showcase the strength of the gaming sector and opportunities in the region.
- **Offshore Wind Week North East**, November 2017. For the past two years in November, the offshore wind industry has come together to create Offshore Wind Week to promote the capabilities of the UK offshore wind supply chain and present the UK as an attractive inward investment proposition. Working with NOF Energy, INEE and Tees Valley Unlimited sponsored a three day series of events in the North East of England. The primary objective was to get a number of inward investors to visit the region, meet key players in the sector and to visit the sites and support assets. The event was a great success and key potential investors visited various sites and assets in the NECA area.

2018 Events Programme

INEE is preparing a programme of events that it is considering attending on behalf of the region in 2018. This will be discussed at the regular Marketing Meeting scheduled for February 2018 so that INEE's programme of events can be coordinated with those of individual local authorities.

2.4 Invest North East England Proactive Lead Generation

The INEE team continues to increase the size and quality of the investment enquiry pipeline through a more proactive approach to generating new investment enquiries. INEE appointed OCO Global as a lead generation consultant in March 2017. OCO Global is providing in-market representation for INEE in London and the South East.

The focus of the contract is twofold:

- Actively generate new leads for the North East, with a particular focus on software/digital, and financial, professional and business services (with a light-touch on advanced manufacturing)
- Work with key London-based intermediaries (e.g. property agents, solicitors, accountants, Venture Capitalists etc.) to ensure they understand the North East offer to companies so they will consider the area for current and future client requirements.

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The contract was for an initial period of six months with a possible extension of a further year. The contract has proved to be very worthwhile with a number of excellent projects added to the pipeline. Projects with a potential to create between 500 and 1,000 jobs have already visited the region.

The initial contract review has now taken place and after consultation with the Investment Gateway Management Group and the NECA Thematic Lead for Economic Development and Regeneration a contract extension of six months has been awarded. The team has visited London a number of times to meet some key contacts and leads generated by OCO Global and further trips are scheduled.

2.5 DIT Account Management Resource

Contracts have recently been put in place to broaden the delivery of Strategic Account Management of foreign owned firms in the North East. DIT Northern Powerhouse (NPH) have committed £145k of funding through a contract with NECA to enable local authority partners to deliver additional account management which adds value to the existing arrangements delivered by DIT.

The initial operational period of this contract has been successful. It is anticipated that a similar resource will be available from DIT next financial year.

3. Government Policy Update

3.1 Budget 2017

The November Budget 2017, the first from the current Government, was accompanied by a downgrading of the OBR's growth forecast, with GDP now expected to be 4.2 percentage points lower in 2021 than it was expected to be in March. The downgrades have pushed up projections for government borrowing, despite further cuts to departmental spending and welfare in this Parliament; nonetheless, the OBR expects the Government's fiscal targets to be met. Many of the announcements included in the Budget were concerned with housing and measures to improve productivity, as well as the government's Industrial Strategy. Measures to increase productivity include the National Productivity Investment Fund (NPIF), created at Autumn Statement 2016, R&D, training and education and digital communications. In terms of local growth the budget referenced activity underway through the Northern Powerhouse as well as announcing the North of Tyne 'minded-to' Devolution Deal and the £337m to upgrade the Tyne and Wear Metro.

3.2 Industrial Strategy

Following the publication of the Industrial Strategy Green paper in February

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2017, and a subsequent consultation, on 27th November 2017 HM Government published the Industrial Strategy White Paper, with the aim of creating an economy that boosts productivity and earning power throughout the UK. The Industrial Strategy set out the five Foundations of Productivity:

- Ideas – the world’s most innovative economy
 - Increase R&D investment to 2.4% of GDP by 2027;
 - Invest £725m in a new Industrial Strategy Challenge Fund, to capture value in innovation.
- People – good jobs and greater earning power for all
 - Establishment of a technical education system;
 - £406m for maths, digital and technical education to tackle shortage in STEM skills;
 - New National Retraining Scheme supporting people to re-skill. £64m for digital and construction training.
- Infrastructure – a major up-grade to the UK’s infrastructure
 - Increase the National Productivity Investment Fund (NPIF) to £31bn for housing, transport and digital infrastructure;
 - £400m for electric vehicle charging infrastructure;
 - £1bn for digital infrastructure, including £176m for 5G and £200m for full-fibre networks;
- Business Environment – the best place to start and grow a business
 - Sector Deals: partnerships between government and industry to increase sector productivity. The first deals are in life sciences, construction, artificial intelligence and automotive;
 - Investment in innovation and high potential businesses: £2.5bn Investment Fund incubated by the British Business Bank;
 - Review launched on measures to improve productivity of and growth of SME’s, including tackling the ‘long tail’ of less productive firms.
- Places – prosperous communities across the UK
 - Local Industrial Strategies to be developed, building on economic strengths. This will be led by LEPs / Mayoral Combined Authorities;
 - £1.7bn new Transforming Cities Fund to fund projects that drive productivity by improving connections within city –regions;
 - £42m Teacher Development Premium – CPD for teachers in areas that have fallen behind.

The Industrial Strategy also set out four Sector Deals:

- Life Sciences – multi-billion pound deal ensuring the UK remains at the forefront of innovation in this sector;
- Construction: through the Construction Leadership Council a deal to

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transform the productivity of the sector:

- Artificial Intelligence – boost the UK’s global position as a leader in developing artificial intelligence technologies; and
- Automotive – transition to electric, connected and autonomous vehicles.

Four Grand Challenges were launched, as an invitation to business, academia and civil society to work together to develop new technologies and industries

- Artificial Intelligence and Data Economy – to put the UK at the forefront of the artificial intelligence and data revolution;
- Clean Growth – maximise the advantages to industry from the shift to clean growth;
- Future of Mobility – we will become a world leader in the way people, goods and services move;
- Aging Society – harness the power of innovation to help meet the needs of an aging society.

3.3

Careers Strategy: Making the most of everyone’s skills and talents

Following a detailed review of the provision of careers education for students and adults, the government has developed a national careers strategy to ensure that people understand the range of opportunities available to them in today’s economy and acquire the skills and qualifications they need to succeed in the future. The strategy sets out plans to expand the quality and quantity of provision by:

- Introducing the Gatsby Benchmarks to improve careers provision in all schools and colleges;
- A named Careers Leader in every school and college, who will be supported through a national training programme;
- 20 “careers hubs” will be funded and supported through the Careers and Enterprise Company;
- A new £5m investment fund to support the most disadvantaged pupils, delivered through the Careers and Enterprise Company;
- Career Learning Pilots;
- To improve social mobility and tackle the UK’s productivity challenges, the skills of those already in the workforce need to be developed and the government will procure a new National Careers Service to provide high-quality bespoke support for adults, with a focus on people with low qualification levels and those with special educational needs and disabilities.

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4. Brexit Monitoring

4.1 Ongoing process of phase one of negotiations

The UK government has published a joint report from the negotiators of the EU and the UK summarising the progress made on the first phase of negotiations. Agreement has been reached in principle about three major areas under consideration, which is a major milestone in the Brexit process:

- Protecting the rights of EU citizens in the UK and UK citizens in the EU
- Addressing the unique circumstance in Northern Ireland
- The financial settlement

4.2 North East Brexit Group

In the North East, early coordination between a number of organisations has led to the creation of a North East Brexit Group bringing together business network organisations, the TUC, Universities, Colleges and VONNE alongside the North East Local Enterprise Partnership and representatives of Local Authority Economic Directors.

The group is working on a number of pieces of work to highlight evidence about specific impacts of Brexit on the North East. In November 2017 the group published a response to the Migration Advisory Group enquiry on the evidence about the potential impact of a new migration policy. This is available at:

<https://www.nelep.co.uk/news/north-east-economic-partners-provide-joint-response-governments-report-immigration/>

The group is currently refreshing the joint statement which was agreed immediately after the referendum, and working on an evidence report about the concerns and issues for key North East sectors.

5. European Structural and Investment Funds

5.1 The European Structural and Investment Fund (ESIF) continues to be delivered in the North East. The region is split into two areas; More Developed (Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland) and Transitional (County Durham). An update on European Regional Development Fund, European Social Fund and European Agricultural Fund for Rural Development is provided below.

5.2 European Regional Development Fund (ERDF)

The notional allocation for the More Developed (MD) area is £152.7m, and in the Transitional (T) area is £75.4m. The overall project pipeline (including legally committed, contracting, appraisal and Full and Outline Application stage) is

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£164.2m representing 72% of total allocation. Contracting will stop at 94% of the Category of Region indicative allocation pending achievement of the 2018 Performance framework targets.

A Sustainable Urban Development (SUD) call was announced 15 September, for the MD area. The total funding available for SUD projects is £18.6m. The deadline for EOIs is 30 March 2018 with two review points at; 30 November 2017 and 31 January 2018.

Two ERDF calls (SME Competitiveness and Promoting Research & Innovation) closed on 10 November.

Further calls were announced on 8 December in the Transitional area only, to align with the Autumn statement -Priority Axis 1 (Promoting Research and Innovation, £4.1m), Priority Axis 3 (Enhancing the Competitiveness of Small and Medium Sized Enterprises, £10.9m) and Priority Axis 4 (Supporting the Shift Towards a Low Carbon Economy in all Sectors, £13.4m).

An £8m call for Priority Axis 5: Promoting Climate Change Adaptation, Risk Prevention and Management was also announced, split between MD, £3.8m and T, £4.2m.

Closing dates for these new calls is 26 January 2018.

5.3 **European Social Fund (ESF)**

Across the whole NECA area there is a notional allocation of £144.6m

Six ESF calls closed during the last reporting period and EOIs are currently under appraisal for:

- North East Ambition Pilot Strategic Framework - £3m
- North East Ambition Pilot Tailored Delivery- £3m
- Digital Skills North East - £20m
- North East Specialist Support for the Unemployed/Inactive (Health Barriers and 50+) - £6m
- Raising the Skill Levels of the North East Health and Social Care workforce - £5m
- Specialist Support for those Furthest Away from the Labour Market - £8m

Match funding is required for all ESIF calls.

5.4 **European Agricultural Fund for Rural Development (EAFRD)**

EAFRD funds form part of the National Growth Programme, from which the North

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East received an allocation of £10.5m. Although a number of scattered localities are potentially eligible for EAFRD funding in Tyne and Wear, the focus is on the designated rural areas of Northumberland, Durham and neighbouring parts of western Gateshead, including the Derwent Valley.

Open calls, with an extended closing date of 31 May 2018 and a value of £9.7m capital funding, to create jobs in rural areas are:

- Business Development - £1.4m
- Rural Tourism Infrastructure – £6.7m
- Food Processing – £1.6m

A £30m call for Broadband Infrastructure was announced on 13 October with a closing date of 31 May 2018.

5.5 The North East LEP held 2 well attended regional events in October to promote the ESF and ERDF calls, including SUD.

6. Potential Impact on Objectives

6.1 This report sets out issues that will support the Authority in meeting its objectives, particularly in relations to those set out in the Strategic Economic Plan.

7. Financial and Other Resources Implications

7.1 There are no specific financial or other resource implications arising from this report.

8. Legal Implications

8.1 There are no specific legal implications arising from this report.

9. Key Risks

9.1 There are no key risks arising from this report.

10. Equality and Diversity

10.1 There are no specific equality and diversity implications arising from this report.

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11. Crime and Disorder

11.1 There are no specific crime and disorder implications arising from this report.

12. Consultation/Engagement

12.1 There are no issues arising from this report for consultation.

13. Other Impact of the Proposals

13.1 There will be no other impacts arising from this report

16. Contact Officers

Sarah McMillan, Corporate Lead – Economic Strategy and Skills
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17. Sign off

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

Leadership Board

Date: 16 January 2018

Subject: Employability and Inclusion Update

Report of: Thematic Lead for Employment and Inclusion

Executive Summary

The purpose of this report is to provides an update on progress being made in delivering the Employability and Inclusion, and Skills themes of the Strategic Economic Plan (SEP) for the North East.

Recommendations

The Leadership Board is:

- i. recommended to note the contents of the report

Leadership Board

1. Background Information

- 1.1 This report provides an update on the employability, inclusion and skills programmes and projects that the Combined Authority and the LEP are delivering within the context of the SEP for the North East.

Labour Market Intelligence (LMI)

- 1.2 Labour Market Intelligence (LMI) for the North East continues to be developed. Discussions about future developments are taking place with the North East LEP and a number of digital partners who are designing some innovative tools to present data and information to various audiences.
- 1.3 A series of Careers Videos to promote our key priority sectors was completed in 2017 and is part of a toolkit available for schools and colleges in the North East. Their purpose is to help teachers communicate the many exciting careers available in the North East, and the paths young people can take to get them. The videos and toolkit have now been requested by over 180 educational establishments.
- 1.4 The toolkit includes four videos, all showcasing young people and the jobs and training they're participating in, in our region. Feedback has been extremely positive.
- 1.5 Each of the four videos is accompanied by a toolkit for teachers, including powerpoint presentations and lesson plans. Anyone can sign up to receive the resources from the North East LEP website.
- 1.6 Work is on-going to support various initiatives with their LMI needs including the Good Career Guidance Benchmarks, development of Devolution proposals and support to ensure that ESF proposals meet our strategic priorities.
- 1.7 Work was undertaken in recent months by the LEP developing labour market information for graduate retention. Case Studies and videos have been produced to promote the opportunities in the North East, reasons to stay and to provide examples of working in the key sectors and opportunity areas. The campaign launched in mid-November and provides a further resource for schools, colleges and universities. The social media campaign was the most successful social media campaign the LEP has run to date and the resources are being used by all four universities.

Leadership Board

North East LEP area Construction Labour & Skills Gap Analysis

The North East Local Enterprise Partnership (LEP), Local Authorities, key construction employers, groups and CITB are working in partnership to address the labour and skills challenges facing the construction sector across the North East LEP area.

CITB has produced a report which highlights that there are significant issues and challenges for the short and medium term particularly around levels of skills and availability of labour. The report acts as an evidence base to inform stakeholders and may be used as a basis for the development of a construction skills strategy so that the industry has the skills it needs now and for the future so that effective plans and investment decisions can be made to exploit employment and economic growth opportunities.

This event was held to provide a presentation of the findings, to discuss the report's significance in helping shape the North East LEP area and agree the next steps.

North East LMI Conference 2017 – this year's conference arranged by the National Careers Service was held on 23rd November and included presentations from the North East LEP, Tees Valley Combined Authority and a range of speakers from different industries and sectors to share labour market information.

DWP European Social Fund Opt-In for the North East

- 1.8 The DWP 'Opt-In' programme for the North East is utilising £6m European Social Fund (ESF) to test a local approach to support 2,500 long term unemployed residents with health conditions to find work over 2017-19. The programme is delivered by Working Links.
- 1.9 Performance data from January to the end of October show 786 people attached to the programme, 520 are in the more developed area (Northumberland and Tyne and Wear) and 266 in the transition area (County Durham). 203 job starts in total (including first and second job starts). High numbers of those referred (510 to date) have been ruled ineligible by DWP; or have withdrawn. The programme is performing below profile in the more developed area but close to profile in the transition area. Durham has continued to be the best performing area, with one third of total attachments and just under one third of job starts. However there has been a significant drop in attachments from September which is being monitored.

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Insufficient referrals from Job Centres and ESF eligibility continue to be the prime cause of under-performance. Referral numbers appear to have a direct negative impact in areas of Universal Credit roll-out which is being monitored. DWP have stated that the introduction of the Work and Health Programme in January 2018 will be the priority for Job Centre referrals. This will potentially have a negative impact on the referrals to the Opt-in (and other local programmes) and impact will be closely monitored.

1.10 Assessment of participants shows:

- 72% are male, and 28% female
- Most are very long-term unemployed, with around 70% unemployed for five years or more.
- The majority have health conditions, including some which were undiagnosed prior to engagement with the programme. One-third of participants are working with the Health Advisor and Mental Health and Neuro Diversity Specialist.
- Mental Health remains the prevalent health condition
- The majority of participants are from jobless households
- Many have multiple barriers to work with poor transport accessibility a key features.

1.11 Advisors are working from Jobcentres to improve referral rates and engage directly with participants. To offset the low referral rates from Jobcentres, a range of other local organisations are being engaged with, and can refer. Big Lottery, BBO programmes are being engaged as a source of cross-referral and Wise Group as a progression routes for participants. An agreement has been reached to allow participants to the Mental Health Trailblazer where appropriate. Work with other local programmes is being prioritised to raise levels of appropriate referrals and to ensure a well co-ordinated programme of provision across the area.

1.12 The last report to Leadership Board advised that DWP was to invoke a contract clause to widen eligibility due to performance achievement of under 70% in the more developed region. It was made clear at a meeting of LEP representatives and DWP on 24th October, and in subsequent email contact, that the variation was not supported and other means to improve performance were proposed. The key concern was that widening eligibility will direct the provider away from the original intent of the contract which was based on local intelligence of identified need and potential negative impact on ESF and other local programmes

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- 1.13 Despite the representation and agreement that any variation should be in consultation and agreement with the LEP, DWP has varied the contract with widened eligibility. ESIF sub committee was informed of the concerns. DWP ESF managing authority agreed as an action to liaise with the NECA representatives to discuss the matter but have not, to date, responded. Despite the variation, NECA and NELEP officers have committed to continue supporting the project to improve performance and ensure it delivers to original specification intent and local benefit.

North East Mental Health Trailblazer

- 1.14 The North East Mental Health Trailblazer is delivering a Random Control Trial of integrated employment support and psychological therapy, using the Individual Placement and Support (IPS) model in partnership with Increasing Access to Psychological Therapies (IAPT) in each local authority area.
- 1.15 Performance data show that from January to early December over 290 people attached to the programme and received treatment group support and 56 moved into employment. County Durham continues to be the best performing area in terms of total programme starts and with over a third of all job starts. Northumberland and Gateshead are also continuing to achieve good job outcomes rates, with one quarter of all job starts each.
- 1.16 Performance remains below profile, primarily as a consequent of a much later than expected start date and lower than expected referral rates. A request will be made to extend the project to April 2019 to ensure local performance is achieved against ESF targets and trial has a sufficient sample size to produce robust evidence for government. DWP has delayed the process for extension approval, now expected in January 2018.
- 1.17 The profile of participants continues to be long-term unemployed people, primarily Job seekers Allowance claimants. Impact of the introduction of Universal Credit is not yet evident, but will be monitored. Participants have a wide range of mild to moderate mental health conditions, primarily anxiety and depression.
- 1.18 Referral volumes from Jobcentres continue to be below profile but actions are being implemented to improve processes and JCP has agreed a profile of referrals at a level to meet performance expectations. Direct referrals from IAPT services are underway, which is improving volumes and appropriateness of referrals.

Leadership Board

- 1.19 Other referral routes are being developed through a series of ‘trusted partnership’s agreements with a range of organisations, including Generation NE, Durham YEI, Working Links, Newcastle Futures and Big Lottery BBO projects. These will be expanded further in 2018. Partnerships are ensuring that anyone participating in local projects can have access to the trial and appropriate mental health and employment support. This demonstrates improvement in joining up of strategic projects across NECA and maximisation of ESF and other local investment.
- 1.20 The Behavioural Insights Team conducted an IPS fidelity assessment of the service in late October producing a rating of ‘Good” with the score very close to achieving ‘Exemplary’ status. The evaluators rated this assessment as beyond expectation for an IPS programme at this stage in development and at this scale. The project will be responding to the recommendations of the report with an aim to achieve exemplary status in 2018.
- 1.21 Alongside the Behavioural Insights Team meta- evaluation, a locally specific evaluation will be considered in 2018, subject to ESF agreement.

Generation NE

- 1.22 Generation NE has been operational since July 2014 and the programme has supported 4265 young people, of which 1981 have moved into employment to date; 1125 of those gaining employment have now sustained employment for 6 months or more. Generation NE funds have also supported a further 756 participants, 345 into work through provision of match-funding for Durham Works. The project has now exceeded all targets set as a part of the funding agreement by the Cabinet Office and continues to perform well.
- 1.23 A Digital Service has been launched to complement the support available through Generation NE on a face to face basis; this service is testing innovative approaches to engaging and supporting young people which accommodates their changing attitudes, particularly a desire to engage with services in non-traditional ways. There are currently over 200 young people being supported in this way with, on average, an additional 30 young people engaged each month. A full Randomised Control Trial of digital services within Generation NE is being explored with the Governments What Works Centre for evaluation.
- 1.24 A call for projects to support young people into employment and training was released under the European Social Fund (ESF) on 26th July 2017 and an application was developed by a cross authority working group and submitted on behalf of Generation NE on 23rd September to extend and expand the programme, including to those young people not claiming benefit. Outline

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approval has been received (15th December 2017) and a full application will now be developed in partnership and submitted on or before 9th March 2018.

Good Career Guidance Benchmarks

- 1.25 From June 2015 and in partnership with The Gatsby Foundation, North East LEP has been supporting the application of the Good Career Guidance benchmarks. This provided the opportunity to test the benchmarks in action; lead the development of practice which would have local impact and national profile; and improve the quality of provision and opportunity for young people.
- 1.26 The pilot was subject to on-going review, with schools and colleges submitting regular reports and case studies, and analysis against each benchmark to track progress. The pilot phase of implementation has now ended.
- 1.27 Reports now evidence impact in a number of key areas:-
- One clear finding from the pilot in the North East is the usefulness of the benchmarks as an auditing tool for users to report on their own career guidance provision and to 'action plan' specific, measurable improvements
 - The rate of progress in year one (+2) is accelerated in year 2 (+4)
 - Every school and college now fully achieves at least four benchmarks (previously 50% of the schools / colleges fully achieved zero benchmarks). All schools and colleges now partially achieve every benchmark.
 - 88% of schools and colleges now fully achieve 6-8 benchmarks (previous national surveys showed that no school had achieved more than 5 of the benchmarks)
 - The results demonstrate that it is possible to make significant and rapid progress – using the benchmarks as a framework – to carefully target improvements in schools / colleges of every type, size, location and structure. These improvements are documented in focussed actions plans with measurable targets.
 - New strategic relationships with employers now existing and schools / colleges have clear plans for engagement and systems in place to measure quality and impact. This includes an increase in the number of 'careers' or 'business' governors.
 - New strategic delivery structure structures have also emerged in schools and colleges maximising the impact of the benchmarks, including the reallocation of existing resource towards careers provision.
 - Curriculum integration – joint CPD, teacher / career leader placement in industry.
 - The pilot has inspired collaboration and pioneering thinking in the

Leadership Board

- approach to delivering good career guidance
 - Schools and college participating in the pilot are significantly closer to providing 'good career guidance' for 'each and every' young person than they were at the outset.
- 1.28 Analysis of evidence, emerging data and observations within the school and college visits over the duration of the pilot also suggests that progress against the benchmarks is greater and more rapid when the careers leader is either a member of the senior leadership team or when they have a dedicated and active SLT link responsible for the strategic leadership and quality of careers provision.
- 1.29 The career benchmarks are central to the skills element of the Strategic Economic Plan. From the start of the Autumn term 2017 / 2018 all schools and colleges in the North East LEP area are encouraged to adopt the benchmarks in anticipation of the launch of the new Careers Strategy in Autumn 2017.
- 1.30 An event titled 'North East Ambition' marking the end of the pilot phase and the introduction of a LEP-wide roll-out was held in July 2017. There were over 300 attendees, including over 150 schools and colleges. Feedback and uptake was extremely positive. A follow-up event was held in October 2017 and there are now well over 100 schools and all 9 FE colleges working to implement and achieve the benchmarks.
- 1.31 On 4th December 2017, HM Government launched the Careers Strategy at the national CDI Conference. The Minister for Skills said 'The North East pilot has shown what can be achieved – the careers strategy will replicate this best practice across the country'. The benchmarks are central to the strategy and examples, quotes and case studies to illustrate their effectiveness and impact on young people are lifted from the North East pilot.
- 1.32 The North East LEP is preparing to expand the career benchmarks, designed originally for secondary schools and colleges, for use in primary schools. We continue to seek funding to allow us to map the benchmarks for delivery in a primary setting, engage 10% of primary schools across the region (approx. 70 schools) in a pilot that seeks to test the implementation of the benchmarks and facilitate support for primary schools to achieve the benchmarks. Evidence of the impact will be through an action research approach. The proposal has the support of the members of the Careers IAG Advisory Group, chaired by the CBI. Discussions are on-going with a number of foundations and charitable trusts.

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Enterprise Advisors

- 1.33 This key Government-backed initiative was initiated in September 2015. The Careers & Enterprise Company (CEC) is an employer-led organisation that has been set up to inspire and prepare young people for the fast-changing world of work.
- 1.34 The North East LEP has taken the opportunity to shape and adapt the original CEC model to enhance the opportunities for school and business engagement. The Enterprise Advisor network is active in every LEP area.
- 1.35 To date, in the North East over 140 Enterprise Advisors have signed up. 95 schools and colleges have returned their self-assessment and supporting Enterprise Adviser action plan. Of the 95 schools, 82 have been matched with an EA, and 7 further schools and college who have met with an Enterprise Coordinator are in the process of completing the self-assessment document and are being followed up. All 9 colleges have signed up and in varying degrees of completion. From a slow start due to the rigorous matching process opted for by the North East LEP, we are pleased that our 'matches' and the sustainability of those matches are now amongst the highest in the country.
- 1.36 With the support of the Communications Team we continue to grow the numbers of business leaders becoming Enterprise Advisors in the North East network. Other activities within the network include school CPD sessions for staff to support benchmarks 4, 5 & 6. Skills North East hosted the most recent EA networking event and Virgin Money hosted an information and awareness session for new EAs.

Apprenticeships

- 1.37 The North East has a strong and active part to play in meeting the Government's target of three million apprentices by 2020. However, there is also a recognition that there is still much to be done to deliver the ambitious targets that the region has set within the Strategic Economic Plan (SEP).
- 1.38 In light of the apprenticeship reforms earlier this year, the Apprenticeship Growth Partnership (AGP) reviewed its work plan and membership at its meeting in July 2017; and confirmed their role in supporting the following:-
- Maximise employer engagement and the take-up of apprenticeships including higher and degree apprenticeships.
 - Promote the parity of apprenticeships with academic routes and qualifications.

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- Encourage and support greater collaboration across and within sectors to share good practice.
- Consider the impact of the apprenticeship reforms on employers as they are implemented – ensuring examples of good practice are promoted, lessons learned and potential ‘unintended consequences’ are carefully monitored to inform future policy and strategy.

1.39 Apprenticeship Growth Partnership meetings continue with the next planned for November 2017. Although there have been some concerns raised by members collectively around the ‘confirmed’ lack of standards, speed of development and the slow-down in response from IoA, there are membership organisations that are lobbying on behalf of businesses and sectors and the AGP monitoring North East KPIs against National performance. National figures show take up of apprenticeships has slowed considerably. The latest version of the ‘data cube’ due in late November was withdrawn by the SFA and the next version is now expected in early 2018. LEP officers and AGP are considering other ways to obtain this data to provide an earlier insight into regional KPIs.

1.40 The general feedback from members is that the group is adding real value to raise an awareness of apprenticeship provision to business, highlighting issues and challenges and we have been made aware that other ‘national’ apprenticeship groups and aligning their work with what is being done within the North East LEP’s AGP.

1.41 The North East LEP is now part of the North East Apprenticeship Ambassador Network (AAN). The primary aim of the Apprenticeship Ambassador Network is to support the delivery of a high quality apprenticeships programme. As members of the AAN we will support government in enabling employers and wider stakeholders to realise the benefits and aims of the apprenticeship programme.

The work of the AAN is linked to the Strategic Objectives of the Apprenticeship Reform Programme, Benefits Realisation Strategy:

- To create more quality apprenticeships
- To meet the skills needs of employers
- To create progression for apprentices
- To widen participation and social mobility in apprenticeships

1.42 North East LEP’s Growth Hub website has been further developed to provide access to links and further information on recruitment of apprentices and will be live early in 2018 with a good range of resources for employers.

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North East Education Challenge

- 1.43 The North East Local Enterprise Partnership's 'Education Challenge' as described in the Strategic Economic Plan seeks to reduce the gap between our best and lowest performing secondary schools and improve social mobility in our young people. Building on the success of Gatsby Foundation's 'Career Benchmarks', in the North East the education challenge will support teachers, schools, governors and leaders to integrate careers learning into the curriculum to ensure those entering the workforce in the future have the skill level to support our diverse economy and are fully aware of the progression routes available to make this happen.
- 1.44 The North East LEP has been chosen by Ford Next Generation Learning and The Edge Foundation as the first area internationally to translate elements of the very successful Academies of Nashville model. The North East LEP, working closely with The Edge Foundation and initially three schools in the region, will be translating elements of the model and building an approach that works in the context of this country. The vision is to build a model in the UK that is impactful, scalable and replicable.
- 1.45 The Academies of Nashville model transformed attendance, attainment and progression across 12 schools by placing employers and business partners alongside teachers and school leaders and developing highly personalised approaches to progression. 10 years ago the 12 schools were some of the worst performing in the USA – now they are 12 of the highest performing and the model has been rolled out across 25 states. The Academies of Nashville model transformed attendance, attainment and progression across 12 schools by placing employers and business partners alongside teachers and school leaders and developing highly personalised approaches.
- 1.46 The North East LEP's brief is to create and implement a pilot project to run from January 2018 – December 2018 initially involving three schools in the North East LEP area, supported by senior management team at the North East LEP and NECOP, and with a view to rolling the pilot to a region wide cohort. Project outputs:
- To improve teachers understanding of regional LMI and higher education needs within this context
 - To develop models of good practice in relation to project based learning, teacher placements in industry and CPD that supports 'careers in the curriculum' and to disseminate these within the pilot schools and more broadly across the region

Leadership Board

- To deliver in Autumn 2018, a teacher CPD event sharing the learning
- To create resources to support the development and delivery of Careers in the Curriculum

1.47 The Project will be managed by a Steering group co-chaired by the Edge Foundation and the Skills Director from the North East LEP. Implementation and progress of the pilot will be reported to the North East LEP and NELB Board for information throughout 2018.

Skills – capital investment

1.48 Four from five original LGF Skills Projects are now physically completed and the remaining project at Northumberland College in Ashington commenced on site in early December 2016 and is on schedule.

1.49 Following the project call in March 2016, two new skills focussed projects were approved, both are social-enterprise led – Foundation of Light in Sunderland, which is underway and Eagles Foundation in Newcastle where construction commenced Autumn 2017.

1.50 In January 2017 the North East LEP received confirmation from Government of its funding award from Round 3 of the Local Growth Fund. A total of £49.7m has been awarded over the period 2017-21 to support the development of the 'International Advanced Manufacturing Park', north of the Nissan factory and the introduction of an 'Innovation, Skills and High Growth business' mini programme. The focus of the mini programme is still under development

2 Proposals

2.1 There are no proposals as this is an information item.

3 Reasons for the Proposals

3.1 This section does not apply as the report is only for information.

4 Alternative Options Available

4.1 This section does not apply as the report is only for information.

Leadership Board

5 Next Steps and Timetable for Implementation

5.1 The Employability, Inclusion and Skills Steering Group will continue to co-ordinate and monitor the delivery of these programmes and projects.

6 Potential Impact on Objectives

6.1 The work being taken forward is consistent with the Combined Authority's stated objectives and SEP for the North East.

7 Financial and Other Resources Implications

7.1 There are no financial implications arising from this report.

8 Legal Implications

8.1 There are no legal implications arising from this report.

9 Key Risks

9.1 There are no key risks arising from this report.

10 Equality and Diversity

10.1 There are no equality and diversity issues arising from this report.

11 Crime and Disorder

11.1 There are no crime and disorder issues arising from this report.

12 Consultation/Engagement

There are no consultation or engagement issues arising from this report.

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13 Other Impact of the Proposals

13.1 There are no other impacts arising from this report.

14. Appendices

14.1 This report has no appendices

15. Background Papers

15.1 There are no background papers for this report

16. Contact Officers

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0191 338 7439

17. Sign off

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

North East Combined Authority Leadership Board

Date: 16 January 2018
Subject: Budget 2018/19 and Transport Levies
Report of: Chief Finance Officer and Head of Paid Service

Executive Summary

The purpose of this report is to set out the 2018/19 revenue budget and transport levies for the North East Combined Authority (NECA) for consideration and approval by the Leadership Board. This report takes into account the revenue implications of the capital programme, which is the subject of a separate report on this agenda, and takes into account comments received during consultation on the proposals that were set out in November.

This is the fourth formal budget process undertaken since NECA was established in April 2014. NECA is required by law to set its revenue budget and transport levies for 2018/19 before 15 February 2018, in order to enable the seven constituent councils to take the levies and contributions into account in setting their own budgets.

This report sets out the revenue resources planned to be used in 2018/19 to help deliver the objectives of NECA and the North East Strategic Economic Plan. The proposed 2018/19 net revenue budget for NECA is made up of several elements amounting to £84.0m, excluding the grant funded elements of the LEP budget. The combined budget for North East LEP and NECA capacity amounts to over £3.7m. These two budgets are complementary and together support the ongoing delivery of the North East Strategic Economic Plan. Total Gross Revenue Expenditure before applying income and funding from external grants is expected to be in excess of £228m.

Recommendations

The Leadership Board is recommended to receive this report for consideration and, taking into account the comments from consultation, to:

- a) agree a transport net revenue budget for 2018/19 of £83,647,746 as set out in section 4 of this report;
- b) agree the following Transport Levies for 2018/19:

a. Durham County Council	£15,696,866
b. Northumberland County Council	£6,150,880
c. Tyne and Wear Councils (detailed in table 6)	£61,800,000
- c) agree a transport revenue grant to Durham County Council for the delivery of transport services of £15,691,866 as outlined in section 4.4;

North East Combined Authority Leadership Board

- d) agree a transport revenue grant to Northumberland County Council for the delivery of transport services of £6,145,880 as outlined in section 4.5;
- e) agree a transport revenue grant to Nexus for the delivery of transport services in Tyne and Wear of £59,700,000 as outlined in section 4.6;
- f) agree the continuation of funding for the Regional Transport Team as set out in section 4.9;
- g) agree the funding arrangement for the Tyne and Wear Urban Transport Management Centre (UTMC) set out in section 4.10;
- h) agree a budget for the corporate costs of the NECA of up to £374,610, with a continuation of the current contribution of £300,000 paid for by an equal contribution of £42,857 from each of the seven councils in NECA, as set out in section 5;
- i) agree to continue a contribution to fund the North East LEP core capacity costs of £250,000 as match funding to secure a £250,000 Government grant, paid for by an equal contribution of £35,714 from each of the councils in the NECA, as part of an estimated budget of £2.96m, as set out in section 6;
- j) agree the continuation of the budget contribution of £140,000 towards inward investment activity, which is paid for by an equal contribution of £20,000 from each of the seven councils in NECA, as set out in section 7, contributing to a total budget for this area of activity of £460,000;
- k) agree a budget of up to £25,000, funded from interest earned, to provide support for the Skills portfolio and up to £25,000 to fund the Economic Development and Regeneration Advisory Board (EDRAB) portfolio activity, as set out in sections 8;
- l) note that the Treasury Management and Investment Strategy and the statement on Minimum Revenue Provision for borrowed capital expenditure for 2018/19 are set out in the report on the Capital Programme on this agenda; and
- m) agree to hold the level of reserves set out in section 9.1 and to note that the Chief Finance Officer considers this level of reserves to be satisfactory, given the information currently available about the arrangements for managing financial risks facing the NECA.

North East Combined Authority Leadership Board

1 Background Information

- 1.1 The Levying Bodies Regulations require Transport Authorities to set their budgets and levies before 15th February each year. This report sets out the transport revenue budget for the NECA area and the levies to be made for the Durham, Northumberland and Tyne and Wear areas. Although NECA is a single transport authority for the whole area, the separate designation of levies for the three areas reflects the legal and financial arrangements put in place when NECA was created, to recognise the very different funding requirements in the three areas.
- 1.2 The budget also includes corporate and other non-transport costs, including those relating to the delivery of economic regeneration and skills activity.
- 1.3 As the Accountable Body for the North East Local Enterprise Partnership (North East LEP) this report also includes information about the draft budget and funds available to finance the North East LEP Executive Team and the delivery of the North East LEP responsibilities for 2018/19, which is subject to the approval of the North East LEP Board later this month.
- 1.4 The combined budget for North East LEP and NECA core capacity amounts to over £3.6m. These two budgets are complementary and together support the ongoing delivery of the North East Strategic Economic Plan.

2 Background to NECA Delivery

NECA recognises its role in rebalancing the economy by creating the right conditions for sustainable economic growth and resilience, encouraging investment and promoting employment. NECA's key themes of Transport, Economic Development and Regeneration and Employment and Skills are critical components of this role.

2.1 Transport

Transport is seen as a key driver of growth and the strategic alignment of transport within economic growth strategies emphasises a clear link between transport and skills, housing and economic prosperity. NECA has ensured political leadership at the highest level on strategic transport planning, set within the context of the wider economic strategy for the area.

Since its establishment NECA has facilitated greater co-operation amongst regional and local partners which has resulted in improvements to the region's public transport network, increased opportunity to address congestion on the local road network, and a step change in information and ticketing provision for the travelling public. Since the publication of the SEP in 2014, NECA and the North East LEP have continued to develop collaborative working arrangements across the region and provide a single approach to transport.

North East Combined Authority Leadership Board

NECA's transport activity is focused on providing leadership and a united voice on key strategic transport issues; representing the North East on transport issues of national significance; coordinating the area's public transport network; and managing the transport investment programme. NECA has produced and consulted on the Transport Manifesto setting out the vision and objectives for transport in the area.

Despite Nexus' grant from the NECA being reduced for a fourth consecutive year and for the seventh year in the past eight Nexus will set a budget for 2018/19 that proposes use of £1.934m of reserves in order to protect frontline services. However, based on future forecasts of income and expenditure, the need for service reductions after 2018/19 looks likely.

Further, Nexus' budget proposal will also enable the introduction of a new policy objective, to provide a better offer for Under 19's when travelling on Metro (with the introduction from January 2018 of a single fare of £1 and a daily price cap of £2).

In addition, now that the Government has announced that it will provide £337m in grant funding for Nexus to acquire a new fleet of Metrocars and a new modern maintenance depot. The budget for 2018/19 will allow the necessary internal and external resources to pursue this major procurement, as well as providing £3.3m as part of an overall £25m local contribution to the project, funded from a £10m saving in pension costs arising across the three years, 2017/18 to 2019/20. The Nexus budget also provides for the development of proposals for future extensions, consistent with the ambition set out by the Leadership Board when it agreed the Metro and Local Rail Strategy in July 2016.

NECA's Transport Team activity for 2018/19 includes strategy development, the coordination of bids and regional initiatives, continuous development of the transport pipeline and programme management of the transport investment programme. The team also represents the North East at an interregional and national level including engagement with Transport for the North, liaison with Government and other national agencies and NECA representation on strategic rail partnerships. Finally, the team also provides the secretariat and policy support for the NECA transport committees and transport officer groups.

2.2 Employment and Skills

NECA and its constituent authorities, in partnership with the North East LEP, and local education organisations deliver against the Employability and Inclusion and Skills themes of the Strategic Economic Plan (SEP) for the North East. NECA's and NELEP's objective is to ensure that economic growth benefits the whole of the North East, delivering an increase in the economic participation rate and closing the gap in performance with the national average. Key themes of work revolve around raising attainment; implementing a responsive skills system; tackling social exclusion and improving employment prospects.

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NECA wide initiatives currently being delivered that will continue in 2018/19, include the Mental Health Trailblazer and Generation North East. NECA has successfully developed a Mental Health Trailblazer project, which will support 1,500 Employment Support Allowance (ESA) claimants. This was one of four projects nationally to secure support through the Cabinet Office Transformation Challenge Award in December 2014. The North East model supports ESA claimants with common mental health conditions into employment through integrating employment support with psychological therapy.

Generation North East is delivering a significant part of the support offer available to young unemployed people in the NECA area. The NECA area was awarded a £4.5m grant in April 2014 under the Cabinet Office's Youth Contract for Cities initiative to test locally devolved approaches to tackling youth unemployment. The programme has now been operational for two years and to date over 2,200 young people have benefited from support with over 800 moving into employment to date.

NECA employment and skills activity for 2018/19 includes maintaining effective and efficient delivery of pan-NECA initiatives, supporting the development and implementation of the Area Based Review, maximising European Social Fund investment for employment and skills interventions and options development for the future implementation of a devolved Adult Education Budget.

This portfolio area is supported in part by staff from the North East LEP.

2.3 Economic Development and Regeneration

The Economic Development and Regeneration Portfolio focuses on overseeing the coordination of inward investment activity and providing the right environment and infrastructure for attracting and embedding investment.

NECA sees a strong housing, employment and urban core offer as critical in securing the North East's sustained economic growth. NECA's role is to create the conditions to enable an appropriate quantity, of good quality developments in the right places to meet the North East's demands and aspirations and build on well-connected infrastructure to support economic growth.

The 21 North East Enterprise Zone sites provide specific additional benefits to businesses and room to grow and are central to NECA's and North East LEP's plans to create 'more and better jobs'. The targeted investment and benefits to businesses provided through the scheme have already supported over 43 businesses and brought in over £114m private investment which has resulted in over 1,338 jobs by enabling employers to grow. Ten of the second round of Enterprise Zone sites commenced on 1 April 2017 and the last site, the International Advanced Manufacturing Park (IAMP) site is due to commence in April 2018.

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NECA has also established an 'Investment Gateway' which handles and brokers incoming inward investment enquiries and promotes a key proposition for the region with key propositions for investors that have a clear focus on key sectors. The 'Investment Gateway' has added strategic capacity for enquiry handling and relationship building while playing to the strengths of the Constituent Authorities. It importantly allows for a combined and more cohesive offer and promotion of the area, using our significant assets and strengths and avoiding duplication of effort. Working together as Invest North East England, the area has attracted substantial level of investment since April 2014 leading to thousands of new jobs. 2016/17 saw 84 inward investment projects secured, bringing 6,126 jobs.

Co-operation between the North East LEP, NECA and its constituent authorities has secured the £120m European funded JEREMIE 2 financial support for Business fund, which is now becoming operational. There will be continued activity next year to support the new Special Purpose Vehicle (SPV) company that has been established to deliver JEREMIE 2 and to explore options for further support for business. It is estimated that JEREMIE 2 could provide financial support for 600 businesses; help create around 3,500 jobs over the next five years and deliver a legacy fund of up to £80m over the next decade for further financial support to businesses.

Key areas of work for the NECA Economic Development and Regeneration Theme in 2018/19, includes continuing to oversee activity relating to inward investment, providing strategic advice and intelligence relating to key drivers of and barriers to investment and growth, supporting the development of enterprise zones secured for the area and developing regional priorities for investment and maintaining a robust project pipeline to respond to funding calls.

This year has seen an increase in inward investment proactive activity and it is proposed to continue this next year, with a budget of £460,000 part funded by a continuation of the £140,000 contribution from constituent authorities and additional funding to be agreed by the LEP. This portfolio area is supported in part by staff from South Tyneside Council.

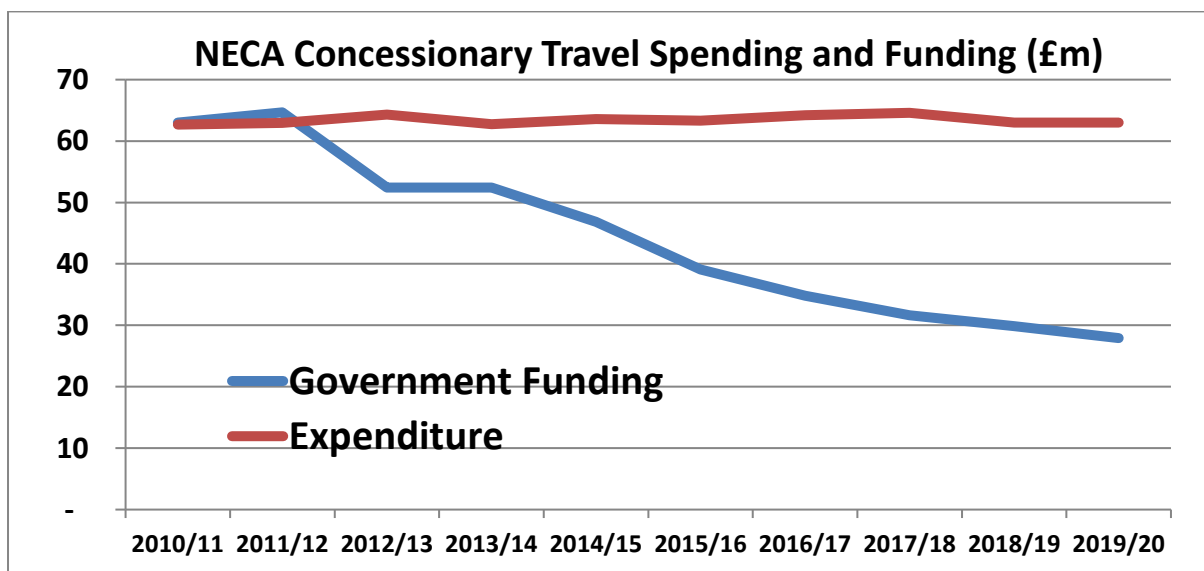
2.4 Funding and Investment and Accountable Body Function

NECA manages a substantial programme of investment and is the accountable body for all the NELEP investment activity. NECA and NELEP have so far negotiated one of the largest Growth Deals in the country – a total of £270m awarded over 3 rounds. Sufficient capacity is proposed to enable it to meet its statutory accountable body and service responsibilities.

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3 Context of Austerity Measures

- 3.1 The budget is being developed in the context of significant revenue funding cuts for local government as part of the delivery of the national austerity measures at a time of increasing cost pressures. The Government's provisional funding allocations for 2018/19 announced on 19th December set out further cash cuts in the Settlement Funding Assessment (Revenue Support Grant and baseline business rates) for the seven councils in the NECA area in 2018/19 of -£42.8m (an average of -5.9%). This percentage reduction is slightly lower/higher than the -6.4% national average cut and it should be noted that the % reduction varies for each council in the NECA area (varying between -4.9% and -7.5%).
- 3.2 DCLG also published estimated Spending Power figures that take account of growth in council tax (a tax increase of up to 3% is now allowed), the social care precept (assuming an increase of up to 2%); and other grants including the New Homes Bonus and the Improved Better Care Fund. This indicated that 'Spending Power' in the NECA area would increase in cash terms next year by £24m (1.49%). This is slightly lower than the national average increase of 1.5%, due mainly to the relative lower generation of additional council tax income compared to other parts of the country that have higher council tax bases.
- 3.3 After excluding additional spending power relating to the special precept for social care costs and excluding the better care fund, the underlying change in spending power for services including transport services is being cut by £21.8m (-1.4%) next year in the NECA area, with a small cut in the following year (-0.5%). If this average cut is assumed to apply to transport services and is added to previous cuts in funding, this would further widen the gap between the costs and national funding for statutory concessionary travel, as illustrated in the following chart (assuming the spending pressure on concessionary fare costs in future years' remains at its current level).



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- 3.4 As part of the consultation process in relation to the national grant settlement, the NECA will continue to raise concerns about the adequacy and visibility of funding to meet the costs of the national statutory concessionary travel scheme.
- 3.5 The Government has made more capital resources available nationally to help deliver improvements to infrastructure transport and economic development. The North East will benefit from the confirmation of extra funding for the replacement of the Metro fleet in future years.
- 3.6 While the funding available for non-social care services continues to fall, the cost pressures continue to rise. Inflation is increasing, with the change in the September CPI index of 3% being added to Business Rate levels. The national employers have responded to the increase in the national minimum wage and inflationary costs pressures with a pay offer of 2%, with higher increases for lower paid staff, resulting in a national pressure estimated at c 2.8%. While the national funding settlement makes no specific mention of pay inflation, councils are being allowed to increase their council tax levels by up to 3% from 2018/19 (1% more than previously allowed) under referendum threshold limits.
- 3.7 If the revised assumptions about the change in non-social care spending power for Tyne and Wear authorities in 2018/19 and 2019/20 were to be reflected in the change in the Transport Levy in 2019/20, this would indicate that a freeze in the levy should be considered for 2019/20 as opposed to a further reduction. This will be an issue for consideration next year.

4 Transport Revenue Budget and Levies

- 4.1 This report provides a progress update in relation to the transport revenue budgets for the delivery agencies for 2017/18 of £84.7m. This includes significant progress in Tyne and Wear where Nexus has addressed the underlying deficit in their 2017/18 budget through a range of efficiency and other savings, while protecting services.
- 4.2 The overall total proposed net revenue budget for transport in 2018/19 is £83.648m, as set out in Table 1 below. This represents a net reduction of £1.096m (-1.31%) when compared to 2017/18, and this is being achieved without any significant service reductions being planned next year. This is a significant achievement and will help protect transport users, bringing benefits to both residents and businesses. Reduction in the Tyne and Wear Levy helps the constituent councils deal with the cuts in their government grant, which includes cuts in funding for concessionary travel.

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Table 1: Transport Levies

Area	Transport Levy	Change from 2017/18	Levy per person
	£	£	£/person
Durham	15,696,866	214,442	£30.05
Northumberland	6,150,880	(70,860)	£19.62
Tyne and Wear	61,800,000	(1,240,000)	£54.75
Total	83,647,746	(1,096,418)	

- 4.3 The different figures for the levy per person reflect the higher costs of concessionary travel demand and capital financing costs in urban areas and demonstrates why three separate levies are required. The following table sets out a summary of the transport net revenue spending planned for 2018/19. Over £56m (67%) is planned to be spent on concessionary travel and over £16m on subsidised bus services. It should be noted that these figures do not include the costs of home to school transport for children and young people.

Table 2: Summary of the 2018/19 Transport Budget

	Durham	Northumb -erland	Tyne & Wear	Total
	£000	£000	£000	£000
Concessionary Travel – Statutory	11,940	4,722	35,359	52,022
Concessionary Travel – Discretionary	-	-	4,380	4,380
Subsidised Bus Services	2,850	1,230	11,943	16,023
Bus Stations/Infrastructure	163	23	2,116	2,302
Public Transport Information	89	25	1,346	1,460
Metro (including Discretionary Travel)	-	-	5,315	5,315
Heavy Rail	-	-	140	140
Ferry	-	-	1,035	1,035
Staffing in Northumberland/Durham	650	146		796
Use of Nexus Reserves	-	-	(1,934)	(1,934)
Transport Grants	15,692	6,146	59,700	81,538
NECA General Transport Costs	5	5	-	10
NECA Tyne and Wear Costs	-	-	2,100	2,100
Transport Levy	15,697	6,151	61,800	83,648

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4.4 Durham

4.4.1 The budget and levy for public passenger transport activity in Durham is £15.692m and £15,697m respectively for 2018/19. This compares with an original budget of £15.477m for 2017/18 and a revised forecast for 2017/18 estimated at £15,482m. The budget and levy for 2018/19 are set out below.

Table 3: Durham Transport Budget 2018/19

	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£
Grant to Durham			
Statutory Concessionary Fares	11,949,130	(9,500)	11,939,630
Discretionary Concessionary Fares	-	-	-
Subsidised Bus Services	4,656,971	(1,806,551)	2,850,420
Bus Stations	457,791	(314,211)	143,580
Bus Shelters	31,350	(12,120)	19,230
PT Information	184,440	(95,514)	88,926
Staffing	650,080	-	650,080
Total Grant	17,929,762	(2,237,896)	15,691,866
Share of NECA Transport Costs	5,000	-	5,000
Transport Levy	17,934,762	(2,237,896)	15,696,866

4.4.2 The net budget for 2018/19 is comparable with 2017/18 with minor changes in relation to an increase in payments for concessionary fares and an estimated 2% pay award.

4.4.3 The overall bus network in County Durham remains fairly stable and we are not aware of any significant commercial changes planned for 2018/19. The total number of bus passenger boardings in the County has seen a further modest decline over the past twelve months; this is considered to be generally in line with national trends.

4.4.4 The focus of spend on subsidised services will continue to be on maintaining the level of accessibility in rural and semi-rural areas and supplementing the daytime commercial network with early and later journeys.

4.4.5 The budget for concessionary fares continues to be subject to pressure from commercial fare increases. However, these impacts are largely being mitigated by a combination of the effects of the rise in entitlement age and a stabilisation of concessionary travel journeys.

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4.4.6 In addition to public transport services, the transport team in Durham will continue to focus on integration and efficiency in the delivery of home to school transport and adult social care transport across the County.

4.5 Northumberland

4.5.1 The budget and levy for public transport activity in Northumberland is £6.151m for 2018/19. This compares with a budget of £6.222m for 2017/18. The budget and levy for 2018/19 is summarised in the table below.

Table 4: Northumberland Transport Budget

	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£
Concessionary Fares	4,734,940	(12,940)	4,722,000
Subsidised Bus Services	1,776,740	(546,340)	1,230,400
Bus Stations	23,000	-	23,000
PT Information	25,000	-	25,000
Staffing	145,480	-	145,480
Total Grant	6,705,160	(559,280)	6,145,880
Share of NECA Transport Costs	5,000	-	5,000
Transport Levy	6,710,160	(559,280)	6,150,880

4.5.2 The net budget for 2018/19 is less than the comparable budget for 2017/18 with minor changes on staffing due to vacancies and an analysis of time spent on combined authority activities. The budget for Bus Services has reduced to reflect procurement savings from re-tendering of bus services. The budgets assume a 2% pay award and that the grant received in respect of Bus Service Operators Grant will remain unchanged.

4.6 Tyne and Wear

4.6.1 The draft budget and levy for Tyne and Wear is proposed to be £61,800,000 for 2018/19, which is a reduction of £1,240,000 when compared with the budget in the current year.

4.6.2 The revenue budget is made up of a retained budget for centrally held Tyne and Wear transport costs and a Transport grant to Nexus, as summarised in the Table 5.

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Table 5: Allocation of the Tyne and Wear Levy/Contribution for 2018/19

	2017/18	2018/19	Change
	£	£	£
Tyne and Wear Transport	2,150,000	2,100,000	(50,000)
Grant to Nexus	60,890,000	59,700,000	(1,190,000)
Total Levy	63,040,000	61,800,000	(1,240,000)

4.6.3 The allocation of the Tyne and Wear transport levy between the constituent authorities is based on mid-year 2016 population estimates. The new levy proposed for 2018/19 is set out in the table below and outlined in more detail in Appendix B.

Table 6: Draft Tyne and Wear Transport Budget and Levy 2018/19

District	Population (2016 Mid- Year Estimates)	2018/19 Proposed Levy	Saving compared to 2017/18
Gateshead	201,592	11,037,261	(253,824)
Newcastle	296,478	16,232,316	(220,583)
North Tyneside	203,307	11,131,158	(244,078)
South Tyneside	149,418	8,180,709	(170,984)
Sunderland	277,962	15,218,556	(350,531)
Total	1,128,757	61,800,000	(1,240,000)

4.6.4 This £1.240m levy reduction would bring the overall annual transport levy reduction since 2010 to £16.2m, which has largely been achieved through efficiency savings and use of reserves, whilst protecting service outcomes to date. This level of saving while protecting service outcomes is a significant achievement, particularly in the light of the cost pressures in respect of Concessionary Travel and outcomes in other regions in the country where there have been some significant cuts in transport services. With no reduction in services proposed again next year, this represents a significant improvement in value for money for Tyne and Wear residents.

4.6.5 A summary of the draft Nexus budget for 2018/19 and the use of the grant from NECA is set out below, with further details given in Appendix D.

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Table 7: Summary of Nexus net budget for 2018/19

Service Area	Gross Expenditure £m	Grants and Income £m	2018/19 Net £m
ENCTS	36.460	(1.101)	35.359
Discretionary CT	11.871	(7.491)	4.380
Metro	100.768	(95.454)	5.315
Ferry	1.603	(0.568)	1.035
Local Rail	0.404	(0.264)	0.140
Bus Services	15.458	(3.515)	11.943
Bus Infrastructure	3.185	(1.068)	2.116
Public Transport Information	1.612	(0.265)	1.346
TOTAL REQUIREMENT	171.360	(109.726)	61.634
NECA GRANT (LEVY)			(59.700)
Use of Reserves			1.934

4.7 NECA Retained Tyne and Wear Transport Budget

- 4.7.1 This budget relates primarily to activity inherited from the former Tyne and Wear ITA, as well as some costs such as external audit and the cost of servicing Transport Committees which relate to the whole NECA area. The majority of the budget relates to financing charges on historic supported borrowing debt. Additionally, there is budget provision to pay for support services, other supplies and services and a repayment to the Tyne Tunnels for use of reserves in 2013/14 to pay off the Tyne and Wear pension deficit.
- 4.7.2 It is proposed that this budget for 2018/19 be reduced to £2.100m, with a saving of £0.050m when compared to the original budget for 2017/18. The majority of this saving has been achieved through a change to the method for calculating Minimum Revenue Provision, which was set out in a report to the Leadership Board in November.
- 4.7.3 Since 2005/06 this budget has reduced by over 52%, from £4.499m to its proposed level. The indicative budget for 2018/19 is summarised in the table below with more detail in Appendix C.

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Table 8: Retained Transport Budget

	2017/18 Budget	2017/18 Revised	2018/19 Budget
	£000	£000	£000
Support Services/Staffing	210	210	220
Administration and Governance	42	42	42
Financing Charges	1,775	1,908	1,798
Transport Joint Committee			50
Contingency	110		
Total Expenditure	2,137	2,160	2,110
Use of TW Transport Reserve	(13)	0	0
Contribution from Levies*	(2,150)	(2,160)	(2,110)

* This includes a contribution of £5k from Durham and Northumberland to cover audit and other central transport costs.

4.7.4 The Tyne and Wear (former ITA) Transport Revenue reserves are estimated to be £0.298m at the year-end as a result of a breakeven forecast for the year. The 2017/18 and 2018/19 budget has been prepared on a steady state basis, reflecting additional revenue contributions to capital or voluntary debt repayments in addition to the required revenue provision to set a balanced budget with no required use of the TW Transport reserve.

4.8 Tyne Tunnels

4.8.1 The Tyne Tunnels are accounted for as a ring-fenced account within the NECA budget, meaning that all costs relating to the tunnels are wholly funded from the tolls and Tyne Tunnels reserves, with no call on the levy, council taxpayers or Government funding at all.

4.8.2 A further reduction in the tolls income for 2018/19 are forecast due to an estimated reduction in traffic flow as a result of the continuing impact of the Silverlink works, which began in August 2016, and has been affecting traffic flows during the current financial year. Traffic levels are forecast to improve during 2019/20. The budget takes account of the 10p increase in Tolls for Heavy Goods Vehicles in line with RPI inflation since the current toll of £3.30 was introduced, which is due to be implemented in the next few months. This restores the 2:1 ratio between the toll for HGVs and cars in 2018/19. Tolls need to be maintained in real terms and are adjusted for RPI inflation changes on a period basis.

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4.8.3 Lower tolls income as a result of reduced traffic flows is largely offset by lower resulting contract payments to the Tunnels operator, TT2 Ltd. The overall forecast position for 2018/19 is a small deficit of £11k, which would be met from Tyne Tunnels reserves. Details are set out in Appendix E.

4.8.4 The operational management of the Tyne Tunnels is currently carried out by Newcastle City Council on behalf of NECA. For 2018/19 this operational responsibility will transfer to NEXUS using support from Newcastle where necessary, with costs being met from within the Tyne Tunnels budget.

4.9 Regional Transport Team

4.9.1 The budget for 2018/19 is proposed to be £0.971m an increase of £0.069m on 2017/18 budget, however, the 2018/19 budget includes Go Smarter Legacy of £0.200m. The 2018/19 budget is proposed to be funded by £0.150m Local Growth Fund grant for activity relating to the delivery of the Transport elements of the LGF programme; £0.500m from the Local Transport Plan Integrated Transport block grant, for activity relating to the development and delivery of the LTP for NECA; Go Smarter Legacy Funding of £0.200m and carry-over savings of £0.121m.

Table 9: Regional Transport Team Budget

	2017/18 Budget	2017/18 Forecast	2018/19 Budget
Expenditure	£000	£000	£000
Staffing	555	401	516
LTP4 Development	55	25	50
Research and Grant Bid Development	285	451	199
Go Smarter Legacy (bids)	-		200
Other Activity	7	10	6
Total Budget	902	887	971
Funded by:			
LTP Grant	(500)	(500)	(500)
LGF Grant	(200)	(300)	(150)
Go Smarter Legacy Funding	-	-	(200)
Carryover from previous years	(202)	(87)	(121)
Total Funding	(902)	(887)	(971)

4.10 Tyne and Wear Urban Traffic Management and Control (UTMC) Centre

4.10.1 The Tyne and Wear Urban Traffic Management and Control (UTMC) Centre is funded by one off contributions. It is proposed to agree an annual budget of £376k for the next four years. The funding will come from the LTP capital contributions allocation, made in proportion to the population within Tyne and Wear. NECA will make appropriate arrangements for the capital grant to be converted into a revenue budget.

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4.10.2 This gives the necessary certainty to ensure that the centre continue to be able to manage traffic signals and effective communications to help manage congestion and major events.

5 NECA Corporate Costs

5.1 The NECA budget for Corporate Costs in 2017/18 was £0.360m, which was part funded by council contributions of £0.300m on an equal shares basis of £42,857 per authority, the same as in the previous year. The balance funded by interest on revenue balances and treasury management cash flow activity.

5.2 NECA will need to maintain sufficient capacity to meet its statutory requirements and it is proposed that the current contribution of £0.300m is continued for 2018/19 to help fund a total corporate budget of £0.379m, with the balance funded by interest income. The budget includes an allowance for inflation.

5.3 The main areas of cost relate to support costs in relation to the Head of Paid Service, Monitoring Officer and legal costs, Chief Finance Officer and Finance costs, HR Support, Internal and External Audit, support for the Scrutiny function and NECA policy, administration and co-ordination costs and other operating costs. It is important that the NECA is able to fulfil its statutory and corporate functions effectively and that reasonable costs are funded appropriately. This need for adequate corporate capacity has been raised as an issue by Governance Committee.

5.4 The corporate costs include activity relating to the accountable body of the North East LEP and a recent Government report requires additional assurance from the Chief Finance Officer in respect of the Local Growth Fund programme. The Chief Finance Officer is also currently involved in the national Fair Funding review and there is a need for the Monitoring Officer and legal support to complete transitional corporate activities.

5.5 More details of the corporate budget are set out Appendix F. It forms part of a wider NECA budget for capacity amounting to £0.764m. When combined with the capacity of the North East LEP, the Regional Transport and Inward Investment Teams this gives an investment in combined capacity of over £3.7m.

6 North East LEP

6.1 The NECA Leadership Board received information about the draft North East LEP Budget for 2017/18 of £2.936m in the Budget report in January 2017. The North East LEP Board subsequently agreed its budget for the year of £2.983m, which included updated information about additional costs and income for enterprise adviser activity.

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- 6.2 The revised budget for 2017/18 and the draft budget for 2018/19 including the operation costs of the Gatsby and Growth Hub activities are presented at Appendix G. This will be presented to the North East LEP Board for their consideration and agreement at their meeting on 25 January 2018. The latest estimate of the budget for 2017/18 has fallen slightly to £2.958m, mainly as a result of savings in staffing costs due to vacancies during the year. The proposed budget for 2018/19 is £2.962m.
- 6.3 The staffing budget for 2018/19 reflects the revised costs of the current establishment, which is slightly lower than the base budget agreed for 2017/18. A staffing cost saving was achieved in 2017/18 due to the outcome of the pension revaluation, with no employers' contributions for the North East LEP Team employed by NECA over a three year period at least. This saving will continue in 2018/19. The budget includes an allowing for inflation of 2%.
- 6.4 It has been confirmed that the £250k grant from Government for strategic activity will continue in 2018/19. The net cost of the Team after deducting estimated income is £94k, which will be funded from North East LEP reserves carried over from previous years.
- 6.5 It is estimated that the Enterprise Zone account will generate income from Retained Business Rates of over £1.6m in 2017/18, which will cover revenue and capital financing costs. Projections for 2018/19 will be updated to include the new round 2 Enterprise Zones and will be reported to the North East LEP and Leadership Boards in March 2018.

7 Inward Investment

- 7.1 In recent years, an Inward Investment Team has been established to help co-ordinate inward investment activity across the NECA area. The team increased to three full time equivalent posts with a gross budget of £460k, funded in part from £140k contributions from Local Authorities (£20k from each council), matched by funding from the LEP, other one-off funds and contributions from Enterprise Zone surpluses ring fenced for activity supporting and promoting Enterprise Zones.
- 7.2 Options for funding the team have been discussed with the constituent councils. The two main options that were considered were to continue the current operation and funding at c£460k, or to increase the level of marketing activity and further increase the reach of proactive lead generation including the possibility of activity overseas, with the potential to increase the budget up to c £638k. At this time, it is proposed that funding continues the current operation at a level of £460k.
- 7.3 Details of the budget for the current and next financial year are set out in Appendix H.

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8 Economic Development and Regeneration Advisory Board and Skills Activity

8.1 For 2018/19 it is proposed to continue to make available a contribution of up to £25k to help fund the work of the Economic Development and Regeneration Advisory Board being co-ordinated on behalf of NECA by South Tyneside Council, which will be funded by interest income.

8.2 For 2018/19 it is proposed to continue to make available a contribution of up to £25k to help fund the work of the Skills Portfolio being co-ordinated on behalf of NECA by Northumberland Council with support from the North East LEP, which will be funded by interest income.

9 Risk Management, Reserves and Contingencies

9.1 The General Corporate Reserve of NECA (originally set at £350k on the establishment of the Authority) totalled £208k at the beginning of the 2016/17 financial year. The general reserve increased slightly during 2016/17 to stand at £283k at 31 March 2017. The required level of the Corporate Reserve is reassessed based upon a risk analysis taking into account risks and the resources available to meet corporate costs next year. There is a Tyne and Wear transport reserve of £475k and a substantial financing reserve earmarked for the Tyne Tunnels. At this stage reserves are considered to be at an adequate level to manage risk, in view of the arrangements in place to manage financial risk during the year.

9.2 Reserves are held relating to Tyne and Wear transport activity, which were carried over from the former Tyne and Wear Integrated Transport Authority (TWITA). It is estimated that the former TWITA reserve will total around £475k at the end of the 2017/18 year. The budget proposed for 2018/19 would allow the reserve to be maintained at its current level, which is considered sufficient. The Tyne Tunnels reserve, which is ring fenced for the financing of the Tyne Tunnels and to meet any in-year deficits on the Tyne Tunnels revenue account, is estimated to be at a level of around £20.0m at the end of 2017/18, falling to approximately £16.089m at the end of 2018/19 as it is drawn down to fund refurbishment works on the Tyne Pedestrian and Cycle Tunnels; the remaining elements of the New Tyne Crossing capital programme; and the NESTI programme. See table overleaf detailing Reserves position across NECA.

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	2017/18 £m	2018/19 £m
Tyne and Wear Integrated Transport Authority (TWITA)	0.475	0.475
Tyne Tunnel Reserve	20.003	16.089
NECA Reserve	0.283	0.283
North East LEP Reserve	0.537	0.443
Invest North East England (INEE)	0.022	0
Total	21.320	17.290

10 Next Steps

- 10.1 The position against the budget for 2018/19 will be reported to the Leadership Board during the year and monitored by the various delivery bodies.
- 10.2 The North East LEP will consider and agree its budget later in January.

11 Potential Impact on Objectives

- 11.1 The NECA budget and medium term financial strategy reflects the policy objectives of the Authority, including the delivery of the Strategic Economic Plan.

12 Finance and Other Resources

- 12.1 The financial and other resource implications of the budget are set out in the body of the report.
- 12.2 The budget is set in the context of continuing government grant cuts for local government as part of the Government's Austerity programme, and increasing inflation cost pressures.
- 12.3 NECA's accounts for the last two years, which incorporate the accounts of Nexus have been signed off with an unqualified opinion from two different external auditors, who have also given unqualified opinions in terms of value for money.
- 12.4 The delivery of further savings in the Levy for Tyne and Wear without any significant services reductions provided improved value for money for Tyne and Wear residents. Information about the benefits received by Tyne and Wear authorities and comparison with levies in other metropolitan areas is set out in Appendix D.
- 12.5 The Local Government Finance Act 2003 requires the Chief Finance Officer to report to the Authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. He considers these to be robust and adequate. The Authority has a statutory duty

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to have regard to the CFOs report when making decisions about the calculations.

13 Legal

13.1 NECA is required by virtue of the Transport Levying Bodies (Amendment) Regulations 2015, to issue the transport levy before 15 February preceding the commencement of the financial year in respect of which it is issued.

13.2 In accordance with the requirements of the Order creating NECA, certain decisions must be taken by the Leadership Board on a unanimous basis. As a result, the decision to set the transport net revenue budget for 2018/19 and the transport levies for 2018/19 as set out in recommendations a) and b) must be agreed unanimously. In addition, recommendations f), g), h), i), j) and k) which provide the annual budget for corporate and other costs are also subject to unanimous decision of the Leadership Board. The remaining matters are matters not subject to the requirement of unanimity as set out in the NECA order and therefore are subject to decision on a simple majority basis.

14 Other Considerations

14.1 Consultation/Community Engagement

The NECA constitution requires that consultation on its budget proposals be undertaken at least two months prior to the budget being agreed. The 2018/19 budget proposals were reported to the Leadership Board on 21 November, as part of a consultation process which started on 15th November and included consideration by the Overview and Scrutiny Committee, Governance Committee and the North East Chamber of Commerce. This report also reflects comments received from individual constituent councils and the discussions at TNEC and the Tyne and Wear Transport Sub Committee. The comments received have been taken into account in the preparation of this report and specific comments are set out in Appendix I. The North East LEP Board will be considering its budget and is due to agree its budget on 25 January 2018.

14.2 Human Rights

There are no human rights issues arising directly from this report.

14.3 Equalities and Diversity

There are no equalities and diversity issues arising directly from this report.

14.4 Risk Management

Appropriate risk management arrangements have been put in place in each budget area. The maintenance of reserves helps manage risk.

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14.5 Crime and Disorder

There are no crime and disorder issues arising directly from this report.

14.6 Environment and Sustainability

There are no environment and sustainability issues arising directly from this report.

15 Background Documents

- 15.1 Reports to leadership Board, Transport for the North East, Tyne and Wear Sub Committee, reports from Durham and Northumberland County Council.

16 Links to the Local Transport Plans

- 16.1 The revenue budgets for transport and the protection of transport services makes and important contribution to continue to secure the transport objectives in the plan.

17 Appendices

- 17.1 Appendix A – Revenue Budget Summary 2017/18 and 2018/19
Appendix B – Transport Levy Arrangements in Tyne and Wear
Appendix C – NECA Transport Levy Budget
Appendix D – Nexus Budget Proposals 2018/19 Detail
Appendix E – Tyne Tunnels 2017/18 forecast and 2018/19 Budget
Appendix F – Corporate Budget proposals
Appendix G – Draft North East LEP Budget
Appendix H – Invest North East England Budget detail
Appendix I – Consultation Comments

18 Contact Officers

- 18.1 Paul Woods, Chief Finance Officer, paul.woods@northeastca.gov.uk, 07446936840

19 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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Appendix A – Revenue Budget Summary 2018/19

	2017/18 Budget			2018/19 Budget		
	Gross Expenditure	External Income / Grants / Reserves	Net Revenue Budget	Gross Expenditure	External Income / Grants / Reserves	Net Revenue Budget
	£000	£000	£000	£000	£000	£000
Transport						
Durham	17,715	(2,237)	15,478	17,935	(2,238)	15,697
Northumberland	6,931	(709)	6,222	6,710	(559)	6,151
Tyne & Wear (Nexus)	170,840	(109,950)	60,890	171,360	(111,660)	59,700
NECA Retained Transport Budget	2,160	-	2,160	2,110	(10)	2,100
Tyne Tunnels	26,215	(26,215)	-	26,271	(26,271)	-
Regional Transport Team	866	(866)	-	971	(971)	-
Transport Sub-Total	224,727	(139,977)	84,750	225,357	(141,709)	83,648
Non-Transport						
NECA Corporate Budget	362	(62)	300	374	(74)	300
NELEP Core Budget	2,958	(2,921)	37	2,904	(2,810)	94
Inward Investment Team	481	(481)	-	460	(460)	-
Economic Development – contribution to South Tyneside Council	25	(25)	-	25	(25)	-
Non-Transport Total	3,826	(3,489)	337	3,763	(3,369)	394
NECA Total	228,553	(143,466)	85,087	229,120	(145,078)	84,042

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Appendix B – Transport Levy Arrangements – Apportionment on Population basis in Tyne and Wear

Under the Transport Levying Bodies regulations, the measure of population which must be used to apportion the Tyne and Wear Transport levy between the constituent authorities is the total resident population at the relevant date of the area of each Authority concerned (the relevant date being 30 June in the financial year which commenced two years prior to the levying year).

For the 2018/19 levy, this is the 2016 Mid-Year estimates published by the Office for National Statistics. The population estimates for 2015 and 2016 are set out in the table below. The population estimates for all five authorities have increased, but by different amounts.

	2015 MYE	2016 MYE	Change	
	People	People	People	Percentage
Gateshead	200,996	201,592	596	0.29%
Newcastle	292,883	296,478	3,595	1.22%
North Tyneside	202,494	203,307	813	0.40%
South Tyneside	148,671	149,418	747	0.50%
Sunderland	277,150	277,962	812	0.29%
Total Tyne & Wear	1,122,194	1,128,757	6,563	0.58%

Apportioning the proposed levy of £61,800,000 gives the following figures for Tyne and Wear:

	2017/18 Levy	2018/19 Levy	Saving compared to 2017/18	
	£	£	£	%
Gateshead	11,291,085	11,037,261	-253,824	-2.30%
Newcastle	16,452,899	16,232,316	-220,583	-1.36%
North Tyneside	11,375,236	11,131,158	-244,078	-2.19%
South Tyneside	8,351,693	8,180,709	-170,984	-2.09%
Sunderland	15,569,087	15,218,556	-350,531	-2.30%
Total Tyne & Wear	63,040,000	61,800,000	-1,240,000	-2.00%

Background to Levy Arrangements

Public Transport has traditionally been seen as a county-wide level service, due to the wider geographic nature of transport services. County-wide precepts for Transport costs were replaced in 1990 with levying arrangements, reflecting Government decision about how public transport grant support was to be provided, i.e. within the Revenue Support Grant paid to metropolitan districts, rather than directly to PTAs. The levying arrangements which specified a population apportionment were set out in the Transport Levying Bodies Regulations 1992, now amended by the Transport Levying Bodies (Amendment) Regulations 2015. The regulations reflected the principle that all residents in a county area should contribute equally to access to transport services. In

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recent years concessionary travel costs have also been classified by DCLG and DfT as a county-wide level service.

In establishing Combined Authorities with levying powers, Government required population to be used as the basis for levy apportionment. The NECA area, unlike other Combined Authority areas, includes three county areas with very different levels of cost and different levels of grant funding. The difference in costs relates particularly to the cost of concessionary travel reimbursement, which is considerably higher in Tyne and Wear due to the high levels of travel on an urban transport network as well as higher levels of historic public transport borrowing costs. Both of these items are reflected in higher grants paid to Tyne and Wear authorities within revenue support grant. It was not therefore possible to have a single transport levy covering the whole NECA area and the amended levy arrangements established three separate levies through legislation: one for Durham County Council, one for Northumberland County Council and one for Tyne and Wear.

The difference in transport costs and levies between the three areas can be seen in the chart below:

In Northumberland and Durham the vast majority of the Levy relates to grant paid back to the councils as the delivery agents for the operational transport activities in their areas. There is an additional charge to all three levies for cross-cutting transport activities for all parts of the NECA area. The calculation of the proposed charge for 2018/19 is set out below:

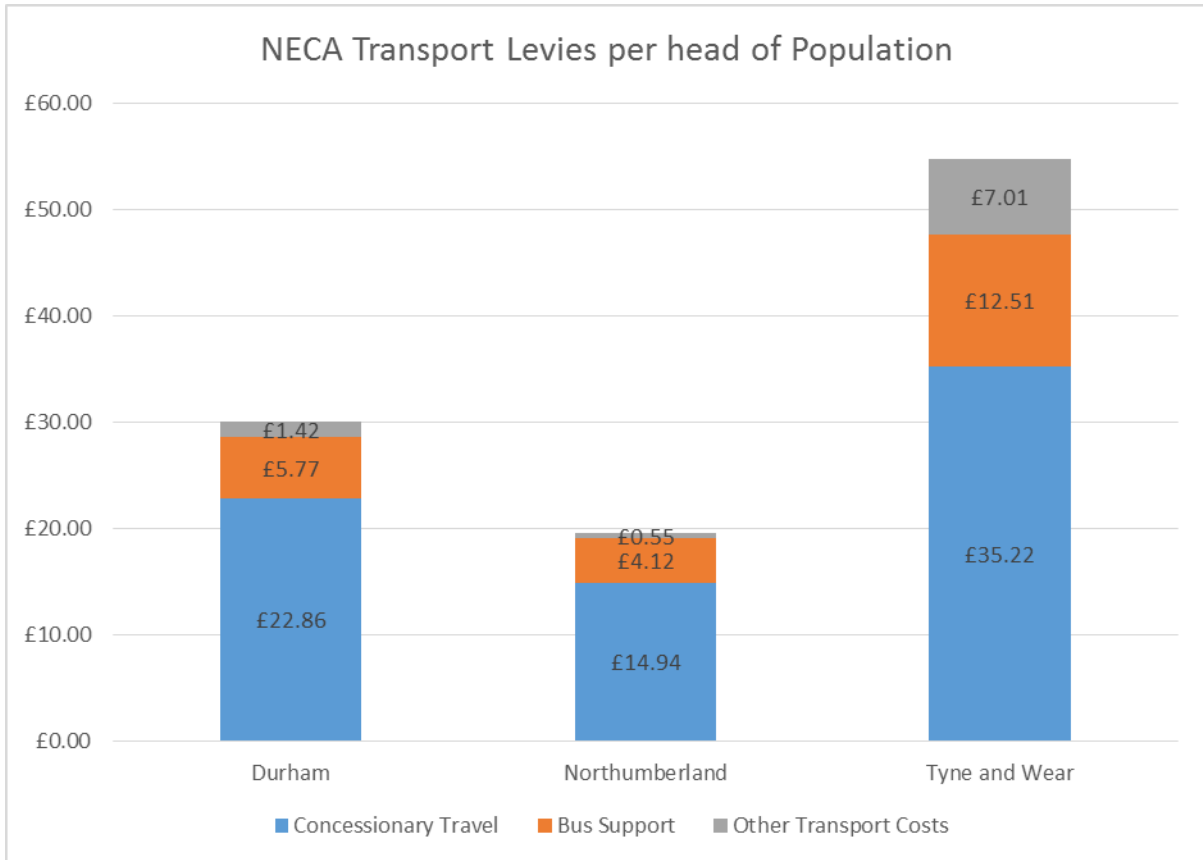
	Durham	Northumberland	Tyne & Wear	Total
	£	£	£	£
Internal/External Audit Fee (allocation for Transport)	300	300	13,950	14,550
Finance and Accounting	1,400	1,400	43,900	46,700
Democratic Services TNEC	1,900	1,900	25,270	29,070
IT Development, Other expenses and general costs	1,400	1,400	43,880	46,680
Total	5,000	5,000	127,000	137,000

Comparative Cost Analysis – Transport Budgets

The relative levels of the levies are shown in the following chart, highlighting the very different cost per head of population in Northumberland and Durham compared with Tyne and Wear, mainly due to the higher costs of concessionary travel; supported bus services and capital financing costs.

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Chart 1: NECA Transport Levies per head of population - 2018/19 Proposed Levies



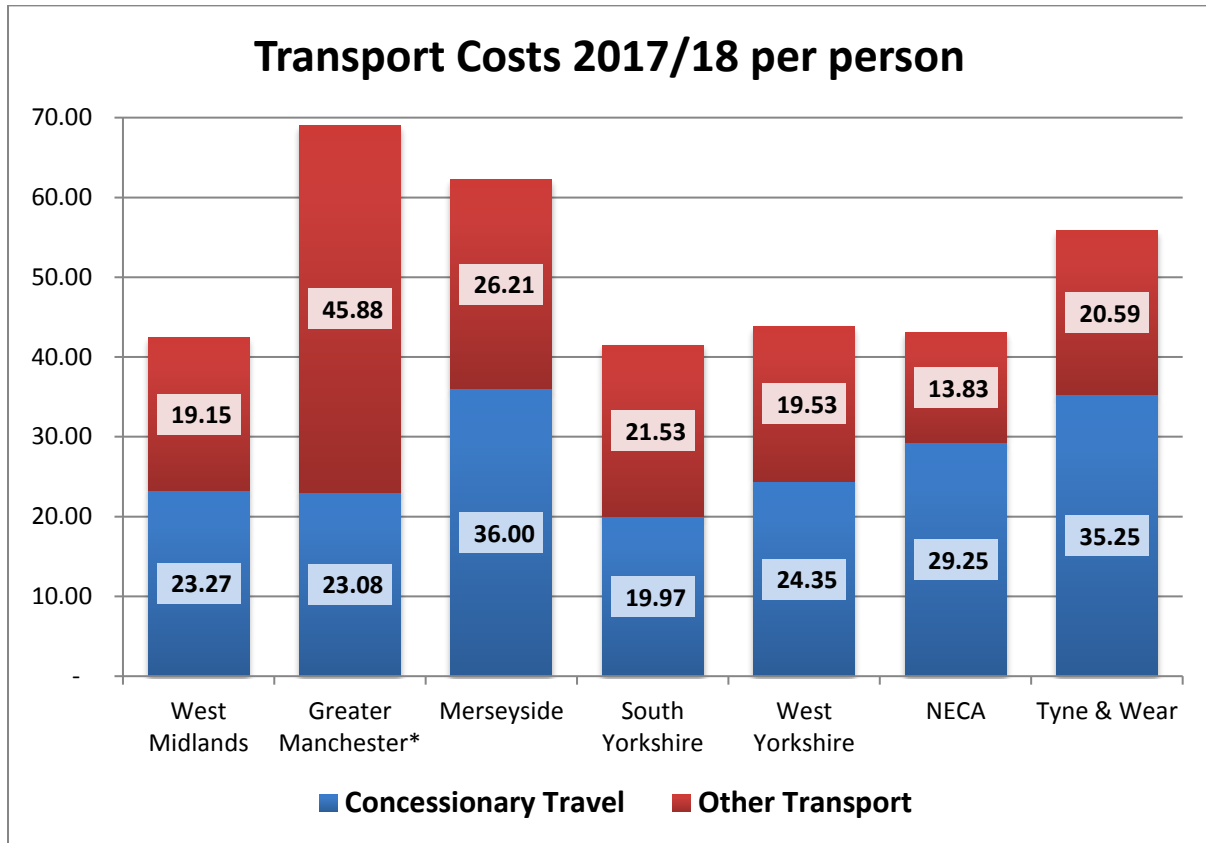
The costs per head of population in Tyne and Wear are higher because they reflect a significantly higher level of concessionary travel activity and the support for secured bus services to provide accessible transport services across the county. 'Other' also includes capital financing costs relating to transport schemes which are not included in the other levies.

In recent years the significant saving to districts in Tyne and Wear from reductions in the levy and retention of concessionary travel grants have resulted in total annual savings of £15.3m (18.5% in cash terms and over 22% in real terms) since 2011, with no material reduction or detrimental impact on service outcomes. At the same time population has risen slightly by 0.5%.

A comparison of levy per head of population in metropolitan areas for 2017/18 (the most recent year for which data is published) shows that while Tyne and Wear had the third highest levy per person at £56, this was a direct result of the higher concessionary travel costs due to its high proportion of the population who are ENCTS pass holders, and pass holders' extensive use of the pass.

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Chart 2: Relative Transport costs per head of population – 2017/18 costs



*Greater Manchester includes capital financing for transport activity and has been adjustment for a transport between their Transport and Waste Levy in order to show the true level of transport costs.

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Appendix C – NECA Transport Levy budget detail

	2017/18 Original	2017/18 Revised	2018/19 Original
	£	£	£
Service Level Agreement	230,000	210,000	220,000
External Audit Fee (Transport element)	13,000	13,000	13,000
Members Allowances and expenses	5,000	5,000	5,000
Conferences, Travel and Subsistence	3,000	2,000	2,000
IT Development/Website	10,000	12,000	12,000
Supplies and Services	12,000	10,000	10,000
Transport Joint Committee Support and Contingency	110,000	0	50,000
Repayment to Tyne Tunnels (for Pension Deficit payment)	240,000	240,000	240,000
Financing Charges – Interest and DME	1,010,100	1,016,340	1,028,900
Financing Charges – MRP	519,100	651,660	529,100
Net Expenditure	2,152,200	2,160,000	2,110,000
Transport Levies			
Durham	(15,482,424)	(15,482,424)	(15,696,866)
Northumberland	(6,221,740)	(6,221,740)	(6,150,880)
Tyne and Wear	(63,040,000)	(63,040,000)	(61,800,000)
Total	(84,744,164)	(84,744,164)	(83,697,746)
Transport Grants			
Durham	15,477,424	15,477,424	15,691,866
Northumberland	6,216,740	6,216,740	6,145,880
Tyne and Wear (Nexus)	60,890,000	60,890,000	59,700,000
Total	82,584,164	82,584,164	81,537,746
Contribution (to)/from Reserves	(7,800)	0	0

Tyne and Wear Transport Reserve

	2017/18 Original	2017/18 Revised	2018/19 Original
Reserves brought forward	(290,849)	(475,000)	(475,000)
Reserves contribution in year	(7,800)	-	-
Reserves carried forward	(298,649)	(475,000)	(475,000)

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APPENDIX D

Nexus Revenue Budget 2017/18 and Indicative Forecast to 2020/21

Nexus Budget Performance 2017/18

1. At its January 2017 meeting, the Leadership Board agreed that Nexus could use £1.610m of its reserves in 2017/18 in order to set a balanced budget. The Leadership Board also agreed, that in the face of a rising cost base 'at standstill' i.e. no growth in service delivery but with upward pressure on pay and prices, together with further likely reductions in the Tyne and Wear transport levy and in particular the grant paid by the NECA (or any successor body or bodies) to Nexus in 2018/19 and 2019/20 of £1.230m and £0.590m respectively, service reductions in future years would be inevitable.
2. However, the Tyne and Wear Sub-Committee was advised in November 2017 that Nexus is currently forecasting a budget surplus in 2017/18 amounting to £1.140m, which will be transferred to reserves at the year-end and available to maintain service outcomes in 2018/19.
3. This has been possible because of permanent savings in the base budget of almost £2.0m (which has more than offset the agreed budget deficit) together with a (net) £0.8m of additional one-off savings being achieved in year. This is explained in the table below:

	£m	£m
Base Budget Deficit		1.610
Permanent Reductions to Base		
Secured Services	(0.750)	
Concessionary Travel	(0.600)	
HV Power	(0.500)	
Establishment Savings	(0.068)	(1.918)
Revised Base Budget (surplus)		(0.308)
One-off Variations		
Metro revenue	0.400	
Ferry Landing Repairs	0.288	
Metro futures	(0.255)	
High voltage power	(0.180)	
Concessionary travel	(0.879)	
Other	(0.206)	(0.832)
Forecast surplus at P6¹		(1.140)

¹ This is after the redirection of £3.3m of pension savings into the new Metrocar fleet, further explained in paragraph 7

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4. Although the forecast has been further revised and at the end of Period 8, it is evident that Metro fare revenue is further adrift of budget (by almost £1m) other savings mean that the in-year surplus is now forecast to be £0.9m. This will be kept under review for the remainder of the year by the both the Transport North East Committee and the Tyne and Wear Sub-Committee.

Formulation of the 2018/19 Budget

5. Although Nexus' expenditure commitments 'at standstill' are such that it will be unable to set a balanced budget without continuing to place reliance on reserves, it should be possible to set a budget for 2018/19 that is both manageable within the context of its overall reserves position (refer to paragraphs 15 to 18 below) and which will also have a relatively low impact on service outcomes.
6. The budget proposal for 2018/19 will also enable the introduction of a new policy objective which is to provide a better offer for Under 19's when travelling on Metro (the introduction from January 2018 of a single fare of £1 and a daily price cap of £2 on Metro was agreed by the Tyne and Wear Sub-Committee at its November meeting, minute reference 29 refers).
7. In addition, now that the government has announced that it will provide £337m in grant funding for Nexus to acquire a new fleet of Metrocars, the budget for 2018/19 will allow the necessary internal and external resources to pursue this major procurement, as well as providing £3.3m as part of an overall £25m local contribution to the project, funded from savings in pensions costs. The pension cost savings have arisen because of Nexus no longer had a pension deficit at the 2016 valuation and as a result, the redirection of a £10m net saving towards the new fleet will happen across the three years, 2017/18 to 2019/20. In addition, the budget also provides for the development of proposals for future extensions, consistent with the ambition set out by the Leadership Board when it agreed the Metro and Local Rail Strategy in July 2016.
8. Looking further ahead, at the November 2017 meeting of the Tyne and Wear Sub-Committee, members also considered a financial planning proposal which was earlier based on the 'average change in core spending power' for Tyne and Wear District Councils in order to determine future levels of grant to be paid to Nexus through to 2020/21. This is set out in the table below, although the indicative figures for 2019/20 and 2020/21 will be reviewed* in the light of higher inflationary pressures and spending power figures to be confirmed in January.

2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
62.500	60.890	59.700	59.070	59.000
Actual	Actual	Proposed	Indicative*	Indicative*

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9. With the grant payable to Nexus from the NECA (or any successor body or bodies) set to keep on reducing, Nexus' ability to maintain service outcomes across the medium term will become more and more difficult. The downturn in Metro fare revenue, as previously highlighted is also of some concern, although the budget proposal for 2018/19 does reflect a lower base as a result of falling patronage and revenues during the current year.

Budget 2018/19

10. Setting a balanced budget in 2018/19 will require the application of £1.934m of reserves. The table below shows the movement 'base on base'.

	£m	£m
Base budget 2017/18		(0.309)
Grant Funding	0.692	
Metro Farebox	0.195	
Under 19s Fares	0.489	
Employees	1.353	
Key Contracts	1.184	
Savings	(1.670)	2.243
Base budget 2018/19		1.934

11. The key movements are discussed in further detail below:

- a. Grant Funding – as previously highlighted, the grant from the NECA is set to reduce by £1.230m whilst Metro Rail Grant, whilst set to increase, is estimated to do so by a lesser amount (£0.538m);
- b. Metro Farebox – patronage and fare losses during 2017/18 have been factored into the 2018/19 base which has also been adjusted for the impact of the January 2018 fares review;
- c. Under 19s Fares – as previously highlighted, the introduction of this new fares offer will have an adverse impact on fare revenue. This is expressed here in net terms, having taken into account the projected increase in demand arising from this positive initiative for younger people;
- d. Employees – comprising pay inflation, incremental progression and provisions to accommodate legislative changes e.g. the calculation of overtime in respect of holiday pay;
- e. Key Contracts – comprising inflationary pressures relating to key contracts such as High Voltage Power, the Network Rail Track Access Charge and Secured Bus Services;
- f. Savings – after the redirection of a £3.3m pensions saving referred to previously, there will be a further saving in relation to annual pension payments as well as a redirection of spending in connection with Metro transition together with other efficiency savings, to be achieved in the context of maintaining services outcomes.

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12. The table at paragraph 21 and also at Annex 1 provides a breakdown of the amount of funding each of these service areas will place reliance on in respect of the NECA grant in 2018/19, having taken into account internal recharges for indirect activities and overheads, commercial revenue generated in the delivery of the service, government grant and releases from the capital grants deferred account. In regards this latter point, an unusable reserve is established when a fixed asset funded by government grant is acquired, so that in future years, the reserve is released from the balance sheet to match (offset) the depreciation charged to the revenue account reflecting the use of the asset in the provision of services. The majority (but not all) of Nexus' depreciation is offset in this way, reflecting the major reliance upon government grant as a means of investing in its asset base, in particular the Tyne and Wear Metro system.
13. Whilst Annex 1 illustrates how each service area is to be funded from the NECA grant in 2017/18, it does not breakdown the Nexus budget in its entirety. This is provided in more detail at Annexes 2, 3 and 4 which illustrates:-
- The full range of cost centres where income and expenditure is recorded in pursuit of Nexus' business plan objectives (refer to Annex 2)
 - The net cost of Nexus' support services and other indirect activities for example, Legal Services, Health and Safety, Retail Sales etc. which are fully allocated across the service areas included in Annex 1 (refer to Annex 3)
 - A 'subjective analysis' of Nexus' gross income and expenditure, for example, Employee costs, Premises costs, Transport related expenditure etc. (refer to Annex 4)
14. Further narrative in relation to NECA grant funded expenditure is detailed below:-
- **ENCTS** - £35.359m, comprising the net cost of the English National Concessionary Travel Scheme (ENCTS) in Tyne and Wear which is a statutory obligation placed upon Nexus as the Travel Concession Authority (TCA). Expenditure is dependent upon the numbers of passengers using the Scheme, the fare that would have been paid (to the bus operator) if the Scheme did not exist and an estimate of the additional costs of meeting the increased demand caused by the existence of the Scheme. TCA's and bus operators utilise DfT guidance in determining the value of payments due but in essence, Nexus has virtually no control over this sizeable burden on its NECA grant funded expenditure.
 - **Discretionary CT** - £4.380m, comprising the discretionary add-ons to the ENCTS (the all day disabled pass, the companion pass, post 2300 hour boardings, and pre 0930 hour boardings for the purposes of attending medical appointments), the Metro Gold Card Scheme, the Under 16 Scheme and Teen Travel.

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- **Metro** - £5.315m, comprising the contribution that the NECA grant makes to the cost of Metro operations. This also includes a budget for the internal and external resources required for the replacement of the Metrocar fleet, together with the the development of proposals for future extensions.
- **Ferry** - £1.035m, comprising staffing, fuel, maintenance, cleaning and security.
- **Local Rail** - £0.140m, comprising the cost of Nexus' involvement in the franchise management arrangements of Northern Rail and Trans Pennine Express. This includes servicing the North East Rail Management Unit on behalf of the NECA.
- **Bus Services** - £11.943m, mainly comprising secured bus services which necessarily involves the following types of service provision:
 - All day services
 - Scholars services
 - Works / Early Morning services
 - Evenings and weekend extensions
 - Route diversions
 - Taxibus and Community Transport
- **Bus Infrastructure** - £2.116m, comprising staffing, cleaning, maintenance and security of bus interchanges, stations and shelters.
- **Public Transport Information** - £1.346m, comprising website design and maintenance, printed material including Bus, Metro and Ferry timetables (including bus stop liners), call handling and the provision of electronic information for journey planning.

Nexus' Reserves

15. In agreeing Nexus' revenue budget for 2018/19, particularly bearing in mind that there will be a requirement to use £1.934m of reserves, NECA will need to pay due regard to Nexus' reserves position and its overall financial standing.
16. Nexus has usable reserves, which are classified as revenue and capital. The balance on Nexus' usable revenue reserve as at 31 March 2018 is forecast to be £16.473m, reducing to £14.539m following the use of £1.934m in 2018/19.
17. Should any of the uncertainties surrounding Nexus' budget proposal for 2018/19 manifest themselves to the extent that a larger call on reserves is necessary, there is an option to do so. Alternatively, should any of the uncertainties surrounding

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Nexus' budget proposal for 2018/19 not manifest themselves to the extent that a smaller call on reserves is necessary, this would stand Nexus in good stead across the medium term.

18. In addition to its revenue reserves, Nexus also has a separate capital reserve. Capital reserves have in the past been earmarked and used for investment in Major Projects, for example letting the Metro Concession, Ticketing and Gating, the Bus Strategy Delivery Project and contributions to other transport infrastructure projects. The balance on this reserve as at 31 March 2018 is forecast to be £26.8m. Of this, £15.0m has previously been earmarked for a local contribution for the new fleet of Metrocars, which will form part of the overall £25.0m local contribution. Notwithstanding this, the capital reserve therefore provides some headroom in Nexus' delivery of Major Projects on behalf of the NECA.

Balancing the Budget by 2020/21

19. Given both the possible reduction in the grant Nexus receives from the NECA (or its successor body or bodies) through to 2020/21 and Nexus' future likely expenditure commitments at 'standstill', it will be necessary for Nexus to embark on a further round of consultation during 2018 when the Tyne and Wear Sub-Committee have had more time to give due consideration to the identification of service priorities and where service reductions that will have a bigger impact on services will need to be implemented in later years. The level of the grant to Nexus in 2019/20 and 2020/21 will be reviewed in the light of the additional spending power to councils as a result of higher council tax increases being allowed by the Government to help offset inflation and service cost pressures that councils are facing. At this stage a freeze in the Nexus grant for 2019/20 looks likely to be in line with the latest spending power figures. – is that correct see earlier comment?
20. Therefore, it is clear that in the context of Nexus' grant base continuing to reduce, further expenditure reductions are inevitable and the impact on services will be much more visible and have a higher impact than that which will be necessary in 2018/19.
21. Using a central case planning assumption, at 'standstill' Nexus' expenditure requirement will continue to grow and the grant it receives from the NECA (or its successor body or bodies) will reduce by £0.6m in 2019/20 and a further £0.1m in 2020/21 if the indicative levels set out in the table at paragraph 8 are later agreed. The base budget imbalance in 2019/20 will therefore be around £5.3m, and this could increase to £9.4m by 2020/21 if things remain unchecked. This is shown in the table below with the 2017/18 revised base budget also shown as a comparator:

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Service Area	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
ENCTS	35.040	35.360	36.054	37.116
Discretionary CT	4.754	4.380	4.498	4.625
Metro	4.202	5.315	6.534	8.911
Ferry	1.175	1.035	1.040	1.083
Local Rail	0.177	0.140	0.152	0.164
Bus Services	11.643	11.943	12.563	12.773
Bus Infrastructure	1.818	2.116	2.167	2.221
Public Transport Information	1.775	1.346	1.399	1.481
TOTAL REQUIREMENT	60.582	61.634	64.405	68.373
NECA GRANT (LEVY)	(60.890)	(59.700)	(59.070)	(59.000)
(SURPLUS) / DEFICIT	(0.309)	1.934	5.335	9.373

22. The reason for the growth in the net budget is largely because 'at standstill' Nexus' expenditure commitments e.g. pay inflation, ENCTS reimbursement, other key contractual obligations (High Voltage Power, the Network Rail Track Access Charge and Secured Bus Services) increase at a faster rate than the growth in fare revenue, whilst grant income continues to reduce.
23. The overall position would be clearly exacerbated should the grant receivable from the NECA (or its successor body or bodies) reduce any further than the indicative levels set out in this report. If the grant is frozen at the 2018/19 level in line with the latest spending power figures, this would reduce the deficit by £0.63m in 2019/20 and by £0.7m in 2020/21.
24. And, it should be noted that at this stage, the assumption in 2019/20 and 2020/21 is that Metro (revenue) Rail Grant will continue at the 2018/19 level. However, this is far from certain and is contingent upon further negotiations with the Department for Transport (DfT) now that the funding agreement for the new Metrocar fleet has been determined. It is understood that the DfT's Rail Investment Board (RIB) is meeting in January 2018 and will be recommended to agree a 'flat cash' settlement for Nexus for 2019/20 but anything beyond this time will be subject to further discussion since 2020/21 and beyond falls within the period of the next Spending Review. In this regard, there might be an opportunity for future grant funding to be redistributed and locked in under government plans for business rate localisation. This will be explored in the coming months.
25. Further, Nexus is in receipt of over £1m in respect of other DfT grant, namely Bus Service Operator Grant (BSOG) and Rail Administration Grant (RAG) both of which are included in the medium term financial forecast at current levels, but the

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certainty surrounding the future of both of these grants remains unclear and represent a further risk in Nexus' budget.

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ANNEX 1 – Nexus Summary Revenue Budget Requirement 2018/19

Revenue Budget 2018/19

	Direct Costs £m	Income £m	Net Direct Costs £m	Indirect Costs £m	Grants £m	Loan Interest £m	Capital Adjust £m	2018/19 Net £m
ENCTS	35.814	(1.094)	34.720	0.647	0.000	0.000	(0.007)	35.359
Discretionary CT	11.641	(7.488)	4.153	0.230	0.000	0.000	(0.003)	4.380
Metro	91.199	(45.698)	45.501	8.232	(25.594)	1.337	(24.162)	5.315
Ferry	1.165	(0.362)	0.804	0.420	0.000	0.018	(0.207)	1.035
Local Rail	0.158	0.000	0.158	0.228	(0.262)	0.018	(0.003)	0.140
Bus Services	14.177	(2.607)	11.571	1.268	(0.890)	0.012	(0.019)	11.943
Bus Infrastructure	2.375	(0.631)	1.744	0.518	0.000	0.291	(0.437)	2.116
Public Transport Info	0.660	(0.091)	0.569	0.915	0.000	0.037	(0.174)	1.392
TOTAL REQUIREMENT	157.190	(57.971)	99.219	12.458	(26.745)	1.713	(25.010)	61.634
NECA GRANT (LEVY)								(59.700)
DEFICIT								1.934

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Annex 2 – Detailed Nexus Revenue Budget 2018/19

Service Area	Direct Costs £m	External Income £m	Indirect Costs £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
ENCTS - Bus	35.814	(1.094)					34.720
ENCTS	35.814	(1.094)	0.000	0.000	0.000	0.000	34.720
Discretionary CT	5.165	(1.012)					4.153
Concessionary Travel - Ferry	0.120	(0.120)					0.000
Concessionary Travel - Metro	6.356	(6.356)					0.000
Discretionary CT	11.641	(7.488)	0.000	0.000	0.000	0.000	4.153
Metro Futures	1.303						1.303
Metro Extensions	0.697						0.697
Stores	0.151	(0.001)					0.150
Rail Infrastructure - Rates	1.560						1.560
Rail Infrastructure - Insurance	1.267						1.267
Rail Infrastructure - HV Power	6.810						6.810
Rail Infrastructure - Depreciation	25.525						25.525
Metro Operations	38.964						38.964
Metro Delivery	1.197						1.197
Programme Assurance Office	0.086						0.086
Engineering	0.217						0.217
Metro Farebox	0.916	(45.299)					(44.383)
Car Parks	0.000	(0.225)					(0.225)
Ticketing & Gating	1.180						1.180
AFC & Communications	1.441						1.441
Buildings & Infrastructure Services	3.277	(0.002)					3.274
Rail Management & Administration	0.104						0.104
Permanent Way	1.491	(0.137)					1.354
Power Supplies	0.609	(0.034)					0.575
Signalling	1.067						1.067
Renewals	0.005						0.005
Contribution to Fleet Renewal	3.333						3.333
Metro	91.199	(45.698)	0.000	0.000	0.000	0.000	45.501
Ferry	1.165	(0.362)					0.804
Ferry	1.165	(0.362)	0.000	0.000	0.000	0.000	0.804
Heavy Rail	0.158						0.158
Local Rail	0.158	0.000	0.000	0.000	0.000	0.000	0.158
Contract Management	0.249						0.249

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Network Management	0.311						0.311
TaxiCard	0.403	(0.078)					0.325
Secured Bus Services	13.214	(2.528)		(0.890)			9.796
Bus Services	14.177	(2.607)	0.000	(0.890)	0.000	0.000	10.681
Bus Infrastructure	2.375	(0.631)					1.744
Bus Infrastructure	12.375	(0.631)	0.000	0.000	0.000	0.000	1.744
Information	0.660	(0.091)					0.569
Public Transport Info	0.660	(0.091)	0.000	0.000	0.000	0.000	0.569
Pensions and Provisions			2.349				2.349
Investment Income			(0.300)				(0.300)
Democratic Services & Executive			0.885				0.885
Media & Communications			0.346				0.346
Print and distribution			0.142				0.142
Marketing			0.382				0.382
Customer Services			0.810				0.810
Retail Sales			0.223				0.223
Administration & Secretarial			0.126				0.126
Health and Safety			1.034				1.034
Legal Services			0.173				0.173
Finance and Audit			0.930				0.930
Procurement			0.174				0.174
Estates			1.036				1.036
Human Resources			0.379				0.379
Corporate Planning			1.134				1.134
ICT			2.635				2.635
Indirect Costs	0.000	0.000	12.458	0.000	0.000	0.000	12.458
Metro Rail Grant				(25.594)			(25.594)
Heavy Rail Grant				(0.262)			(0.262)
Grants	0.000	0.000	0.000	(25.855)	0.000	0.000	(25.855)
Loan Charges					1.713		1.713
Loan Charges	0.000	0.000	0.000	0.000	1.713	0.000	1.713
Released from Capital Reserves						(1.389)	(1.389)
Released from Capital Grants						(23.621)	(23.621)
Asset Financing	0.000	0.000	0.000	0.000	0.000	(25.010)	(25.010)
TOTAL REQUIREMENT	157.190	(57.971)	12.458	(26.745)	1.713	(25.010)	61.634
NECA Grant	0.000	0.000	0.000	(59.700)	0.000	0.000	(59.700)
DEFICIT / (SURPLUS)	157.190	(57.971)	12.458	(86.445)	1.713	(25.010)	1.934

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ANNEX 3 – Overhead Allocation 2018/19

Indirect Cost Centre	£m	Service Area	£m
Investment Income	(0.300)	ENCTS	0.647
Pensions	2.249	Discretionary CT	0.230
Democratic Services & Executive Administration & Secretarial	0.885	Metro	8.232
Health and Safety	0.126	Ferry	0.420
Legal Services	1.034	Local Rail	0.228
Human Resources	0.173	Bus Services	1.268
Finance	0.379	Bus Infrastructure	0.518
Corporate Planning	0.930	Public Transport Information	0.915
Procurement	1.134		
Information Technology	0.174		
Retail & OSS	2.735		
Media & Communications	1.033		
Marketing & Print Unit	0.346		
Property Admin	0.525		
	1.036		
Total Indirect Costs	12.458	Total Indirect Costs	12.458

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ANNEX 4 – Subjective Analysis 2018/19

	£m	£m
Expenditure		
Employees including Pensions		42.960
Premises		3.665
Transport		0.329
Supplies & Contracted Services		
Concessionary Fares	47.269	
Secured Bus Services	13.130	
General Supplies and Services	12.435	
High Voltage Power	6.810	
NWR Track Access	9.869	
Insurance	1.348	
Policing	1.177	92.038
Depreciation		26.827
Loan Interest		1.713
Metro Fleet Contribution		3.333
Contingency		0.495
Total Expenditure		171.360
Income		
Commercial Income	(57.670)	
Investment income	(0.300)	(57.970)
Grants		
NECA	(59.700)	
MRG	(25.594)	
BSOG	(0.890)	
RAG	(0.262)	(86.445)
Deferred Capital Grants		(25.010)
Contribution from Reserves		(1.934)
Total Income		(171.360)

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Appendix E – Tyne Tunnels Revenue Account Estimates detail

	2017/18 Original	2017/18 Revised	2018/19 Original
	£000	£000	£000
Tolls Income	(28,000)	(26,296)	(25,970)
Contract payments to TT2	21,400	19,288	19,480
Employees	32	2	33
Pensions	53	54	54
Support Services	90	120	80
Supplies & Services	35	35	35
Community Fund	10	10	10
Financing Charges	6,778	6,996	6,579
Interest/Other income	(75)	(50)	(50)
Repayment from ITA for use of reserves	(240)	(240)	(240)
Deficit on Tyne Tunnels revenue account met from reserves	83	(80)	11

Tyne Tunnels Reserves b/f	(24,563)	(24,563)	(20,003)
Deficit on Tyne Tunnels revenue account met from reserves	83	(80)	11
Capital Expenditure funded from Reserves	2,375	4,000	3,600
NESTI Expenditure funded from Reserves	905	640	303
Tyne Tunnels Reserves c/f	(21,200)	(20,003)	(16,089)

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Appendix F – Corporate Budget detail

	2017/18 Original	2017/18 Revised	2018/19 Original
	£000	£000	£000
Head of Paid Service	60,000	75,000	63,000
Chief Finance Officer	34,000	45,600	49,000
Monitoring Officer	45,000	30,000	28,500
Additional Legal Capacity	-	30,000	15,000
Policy and Coordination	66,000	55,400	57,360
Finance and Accounting	25,000	28,510	31,660
Internal and External Audit	23,160	20,160	20,460
HR Support	10,000	13,360	5,100
IT Capacity	5,000	6,000	5,000
Democratic Services	33,000	33,000	33,660
Communications	15,000	5,000	5,000
Scrutiny	11,500	16,380	17,420
Procurement	1,000	1,000	1,000
General	8,000	2,000	2,500
Recruitment	12,000	8,000	-
PA/Administration	14,000	6,920	28,850
Match Funding NE Technical Assistance	-	11,180	12,000
Insurance	-	4,100	4,100
Total Expenditure	362,660	391,610	379,610
Funded by:			
Council Contributions	(300,000)	(300,000)	(300,000)
Additional Interest/Treasury Management	(62,660)	(91,610)	(79,610)
Total Funding	(362,660)	(391,610)	(379,610)

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NECA Support 2018/19 Budget

	Corporate Costs	Transport	LEP/EZ	EDRAB	Fairer Funding	Total
	£	£	£	£	£	£
Head of Paid Service	63,000	3,000	-			66,000
Chief Finance Officer	39,700	31,000	44,500		9,300	124,500
Monitoring Officer	28,500	10,000	12,500			51,000
Additional Legal Capacity	15,000					15,000
Policy and Coordination	57,360	19,130	19,130	25,000		120,620
Finance and Accounting	31,660	101,980	14,780			148,420
Internal and External Audit	20,460	14,550	7,060			42,070
HR Support	5,100	2,040	10,200			17,340
IT Capacity	5,000	10,000	-			15,000
Democratic Services	33,660	29,070	3,060			65,790
Communications	5,000	5,000	-			10,000
Scrutiny	17,420	-	-			17,420
Procurement	1,000	2,000	1,000			4,000
General	2,500	2,500	1,000			6,000
PA/Administration	28,850	-	-			28,850
Match Funding NE Technical Assistance	12,000					12,000
Insurance	4,100	16,380				20,480
Total Expenditure	370,310	246,650	113,230	25,000	9,300	764,490
Funded by:						
Council Contributions	(300,000)					(300,000)
Other Budgets	-	(246,650)	(113,230)			(359,880)
Additional Interest/Treasury Management	(70,310)	-	-	(25,000)	(9,300)	(104,610)
Total Funding	(370,310)	(246,650)	(113,230)	(25,000)	(9,300)	(764,490)

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Appendix G – North East LEP Budget detail

	2017/18 Original Budget	2017/18 Latest Estimate	2018/19 Draft Budget
<u>Expenditure</u>	£000	£000	£000
Employees	1,429	1,256	1,415
Premises	95	93	95
Communications	247	247	247
Transport LGF Activity	200	300	150
Other LGF Costs - Legal / Finance	50	50	50
Gatsby and Growth Hub Operational Costs	249	249	249
Other Operational Costs	623	623	616
Inward Investment Contribution	140	140	140
Gross Expenditure	3,033	2,958	2,962
<u>Income</u>			
LEP Core Grant from DCLG	(250)	(250)	(250)
Local Authority Match Funding	(250)	(250)	(250)
LEP Strategy Grant from DCLG	(250)	(250)	(250)
Local Growth Funding - Management Costs	(1,200)	(1,200)	(1,200)
ESIF Technical Assistance (2014/2020)	0	0	0
Enterprise Zone Business Rates Receipts	0	0	0
Interest Generated on Funds (inc LGF) to finance the Inward Investments Team	(140)	(140)	(140)
Enterprise Adviser Grant	(78)	(78)	(48)
NEIF / EZ Contribution to cover activity costs	(100)	(100)	(100)
Gatsby and Growth Hub Grants	(504)	(504)	(506)
Energy Strategy BEIS	0	0	(40)
Horizon 20/20	0	0	(18)
Contribution from NECA for HoPS	(60)	(75)	(66)
DCLG contribution for EZ Commercial Support	0	(28)	0
Other Income	0	(46)	0
Gross Income	(2,832)	(2,921)	(2,868)
Net Budget / Funded from Carry Over Balances	201	37	94
Brought Forward Balance	(574)	(574)	(537)
Carried Forward Balance	(423)	(537)	(443)

North East Combined Authority Leadership Board

Appendix H – Invest North East England Budget detail

	2017/18 Original	2017/18 Revised	2018/19 Original
	£000	£000	£000
Salaries	145,000	152,300	155,00
Staff training	2,000	1,000	2,000
National travel and subsistence	10,000	10,000	10,000
Overseas travel	5,000	-	,
Web, telecoms, computers	15,000	5,000	10,000
Marketing / Communications /Events	100,000	125,000	100,000
Membership Fees (e.g. Sector bodies)	3,000	3,000	3,000
Visit hospitality costs	15,000	10,000	15,000
Professional consultancy	20,000	20,000	20,000
Lead generation/representation	110,000	120,000	110,000
Research resource licenses	25,000	25,000	25,000
Propositions refresh	10,000	10,000	10,000
Total Expenditure	460,000	481,300	460,000
Funded by:			
Local Authority Contributions	(140,000)	(140,000)	(140,000)
LEP (Interest)	(140,000)	(140,000)	(140,000)
LEP EZ (Marketing)	(148,000)	(148,000)	(148,000)
Balance c/f	(22,000)	(43,300)	(22,000)
Private sector Contributions	(10,000)	(10,000)	(10,000)
Total Funding	(460,000)	(481,300)	(460,000)

North East Combined Authority Leadership Board

Appendix I – Consultation Comments

This appendix sets out comments and responses received during the budget consultation process and provisional responses to issues raised.

North East England Chamber of Commerce

Following a discussion on 14 December 2017, the attached letter was received from the Chamber of Commerce. Key points from the discussion and the letter are summarised in the table below and a formal response will be prepared to be agreed at the meeting on 16th January.

Comment	Response
Request for information how Councils intend to take forward activities for economic growth following devolution deal.	To be determined by 16 th January.
Reassurance in regards to prospective cuts in Nexus funding that will not hinder what they would like to do in the long term. NEECC would be prepared to support the case regarding the Fair funding review.	Transport services have been seen as a priority in the North East area and we have not seen the level of service cuts experienced in some other parts of the country. The changes in spending power announced for 2018/19 and future years will be taken into account in reviewing the funding allocation for transport and the Nexus grant for 2019/20. For future years Fair Funding Review is looking to see how funding for services can be fairer across the country. Although there are no certainty about the outcome of the review, there is the potential for a fairer recognition of needs and resources from 2020/21.
Reiterate emphasis of the importance of the Inward Investment Service and making sure its resourced	Inward Investment is seen as important and the contribution made last year is being continued. Further increases in investment in this area will depend on the views of the North East LEP and the availability of funding.

Governance Committee

The Governance Committee met on 5 December 2017 and discussed the draft budget proposals. Progress with capacity and the impact of devolution were discussed. No specific recommendation or comments were identified for consideration by the NECA Leadership Board.

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Overview and Scrutiny Committee

The Overview and Scrutiny Committee met on 14 December 2017 and considered the draft budget proposals. The Committee made the following points at the meeting.

Comment	Response
<p>How realistic the transport savings were thought to be given recent infrastructure problems.</p>	<p>Officers advised that there had been a number of issues, and a particular issue of Metro service availability on 29 October which would be addressed later on the agenda. There had been a sustained reduction in grant funding to Nexus from the NECA. This was part of an ongoing position since 2012 and was a result of the declining resources of the constituent authorities. The levy largely covered the cost of concessionary travel bus passes, accounting for around two thirds of the total amount, with the remaining money going towards other services such as the discretionary concession scheme, cleaning, information provision, the ferry service, and around £5m to extend the free bus pass scheme on to the Metro (the Gold Card). The remainder of Metro funding was a mixture of fare box revenue (around £50m) and grant received directly from the Department for Transport (£25m). The Metro system was not performing as well as previously and patronage was declining, which put pressure on the fare box income.</p> <p>There had been a previous agreement not to cut frontline services, and to help achieve this there had been a restructure within Nexus and efficiencies made to reduce the cost of delivery. Reserve funding had been used to plug the gap, but it was anticipated that this would no longer be possible after the next financial year following which cuts to services may need to be reconsidered. Consultation had previously taken place on this, and further detailed consultation would be</p>

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	carried out over the following year in preparation.
That it was pleasing to see the inclusion of cheaper fares for young people following the Committee's policy review of transport related barriers to education, employment and training, and that the Committee expressed their thanks to officers for following through on those recommendations.	Officers elaborated that proposals had been taken to the Transport North East Tyne and Wear Sub-Committee a few weeks previously for new flexible and more affordable fares for young people under the age of 19, with the introduction of new £1 single and £2 capped daily Metro fares that could be bought with a Pop Pay As You Go (PAYG) card.



21 December 2017

Helen Golightly
North East Combined Authority
Quadrant
Cobalt Business Park
The Silverlink North
North Tyneside
NE27 0BY

Dear Helen

Draft Budget 2018/19

North East England Chamber of Commerce welcomes the opportunity to respond to NECA's draft budget for 2018/19.

The context for this consultation is somewhat strange, coming alongside a separate consultation on whether to split NECA in order to pave the way for devolution to North of Tyne. The Chamber previously supported devolution to NECA as a whole and is disappointed that this was ultimately rejected by NECA members. In light of this, we are strongly supportive of those authorities that are ready to do a devolution deal being enabled to go ahead. In the short term this will support delivery of the North East LEP's Strategic Economic Plan, and in the longer term we hope it will be a step towards devolution across the region. We remain concerned, however, that the other four members of NECA have not set out a clear direction for how they intend to take forward the activity to support economic growth that NECA was established to focus on. Therefore, while we understand that next year's budget must inevitably reflect what is described in the paper as a "transitional year", it is a far from satisfactory position that we find ourselves in.

With regard to the specific issues contained, we have some concern over the financial position relating to Nexus. We welcome the fact that any significant impact on services has been avoided this year, but we note that this is only possible through use of reserves, which cannot continue indefinitely. As you know, the Chamber campaigned strongly for investment in the Metro fleet and we were delighted with the recent announcement made by the Chancellor of the Exchequer. We would not want to see the impact of this undermined by other financial pressures on Nexus leading to service reductions. We will continue to campaign alongside you and others for an appropriate level of funding for transport in the region in order to meet our aspirations for growth.

You will also be aware that we consider the inward investment work a crucial element of the NECA budget. While welcoming the increased funding in recent years, we still do not believe the region's local authorities are sufficiently cohesive on this. We believe greater impact could be achieved through pooling more resources into the Invest North East England service and carrying out more work on this level rather than within individual authorities. We urge greater attention to this, notwithstanding the proposed split in NECA.

I hope these comments are useful. Please contact me if you require any further information.

Yours sincerely

Ross Smith
Director of Policy

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North East Combined Authority

Leadership Board

Date: 16 January 2018

Subject: Capital Programme 2018/19 and Treasury Management and Investment Strategy

Report of: Chief Finance Officer

Executive Summary

The purpose of this report is to update the Leadership Board on the forecast capital outturn position for 2017/18 of £132.2m and to present the initial 2018/19 capital programme of £176.2m for approval. After taking account of over-programming, the estimated level of actual capital expenditure is £138.7m in 2018/19. The report also sets out the Treasury Management and Investment Policy and Strategy for 2018/19 and the Minimum Revenue Provision Statement for 2018/19, also for approval by the Leadership Board.

Recommendations

The Leadership Board is recommended to:

- (i) Note the latest position in respect of the 2017/18 capital programme, set out in section 2;
- (ii) Agree the proposed approach to maximising LGF capital spending in 2017/18, set out in section 2.3 of this report which will be subject to approval by the North East Local Enterprise Partnership (NELEP) Board;
- (iii) Approve the proposed initial capital programme for 2018/19 which amounts to £176.2m, with an estimated outturn spend of £138.7m after taking account of over-programming, as set out in section 3;
- (iv) Approve the Treasury Management Strategy for 2018/19 (including the Borrowing and Investment Strategies) and the Prudential Indicators as set out in Appendix C; and
- (v) Approve the Minimum Revenue Provision Statement for 2018/19 as set out in Appendix D.

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1 Background Information

- 1.1 This report outlines the capital programme proposals for 2018/19 and the funding sources identified to deliver the programme, which covers a wide range of transport improvements and economic and regeneration initiatives. This represents the latest information about the capital programme, which will be updated as new information becomes available and will be subject to monitoring reports during the year.

2 2017/18 Capital Programme Update

- 2.1 The latest estimate of the capital outturn position for 2017/18 is £132.2m, which is summarised in Table 1 below. This is higher than the latest approved programme for the year of £126.1m, due mainly to a high level of expenditure on Local Growth Fund (LGF) projects, reflecting 100% utilisation of LGF grant monies in addition to funding swaps to cover the additional anticipated forecast spend in 2017/18. Further information about the LGF programme is set out in section 2.2 below and in a separate report on this agenda dealing with LGF Project Approvals.

Table 1: Capital Programme 2017/18 Forecast

	Original Approved Programme	Latest Approved Programme	Forecast 2017/18
	£m	£m	£m
Local Growth Fund	77.981	61.124	66.497
Enterprise Zone Intervention	9.469	9.219	11.669
Other Transport Programmes:			
Metro Asset Renewal	41.686	41.169	37.998
Nexus Non-Metro*	0.000	0.409	0.401
Tyne Tunnels	0.000	2.425	4.000
Other Transport Grants*	11.309	11.755	11.639
Total Capital Programme	140.445	126.101	132.204

* Less grant funding shown in other programme lines.

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Local Growth Fund Programme for 2017/18

- 2.2 NECA received LGF grant of £42.506m in April 2017 to fund the 2017/18 LGF programme and when added to the grant of £18.618m carried over from 2016/17, a total LGF grant of £61.124m is available to be used to fund spending in 2017/18. During the course of 2017/18 three projects have, for differing reasons, been subject to grant clawback; Scotswood Bridgehead, Swans Wet Berth and most recently the South Shields Cycleway Project. In each case the grant clawback amount has reflected individual project circumstances and has been consistently calculated in regards to grant terms and conditions.
- 2.3 Given the complexity of the schemes in the programme, there was slippage from 2016/17 of £18.618m. In June 2016, the North East LEP and the Leadership Board agreed to include a significant level of over-programming and agreed additional projects to be included in the programme as well as agreeing to bring forward spending on approved projects that had originally been scheduled to take place in future years. This has resulted in a programme of projects amounting to £66.497m maximising the full LGF 2017/18 allocation of £42.506m in addition to the carry forward from 2016/17 of £18.618m, utilising funding swaps to meet the balance of £4.965m. This will mean that the North East LEP and Combined Authority will achieve 100% expenditure of its LGF allocations to date, delivering one of the highest levels of performance in the country.
- 2.4 The LGF capital programme continues to be managed in accordance with the 'LEP Assurance Framework' and this document will be subject to annual review at the LEP Board meeting on 24th January 2018 and updated where required to meet the latest best practice guidance issued by DCLG to LEPs on 22nd December 2017. Following LEP Board approval, DCLG require the accountable body's Section 73 offer to formally confirm in writing by 28th February 2018 that the LEPs Assurance Framework remains compliant with the latest national guidelines. At the 'Annual Conversation' (performance review) meeting held between the North East LEP and Government on 29th November 2017 officials commented that the North East LEP maintains 'a high standard of accountability and transparency'. There were no issues or concerns identified to be addressed and this is expected to be confirmed formally in writing to NECA when LGF funding for 2018/19 is confirmed in March.

Tyne Tunnels Capital Programme – 2017/18 Update

- 2.5 The vast majority of the Tyne Tunnels capital programme relates to the refurbishment of the Tyne Pedestrian and Cycle Tunnels (Phase 3 Improvement Works). Works are funded from Tyne Tunnels ring-fenced reserves and are forecast to total £4.0m at the year end.

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- 2.6 The refurbishment works on the Tyne Pedestrian and Cyclist Tunnels continue to make progress, with civil engineering, mechanical and electrical contractors working on site. Some additional concrete and steelwork repairs have been identified at the base of the lift shafts, which will be accommodated within the existing programme of works.
- 2.7 The refurbishment works currently progressing include:
- Installation of paving flags in the pedestrian and cyclist tunnels;
 - Installation of cladding panels to the inclined escalator shafts, with works to the north incline being completed;
 - Injection and coating works to deal with leaks in the inclined shafts;
 - Injection works within the pedestrian and cyclist tunnels;
 - Installation of mechanical and electrical equipment throughout the works.

Other Transport Grants – 2017/18 Update

- 2.8 Local Transport Plan (LTP) Integrated Transport Block grant is a flexible source of capital funding which is awarded to NECA by the DfT. This grant is paid out to NECA's constituent authorities and Nexus to deliver transport capital schemes, and is paid on a quarterly basis. In the case of Nexus, the grant provides match funding to the Metro Capital grant funding the Metro Asset Renewal Programme. The forecast to the year-end remains £11.460m.
- 2.9 NECA acts as accountable body for the North East Smart Ticketing Initiative (NESTI) which is a programme of investment in smart ticketing infrastructure across the wider North East. The programme is delivered by Nexus and the works are funded by NESTI contributions held and managed centrally by NECA. The grant is drawn down at year end, so expenditure by NECA is currently shown as nil.

Table 2: Profile of Local Transport Plan and North East Smart Ticketing Initiative

	Original approved	Latest approved	Spend to Q2	Projected Outturn
	£m	£m	£m	£m
Local Transport Plan (Less Metro ARP Local Contribution shown above)	11.309	11.460	4.686	11.460
North East Smart Ticketing Initiative	0.000	0.295	0.000	0.179
Total	11.309	11.755	4.686	11.639

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3 2018/19 Capital Programme

- 3.1 This report sets out an initial capital programme of £170.3m for 2018/19 and indicative figures for 2019/20 and 2020/21, which is summarised below in Table 3 and set out in more detail in the following sections.

Table 3: Proposed Capital Programme 2018/19 and indicative totals for future years

	2018/19	2019/20	2020/21
	£m	£m	£m
Local Growth Fund (Round 1, 2 and 3)	79.839	20.078	5.182
Enterprise Zone Interventions	43.489	39.858	47.657
Metro Asset Renewal Programme (ARP)	37.982	21.642	21.192
Tyne Tunnels Capital Programme	3.600	0.200	0.100
LTP Integrated Transport Block (less ARP local contribution)	11.309 (indicative)	11.309 (indicative)	11.309 (indicative)
Total Programme	176.219	93.087	85.440
Less Over-Programming	37.47		
Estimated Expenditure	138.749	93.087	85.440

4 Local Growth Fund Capital Programme

- 4.1 2018/19 will represent the fourth year of the Local Growth Fund Programme. The programme covers the thematic areas of Economic Assets, Innovation, Transport and Skills. Details of the full current programme are set out in Appendix A, with some schemes still subject to detailed business case approval.
- 4.2 The LGF grant allocation for 2018/19 is £51.706m and as the 2017/18 LGF allocation is expected to be fully spent with the use of funding swaps to cover the balance of LGF expenditure, it is anticipated that revenue swaps of £11.619m will be required in 2018/19 to give a maximum resource of £63.325m. This would mean that the programme total of £79.839m would include over-programming of £16.5m (26%), which is considered acceptable
- 4.3 The level of over-programming on the total LGF programme has reduced from the £15m agreed in June to around £0.3m, due to cost savings on some projects and other changes to the approved programme.

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5 Enterprise Zone Capital Investment

5.1 The estimated capital investment in Enterprise zones in 2017/18 is currently estimated to be £11.67m, with £43.489m forecast for 2018/19, although this will include over-programming. This is subject to the approval of individual business cases by the LEP Board. A review of the Enterprise zones is currently being carried out and updated figures will be reported to the North East LEP and Leadership Boards. The projects are funded by a mix of loans from the NEIF; use of internal funds and external borrowing. Financing costs are funded from retained business rate income. In the case of non-transport related spending any borrowing needs to be undertaken by the appropriate local authority/organisation, as NECA only has the power to borrow for non-transport expenditure. The indicative programme for previous and future years is set out in the table below and amounts to over £170m in total.

Table 4: Estimated Capital Expenditure - Enterprise Zones

	Prior £m	2017/18 £m	2018/19 £m	2019/20 £m	Future £m	TOTAL £m
ROUND 1						
Blyth, Northumberland						
- East Sleekburn	0.600	-	8.802	0.278	-	9.680
- Commissioners Quay	2.400	-	-	-	-	2.400
- Bates	-	0.100	1.100	-	-	1.200
North Bank of Tyne						
- Newcastle, North Bank & R2 Extension	1.650	0.300	4.180	7.520	-	13.650
- Newcastle, Shepherds Wet Birth	4.680	-	-	-	-	4.680
- North Tyneside - Swans	7.800	-	-	-	-	7.800
- North Tyneside - Port of Tyne	-	-	2.500	7.800	-	10.300
Sunderland A19 Low Carbon	10.460	6.710	-	-	-	17.170
TOTAL ROUND 1	27.590	7.110	16.582	15.598	-	66.880
ROUND 2						
Durham - Jade	-	0.084	1.955	1.363	1.098	4.500
Gateshead - Follingsby	-	0.075	3.000	8.000	0.925	12.000
Newcastle						
- Newcastle Airport	-	0.065	2.000	-	14.862	16.927
Northumberland						
- Ramparts, Berwick	-	-	-	-	1.620	1.620
- Fairmoor, Morpeth	-	-	-	-	2.080	2.080
- Ashwood Business Park	-	2.450	1.115	0.965	-	4.530
South Tyneside						
- Holborn Riverside Phase 1	-	-	5.848	3.552	-	9.400
- Holborn Riverside Phase 2	-	-	0.400	10.000	-	10.400
Sunderland						
- IAMP	-	1.585	4.717	0.380	27.072	33.754
- Port of Sunderland	-	0.300	7.872	-	-	8.172
TOTAL ROUND 2	-	4.559	26.907	24.260	47.657	103.383
TOTAL ROUND 1 and 2	27.590	11.669	43.489	39.858	47.657	170.263

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6 Metro Asset Renewal Programme (ARP)

- 6.1 Nexus is now in Year 8 of its current eleven year renewal programme to upgrade and replace many of the assets across the Tyne and Wear Metro system. It has so far spent over £272m in pursuing this objective in accordance with the criteria set out in the Department for Transport (DfT) grant offer letter of February 2010.
- 6.2 ARP Metro Rail Grant (MRG) capital funding is provided in four key tranches through to 2021; Years 1 to 3, Years 4 to 6 and Years 7 to 9, followed by a final two years (years 10 and 11). This is shown in the table below:

Table 5: Profile of ARP Metro Rail Grant

Years	DfT Funding (£m)
2010/11 to 2012/13	104
2013/14 to 2015/16	93
2016/17 to 2018/19	84
2019/20 to 2020/21	36
Total	317

With a 10% local contribution, total funding for the programme is therefore £352.2m (including £35.2m local funding). As such, securing the next tranche of funding covering the period up to 2030, which the Leadership Board approved the outline business case for in July 2016, is now a priority for Nexus who have been in discussion with the DfT in this regard for the past 18 months.

- 6.3 The maximum ARP funding available in 2018/19 totals £30.7m. The proposed programme, including over programming of 48.6% totals £38.0m and is aimed at delivering a number of major engineering requirements including progressing design work to ensure effective prioritisation and efficient delivery in future years. The level of over-programming is expected to reduce as this year progresses and 2018/19 begins as delivery timescales for individual projects are firmed up.
- 6.4 The proposed programme for 2018/19 to 2020/21 is detailed at Appendix B. This includes a number of significant projects in 2018/19 which are worthy of particular mention and these are detailed below:-

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6.4.1 Civils

Work will focus on structural works to Beach Road and Burnside Road bridges in North Tyneside. Bridge structural assessments and designs will continue to be progressed for prioritisation and delivery of works in later years.

6.4.2 Permanent Way

Major track renewal works (including earthworks, drainage and Switches and Crossings works) between Gateshead Stadium and South Shields.

6.4.3 Overhead Line Equipment (OLE)

Works to replace the overhead line will continue following commencement of works in September 2017. Works in 2018/19 are expected to concentrate around the completion of OLE stretching between Chillingham Road and Tynemouth and also South Gosforth to Jesmond.

6.4.4 Stations

Following the refurbishment of Central Station which was part funded by the LGF, a new transport interchange in South Shields town centre will begin construction in 2018/19. This is being delivered in conjunction with South Tyneside Council and Muse Developments Limited. Design work will also be progressed for a number of interchange and underground stations for prioritisation and delivery in future years if complementary funding should become available. In addition, work to a number of halt stations will progress during 2018/19, including West Monkseaton, Cullercoats, Monkseaton, Shiremoor, Palmersville, Benton, and Longbenton.

Nexus is also working with Sunderland City Council in order to secure additional funding to progress the redevelopment of the above ground part of Sunderland Station, having already made £3.5m available to the project. The project will focus on redeveloping this station, owned by Network Rail, with the concourse area being improved through better access, retail and passenger information.

The programme also currently includes works to comply with the Rail Vehicle Accessibility Regulations which involves installing platform gap fillers at stations. However, in view of the Chancellor's recent announcement relating to the funding of a new fleet of Metrocars, DfT have been asked for an exemption thereby freeing up this resource for other projects.

6.4.5 Communications

During 2018/19 the project to install a new radio system across the network will be completed. This is a safety critical system and whilst not obvious to the travelling public is a fundamental part of Metro operations. The project involves fitting equipment to the Metrocars as well as installing new transmission masts and antennae around the system as well as new equipment at the Metro control

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centre in South Gosforth and Network Rail's Tyneside Integrated Electronic Control Centre in Gateshead.

Work will also continue in improving the CCTV network of cameras across the Metro network together with the associated computerised storage system which supports the Metro operation.

6.4.6 Signalling

Another essential system which is not obvious to the passenger is the RTMS (Rail Traffic Management System). This system uses a variety of technologies to route trains around the system, automatically set signals and measure train performance. The project to replace the current obsolete system will also complete in 2018/19, once the new Radio system is fully installed.

Other signalling works in 2018/19 include the commencement of works to replace a portion of the existing 'Reed' Track circuits, Location Case Rewiring, and installation of Replacement Point Motors which will progress around the Metro network at critical locations.

6.4.7 Metro Skills and Maintenance Centre

Following the approval of £7m of Local Growth Funding, construction of a new Metro Skills and Maintenance Centre in South Shields will commence. This will deliver an expanding portfolio of training and operational activities across a range of specialisms including train and track maintenance, engineering, rail safety, management and other industry activities with the objective of delivering an improved Metro service.

6.4.8 Capital Maintenance

A recent report from SNC Lavalin as part of the Metro Futures programme concluded that if a new fleet was not brought into service by 2021, the existing fleet would require significant investment i.e. potentially in excess of £100m, and even then, performance would be unlikely to improve. Although the Chancellors recent announcement providing funding for a new fleet of Metrocars means that these significant levels of investment can probably be avoided, it is clear that without some level of continued investment, the fleet will deteriorate further until it is eventually replaced. The 2018/19 programme therefore provides £3.4m for capital maintenance, a level perceived to be commensurate with maintaining the performance of the outgoing fleet. However, given the need to ensure the Metro service improves, together with the threat of catastrophic failure of various critical components, this level of budgetary provision will necessarily be kept under review during the remaining life of the fleet which will be over 40 years of age before it is eventually replaced.

The remaining capital maintenance budget includes road vehicle replacement, rail grinding, de-vegetation and plain line renewal.

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Summary of Investment Planned in 2018/19

In summary, the 2018/19 Programme is focused primarily on delivering critical projects on the basis of asset condition (Bridges, Track, Overhead Line, Radio, RTMS and ensuring the old Metrocar Fleet is operational until the new fleet is manufactured). This is in addition to the two major construction projects in South Shields town centre, the new Transport Interchange and the Metro Skills and Maintenance Centre and the refurbishment of other stations.

The programme also allows progression of the assessment, scoping and design of bridge and station refurbishments with the aim of ensuring that the limited available funding is prioritised in the most effective way possible and is based on robust asset knowledge and reliable costing information.

6.5 The proposed programme for 2019/20 and 2020/21 include the following significant projects:

6.5.1 Civils

Work will focus on refurbishment works at Crossgate viaduct in South Shields. Further asbestos management works in the Central area tunnels are also scheduled for 2020/21 dependent upon inspection results.

6.5.2 Permanent Way

Major track upgrading from Gateshead Stadium to South Shields will continue with proposed completion in 2019/20. In addition track upgrading between South Gosforth and Airport is planned, together with re-railing between Gateshead and Gateshead Stadium

6.5.3 Overhead Line Equipment (OLE)

Following overhead line replacement at Chillingham Road to Tynemouth and South Gosforth to Jesmond during 2018/19, works will continue to replace the overhead line at Jesmond to Gateshead Stadium and Tynemouth to Northumberland Park during 2019/20, followed by Northumberland Park to South Gosforth, Chillingham Road to St. James and the commencement of Pelaw to South Shields in 2020/21.

6.5.4 Stations

The construction of the new Transport Interchange in South Shields Town Centre will be completed during 2019/20. Design work will be progressed for a number of interchange and city centre stations.

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6.5.5. Signalling

System wide signalling works will continue within this period. Works include track circuit replacements, cable degradation works, relay replacement, rewiring of location cases and replacement of treadle switches.

6.6 The programme for 2018/19 is being established at a level that is in excess of the 2018/19 maximum available funding (including the 10% local contribution) of £30.7m. Experience shows that effective management of the programme requires a degree of re-profiling and re-phasing of works in order to respond to risks and opportunities whilst remaining within prescribed funding levels.

6.7 The proposed Metro ARP Capital Programme and funding for 2018/19 to 2020/21 detailed at Appendix 1 can be summarised at asset category level for 2018/19 as follows:-

Table 6: Summary of Metro ARP Capital Programme 2018/19 Capital Scheme	Indicative Programme 2018/19 £m
Civils	2.072
Permanent Way	14.087
Overhead Line	2.796
Stations	5.601
Communications (mainly Radio)	3.137
Signalling (mainly RTMS)	4.328
Mechanical and Electrical	0.180
Capital Maintenance	4.205
Total Metro Programme	37.982
Funding	
DfT Grant	23,000
10% Nexus Contribution	2.556
Over-programming	12.426
Total ARP Funding	37.982
Over-programming (%)	48.6%
Minimum/Maximum Spend (assuming no b/f or c/f)	
Minimum Spend	20.444
Maximum Spend	30.667
Target Spend	25.556

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7 Local Transport Plan Integrated Transport Block

- 7.1 Core Local Transport Plan (LTP) funding is made available by the Department for Transport (DfT). Changes have been made to the funding formula for the Integrated Transport Block for 2015/16 – 2020/21 period (with a “break point” after three years at 2017/18, where the formula will be recalculated across the authorities using updated data).
- 7.2 The Maintenance Block will continue to be paid directly to NECA constituent authorities by the DfT. The DfT has sent out settlement letters to local authorities, notifying them of individual allocations for 2017/18, indications are that 2018/19 will be at the same level as 2017/18.
- 7.3 The Integrated Transport Block grant was awarded by DfT to the whole NECA area, with the total confirmed allocation across the period as follows.

Table 7: LTP IT Block Allocations 2016/17-2018/19

	2016/17 £m	2017/18 £m	2018/19 £m
Total	13.949	13.949	13.949

- 7.4 This block is allocated between the authorities within the NECA area on an agreed basis with an allocation to Nexus (which is mainly used to provide the match funding needed for the Metro ARP capital programme). The LTP block allocation is also used to partly fund the Regional Transport Team, which supports the delivery of the capital programme. From 2017/18, the Heads of Transport Group have recommended that an allocation of the LTP IT block is used to fund the ongoing work of the Tyne and Wear Urban Traffic Management and Control (UTMC) Centre, which is currently funded by one off contributions which end this year. It is proposed to agree an annual budget of £376k for the next four years. The funding will come from the LTP IT block allocation, made in proportion to the population within Tyne and Wear, as set out in the table below. NECA will make appropriate funding swaps within its overall budget for the capital grant to be converted into a revenue budget.

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Table 8: LTP Block Allocation 2018/19

	Allocation	UTMC Contribution	Regional Transport Team Contribution	Net Allocation
	£m	£m	£m	£m
Durham	2.789	-	(0.0625)	2.727
Gateshead	1.328	(0.067)	(0.0625)	1.199
Newcastle	1.650	(0.098)	(0.0625)	1.489
North Tyneside	1.088	(0.068)	(0.0625)	0.958
Northumberland	1.695	-	(0.0625)	1.633
South Tyneside	0.843	(0.050)	(0.0625)	0.730
Sunderland	1.606	(0.093)	(0.0625)	1.450
Metro ARP Local Contribution/Public Transport Schemes	2.950	-	(0.0625)	2.887
Total	13.949	(0.376)	(0.500)	13.073

8 Tyne Tunnels Capital Programme

- 8.1 The majority of the Tyne Tunnels capital programme relates to the refurbishment of the Tyne Pedestrian and Cycle Tunnels (Phase 3 Improvement Works).
- 8.2 In September, the Tyne and Wear Sub-Committee (TWSC) received a detailed report on a full review of the project budget and costs. This identified that a budget increase was required as a result of additional costs relating to the original main contractor entering administration in February 2015, and the discovery of asbestos containing material which had not been dealt with by the main contractor causing increased costs from the subsequent delay to the project.
- 8.3 The Phase 3 works will continue to be overseen by the New Tyne Crossing team based in TT2 Ltd.'s offices. The contract management of the refurbishment works are being undertaken by NECA. Once the asbestos containing material identified have been removed/encapsulated, specialist sub-contractors will recommence the works to complete the project which is scheduled to complete during 2018.

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- 8.4 A small budget provision has been made for the costs of remaining issues on the New Tyne Crossing project, primarily relating to legal and other professional fees relating to outstanding legal and land issues which must be resolved to complete NECA's obligations under the construction phase of the project agreement.
- 8.5 All of the costs of the Tyne Tunnels capital programme will be met from the Tyne Tunnels reserves which are ring-fenced for expenditure on the Tunnels.

9 Funding the Capital Programme

- 9.1 The proposed funding sources for the programme for 2018/19 will be funded as set out in the table below.

Table 9: Funding profile of the 2018/19 Capital Programme

Financing	2018/19 Total (£m)
Grants from Central Government	86.015
Reserves	6.156
Borrowing (EZ - external borrowing or temporary use of internal funds)	46.578
Over-programming (LGF and Metro ARP)	37.470
Total	176.219

10 Treasury Management and Minimum Revenue Provision

- 10.1 The Authority is required to approve a Treasury Management and Investment Strategy each year before the beginning of the financial year. The full Strategy is set out in Appendix C. This sets out projections for borrowing and investments, and the guidelines under which Treasury Management officers will operate to ensure the security and liquidity of NECA's funds and minimise risks associated with Treasury Management activity.

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10.2 DCLG have consulted on changes to the Prudential Code including changes to the Minimum Revenue Provision. The consultation period ended on 22 December 2017. It was proposed that any changes that are approved would apply to the 2018/19 year. A key change was the limitation of the useful life of land and assets to 50 years and 40 years respectively, over which the Minimum Revenue Provision could be applied. The MRP statement includes this proposed change.

10.3 Enterprise Zones

From 2017/18 onwards there may be a borrowing requirement (up to £20m initially) in relation to transport elements of the infrastructure works in relation to Enterprise Zones. This has been included within the estimated capital financing requirement (CFR) for the NECA, and remains well within the previously approved authorised borrowing limit of £240m. This will be updated when the LEP considers and approves the capital requirements linked to the Round 2 Enterprise Zones in the coming months.

10.4 Further reports will be brought to the Leadership Board as required to include any required capital expenditure within the overall programme.

11 Next Steps

11.1 Progress against the 2018/19 capital programme will be reported regularly throughout the year and monitored carefully by officers at the various delivery bodies.

12 Potential Impact on Objectives

12.1 The capital programme and proposed financing set out above will enable the Authority to make a positive impact on its objectives.

13 Finance and Other Resources

13.1 The financial and other resource implications of proposals are set out in the body of the report.

14 Legal

14.1 The Authority has a statutory obligation to present a Treasury Management Policy and Strategy and a Minimum Revenue Provision statement.

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14.2 The approval of the matters set out in (i) and (ii) in the Recommendations section on the first page of this report can be agreed by a simple majority of the Leadership Board in accordance with the provisions of Paragraph 3(1) of Schedule 1 of the Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Order 2014.

14.3 There are certain matters that require unanimous approval, and such matters are set out in Paragraph 3(6) of the Order. In particular, Paragraph 3(6)(g) requires unanimity in relation to the approval of borrowing limits, treasury management strategy including reserves, investment strategy and capital budget of the Authority. Therefore the approval of the matters set out in (iii), (iv) and (v) of the Recommendations section require the unanimous agreement of the Leadership Board before approval.

15 Other Considerations

15.1 Consultation/Community Engagement

Projects being delivered by constituent authorities or in constituent authority areas are subject to local consultation and planning approvals.

15.2 Human Rights

There are no specific human rights implications arising from this report.

15.3 Equalities and Diversity

There are no specific equalities and diversity implications arising from this report.

15.4 Risk Management

Methods for the successful identification, monitoring and control of risks associated with treasury management activity are set out in detail in Appendix C.

15.5 Crime and Disorder

There are no specific crime and disorder implications arising from this report.

15.6 Environment and Sustainability

There are no specific environment and sustainability implications arising from this report.

16 Background Documents

16.1 Background documents include the following reports to the NECA Leadership Board -

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- Capital Programme 2017/18 and Treasury Management Policy and Strategy – 17 January 2017.
- Local Growth Fund Project Approvals – 20 June 2017
- Finance Update – 2016/17 Outturn and 2017/18 Update – 18 July 2017
- Project Approvals - Local Growth Fund and Enterprise Zone Infrastructure Approvals – 19 September 2017

17 Links to the Local Transport Plans

- 17.1 Transport schemes within the capital programme will deliver the objectives of the Local Transport Plan for the NECA area.

18 Appendices

- 18.1 Appendix A – Local Growth Fund Capital Programme 2016/17 to 2019/20
Appendix B – Metro Capital Programme 2017/18 to 2019/20
Appendix C – Treasury Management Policy and Strategy
Appendix D – Minimum Revenue Provision Statement

19 Contact Officers

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20 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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Appendix A – Local Growth Fund Capital Programme 2017/18 to 2020/21

The figures below relate to the LGF Round 1, 2 and 3 projects.

Project Title	SEP Theme	Status	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Centre for Innovation in Formulation (CIF)	Innovation	Approved	5,251	120	-	-
Newcastle Laboratory and Life Science Incubation Hub	Innovation	Approved	6,267	176	66	-
Low Carbon Energy Centre and Heat Network Newcastle Science Centre	Innovation	Approved	119	2,000	-	-
Netpark Infrastructure Phase 3	Innovation	Approved	3,472	118	-	-
Infrastructure for Forrest Park	Economic Assets	Approved	3,393	-	-	-
North East Rural Growth Network	Economic Assets	Approved	1,323	1,311	1,035	-
Swans West Berth Feasibility	Economic Assets	Complete	-81	-	-	-
Quay Works Feasibility	Economic Assets	Approved	360	-	-	-
Swans Business Centre Phase 2 - Stage 1	Economic Assets	Approved	80	-	-	-
Swans Business Centre Phase 3 - Stage 1	Economic Assets	Approved	80	-	-	-
Swans Plot 6 Demolition	Economic Assets	Approved	500	-	-	-
Swans Infrastructure - Quay Works (Stage 2)	Economic Assets	Business Case	-	3,987	-	-
Swans Business Centre Phase 2 - Stage 2	Economic Assets	Business Case	-	1,920	-	-
Swans Business Centre Phase 3 enabling works - Stage 2	Economic Assets	Business Case	-	670	-	-
Lindisfarne Roundabout	Transport	Approved	1,989	-	-	-

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Project Title	SEP Theme	Status	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Northern Access Corridor Phase 3 - Osborne Road to Haddrick's Mill (Stage 1)	Transport	Approved	308	-	-	-
Northern Access Corridor - Phase 2 & 3 (Stage 2)	Transport	Approved	531	1,026	-	-
Local Sustainable Transport Fund Programme	Transport	Approved	1,165	-	-	-
A19 employment corridor access improvements	Transport	Approved	2,652	-	-	-
A191 junctions (Coach Lane and Tyne View Park)	Transport	Approved	11	-	-	-
Newcastle Central Station Gateway	Transport	Pipeline	270	2,730	1,000	-
A1056-A189 Weetslade roundabout improvements and A1-A19 link	Transport	Approved	893	-	-	-
Scotswood Bridgehead (Stage 1)	Transport	Approved	-45	-	-	-
Six Majors - South Shields Transport Interchange (Stage 2)	Transport	Pipeline	0	5,192	808	-
Six Majors - Sunderland Low Carbon Zone	Transport	Approved	297	-	-	-
Six Majors - A1058 Coast Road	Transport	Approved	2,923	-	-	-
Six Majors - Horden Rail Station	Transport	Approved	444	659	2,075	-
Development of a STEM Specialist Centre	Skills	Approved	1,176	27	-	-
National Centre for Healthcare Photonics (Stage 1)	Innovation	Approved	12	-	-	-
National Centre for Healthcare Photonics (Stage 2)	Innovation	Approved	1,570	5,229	617	532
Sunderland Central Business District	Economic Assets	Approved	7,669	-	-	-

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Project Title	SEP Theme	Status	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
River Tyne Economic Development	Economic Assets	Approved	1,328	1,310	-	-
Traffic movements along A185/A194/A19 (The Arches) - Stage 1	Transport	Approved	142	-	-	-
Traffic movements along A185/A194/A19 (The Arches) - Stage 2	Transport	Approved	1,299	5,051	-	-
South Shields Metro Training and Maintenance Skills Centre	Transport	Approved	1,000	6,000	-	-
A185 / Pilgrimsway Junction Improvement Scheme	Transport	Pipeline	0	1,389	-	-
Eagles Community Arena	Skills	Approved	1,100	-	-	-
Medicines Manufacturing & Medical Technology Innovation Infrastructure	Innovation	Approved	212	-	-	-
Explorer - Netpark	Economic Assets	Approved	1,997	-	-	-
Blyth Cowpen Road	Transport	Approved	222	-	-	-
Auckland Castle Welcome	Economic Assets	Approved	359	527	-	-
Phase II, Intersect 19, Tyne Tunnel Trading Estate	Economic Assets	Approved	252	-	-	-
Monkton South	Economic Assets	Approved	996	-	-	-
A19 North Bank Tyne (Swans) - Stage 2	Transport	Approved	2,322	2,157	-	-
Jade Business Park (inc A19/A189 Seaham Murton interchange)	Transport	Pipeline	100	4,100	-	-
International Advanced Manufacturing Park (IAMP)	Economic Assets	Business Case	7,383	22,429	10,043	1,305

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Project Title	SEP Theme	Status	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Institute of Technology (IoT)	Skills	Pipeline	0	1,200	-	-
EZ Development Fund		Pipeline	500	1,500	-	-
Gateshead Quays	Economic Assets	Business Case	1,725	3,275	-	-
A1 Junction 61, Bowburn - Integra 61	Economic Assets	Approved	1,500	-	-	-
East Pilgrim Street	Economic Assets	Pipeline	0	3,200	-	1,150
Scale Up North East	Economic Assets	Approved	0	465	780	255
Innovation project development fund	Innovation	Approved	8	390	398	153
Incubator Support programme	Innovation	Approved	28	367	1,230	403
Skills, Business Growth and Innovation Mini-Programme		Pipeline	0	-	625	-
5G Testbed Development Study	Innovation	Approved	188	63	-	-
North East Ambition Education Challenge	Skills	Pipeline	0	150	300	300
Programme Management Charge	NA	Approved	1,207	1,100	1,100	1,085
Totals			66,497	79,839	20,078	5,182

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Appendix B – Metro Capital Programme 2018/19 to 2020/21

Capital Scheme	2018/19 (Year 9)	2019/20 (Year 10)	2020/21 (Year 11)	Total
	£000	£000	£000	£000
Civils				
Bridges GHD-SSS	0	169	0	169
King Street Underbridge	20	0	0	20
Crossgate Viaduct, Pelaw Interchange (Sunderland), Pelaw Interchange (Leamside)	0	900	0	900
Killingworth Road Underbridge	32	0	0	32
Burnside Road Underbridge, Beach Road	1,800	0	0	1,800
Stephenson's Underbridge	20	0	0	20
System wide retaining walls	200	0	0	200
Asbestos management works - Central area tunnels	0	0	500	500
Total Civils	2,072	1,069	500	3,641
Permanent Way				
Package C Northumberland Park – South Gosforth	8	0	0	8
Package D Gateshead Stadium to South Shields	11,995	0	0	11,995
Package E Gateshead Stadium to South Shields	1,900	3,897	0	5,797
Package F Regent Centre to Airport		971	8,500	9,471
Re-railing Central Tunnels	20	2,281		2,301
Switches & Crossings - Manors 4012pts	165	141	0	306
Switches & Crossings - Christon Road 1020A/B pts & 1021pts	0	0	1,500	1,500
Total Permanent Way	14,087	7,290	10,000	31,377
Overhead Line				
OLE - System Development	2,796	3,249	3,216	9,261
Total Overhead Line	2,796	3,249	3,216	9,261
Stations				
South Shields Transport Interchange	2,701	1,903	36	4,641
Halt Station Package – West Monkseaton, Monkseaton & Cullercoats	413	0	0	413
Manors	189	0	0	189
Interchange Station - Gateshead	353	0	0	353

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Capital Scheme	2018/19 (Year 9) £000	2019/20 (Year 10) £000	2020/21 (Year 11) £000	Total £000
St James	0	249	0	249
Monument	500	0	0	500
Jesmond	126	0	0	126
Shiremoor, Palmersville, Benton and Longbenton	400	0	0	400
Airport	8	0	54	62
Tynemouth	60	0	0	60
Byker	0	0	50	50
Rail Vehicle Accessibility Regulations (RVAR) Design Fees	850	600	0	1,450
Total Stations	5,601	2,752	140	8,493
Communications				
Radio	540	15	0	555
IP Network	136	0	0	136
CCTV / PA Access	836	100	0	936
ICT Storage	1,534	0	0	1,534
PA	91	0	0	91
Total Communications	3,137	115	0	3,252
Signalling				
Signalling - RTMS	1,834	100	50	1,984
Relay replacements	0	0	300	300
Reed track circuits	1,124	277	47	1,448
Location rewire	337	314	284	935
Cable degradation	0	0	300	300
Cable replacement	0	300	300	600
Treadle replacement	200	0	0	200
Signalling- Replacement point motors (critical locations)	833	0	0	833
Total Signalling	4,328	991	1,281	6,600
Mechanical and Electrical				
DC Feeder Cable	180	0	0	180
Total Mechanical and Electrical	180	0	0	180
Metro Maintenance and Skills Centre				
Skills Centre	1,575			1,575
Total Metro Maintenance Skills Centre	1,575	0	0	1,575

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Capital	2018/19 (Year 9) £000	2019/20 (Year 10) £000	2020/21 (Year11) £000	Total £000
Capital Maintenance				
Rail Grinding	0	200	0	200
Vehicle Replacement Programme	140	140	140	420
De-vegetation	200	200	200	600
Lifts Refurbishment/Major Items	40	40	40	120
Plain Line Renewal	375	375	375	1,125
OLE Capital Maintenance	0	69	100	169
Fleet Capital Maintenance - Part A	3,410	3,410	3,410	10,230
Stations Refurb - Esc Imps/Major Items	40	40	40	120
Total Capital Maintenance	4,205	4,474	4,305	12,984
Miscellaneous				
Asset Knowledge	0	0	50	50
Total Miscellaneous	0	0	50	50
PM Costs				
PM Costs	0	1,700	1,700	3,400
Total PM Costs	0	1,700	1,700	3,400
Total ARP Programme Funding	37,982	21,642	21,192	80,816

Funding				
DfT Grant	23,000	21,000	20,000	64,000
10% Nexus Contribution	2,556	2,333	2,222	7,111
Over programming	12,426	-1,691	-1,031	9,705
Total ARP Funding	37,982	21,642	21,192	80,816

Over programming (%) 48.6% -7.2% -4.6% 13.6%

Minimum/Maximum Spend (assuming no b/f or c/f)			
Minimum Spend	20,444	18,667	17,778
Maximum Spend	30,667	28,000	26,667
Target Spend	25,556	23,333	22,222

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Appendix C – Treasury Management Policy and Strategy

Introduction

The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) requires the Authority to approve a treasury management strategy before the start of each financial year. In addition, the Department of Communities and Local Government's (DCLG) Guidance on Local Authority Investments requires the Authority to approve an investment strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DCLG Guidance. The Authority has borrowed and invested sums of money and is therefore exposed to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

Current and Expected Treasury Portfolios

Table 10: The Authority's treasury portfolio at 31 December 2017

	Actual Borrowing	Authorised Borrowing Limit
	£m	£m
Level of external loans at April 2017	168.333	240.000
New loans taken out in first 9 months of year	-	n/a
Loans repaid in first 9 months of year	(0.333)	n/a
Level of external loans as at 31 December 2017	168.000	n/a
Net increase / (decrease) in external loans	(0.333)	n/a
Forecast level of external loans at 31 March 2018	167.667	240.000

The Authority currently holds £168.0m of long-term loans. The balance at 31 March 2018 is forecast to be £167.7m after principal repayments on loans.

The budget for debt interest in 2018/19 is £8.085m with an average interest rate of 4.29%. This includes borrowing undertaken on behalf of Nexus, borrowing charged to the Tyne Tunnels revenue account and interest on the Authority's historic capital financing debt. All historic borrowing relates to Tyne and Wear only. Any historic borrowing for transport purposes in Durham and Northumberland remains the responsibility of those authorities and was not transferred to NECA.

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Borrowing Strategy 2018/19

The Authority's capital financing requirement (CFR, or underlying need to borrow to finance capital expenditure) as at 31 March 2018 is expected to be £194.68m, and is currently forecast to decrease to £190.9m by March 2018 as funds are set aside to meet principal repayments and grants and internal resources are used to fund capital investment. This borrowing requirement will be further reviewed in the light of work on the proposed Devolution Agreement and the new Enterprise Zones infrastructure requirement and reports brought back to the Leadership Board should a change be required.

Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board (PWLB)
- UK Local Authorities
- Any institution approved for investments (see below)
- Any other bank or building society authorised by the Prudential Regulation Authority to operate in the UK
- Pension funds and other corporate investors
- Special purpose companies created to enable joint Local Authority bond issues

With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either borrow short-term loans or variable-rate loans. However, with long-term rates forecast to rise in the coming years, any such short-term savings will need to be balanced against the potential longer-term costs.

The Authority has previously raised a significant proportion of its long-term borrowing from the Public Works Loans Board but other sources of finance, such as bond issues and bank loans, may be considered.

Debt Rescheduling

The PWLB allows local authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Some bank lenders may also negotiate premature redemption terms. The Authority may take advantage of this opportunity where this is expected to lead to an overall saving or a reduction in risk. Early repayments of some PWLB debt took place in 2015/16, leading to a reduced overall external borrowing position. Should further

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opportunities for refinancing or early repayment present themselves during 2018/19, they will be considered by the Chief Finance Officer.

Investment / Lending Strategy

The primary objective of the Authority's investment strategy is to ensure the security of the funds invested, and to achieve a reasonable rate of return commensurate with the level of security required.

Since rates of interest return remain historically low, the Authority will seek to minimise the levels of investments with third parties by using internal balances to fund capital expenditure. However, due to the timing of money coming in from the government (e.g. Local Growth Deal monies) the Authority has surplus funds which it needs to invest. The current rates of external interest receivable ranges from 0.4% on short term balances to 1.25% on external investments held for longer periods. Investments of cash balances will be extended to periods of up to 12 months in order to secure an increased average rate of return, with increased interest income used to help fund the costs of the Authority.

The following table shows the different organisations the Authority will lend its surplus funds to and the appropriate financial and time limits. There is no change currently proposed to the existing limits:

Table 11: Authority lending limits

Type of institution	Financial Limit	Time Limit
UK central government (Debt Management Office)	Unlimited	Unlimited
UK banks with AAA, AA+, AA, AA-, A+, A credit ratings	£15m each	1 year
UK banks with A- credit ratings	£10m each	1 year
UK Local authorities	£10m each	3 years
UK building societies whose lowest published long-term credit rating is <u>BB</u> and societies without credit ratings with assets greater than £250m	£5m each	1 year
UK money market funds and similar pooled vehicles whose lowest published credit rating is AAA	£5m each	1 year
Local Authority controlled companies in the NECA area	£10m each	20 years

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Money Market Funds

Money market funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risk, coupled with the services of a professional fund manager. Fees of between 0.1% and 0.2% per annum are deducted from the interest payable to the Authority. The Authority uses funds that offer same-day liquidity as an alternative to instant access bank accounts.

Credit Ratings

The Authority uses long-term credit ratings from the three main rating agencies (i.e. Fitch, Moody's and Standard and Poor) to assess the counterparty risk. The lowest available counterparty credit rating will be used to determine credit quality, unless an investment-specific rating is available. Credit ratings are obtained and monitored by treasury management advisors to Newcastle City Council (who provide treasury management services to NECA), who notify officers of any changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made
- any existing investments that can be recalled or sold at no cost will be
- full consideration will be given to the recall of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a rating is on review for possible downgrade (also known as 'rating watch negative' or 'credit watch negative') so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

The Authority understands that credit ratings are a good, but not perfect, predictor of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are any doubts about its credit quality, even though it may meet the credit rating criteria. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality, and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that an insufficient number of high quality credit organisations are available, then the surplus will be deposited with the UK government, via the Debt Management Office, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

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Specified / Non-Specified Investments

The DCLG Guidance on Local Authority Investments defines specified investments as those denominated in pounds sterling, due to be repaid within 12 months of arrangement, not defined as capital expenditure by legislation, and invested with either the UK government, a UK local authority, parish council or community council, or a body or investment scheme of 'high-credit quality' (for example minimum credit rating of A-).

Any investment not meeting the definition of a specified investment is therefore classed as non-specified. The Authority will limit itself to the following categories of non-specified investments during the year:

- Loans to other local authorities greater than one year - £50 million.
- UK building societies without credit ratings with assets greater than £250 million - £50 million.

Liquidity Management

Officers providing Treasury Management services to the authority use purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments.

Other Matters:

Policy on Use of Financial Derivatives

Local authorities generally have made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (for example interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (for example LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' powers to use standalone financial derivatives such as swaps, forwards, futures and options. However, the Authority's policy is not currently to use these instruments.

Treasury Management Advisers

Newcastle City Council contracts with Arlingclose Limited to provide advice and information relating to its investment and borrowing activities, which Treasury Management officers may also draw on for NECA matters. However, responsibility for final decision making remains with the Authority and its officers.

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The services received include:

- Advice and guidance on relevant policies, strategies and reports
- Advice on investment decisions
- Notification of credit ratings and changes
- Other information on credit quality
- Advice on debt management decisions
- Accounting advice
- Reports on treasury performance
- Forecast of interest rates

Training

Newcastle City Council currently provides Treasury Management services to NECA. The needs of Treasury Management staff for training in investment management are assessed every year as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose Limited and CIPFA, and meet regularly with Treasury Management officers from other Core Cities. Relevant staff are encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

The training needs of members are determined by self-assessment and training will be provided where a training need is indicated.

Investment of money borrowed in advance of need

The Authority may, from time to time, borrow in advance of spending need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. There are no current plans to do this in 2017/18. These risks will be managed as part of the Authority's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £240m. This limit has been in place for a number of years, however, the opportunity to review and reduce this limit will be made in 2018/19 Treasury Management Review. The maximum period between borrowing and expenditure is expected to be two years, although the Authority does not link particular loans with particular items of expenditure.

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Table 12: Prudential Indicators

	2016/17 Actual	2017/18 estimate	2018/19 estimate	2019/20 estimate
	£m	£m	£m	£m
Capital expenditure (Transport capital programme) ¹	85.148	71.758	64.855	36.584
Financing costs to Net Revenue Stream				
Tyne & Wear Transport levy	65.120	63.040	61.800	61.220
Tyne & Wear Transport financing costs	2.040	1.539	1.516	1.494
%	3.1	2.4	2.5	2.4
Nexus grant plus direct grants and external income	147.797	145.962	144.416	144.190
Nexus interest and principal repayments to NECA	3.479	3.397	3.294	3.196
%	2.4	2.3	2.3	2.2
Tunnels tolls income	27.795	26.296	25.970	29.278
Tunnels financing costs	6.774	6.732	6.716	6.701
%	24.4	25.6	25.9	22.9
CFR at end of year				
Tyne Tunnels and Tyne & Wear Transport	156.284	154.173	152.071	149.973
Nexus	41.637	39.938	38.302	36.726
Enterprise Zones transport infrastructure	-	-	20.000	20.000
Total	197.921	194.111	210.373	206.699
Incremental impact of CF decisions (impact on Transport levy)	(0.028)	(0.501)	(0.023)	(0.022)
Operational Boundary for External Debt	235	235	235	235
Authorised Limit for External Debt	240	240	240	240
Actual External Borrowing	168	168	182	186

¹ Figures are included here for the Transport capital programme only, since the Authority only has borrowing powers under the Prudential Code in relation to Transport related activity.

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Appendix D – Minimum Revenue Provision Statement 2018/19

Background

The Authority is required to produce a statement which sets out how it will provide for the repayment of debt each year through a revenue charge known as the Minimum Revenue Provision (MRP). The Department for Communities and Local Government (DCLG) has provided statutory guidance on the methodology to use in calculating the appropriate MRP charge, which authorities must 'have regard to'. The guidance recommends that authorities must submit to their highest decision making level (in NECA's case the Leadership Board) an annual statement of its policy on making MRP in respect of the following financial year and highlight which of the various options set out in their guidance will be followed. The principle which local authorities must follow is to calculate an amount of MRP, which *they consider to be prudent*.

Options available

The four suggested options for calculating MRP which were set out in the guidance can be summarised as follows:

- Option 1 – Regulatory Method: applying the statutory formula set out in the 2003 Regulations before it was revoked in 2008. Can only be used in relation to capital expenditure before 1 April 2008 or Supported Capital Expenditure.
- Option 2 – Capital Financing Requirement (CFR) Method: multiplying the CFR at the end of the preceding financial year by 4%. Can only be used in relation to capital expenditure before 1 April 2008 or Supported Capital Expenditure.
- Option 3 – Asset Life Method: amortising expenditure over an estimated useful life for the relevant assets created. An assessment must be made of the asset life at the outset of the capital scheme and MRP is charged to revenue in either equal annual instalments or by an annuity method over the estimated life of the asset. The MRP charge will commence in the financial year following the one in which the asset comes into service.
- Option 4 – Depreciation Method: making charges to revenue in accordance with the standard rules for depreciation accounting for the particular asset being created or enhanced.

In addition, authorities may use *any other method which they deem to result in a prudent level of provision*.

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2018/19 Recommendation

Having considered the guidance, it is recommended to agree the adoption for MRP arrangements in 2018/19 as follows:

- Supported capital borrowing (pre-2008) debt – minimum revenue provision to be made on a 2% straight line basis.
- Option 1 for supported capital borrowing undertaken on behalf of Nexus, being a 4% minimum revenue provision – this relates to historic debt (prior to 1 April 2008) only.
- Option 3 for unsupported capital borrowing (Prudential Borrowing), making provision for the debt in equal annual instalments over the estimated life of the asset.
- Option 3 for unsupported capital borrowing for the New Tyne Crossing, making provision for the debt over the life of the asset on an annuity basis. This basis is suitable for use on this particular project as it is consistent with the financial model which reflects an increase in traffic and tolls over the life of the concession contract. Draft changes to the regulations may limit the life of the asset over which the annuity could be calculated to 40 Years. At this point it is unclear whether this regulation will be applied for 2018/19 on a retrospective basis. The New Tyne Crossing was financed on a 50 year annuity basis. If this was to change to a 40 year period the MRP for 2018/19 would need to increase by around £0.6m, which would be found from the Tyne Tunnel Reserves. The MRP position will be updated when the results from the consultation are clear, probably as part of the mid-year Treasury Management Review.
- For unsupported capital borrowing (prudential borrowing) in relation to Enterprise Zones, the use of option 3 making provision for the repayment of debt over the life of the asset on an annuity basis (maximum of 25 years); or making provision for the repayment of the debt over a shorter period on an annuity basis for a period agreed by the CFO with reference to the estimate of business rates income receivable to repay the debt.

Provision has been made within the revenue budget (report elsewhere on this agenda) for MRP charges. All MRP charges currently relate to Tyne and Wear Transport activity and are therefore met from the Tyne and Wear levy budget and the Tyne Tunnels account as appropriate.

The Authority is able to make voluntary extra provision in any year should it wish to do so. The regulations provide that the MRP Statement can be revised by the Authority at any stage.

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Leadership Board

Date: 16th January 2018

Subject: Project Approvals – South Shields Transport Interchange Local Growth Fund Approval

Report of: Head of Paid Service and Chief Finance Officer, NECA

Executive Summary

An update on the local Growth Fund programme is included in the 2018/19 Capital Programme report on this agenda. This report seeks the Leadership Board's advance approval to the release of Local Growth Fund (LGF) grant which forms part of the programme to be considered at the North East LEP Board meeting on 25th January.

In particularly this report proposes the approval to the release of LGF grant of £6.0m that is included in the LGF approved programme for the South Shields Transport Interchange project.

Recommendations

The Leadership Board is recommended to -

1. Agree to a grant of £6.0m for the South Shields Transport Interchange, subject to the approval of the LEP Board and the conditions to be attached to the grant, as set out in section 2. This is in addition to the £3.4m stage 1 grant approval approved by the Leadership Board on 21st March 2017; and
2. Authorise the Monitoring Officer to finalise and enter into any legal and grant funding documentation required to enable the approved scheme in this report to proceed.

Leadership Board

1 Background Information

- 1.1 The Local Growth Fund (LGF) programme encompasses a wide range of major projects and programmes across the region. The Round 1 and Round 2 grant approvals amount to £220.437m and forms part of our capital programme and a new Round 3 grant of £49.7m was approved in January 2017 by the Government. The total approved LGF grant now amounts to £270.137m for the period from 2015/16 to 2020/21.
- 1.2 The latest update on the LGF programme is included in the separate report on the 2018/19 Capital Programme on this agenda.
- 1.3 The purpose of this report is to propose the approval of the release of the remaining £6.0m of LGF grant for the South Shields Transport Interchange following the appraisal of the full business case for this project. This will also be reported as part of the LGF programme to the LEP Board on 25 January 2018.
- 1.4 A stage 1 grant approval of £3.4m was approved by the Leadership Board on 21 March 2017. The release of the final £6.0m brings the full grant approval to £9.4m, which forms part of the funding of the total project costs of £21m. It is in line with the approval allocation in the LGF programme.

2 Proposal

South Shields Transport Interchange (£6.0m of a total LGF grant of £9.4m)

- 2.1 This scheme involves the provision of a new bus and Metro interchange in South Shields and is part of a wider regeneration programme: South Shields 365 Masterplan.
- 2.2. The interchange will deliver bus and Metro facilities on a single site which is accessible, integrated and under cover and will create a step change in the customer offer and experience.
- 2.3 The provision of integrated public transport is expected to enhance the economic performance of South Shields by making the area more accessible by public transport and by adding value to adjacent regeneration initiatives and new housing developments.

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- 2.4 The total scheme cost is £21m, £9.4m of which is requested from the Local Growth Fund, which is in line with the current approval. The balance is being funded by the promoter (South Tyneside Council and Nexus).
- 2.5 On 21st March 2017, NELB agreed to award £3.4m to the promoter under a stage 1 Grant Funding agreement to allow enabling works to be carried out. These works are now complete and the project is ready to progress to the next stage.
- 2.6 The full business case for the scheme has undergone an independent assessment and was found to be satisfactory. The scheme has a high benefit cost ratio (BCR) of 3.79, representing high value for money.
- 2.7 The funding profile for the remaining stage of the project is shown in the following table. Match funding from Nexus is estimated at £2.9m and match funding from South Tyneside Council is estimated at £8.7m.

South Tyneside Transport Interchange – Funding Profile

Funding Source	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
LGF – Stage 1 Grant	3.40	0	0	0	0	3.40
LGF – Grant Balance	0	0	5.19	0.81	0	6.00
Match Funding Nexus	0	0	0.97	1.93	0	2.90
Match Funding South Tyneside	0.89	4.77	0	2.72	0.34	8.72
Total	4.29	4.77	6.16	5.46	0.34	21.02

- 2.8 The key outputs that the scheme will deliver include –
- Metro platform and concourse
 - 14 bus stands
 - Smart card top-up facilities
 - Cash machine
 - Ticket machines
 - Cycle parking
 - Lifts between Metro and Bus services
 - Step free access
 - Real-time information for bus services
 - Seating areas
- 2.9 The tenders for the construction works have been received and the scheme is due to commence once this LGF funding is agreed and is due to complete in early 2020.

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2.10 The main conditions to be attached to the grant in addition to the standard LGF grant conditions include -

- In the event that the project cost exceeds that specified by the Recipient in the Business Case, the Recipient shall provide a binding commitment (in such form as the NECA shall reasonably require) that any additional Project costs shall be met by the Recipient.

- The Recipient shall ensure that all funding, together with all match funding that the Recipient has committed to provide towards the Project, is spend on the delivery of the Project only, and the Recipient shall provide evidence of this when requested either by way of submission of the project accounting returns to the NECA regional transport team, or by providing such other information that the NECA regional transport team shall reasonably require.

- The Recipient shall provide the NECA's Regional Transport Team with details of contractual clauses and contract length by 31 March 2018.

- The Recipient shall provide evidence to the satisfaction of the NECA's regional transport team no later than 31 March 2019 that the Recipient has acquired ownership of the land as required for the Transport Interchange, which is more particularly specified in the Business Case.

3 Reasons for the Proposals

3.1 The new Transport Hub is a key element of the regeneration of South Shields town centre.

4 Alternatives

4.1 There are two options: -

Option 1 – The Leadership Board may accept the recommendations set out in this report; and

Option 2 – The Leadership Board may not accept some of the recommendations, if there are sound legal or financial reasons for not accepting the recommendations and to refer these to the LEP for further consideration.

Option 1 is the recommended option.

Leadership Board

5 Next Steps and Timetable for Implementation

- 5.1 The LGF grant agreement will be finalised once the grant is approved by the LEP Board on 25th January. The next phase of the works are due to commence in January 2018 and the project is expected to be complete in early 2020.

6 Potential Impact on Objectives

- 6.1 The project will bring significant transport benefits to South Tyneside as well as having a positive economic regeneration impact on South Shields Town Centre, which will positively contribute to the delivery of the economic development objectives in the regional Strategic Economic Plan for the North East and Local Transport Plans.

7 Finance and Other Resources Implications

- 7.1 The proposals set out in this report will be funded with the existing Local Growth Fund approvals of £9.4m.

8 Legal

- 8.1 In terms of the implementation of the grant approved for the South Shields Transport Interchange the Monitoring officer will sign appropriate Local Growth Fund Agreements and any other ancillary legal or other documentation on behalf of NECA as the Accountable Body for the LEP to enable the projects to proceed once he is satisfied that it is appropriate to do so.

9 Key Risks

- 9.1 Risks associated with project delivery will be managed by Nexus and South Tyneside Council.

10 Equalities and Diversity

- 10.1 No specific equality matters have been identified.

Leadership Board

11 Crime and Disorder

- 11.1 Crime and disorder considerations arising from the project have been taken into account in the design of the project.
- 11.2 The proposed SSTI has been designed with consideration of these guidance principles, however should be reviewed with the Local Police Liaison Officer to mitigate any client risk.
- Northumbria Police were consulted in 2016 Protecting Crowded Places: Design and Technical Issues (Home Office)
 - Integrated Security: A Public Realm Guide for Hostile Vehicle Mitigation (CPNI)
 - Security in the Design of Stations (SIDOS) Guide (DfT)
- 11.3 In principle, the scheme is designed in accordance with the advice in the documents to:
- Maximise natural surveillance to minimise a person carrying a device.
 - Locate and specify furniture internally and externally to minimise the risk of hiding a device or becoming fragmented during a blast.
 - Vehicle Impact Mitigation to minimise risk of vehicles being able to get near to or ram the building.
- 11.4 In respect of the Vehicle Impact Mitigation, the strategy is designed to identify the risk at the various entrance points.
- 11.5 The scheme will include comprehensive CCTV coverage throughout the premises to provide enhanced personal safety and security.

12 Consultation/Community Engagement

- 12.1 The local community have been consulted on the proposals. A comprehensive consultation exercise took place during 2015 involving a wide range of individuals and organisations affected by the scheme. Further engagement with those directly affected during the construction phase will be undertaken as required.

13 Other Implications

- 13.1 Environmental and sustainability considerations will be addressed on an individual project basis through the development of each project's business case, and where necessary, in project-specific Environmental Impact Assessment.

Leadership Board

14 Appendices

None

15 Background Papers

15.1 Report to the NECA Leadership Board 21st March 2017

16 Contact Officers

16.1 Paul Woods, Chief Finance Officer, paul.woods@northeastca.gov.uk
Tel: 07446936840

17 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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Leadership Board

Date: 16th January 2018

Subject: Metro Futures New Fleet Procurement Update

Report of: Managing Director Transport Operations

Executive Summary

This report provides an update on the funding for the Metro Futures Fleet Procurement Programme and seeks endorsement for Nexus to begin procurement.

Following recent confirmation from the government £362m is available for a new fleet of Metrocars and maintenance facility. £337m of this will be directly contributed by the government as capital grant, and the remaining £25m is from Nexus' resources.

A single procurement exercise is proposed covering contracts for the provision of new Metrocars, a new maintenance facility and a long-term maintenance contract. Contracts are expected to be awarded in March 2020 and the first train delivered in late 2021.

Nexus intends to procure a fleet of 84 Metrocars (or similar capacity achieved with 42 trains, given that current trains normally operate as two Metrocars coupled together). The fleet specification calls for enhancements to the fleet such as 'off wire' running capability, regenerative braking and passive provision for dual voltage. It also incorporates features taking account of passenger feedback including more space, Wi-Fi, charging points and a modern-feeling internal décor, and a linear style-seating layout.

Construction of a new maintenance facility will involve redevelopment of the existing Gosforth depot site. Nexus fully owns the site and has permitted development rights. Building a new maintenance facility whilst maintaining the fleet and introducing the new fleet on the same site will be challenging; it will necessitate temporary out-stabling of part of the fleet.

For fleet maintenance it is proposed to let a medium to long-term contract to the new train supplier, who would take over maintenance of the existing fleet until the new fleet is introduced. It is anticipated that existing Nexus fleet maintenance staff would be entitled to transfer to the new fleet maintainer under the provisions of TUPE.

Leadership Board

Recommendations

The Leadership Board is recommended to:

- i. Note the government's confirmation that it will directly contribute £337m towards the new fleet and its maintenance;
- ii. Endorse Nexus' intended approach to procurement of a new fleet of Metro trains, a new maintenance facility and a long-term fleet maintenance contract as set out in paragraph 2.2; and
- iii. Endorse the design features for the new Metro trains that Nexus intends to include in its specification as set out in paragraphs 2.11 - 2.14.

Leadership Board

1. Background Information

- 1.1 The Metro and Local Rail Strategy, approved by the Leadership Board in July 2016, sets out plans to secure investment for the future of Metro operations. This includes procuring a new fleet of Metrocars to replace the current fleet, a continuation of essential renewals to 2030 and exploring the case(s) for future extensions to the Metro network, and integration with local rail. Metro Futures is the brand that brings these elements together.
- 1.2 In order to secure investment for the fleet replacement and essential renewals, Outline Business Cases were also approved by the Leadership Board in July 2016 and subsequently submitted to the DfT setting out the strategic case, indicative costs and economic benefits, including very strong benefit to cost ratios pertaining to both proposals.
- 1.3 The current Metrocars were constructed in the late 1970s, and have served their purpose well. However, despite undergoing two significant refurbishments, the fleet is coming to the end of its design life, with many components effectively life-expired, contributing to a very unstable operating environment, with Metrocar failures leading to delays and trains being withdrawn from service.
- 1.4 Since submitting the business case for fleet replacement to the Department for Transport (DfT) in July 2016 Nexus has been working closely with the government to establish and agree a means of funding the new rolling stock.
- 1.5 Representations have also been made to the government in support of new rolling stock by many local stakeholders. This has included local council leaders, MPs, the LEP, business organisations and passenger groups, among many others.
- 1.6 On 22nd November 2017 the Chancellor of the Exchequer announced during his budget speech that government would contribute £337m towards the replacement of the Tyne and Wear Metrocar fleet. This was subsequently confirmed by HM Treasury as being in the form of Capital Grant.
- 1.7 This is extremely positive news for the region, as it represents a significant amount of new investment in its own right, and ensures that sufficient financial resources are in place to begin procurement of a new fleet and maintenance depot.
- 1.8 This report seeks the Leadership Board's endorsement of the approach that Nexus intends to take in procuring the new fleet, and of the key features of the specification it intends to use.

Leadership Board

Funding

- 1.9 The Secretary of State for Transport issued a letter (see Appendix A) on the same day as the budget speech, confirming that the government will directly contribute £337m towards the new fleet and its maintenance, supported by £25m from the North East Combined Authority. This is in addition to the funding already provided by the Government to support the day-to-day operation and renewal of infrastructure for the Metro.
- 1.10 The additional £25m that is referred to, is Nexus' local contribution. £15m of this has already been identified from Nexus' capital reserves, and an additional £10m will be generated by net savings over the next three financial years (arising as a result of Nexus fully eradicating its pensions deficit at the 2016 valuation).
- 1.11 Therefore the total sum available for investment is £362m. Although higher figures had been discussed previously, the business case and its costings had been refined since the Leadership Board in July 2016. The amount in the business case ultimately presented to ministers was £362m.
- 1.12 The new fleet and maintenance facility are therefore fully funded. This means that Nexus is now in a position to commence procurement. The objective is for new trains to be delivered from late 2021. Clearly the procurement process will result in a number of competing bids, and therefore the actual cost of the new trains and depot will not be known until procurement is complete.
- 1.13 It should be noted that Nexus also intends to procure a long-term fleet maintenance contract. This will be funded by an on-going revenue payment. Leaders will be aware that the Metro relies on on-going revenue support from the government (this is referred to in the government's letter discussed at paragraph 1.9). However at present there is no surety of government funding for the operational subsidy beyond 31 March 2019. As a result, Nexus will for the time being, need to place reliance on its ability to fund Metro operations from fare revenue and funding raised from the Tyne and Wear transport levy.

2. Proposals

Contract Scope and Structure

- 2.1 The scoping exercise and detailed analysis undertaken by Nexus and its consultants identified the scope of contracts is to be based on:
- Fleet replacement
 - Depot redevelopment

Leadership Board

Fleet maintenance

2.2 The contracts associated with this scope are as follows:

- MSA – Manufacture and Supply Agreement - an agreement for the supply of rolling stock including maintenance and repair work directly linked to supply (e.g. Warranty repairs).
- TSA – Train Services Agreement for maintenance of outgoing and new fleets (covering a 10-year period with option to increase by a further 10 years)
- DCC – Depot Construction Contract – an agreement for the construction of the redeveloped depot at the Gosforth site

Design and Construction of new Metrocars (MSA contract)

2.3 The basic requirement that needs to be met by this contract is as follows:

- Replacement of the existing fleet with modern day enhanced vehicles; and
- 84 Metrocars (or similar capacity achieved with 42 trains, given that current trains normally operate as two Metrocars coupled together).

2.4 The key document associated with the MSA contract is the fleet specification. A summary of the specification is detailed in sections 2.11 – 2.14.

2.5 Based on extensive informal market research, undertaken by Nexus with key industry players, feedback suggests that despite the bespoke nature of Metro, there is significant interest in the project and hence a good market appetite is anticipated for what many manufacturers consider to be a medium sized order. Formal market testing is planned at the beginning of the procurement process.

Fleet Maintenance (TSA contract)

2.6 For fleet maintenance, it is proposed to let a 'Train Service Agreement' (TSA) which would see a long-term maintenance contract with the new train supplier, who would take over maintenance of the existing fleet until the new fleet is introduced. It is anticipated that existing Nexus maintenance staff would be entitled to transfer to the new fleet maintainer under the provisions of TUPE. This contract will have break points to allow Nexus to step out of the contract should they wish to do so for any reason.

2.7 A long term maintenance contract is likely to:

Leadership Board

- Ensure that maintenance teams are suitably upskilled and maintenance management systems created;
- Incentivise high quality build standards and reliability;
- Offer efficiencies when taking whole-life costing into account;
- Provide better design co-ordination in regards to the interface between depot and trains;
- Allow better management of risks associated with obsolescence of parts, and the insolvency of companies in the supply chain; and
- Secure more efficient management of the transition from the outgoing fleet to the new fleet, operated from the same depot facilities.

2.8 Nexus will reserve the right to revert to an alternative 'Technical Support and Spares Supply Agreement' (TSSSA) contract i.e. support for in-house maintenance only if the bids for the TSA contract do not produce suitable results.

Depot Construction (DCC contract)

2.9 In regard to the main maintenance facility, the strategy is to redevelop the current Gosforth site, which is owned by Nexus, under permitted development rights. Paragraphs 2.15 to 2.20 provide further information on the depot strategy.

2.10 The depot construction contract will be let on a 'Design and Build' basis.

Fleet Specification

2.11 Nexus' intention is to procure a fleet of 84 Metrocars (or similar capacity achieved with 42 trains). The fleet specification is designed to be as open as possible to encourage innovation from the manufacturing market. However there are some immovable constraints of the existing Metro infrastructure which need to be taken into account:

- 1500 Volt (DC) overhead power supply;
- Non-standard gauging (tunnels & structures) such as a 3.7m height restriction;
- Low weight carrying capacity of some railway structures (12.5 tonnes);
- Tight radius curves – down to 50m radius on parts of the network;
- Rail Vehicle Accessibility Regulations (RVAR) compliance, e.g. max distance between train and platform of 75mm and max height difference between train and platform of 50mm; and
- Compatibility with Nexus and Network Rail infrastructure, systems e.g. signalling, and Telecommunications.

Leadership Board

2.12 In addition, Nexus will also specify its intention to include enhancements in the form of the following features to maximise flexibility and efficiency of the fleet:

- Passive provision for dual voltage and/or
- 'Off wire' running capability; and
- Regenerative braking.

2.13 Market research undertaken on the interior of the new Metrocars highlighted a number of areas to improve and therefore these will be incorporated into the specification:

- More space for luggage, buggies and wheelchairs;
- Improved CCTV;
- Modern-feeling internal décor;
- Real time information;
- Electronic information screens; and
- Wi-Fi and charging points.

2.14 Other items to note in regard to the fleet specification:

- Air conditioning which is likely to be fitted as standard, and this is to be confirmed during formal market consultation. However, in order for air conditioning to function effectively, vehicles cannot also have opening windows;
- Train configuration (i.e. two cars coupled or one long through vehicle) is not specified and is to be left to manufacturers to determine; and
- Linear (or 'longitudinal') seating.

Maintenance Facilities Strategy

2.15 A train maintenance depot, also referred to as a Traction Maintenance Depot or Train Care Facility, is a facility where trains are cleaned, serviced and maintained. In the case of the existing Metro depot, servicing and maintenance of the existing Metrocars ranges from light maintenance such as topping up gearbox oil to heavy maintenance like removing and replacing the bogies. Servicing and maintenance takes place inside buildings often referred to as sheds. Sheds are heated spaces for maintenance staff and include offices for engineers, managers and supervisors, and stores facilities where components are held and issued for the purposes of maintaining the trains.

2.16 The current Gosforth depot was originally constructed in the 1920's but transferred to Nexus and repurposed in the 1970's for use by the Tyne and Wear Metro. Although the depot has served Nexus well, it was never

Leadership Board

designed specifically for Metrocars and is not fit for the purpose of maintaining new trains. Building a new facility to replace the existing one will provide a range of benefits including reduced energy consumption, use of new technologies, improved stabling layout, improved operational functionality and ease of maintenance.

- 2.17 The strategy for the new maintenance facility has been developed by Nexus' technical consultants Mott Macdonald. Work was commissioned which assessed the feasibility of potential depot locations across the network against a range of criteria such as location, planning considerations, rail and road access and capital cost implications
- 2.18 Through the analysis, the Gosforth site emerged as the most appropriate and as Nexus already owns the site and has existing permitted development rights, this significantly de-risks project delivery.
- 2.19 The alternative option of refurbishing the existing facility is uneconomical when compared with a new build due to the scale of refurbishment required and as such, redevelopment of the Gosforth site was therefore recommended by Mott MacDonald. However, this is not without its own challenges. In order to redevelop the existing site and construct a new maintenance facility whilst the depot remains operational, it will be necessary to temporarily relocate around 20 cars (10 trains) to an 'out-stabling' facility in order to provide space for the construction works. This process is expected to take up to five years in total.
- 2.20 Mott MacDonald have undertaken a feasibility design and developed a construction phasing plan. Four feasible options for the re-development of the Gosforth site and options for potential out-stabling sites have been identified. This suite of documents, along with a depot specification, will be presented to bidders to demonstrate that there is a workable solution to the challenge of building a new depot facility whilst maintaining service during the phased introduction of the new fleet on the same site.
- 2.21 This involves complex interfaces between the train maintainer, train manufacturer and depot construction contractor. Throughout the delivery of the depot re-construction, there will be competing priorities which will need to be managed between all three contracts and Nexus' proposed approach is to transfer the risk of managing these interfaces to the supplier on the basis they are best placed to manage such risks. As part of the procurement, Nexus will require bidders to demonstrate how their plans will minimise disruptions to the metro service and this important issue will attract a significant score in the quality evaluation. In addition, Nexus will assign appropriate levels of project management and engineering resource to ensure that the works are delivered in accordance with agreed plans and ensure any risk of service disruption are minimised. Furthermore, Nexus will

Leadership Board

be providing an out-stabling facility to serve the depot transition and this will see around one-quarter of its fleet stabled away from the Gosforth site which will mitigate the impact of any issues which may disrupt trains entering or leaving the Gosforth site.

Procurement Methodology

- 2.22 The procurement of the contracts set out in section 2.2 will be carried out in accordance with the Utilities Contracts Regulations 2016. Nexus will be letting the contract as an Invitation to Negotiate (ITN).
- 2.23 The procurement will be advertised via the Official Journal of the European Union (OJEU) with a Periodic Indicative Notice (PIN) providing advanced notice of the forthcoming tender. A formal market awareness exercise will be incorporated into this release in the form of a questionnaire. A market day will then be held.
- 2.24 Following this, a Pre-Qualification Questionnaire (PQQ) will be issued through OJEU, which will invite all potential suppliers to respond. The PQQ is used to ensure only capable and approved suppliers are able to respond to the ITN.
- 2.25 At this stage, it is envisaged that an ITN will be issued to a maximum of 5 suppliers selected following the PQQ process. It is proposed that the ITN will comprise of two stages:
- Stage one whereby the procurement reduces the bidders to a maximum of 3 based on the highest scorers with fully compliant bids
 - Stage two whereby the top three bidders will be provided with feedback on their base bids and given an opportunity to submit their Best and Final Offer (BAFO).
- 2.26 Following the ITN's issue a 'Local Partnership Event' will be held between the bidders and local suppliers and manufacturers. This is intended to incentivise the use of the local supply chain.
- 2.27 The bids will be evaluated on a Price/Quality split. The recommended ratio is to be determined following further work by the evaluation workstream which is currently ongoing and the bidder with the 'Most Economically Advantageous Tender' will be awarded the contracts.

Leadership Board

Programme Timescales

- 2.28 The current assumed timescales for the procurement of the core Contracts are set out below. Dates may be subject to amendment as greater certainty is achieved over aspects of the programme.

Activity	Target Date
Issue PIN	Jan 2018
Issue PQQ	May 2018
Issue ITN	Aug 2018
Contract Award	Jan 2020
Maintenance Contract Start	Mid-2020
First Train Delivered	Dec 2021

3. Reasons for the Proposals

- 3.1 To ensure that the Leadership Board is content with Nexus' intended approach to the procurement of a new fleet of metro trains, a new maintenance facility and a long-term fleet maintenance contract.

4. Alternative Options Available

- 4.1 The Leadership Board may choose not to endorse Nexus' intended approach, and instead provide feedback as to the nature of its objection. If this is the case then Nexus will use the feedback to develop an alternative approach for further discussion in due course. This course of action would lead to a delay in procurement and ultimately to the delivery date of the new rolling stock, and so is not recommended.

5. Next Steps and Timetable for Implementation

- 5.1 The next step is for Nexus to issue a Periodic Indicative Notice (PIN) to the market to advise of the upcoming procurement and to commence formal market testing. Nexus expects to hold a market day in advance of the PQQ being issued.
- 5.2 In parallel, Nexus will be finalising the contracts, tender information and relevant documentation associated with the procurement.
- 5.3 For the 'Timetable for Implementation', please see section 2.27.

Leadership Board

6. Potential Impact on Objectives

6.1 The proposal for Metro's future is important in meeting objectives set out in the Metro and Local Rail Strategy, 2016, particularly in terms of:

- Providing Metro and local rail services that are reliable, accessible and comfortable with high levels of customer satisfaction, within available resources; and
- To grow the Metro and local rail network and their modal share as part of an integrated public transport network.

7. Financial and Other Resources Implications

7.1 As set out in paragraph 1.9-1.11, Nexus have secured a £337m government grant which combined with a £25m local contribution amounts to the £362m estimate for a new fleet of Metrocars and maintenance facilities.

7.2 The latest estimate, upon which the grant funding from government is based, differs from the original estimate set out in the Outline Business Case which was produced by Nexus in 2014 and based on earlier rolling stock procurements, adjusted to account for the specific requirements of operating on Nexus' infrastructure. This was subsequently revised following a review by Nexus' Technical Consultants in May 2017, which by that time, had an emerging and much more detailed fleet specification to base the estimate on, as well as specific intelligence from more recent and much more relevant rolling stock procurements. The review also revealed that there was an element of risk contingency within the initial estimate which, having regard to HM Treasury Green Book Guidance, was deemed inappropriate. The revised estimate is therefore considered to be robust, has been quality assured by industry experts and remains capable of delivering all of the outputs to the same level of function, quality and timescale as the original estimate. There has therefore has been no compromise in this regard.

7.3 The local contribution will be made up of £15m previously earmarked from Nexus' reserves plus an additional £10m which will arise from pensions savings of £3.3m per annum across 2017/18, 2018/19 and 2019/20 resulting from Nexus fully eradicating its pensions deficit at the 2016 triennial valuation.

7.4 Whilst the total funding requirement for the new fleet and maintenance facilities has been secured, Nexus is in discussion with DfT regarding the grant funding profile which will be linked to the cash flow requirements associated with the procurement.

Leadership Board

- 7.5 As highlighted in paragraph 1.13, Nexus does not have surety of funding beyond 31 March 2019 so for Nexus to commence the procurement of a long-term fleet maintenance contract, Nexus will for the time being, need to place reliance on its ability to fund Metro operations from fare revenue and funding raised from the Tyne and Wear transport levy.
- 7.6 As outlined in the Secretary of State for Transport's letter (see Appendix A) the £337m grant funding for the fleet is in addition to the funding already provided by the Government to support the day-to-day operation and renewal of infrastructure for the Metro. Now that the funding agreement for the new Metrocar fleet has been determined, negotiations with DfT over the future of Nexus' ongoing revenue grant support for operational subsidy and its programme of ongoing essential infrastructure renewals have already commenced.
- 7.7 In relation to revenue grant, as detailed in the budget and transport levies report elsewhere on this agenda, it is understood that the DfT's Rail Investment Board (RIB) is meeting in January 2018 and will be recommended to agree a 'flat cash' settlement for Nexus for 2019/20 but anything beyond this time will be subject to further discussion since 2020/21 and beyond falls within the period of the next Spending Review. In this regard, there might be an opportunity for future grant funding to be redistributed and locked in under government plans for business rate localisation. This will be explored in the coming months.
- 7.8 The point has firmly been lodged with the DfT that the benefits of the £350m invested in new and upgraded infrastructure since 2010 plus the £362m shortly to be invested in a new fleet will be severely compromised and lead to a sub-optimal outcome and poor Value for Money if Nexus cannot secure a funding commitment from Government beyond March 2020 for operations and beyond March 2021 for the continuation of essential infrastructure renewals.

8. Legal Implications

- 8.1 The procurement will be carried out in accordance with the Utilities Contracts Regulations 2016 using a negotiated procedure.

9. Key Risks

9.1 Project Risk

In order to ensure the project for fleet delivery is successful, Nexus has developed a fully monetised comprehensive risk register which is in place for the Fleet Replacement Programme and is updated periodically. This will require updating following the confirmation of funding route.

Contract Risk

Leadership Board

The contract strategy contained within this paper is based on best practice risk management; risk sits with whoever is most able to manage the risk. This approach has been used to shape the drafting of terms of all three Contracts (MSA, TSA, DSA).

10. Equality and Diversity

- 10.1 The design of the new Metrocars will be fully compliant with the latest accessibility guidelines from Government.

11. Crime and Disorder

- 11.1 There are no crime and disorder implications in this report.

12. Consultation/Engagement

- 12.1 Market Research and Consultation has been undertaken for the future design of new Metrocars. Nexus has developed a Communications Plan in conjunction with the Department for Transport, which is a robust process to capture all stakeholder interaction and engagement. It also facilitates tracking of activity and forward planning and co-ordination of activity across the project team and its support functions.

The plan contains a programme of external-facing outputs to keep stakeholders updated and inspired by progress towards new fleet introduction, underlining the importance of the project to the future prosperity of North East England. The plan has led to Nexus gaining support for its proposal from stakeholders such as the North East Local Enterprise Partnership (NELEP), North East England Chambers of Commerce, Federation of Small Businesses and the Confederation of British Industry along with over one hundred local businesses through a series of showcase events around the North East.

13. Other Impact of the Proposals

- 13.1 The NECA Transport Manifesto, the Strategic Economic Plan and Local Transport Plans all set out the importance of investing in a new fleet of Metrocars, for continued operation of the Metro system.

14. Appendices

- 14.1 Appendix A – Letter from the Secretary of State on funding offer

Leadership Board

15. Background Papers

15.1 None

16. Contact Officers

16.1 Tobyn Hughes Managing Director, Nexus
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17. Sign off

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

18. Glossary

18.1 DfT Department for Transport
HMT Her Majesty's Treasury
OBC Outline Business Case
PIN Prior Information Notice
PQQ Pre-Qualification Questionnaire
ITN Invitation to Negotiate
BAFO Best And Final Offer
TSA Train Services Agreement
TSSSA Technical Support and Spares Supply Agreement
MSA Manufacturing Supply Agreement
DCC Depot Construction Contract

Leadership Board



Department
for Transport

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The Rt. Hon. Chris Grayling

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22 November 2017

Dear Tobyn,

I am writing to update you on our investment in transport in the north and the Tyne and Wear Metro.

We are committed to improving transport in the North of England, which is why we are carrying out the biggest investment in the region – spending £13bn on Northern transport, the largest in government history. It is also why we have announced the £1.7bn Transforming Cities Fund, to improve transport links and promote local growth within city regions.

In today's Budget, the Chancellor of the Exchequer announced £337m for a new Nexus Metro fleet for Tyne and Wear. The Metro is a critical part of both local transport provision and the wider economy in the region, and this investment will be a vital boost to the area, supporting access to employment, education and leisure.

The Government will directly contribute £337m towards the new fleet and its maintenance, supported by £25m from the North East Combined Authority. This is in addition to the funding already provided by the Government to support the day to day operation and renewal of infrastructure for the Metro. We anticipate that the North East Combined Authority will commence the

Leadership Board

procurement process shortly and aim to introduce to the new fleet onto the network from late 2021.

I am committed to transforming journeys across this region, making them quicker and easier, and helping its economy to flourish. Today's announcement by the Chancellor is an important step in that transformation.



Rt Hon Chris Grayling

MP SECRETARY OF STATE FOR TRANSPORT

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Leadership Board

Date: 16 January 2018

Subject: The setup of a not for profit company – Company Limited by Guarantee

Report of: Head of Paid Service and Monitoring Officer

Executive Summary

In July 2017 the North East Local Enterprise Partnership (LEP) Board agreed to a company limited by guarantee being established that sits alongside the current LEP model to be responsible for procuring external funding and the delivery of specific projects in furtherance of the Strategic Economic Plan (SEP). The North East LEP seeks endorsement of the proposed approach and model from the North East Combined Authority as its Accountable Body.

Recommendations

The Leadership Board is asked to agree to delegate to the Head of Paid Service, on the advice of and in consultation with the Chief Financial Officer and Monitoring Officer, authority to take all steps necessary or desirable to establish a company limited by guarantee without limitation, to approve the form of the company's constitutional documents and other documents to be filed in connection with the formation of the company.

Leadership Board

1. Background Information

- 1.1 Of the 38 Local Enterprise Partnerships (LEPs) twenty have an associated Limited Company (See Appendix A for the List of LEPs and Companies Associated). Seventeen of these are set up as a Company Limited by Guarantee (CLG) and 3 are set up as a Community Interest Company (CIC).
- 1.2 Four of these companies pre-date the formation of LEPs and have updated their articles of association to support the delivery of their Strategic Economic Plans in their LEP area. The other 17 have been set up since the formation of LEPs with the most recent formed in the last year.
- 1.3 Following the agreement at the North East LEP Board on the 27th July 2017, the LEP Executive Team are progressing the development of the optimum model to meet the required needs.
- 1.4 It is important to note that this proposal does not replace the North East LEP's current voluntary partnership model with an accountable body host, but a vehicle to sit alongside these arrangements to enable additional funding to be secured. It is an enabling initiative which will fill an identified gap in the regional delivery architecture and will not seek to supplant the roles of other organisations or compete with private sector organisations.
- 1.5 Following the North East LEP Board approval, the NECA Monitoring Officer and an external law firm have reviewed the existing LEP incorporated bodies to inform the most appropriate model for the North east.

2. Proposals

- 2.1 We propose to set up a not for profit Company Limited by Guarantee for the purpose of attracting funding which the LEP is currently precluded from applying or bidding for.
- 2.2 It will be set up as a not for profit company and these restrictions will be written into the company's articles.
- 2.3 This will be registered with Companies House and will produce accounts and an annual return each year.

Leadership Board

- 2.3 It is proposed that a company will be formed with individual members nominated as set out in paragraph 2.6 below.
- 2.4 Research suggests that having corporate members would disqualify the company from obtaining funding from the target funding sources and therefore only individuals will be Members of the Company.
- 2.5 All of the Members of the Company will also be Directors of the company to keep the structure simple.
- 2.6 Having reviewed LEP models elsewhere, it is suggested that the Company's Board is made up of:
- The Chair and two Vice Chairs of the North East LEP Board (The LEP Constitution requires that there is one public sector Vice Chair and one private sector Vice Chair) OR three LEP Board Members nominated by the LEP Board;
 - The Executive Director of the North East LEP;
 - The NECA Head of Paid Service;
 - The NECA Monitoring Officer (who will also discharge responsibilities as company secretary);
 - The NECA Chief Finance Officer.
- 2.7 This structure reflects the governance structure of a company designed to deliver LEP objectives, whilst also respecting the obligations on NECA to ensure probity and lawfulness as the Accountable Body.

3. Reasons for the Proposals

- 3.1 The setup of a not for profit company will allow the North East LEP to apply and / or bid for funding where the eligibility criteria currently precludes non-incorporated or public sector organisations. The nomination of individual members rather than having corporate members should address this issue whilst maintaining an appropriate connection and effective control on behalf of the North East LEP Board.
- 3.2 The key issues to overcome if funding is to be sought from multiple sources, particularly philanthropic sources, are:

Leadership Board

- The North East Local Enterprise Partnership is not a separate legal entity from its accountable body, and therefore incapable of receiving funds directly;
- Most, if not all, philanthropic donations are required to be made to legal entities with charitable status or a non-profit organisation, rather than a public sector organisation.

3.3 Recent examples where the LEP had an opportunity to secure funding on a LEP- area wide basis for activities aligned to the delivery of the Strategic Economic Plan, but where the unincorporated partnership model created a barrier, are:

- The Edge Foundation;
- The Nuffield Foundation;
- UK Innovation Fund.

Applications could also be made going forward for more substantial donations, for example:

- The Tyne & Wear Community Foundation itself (rather than individual fund holders)
- Large national philanthropic bodies such as Joseph Rowntree Trust, Esme Fairburn, National Lottery, Comic Relief etc.
- Significant private trusts in the North East such as Ballinger, Halburton, Shears Foundation, Barbour Foundation, Newcastle United Foundation, Moyes Trust.

4. Alternative Options Available

4.1 A Community Interest Company structure was also considered, which could also bring the following benefits:

- It is a model recognised as one for community benefit and should be an attractive model for funders;
- The 'Asset Lock' mechanism ensures assets are used for the clear purposes set out, the delivery of the Strategic Economic Plan;

However, there are some additional compliance requirements, which may bring additional cost and regulations, without adding any significant value to the model.

Leadership Board

- 4.2 An incorporated charity model could use a traditional Company Limited by Guarantee model or the newer Charitable Incorporated Organisation Model. However, it is considered unlikely that the activities of the company would meet the requirements for charitable registration or charitable activities.

5. Next Steps and Timetable for Implementation

- 5.1 The requisite documentation will be drafted to create the Company in consultation with the NECA Head of Paid Service, Chief Financial Officer and Monitoring Officer.

6. Potential Impact on Objectives

The proposal will enable the North East LEP to have the ability to access additional funding sources.

7. Financial and Other Resources Implications

- 7.1 The cost of taking legal advice and forming the company will be in the region of £5,000, which will be sourced from the LEP operational budget. The purpose of the Company is to secure additional funding to support the delivery of the Strategic Economic Plan.

8. Legal Implications

- 8.1 There will be an on-going compliance obligation (accounts, returns etc.), but this can be absorbed within existing resources.

9. Key Risks

- 9.1 The key risk is that Company set up would not be able to access the fund as identified. We are mitigating this by engaging in advance with potential funding providers to ensure the structure would be suitable and working from best practice on how other LEPs have set up similar models.

Leadership Board

10. Equality and Diversity

10.1 There are no equality and diversity implications as a result of this proposal.

11. Crime and Disorder

11.1 There are no Crime and Disorder implications as a result of this proposal.

12. Consultation/Engagement

12.1 The LEP Board approved the principle to set up a not for profit company in July 2017.

12.2 The NECA Monitoring Officer has been consulted on the proposal and also DWF LLP have provided research to support the proposal looking at existing LEP structures.

13. Other Impact of the Proposals

13.1 There are no further impacts as a result of this proposal.

14. Appendices

14.1 Appendix A shows a list of the LEPs and Companies Associated.

15. Background Papers

15.1 There are no background papers

16. Contact Officers

16.1 Peter Judge, Monitoring Officer, E-mail peter.judge@northeastca.gov.uk
Tel: 07342 069 371

Leadership Board

17. Sign off

- Head of Paid Service: ✓
Monitoring Officer: ✓
- Chief Finance Officer: ✓

Leadership Board

Appendix A – List of Local Enterprise Partnerships and associated company models

Local Enterprise Partnership Name	Associated Company name	Company Type	Companies House Number
Black Country LEP	BLACK COUNTRY CONSORTIUM LIMITED	CLG	05159791
Buckinghamshire Thames Valley LEP			
Cheshire & Warrington Enterprise Partnership	CHESHIRE & WARRINGTON LOCAL ENTERPRISE PARTNERSHIP	CLG	04453576
Coast to Capital LEP	COAST TO CAPITAL	CLG	08166412
Cornwall and Isles of Scilly LEP	CORNWALL AND ISLES OF SCILLY LOCAL ENTERPRISE PARTNERSHIP LIMITED	CLG	07471437
Coventry and Warwickshire LEP	COVENTRY AND WARWICKSHIRE LOCAL ENTERPRISE PARTNERSHIP LIMITED	CLG	08210423
Cumbria LEP			
Derby, Derbyshire, Nottingham and Nottinghamshire LEP			
Enterprise M3			
Greater Birmingham & Solihull LEP	THE GREATER BIRMINGHAM AND SOLIHULL LOCAL ENTERPRISE PARTNERSHIP LIMITED	CLG	07635395
Greater Cambridge Greater Peterborough LEP	GREATER CAMBRIDGE AND GREATER PETERBOROUGH ENTERPRISE PARTNERSHIP LIMITED	CLG	07553554
Greater Lincolnshire LEP	GREATER LINCOLNSHIRE LEP LIMITED	CLG	09223395
Greater Manchester LEP	ECONOMIC SOLUTIONS LIMITED	CLG	02443911
Hertfordshire LEP			
Humber LEP			
Heart of the South West LEP	HEART OF THE SOUTH-WEST LEP C.I.C.	CIC	08880546
Lancashire Enterprise Partnership	LANCASHIRE ENTERPRISE PARTNERSHIP LIMITED	CLG	07388600
GFirst LEP	GFIRST LEP C.I.C.	CIC	09353067
Leeds City Region			

Leadership Board

LEP			
Dorset LEP	DORSET LOCAL ENTERPRISE PARTNERSHIP C.I.C.	CIC	10246567
Leicester & Leicestershire LEP			
Liverpool City Region LEP	LIVERPOOL CITY REGION LOCAL ENTERPRISE PARTNERSHIP	CLG	02753023
London Economic Action Partnership			
New Anglia LEP	NEW ANGLIA LOCAL ENTERPRISE PARTNERSHIP LIMITED	CLG	07685830
North East LEP			
Oxfordshire LEP	OXFORDSHIRE LOCAL ENTERPRISE PARTNERSHIP LIMITED	CLG	09519056
Sheffield City Region LEP	SHEFFIELD CITY REGION LOCAL ENTERPRISE PARTNERSHIP LIMITED	CLG	07941090
Solent LEP	SOLENT LOCAL ENTERPRISE PARTNERSHIP LIMITED	CLG	07569938
South East LEP			
South East Midlands LEP	SOUTH EAST MIDLANDS LOCAL ENTERPRISE PARTNERSHIP LIMITED	CLG	07652124
Stoke-on-Trent and Staffordshire LEP			
Swindon and Wiltshire LEP			
Tees Valley Unlimited			
Thames Valley Berkshire LEP	THAMES VALLEY BERKSHIRE LOCAL ENTERPRISE PARTNERSHIP LIMITED	CLG	07885051
The Marches LEP			
West of England LEP			
Worcestershire LEP			
York, North Yorkshire and East Riding LEP			

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