

Leadership Board

Tuesday 31st July 2018 at 2.00 pm

Meeting to be held: Committee Room, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL

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AGENDA

	Page No
1. Apologies for Absence (Members)	
2. Declarations of Interest	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
3. Minutes of the Previous Meeting	1 - 8
For approval as a correct record.	
4. Combined Authority - Governance Changes - Update	9 - 14
5. Updates from Thematic Leads	
(a) Economic Development and Regeneration Update	15 - 30
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(c) Transport (and Digital Connectivity) Thematic Lead Update Report	49 - 56
6. Statement of Accounts 2017/18	57 - 60

7.	Finance Update - 2017/18 Outturn and 2018/19 Update	61 - 86
8.	Date and Time of Next Meeting Tuesday, 18 September 2018 at 2pm.	
9.	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.	
10.	Confidential Minutes of the Previous Meeting	87 - 88
11.	Project Approvals	89 - 102
12.	Proposed Purchase of Land at Howdon	103 - 108

Contact Officer: Victoria Miller Tel: 0191 211 5118 E-mail: victoria.miller@northeastca.gov.uk

To All Members

Leadership Board

19 June 2018

Meeting held: Committee Room, Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL

Present:

Councillor S Henig (Vice-Chair, in the Chair)

Councillors M Gannon, G Hall, S Henig, P Jackson, I Malcolm, G Miller and Mayor N Redfearn and Ms G Hall

1 APOLOGIES FOR ABSENCE (MEMBERS)

Apologies for absence were received from Councillor N Forbes and Mr A Hodgson.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 MEMBERSHIP OF THE LEADERSHIP BOARD

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

Members considered the report which invited them to consider the membership of the Leadership Board for the municipal year 2018/19 and make associated appointments.

RESOLVED – That:

- i. The membership of the Leadership Board for the municipal year 2018/19 be confirmed as set out in Appendix A of the report;
- ii. Regarding the appointment of Chairs and Vice-Chairs of the Leadership Board:
 - The Leadership Board would not to appoint its Chair until the order establishing the emerging North of Tyne Mayoral Combined Authority has been made;
 - Councillor Simon Henig and Elected Mayor of North Tyneside Council Norma Redfearn be appointed as Vice-Chairs of the Leadership Board for the municipal year 2018/19; and

- Mayor Norma Redfern be the designated Vice-Chair for signing the Annual Accounts of NECA;
- iii. Mr Andrew Hodgson be re-appointed as the non-voting Member of the Leadership Board representing the North East Local Enterprise Partnership during the municipal year 2018/19;
- iv. Ms Gillian Hall be re-appointed as the Substitute Member for the Member of the Leadership Board who represented the North East Local Enterprise Partnership during the municipal year 2018/19; and
- v. The existing Thematic Leads for the following Thematic Lead Areas: (i) Economic Development and Regeneration, (ii) Employability and Inclusion and (iii) Transport and Digital Connectivity, Councillors Iain Malcolm, Peter Jackson and Nick Forbes respectively, be re-appointed for the municipal year 2018/19.

4 **MINUTES OF THE PREVIOUS MEETING HELD ON 20 MARCH 2018**

The minutes of the previous meeting held on 20 March 2018 were approved as a correct record and signed by the Chair.

5 **MINUTES OF THE EXTRAORDINARY MEETING HELD ON 26 APRIL 2018**

The minutes of the extraordinary meeting held on 26 April 2018 were approved as a correct record and signed by the Chair.

6 **ANNOUNCEMENTS FROM THE CHAIR AND/OR THE HEAD OF PAID SERVICE**

There were no announcements from the Chair or the Head of Paid Service.

7 **APPOINTMENT OF COMMITTEES, AGREEMENT OF MEMBERSHIP, APPOINTMENT OF CHAIRS AND VICE-CHAIRS, APPOINTMENT OF MEMBERS TO OUTSIDE BODIES AND APPOINTMENT OF EXTERNAL AUDITOR**

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

Members considered the report which sought agreement to the continued establishment of the committees of the North East Combined Authority for the municipal year 2018/19, invited associated appointments and set out information on the appointment of External Auditor.

RESOLVED – That:

- i. The committees set out in Appendix A be appointed for the municipal year 2018/19;

- ii. The nominations for the membership of the committees and sub-committees of NECA, which had been received from the constituent local authorities, as set out in Appendix A, be accepted;
- iii. The term of office of the Independent Members of the Governance Committee (later at the meeting renamed as Audit and Standards Committee), and its Chair and Vice-Chair, Mr Mark Scrimshaw and Mr George Clark respectively, be extended for a further term of one year expiring on 19 June 2019;
- iv. The term of office of the Independent Person for the purpose of Standards Regime, Ms Stella Gardner, be extended for a period of one year expiring on 15 September 2019;
- v. The appointment of Chairs and Vice-Chairs for the municipal year 2018/19 be as follows:

Transport North East Committee

Councillor Nick Forbes, the Thematic Lead for Transport and Digital Connectivity be appointed as Chair of the Transport North East Committee.

Councillor Carl Marshall, a Portfolio Holder with responsibilities for Transport from Durham County Council and Councillor Glen Sanderson, a Portfolio Holder with responsibilities for Transport from Northumberland County Council be appointed as Vice-Chairs of the Transport North East Committee.

The appointment of the third Vice-Chair of the Transport North East Committee, a Portfolio Holder for Transport from one of the Tyne and Wear constituent local authorities, be delegated to the Transport North East Committee.

Transport North East (Tyne and Wear) Sub-Committee

The third Vice-Chair of the Transport North East Committee be the Chair of the Transport North East (Tyne and Wear) Sub-Committee.

The appointment of a Vice-Chair of the Transport North East (Tyne and Wear) Sub-Committee be delegated to the Transport North East Committee.

Economic Development and Regeneration Advisory Board

Councillor Iain Malcom, the Thematic Lead for Economic Development and Regeneration be appointed as Chair of the Economic Development and Regeneration Advisory Board.

The appointment of the two Vice-Chairs of the Economic Development and Regeneration Advisory Board (one from the Elected Members and one from the Business Representatives on the Advisory Board) be delegated to the Economic Development and Regeneration Advisory Board.

vi. Appointments to Outside Bodies for the municipal year 2018/19:

Councillor Nick Forbes be designated as Member to represent NECA on Transport for the North.

Councillor Carl Marshall be designated as an Alternate Member to represent NECA on Transport for the North in the instances when the Member was unable to attend.

Councillor Nick Forbes be designated as Member to represent NECA the Transport for the North Rail North Committee.

Councillor Carl Marshall be designated as an Alternate Member to represent NECA on the Transport for the North Rail North Committee in the instances when the Member was unable to attend.

Councillor Bruce Pickard be designated as Member to represent NECA on the Transport for the North Overview and Scrutiny Committee.

Councillor Michael Mordey be designated as an Alternate Member to represent NECA on the Transport for the North Overview and Scrutiny Committee.

vii. The position in relation to the appointment of Mazars as the External Auditor for NECA for 2018/19 be noted.

8 **PROGRAMME OF COMMITTEE MEETINGS**

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

Members considered the report which sought their agreement to the programme of committee meetings for the municipal year 2018/19.

RESOLVED – That the proposed programme of committee meetings, as set out in Appendix A, be agreed.

9 **CONSENT TO THE OVERVIEW AND SCRUTINY COMMITTEE DECISION MAKING PROTOCOL**

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

The Leadership Board considered the report which invited consent to the Decision-Making Protocol that had been adopted by the Overview and Scrutiny Committee.

RESOLVED – That:

- i. Consent be given to the Decision-Making Protocol adopted by the Overview and Scrutiny Committee on the 15 March 2018, in order that it may take effect; and
- ii. The Monitoring Officer and the Policy and Scrutiny Officer be instructed to implement the Protocol and provide advice and guidance to Officers regarding the Protocol and the required standards and to report the Leadership Board's comments back to the Overview and Scrutiny Committee.

10 **REVIEW OF CONSTITUTION**

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

The Leadership Board considered the report which sought agreement to the amendments to the North East Combined Authority's (NECA) Constitution following the Monitoring Officer's routine annual review of the Constitution.

RESOLVED – That:

- i. The following changes to the NECA Constitution (as detailed in the report) be approved, which had been considered and endorsed by the Governance Committee at its meeting on 3 April 2018:
 - a. The change of name of the Governance Committee to the Audit and Standards Committee as discussed in 2.3 of the report;
 - b. The role of the Governance Committee to grant dispensations as discussed in 2.4 of the report;
 - c. Clarification that the independent Chair and Vice-Chair of the Governance Committee may be appointed to any sub-committee on the same basis as the independent person as discussed in 2.5 of the report;
 - d. The short notice procedure rules in Part 4.1 (paras 32 and 33) be amended as set out in 2.7 to 2.10 of the report;
 - e. Section 3.1 of the Constitution be amended to reflect the unanimity requirements set out in the Order creating NECA; and
 - f. Section 3.1 be amended to remove the introductory words and therefore to clarify and confirm the delegation given to Chief Officers as discussed in 2.14 and 2.15.

And

- ii. Authority be delegated to the Monitoring Officer to:
 - a. finalise the wording of the amendments to the Constitution to give effect to the changes agreed by the Leadership Board; and
 - b. approve and publish the Constitution containing those changes.

11 UPDATES FROM THEMATIC LEADS

(a) Economic Development and Regeneration Update

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.

RESOLVED – That the report be noted.

(b) Employability and Inclusion Update

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 an update on activity and progress under the Employability and Inclusion theme of the Combined Authority and the “Employability and Inclusion” and “Skills” themes of the Strategic Economic Plan.

RESOLVED – That the report be noted.

(c) Transport and Digital Connectivity Update

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

Members considered the report which provided an update on activity and progress under the Transport and Digital Connectivity theme of the Combined Authority.

RESOLVED – That the report be noted.

12 ECONOMIC DEVELOPMENT AND REGENERATION ADVISORY BOARD ANNUAL REPORT

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

Members considered the annual report which provided a summary of the work of the Economic Development and Regeneration Advisory Board in the previous municipal year 2017/18.

RESOLVED – That the report be noted.

13 **DELEGATED DECISIONS: A) “SMARTER TRAVEL, SMARTER CITIES” PROPOSED EUROPEAN REGIONAL DEVELOPMENT FUND BID AND B) GO ULTRA LOW NORTH EAST PROGRAMME**

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

Members considered the report which provided an update on progress of the Smarter Travel, Smarter Cities bid and the Go Ultra Low North East programme and sought delegated authority for decisions associated with the progress of these projects.

RESOLVED – That delegated authority be given to the Head of Paid Service, in consultation with the Chief Finance Officer and the Monitoring Officer, to:

- i. sign-off and approve the submission of the final European Regional Development Fund bid (named “Smarter Travel, Smarter Cities”), due for submission by 21st August 2018, which would mitigate the risk of losing the funding to other areas; and
- ii. agree and authorise all activities necessary and desirable to deliver the Go Ultra Low North East Programme including, but not limited to, the commencement and conduct of all procurement exercises and the finalisation of all contracts and all other relevant legal documentation.

14 **PURCHASE OF SITE AT HOWDON FOR SATELLITE DEPOT BY NEXUS**

RESOLVED – That the consideration of this agenda item be deferred.

15 **DATE AND TIME OF NEXT MEETING**

Tuesday, 31 July 2018 at 2pm.

16 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That by virtue of paragraph 3 of Part 1 of Schedule 12A press and public be excluded from the remainder of the meeting for the duration of consideration of agenda items 17 (Confidential Minutes of the Previous Meeting held on 20 March 2018) and 19 (Project Approvals) 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: 31 July 2018

Subject: Combined Authority – Governance Changes - Update

Report of: Monitoring Officer

Executive Summary

The report provides the Leadership Board with an update on proposed changes to NECA's governance and progress with the making of an order by the Secretary of State to effect these changes.

Recommendations

The Leadership Board is recommended to note the report.

Leadership Board

1. Background Information

- 1.1 NECA was created pursuant to the Local Democracy, Economic Development and Construction Act 2009 (**LDEDCA 2009**) and by the Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Order 2014 which came into force on 15 April 2014.
- 1.2 On 26 April 2018 the Leadership Board resolved to agree in principle to amend NECA's boundary to remove the Local Government areas of Newcastle upon Tyne, North Tyneside and Northumberland, to permit the creation of a Mayoral Combined Authority covering these areas, and establishing joint transport governance arrangements. These changes will only take effect on the implementation of an order issued by the Secretary of State in accordance with the LDEDCA 2009. The Leadership Board has delegated authority, subject to satisfaction of certain conditions, for the giving of final consent for the making of that order. Until the order is made there is no change to NECA and the Local Government Act 1972, Schedule 12, paragraphs 1 and 6A require NECA to hold its annual meeting between 1 March and 30 June each year.
- 1.3 All Constituent Authorities of NECA and NECA entered into a Deed of Co-operation on 4 July 2018 reflecting the terms set out in the Heads of Terms agreed by the Leadership Board on 26 April 2018 and other matters agreed between the Authorities.
- 1.4 On 5 July 2018 the Ministry of Housing, Communities and Local Government (**MHCLG**) responded to the Combined Authority's letter of 23 May 2018 and enclosed a further draft order addressing the points made by NECA and finalising other aspects of the drafting.

2 Next Steps

Consent to the Order

- 2.1 On 26 April 2018 the Leadership Board delegated authority to the Head of Paid Service to communicate NECA's formal consent to the order on certain conditions. A draft consent letter has been prepared and circulated through Chief Legal Officers. In accordance with the authority given by the Leadership Board the Vice Chairs of the Leadership Board must indicate their consent before the Head of Paid Service may exercise her delegation.
- 2.2 The letter from MHCLG and the preamble to the most recent draft order indicates that each Authority must give their consent to the making of an order for various purposes. MHCLG do not anticipate they will be able to send the final draft order requesting consent until week commencing 16 July 2018 and expect consent to

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be communicated to them within 24 hours of any request. This will allow the order to be laid before Parliament by 24 July 2018, and the Department explain that the laying process can take up to three days.

2.3 MHCLG and the preamble to the draft order set out the nature of consents required from the Constituent Authorities for various purposes:

- The consent of the North of Tyne Authorities (Newcastle upon Tyne, North Tyneside and Northumberland) has always been anticipated as a consequence of the LDEDCA 2009. Their consent is required under Sections 104(10), 105(3A)(a), 107D(9), 110(1)(b) and Section 106(3A) of that Act.
- The consent of NECA is required for the reasons previously detailed in papers to the Leadership Board (Section 106(3A) of the LDEDCA 2009).
- The consent of each Constituent Authority is now requested in relation to the making of Part 3 of the draft order, relating to transport, and the consequential amendments to the 2014 Order in relation to transport, in accordance with Section 104(10) of the LDEDCA 2009.

Managing Governance Changes

2.4 Anticipating that consent will be given, the order laid before the summer Westminster Parliamentary recess, and the order made in September or October 2018, preparations are in hand to arrange 'inaugural meetings' of the NECA, with its smaller geography, and the new Joint Transport Committee. As from the date the order is made certain transport functions will only be capable of being discharged through a joint transport committee formed by the two Combined Authorities. The inaugural meetings of both Combined Authorities (at least to constitute the Joint Committee) and the Joint Transport Committee itself will need to take place in order to exercise these transport functions. To respect the prescribed forward plan process this would usually be at least 28 days after the order is made (and Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority is created), but the meeting can be held sooner if this period is impracticable. It is anticipated that these meetings will address the following subjects and Leaders may wish to comment on other matters they wish to consider at these meetings:

'Inaugural' meeting of NECA:

- Election of Chair and Vice Chair of the Leadership Board.
- Approval of minutes from the last meeting.
- Announcements from the Chair or Head of Paid Service.
- Appointment of Overview and Scrutiny Committee, Audit and Standards Committee and other committees.
- Agreement of membership of EDRAB.

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- Agreement of delegation of functions.
- Designation of thematic leads.
- Approval of policies and strategies to be included in the policy framework.
- Adoption of a revised Constitution (including provisions for the formation of a Joint Transport Committee).
- Adoption of a new Common Seal.
- Adoption or designation of a new principal office.
- Confirmation of budget and budget process.
- Revised schedule of meetings for the municipal year.

Inaugural meeting of Joint Transport Committee:

- Election of Chair and Vice Chair of the Joint Transport Committee.
- Receiving terms of reference for the committee from the North East Combined Authority and the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority.
- Adoption of Joint Transport Committee rules of procedure and code of conduct for members.
- Formation of Audit and Standards Committee, Overview and Scrutiny Committee, and Tyne and Wear Committee and such other committees as the Joint Transport Committee deem appropriate.
- Agreement of proposals of these committees.
- Agreement of delegation of functions – committees, officers and County Councils.
- Agreement on proposals for an accountable body for the Joint Transport Committee.
- Process for the appointment of a Proper Officer for Transport.
- Note and agree transport governance arrangements including the role of NEXUS.
- Confirmation of transport budget.
- Revised schedule of meetings for the municipal year.

Managing organisational changes

- 2.5 With the agreement of Leaders and Chief Executives of the seven Constituent Authorities of NECA, the NECA Senior Leadership Team has launched the Combined Authority Reconfiguration Programme designed to ensure a smooth transition of the changes contemplated as a consequence of the new Order and Deed of Co-operation. The programme which has been developed has workstreams covering governance, employment and support arrangements, transport and finance. Each workstream is led by a NECA Statutory Officer and supported under existing SLA arrangements. In accordance with decisions previously made, it is vital that current SLA arrangements, by which enabling

Leadership Board

services are provided by each Constituent Authority across the seven Local Authority areas continue in place while the Programme is delivered. It is recognised that the Authorities will wish to review the support arrangements in the medium term; it has been agreed that they will remain in place while the Programme is delivered.

3. Reasons for the Proposals

- 3.1 This report provides an update on the making of the draft order and provides information to give members assurance that any transition will be effectively managed.

4. Next Steps and Timetable for Implementation

- 4.1 As detailed in the report.

5. Potential Impact on Objectives

- 5.1 Maintaining good governance and effective decision making ultimately supports the achievement of objectives.

6. Financial and Other Resources Implications

- 6.1 The Combined Authority Reconfiguration programme can be delivered within the existing resources if SLA arrangements with Constituent Authorities remain in place.

7. Legal Implications

- 7.1 The making of an order by the Secretary of State will change the legal framework by which NECA exists and operates.

8. Key Risks

- 8.1 Consent is not given by one of the Authorities, meaning the order cannot be made or the Secretary of State declines to make the order for another reason.
- 8.2 SLAs are not in place or are not honoured, meaning the capacity is not available to deliver the transition of governance and operational arrangements.

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9. Equality and Diversity

9.1 None

10. Crime and Disorder

10.1 None

11. Consultation/Engagement

11.1 Chief Legal Officers of the Constituent Authorities and the NECA Statutory Officers have all been consulted. The Leadership Board has had a number of reports on this subject.

12. Other Impact of the Proposals

12.1 None

13. Appendices

13.1 None

14. Background Papers

14.1 Previous Leadership Board papers – principally 26 April and 19 June 2018.

15. Contact Officers

15.1 Peter Judge,
Monitoring Officer
peter.judge@northeastca.gov.uk
Tel: 0191 338 7455

16. Sign off

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

17. Glossary

NECA – North East Combined Authority

LDEDCA 2009 – Local Democracy, Economic Development and Construction Act 2009

SLA – Service Level Agreement

Leadership Board

Date: 31st July 2018

Subject: Economic Development and Regeneration 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 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
 - Local Growth Fund Update
 - Export Update
 - T-Level Consultation
 - European Structural Investment Fund Update
- 1.2 The Leadership Board is recommended to receive the update for information.

2. Invest North East England Activities

2.1 High level Inward Investment Successes April 2017 - March 2018, NECA Area

- There were 83 investment projects resulting in 1,651 new jobs
 - There were 66 Foreign Direct Investment (FDI) projects resulting in 1,360 new jobs
 - There were 17 UK projects resulting in 291 new jobs

Sector	FDI Projects	FDI Jobs	UK Projects	UK Jobs
FPBS	4	25	8	156
Energy	10	599	0	0
Life Science	2	10	4	24
Automotive	9	86	1	50
Advanced Manufacturing	26	491	2	56
Tech (IT/Software)	14	119	1	4
Rail	1	30	1	1
Total	66	1360	17	291

Some of the more significant investments included:

- Komatsu (advanced manufacturing)
- Comau (advanced manufacturing)
- Norton Rose Fulbright (FPBS)
- ABB Interconnector (energy)
- Smulders projects UK (energy)
- Snorkel UK (advanced manufacturing)

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Although the successful project total of 83 is only one less compared to the previous year, the job creation totals were significantly lower (1,651 vs 6,126). This was in the main, due to the large numbers of Financial and Professional Business Services and tech jobs created last year in five large investments by Accenture, Teleperformance, Convergys, ResQ and Sitel. These projects alone created more than 3,500 jobs, with a large Nissan investment creating 800.

2.2 Activity Quarter 1 2018/19

The Invest North East England Team (INEE) is busy handling a range of enquiries. Good quality enquiries have been generated through the OCO lead generation contract in London, direct via the INEE website, and through the Department for International Trade (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.

The Team has hosted a number of investor visits to the region including visits from UK digital tech companies, a US Life Sciences company and a major US financial services company.

Along with the North East LEP, the Team is supporting Nexus in promotional activities around the procurement of the new rolling stock and maintenance contract. The Team is involved in producing some literature on the rail supply chain in the North East with a view to ensuring the main contractors are aware of local supply chain opportunities and attracting further rail supply chain businesses to invest in the region.

2.3 Marketing and Communications

The INEE team, with support from the North East LEP 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:

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 and IT/digital 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.
- INEE have produced new written case studies for key companies in the North East,

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plus video company case studies are currently in production (focussing on the digital sector).

- A new micro-website is being launched at the end of July – *Energy Gateway North East England*. This website, which will have a stand alone web address but will be embedded in the main INEE website, is focused on the offshore energy sector. It covers the three main ports of Blyth, Sunderland and Tyne and the rivers they sit on. The website showcases the ports, the sites, R+D assets, skills and training, market opportunities, supply chains etc.

Promotional Videos

- The Team has just procured a video production company to produce six short videos. These will consist of one general video promoting the North East and five sector-specific videos covering Energy, Business Services, Life Sciences, Advanced Manufacturing and Digital Tech.
- The videos will be available on the web site and will be sent as part of bespoke propositions to potential investors as well as used during face to face investor pitches and exhibitions etc.

Press

- Various press releases on successes/ events featured in regional press throughout the year and feature on the INEE Director in March 2018 edition of North East Times;
- BQ Handbook 2018 – INEE provided refreshed copy for a regional double page spread;
- INEE is sponsoring the Inward Investment ‘Hot Topic’ page on Bdaily and providing sponsored content on a monthly basis to feature across the Bdaily websites (nationally);
- INEE will continue to explore advertising options in publications on an ad hoc basis exploring the benefits for each opportunity. To date, INEE have advertised in EasyJet (to coincide with MIPIM Cannes) and are currently looking at other options for the remainder of the year.

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 carried out three digital campaigns around key sectors – FPBS, Offshore Wind and digital tech.
- All were targeted at Chief Executive Officers, Chief Finance Officers, key decision makers in target markets and geographical locations (FPBS = London + South East /

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Offshore Wind = Germany, Denmark, Holland, Aberdeen/ digital tech in UK, USA, Ireland).

- Digital adverts were on social platforms including Facebook, LinkedIn, Media IQ.
- INEE is currently reviewing the impact these campaigns have had.

Events

The INEE team is planning to attend a number of events in 2018/19 which align with some of the key priority sectors which are being targeted for investment. Some of these will be attended as an exhibitor and others as a delegate. These include:

- NOF Energy – A Balanced Future – Sedgefield (June 2018)
- Global Offshore Wind – Manchester (June 2018) Wind Europe – Hamburg (September 2018)
- MIPIM UK – London (October 2018)
- Web Summit – Lisbon (November 2018)
- Offshore Wind North East – various North East locations (November 2018)
- Shared Services Leaders' Summit – London (March 2019)
- Vrtgo Conference – Gateshead (April 2019)

For events in the region, the Team will be looking to organise investor visits structured around the event.

Lead Generation Contract

- 2.4 INEE are in the final phase of a contract with OCO Global to deliver a lead generation service on its behalf. This has been focused in the main on digital and professional services companies in London and the South East. However, the contract has also identified various manufacturing projects as well as projects from India, Ireland, USA and Italy.

To date the contract has led to projects totalling over 1,000 potential jobs being put on INEE's pipeline and has led to a number of visits to the region.

INEE is currently discussing the next stage of lead generation with local authority partners.

Key Account Management Programme

- 2.5 After a successful first year aimed at broadening the delivery of Strategic Account Management of foreign owned firms in the North East, DIT Northern Powerhouse (NPH) have committed funding to be delivered through a contract with NECA to enable local authority partners to deliver additional account management resource adding value to the

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existing arrangements delivered by DIT.

Department of International Trade High Potential Opportunities (HPO) bid

2.6

The DIT has opened a competition for LEP areas to put forward ideas for HPOs. A HPO is a mechanism to ensure that significant market opportunities which will be attractive to overseas investors are publicised widely to relevant markets overseas. The opportunities should currently be less well known or under the radar of the overseas network of DIT posts. Successful project bids will get the opportunity to work intensively with DIT officials to develop a detailed proposition of the opportunity which will then be widely publicised in relevant overseas markets.

INEE worked with local partners to prepare a bid based on the growing strength of the North East's immersive tech sector and the links with the advanced manufacturing sector in the region which could be developed into a compelling proposition for overseas companies.

INEE will know by the end of July whether our bid has been successful.

Local Growth Fund Update

3.

3.1

The Local Growth Fund has recently completed its third of a six year programme. The total LGF budget for the period 2015-21 is £270.1m, of which over 98% is approved to contracted projects or allocated for 'pipeline projects' that are in the process of preparing full project business cases. The full budget for 2018/19 has been released by the Ministry of Housing, Communities and Local Government (MHCLG) to the North East LEP. This follows a positive 'Annual Conversation' with Government in November 2017 that reviewed the North East LEPs delivery performance, governance and strategy. Since then further good progress in spending the 2017/18 budget of £61.2m has been made with almost 100% spent.

3.2

Having commenced 2017/18 with a circa £14m over programme forecast, the outcome of £-0.73m is considered very positive. Of this balance £0.71m was allocated to NECA as a temporary funding swap to support capital works on the Tyne Pedestrian Tunnel, as approved by the NECA Leadership Board in March 2018. The money will be returned to the LGF programme as revenue funds in 2018/19 or 2019/20, which provides important additional flexibility for the LGF programme. Consequently the annual budget is almost 100% spent and all the LGF allocations received cumulatively to date have been applied. This is a significant achievement and has been seen as positive evidence of good programme management and delivery by the Government.

This outcome total excludes £0.341m of revenue grant payments during the year - this

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- 3.3 amount is being funded through NECA returning swapped LGF funds to the North East LEP from previous years.

Table 1 : 2017/18 Budget Outturn

2017/18 LGF Budget Summary	
2017/18 Section 31 Grant	£42.5m
2016/17 Balance c/f	£18.62m
Total Budget	£61.12m
2017/18 outturn (excludes revenue spend)	£60.38m
Temporary swap on Tyne Pedestrian Tunnel	£0.71m
Total expenditure 2017/18 (excluding revenue)*	£61.092m
2017/18 revenue spend (met by NECA returning funding swap)	£0.341m
Balance c/f	£0.032m

The current 2018/19 budget position is set out in Table Two.

Table 2 : 2018/19 Budget

2018/19 LGF Budget Summary	
2018/19 Budget	£51.70m
c/f budget	£0.032m
Total Budget	£51.73m
2018/19 Forecast expenditure	£77.8m
Over programme	-£26.07m
Returned swapped fund (less revenue ring fence)	£11.68m
Current forecast balance	-£14.39m

- 3.4 LGF project spending projections for 2018/19 indicate a considerable over programme of £26.m. After taking account of a planned return of swapped funds in previous years with NECA, the net over-programmed level reduces to £14.4m (27%) above the available funding this year. This is a reasonable level of over-programming at this point in the year given our experience in previous years. We would expect this to reduce during the year. Any additional expenditure towards the year end will be managed and any accrued quarter 4 payments which are normally paid in April/May 2019 will be funded in cash terms through the use of 2019/20 LGF grant income due to be received in April 2019.

Table Three shows the latest position in regard to project and budget approvals to date split by the North East Strategic Economic Plan operational themes. Of the 62 projects in the Programme 55 have now received full approval from the North East LEP Board and a

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further 7 are in development.

3.5 **Table 3: Number of LGF projects and budget allocation by SEP theme**

	Skills	Innovation	Economic Assets	Transport	Total
Number of projects/ mini programmes *	9	11	21	21	62
Number of approved projects**	8	11	18	18	55
Number of projects in pipeline	1	0	3	3	7
Budget approved to date	£18,411,211	£42,857,884	£109,421,891	£81,327,329	£252,018,315
Expenditure to date*	£17,661,211	£30,810,742	£54,419,522	£55,475,355	£158,366,830***

* Excludes temporary project funding swaps (£15.8m) ** Excludes Stage 1 one approved projects. *** Excludes programme management costs.

3.6 To date 19 projects are complete and operational. Since the last update to EDRAB completed projects now include the following :

- **STEM Centre in Ashington** - New purpose designed building on the Northumberland College main campus focussed on IT training.
- **Lindisfarne Roundabout and corridor, South Tyneside** - capacity improvements including widening roundabout at A19 junction to three lanes and provision of a cycleway and an additional lane on A194 Leam Lane eastbound.
- **The Sill National Landscape Discovery Centre, Once Brewed, Northumberland** - a Northumberland National Park led project near Hadrian's Wall funded via the North East Rural Growth Network and attracting over 100,000 visitors in first 9 months following opening.
- **National Formulation Centre, NETPark, County Durham** – £16m project led by the Centre for Process Industries (CPI) creating a world leading innovation centre focusing on the development of high added-value formulated products, their functional components and delivery mechanisms.
- **Proto, Gateshead** - North East's first business hub with new office

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accommodation and specialist testing facilities to support the development and commercialisation of emerging technologies including virtual and augmented reality sectors.

- **Remediation of former Walker Tar Works site, Newcastle** – works to prevent the leakage of tars into the river- part of an ongoing wider programme to tackle the legacy of historic industrial contamination in the River catchment.
- **Tyne Tunnel Trading Estate, North Shields** – construction of large industrial unit (circa 58,000sqft) targeted at expanding advanced manufacturing companies. Pryme Group (expanding engineering company) has confirmed occupancy.
- **Beacon of Light, Sunderland-** major community facility featuring sports facilities and ‘world of work’ and ‘education’ zones providing high quality training, education and work experience facilities and programmes.

3.7 A wide range of performance outputs are being monitored and regularly reported to Government as required under the North East LEPs Growth Deals. A number of key performance measures are set out in Table Four and show cumulative figures for the period up to 31st March 2018.

Table 4: Selected Key Performance Indicators

Performance Indicator	Achieved to 31/3/18
Gross jobs created	471
Number of apprenticeship opportunities	426
Commercial floors pace constructed	12,683m2
Commercial floorspace refurbished	2,903m2
New Build training space	11,674m2
Length of resurfaced roads	7.8km
Number of NVQ Level 3 qualifications	708
Number of higher education opportunities created	1,481
Length of new cycleway	14.5km

3.8 The number of jobs reported to date at 471 is 90% of the cumulative forecast to date. The number of jobs profiled to be created ramps up towards the end of the North East Strategic Economic Plan (SEP) monitoring period in 2024/25. A target of 810 jobs is forecast for 2018/19.

3.9 **Communications and publicity**

The North East LEP is working closely with all delivery partners to help create an awareness of the impact of the LGF investment decisions. Later this year it is planned to produce a short video to capture progress across the North East and to highlight how businesses and communities are benefitting from investments made to date. The North East LEP website has also been re-designed over the past year to include a dedicated

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page on each project. The LGF programme projects can be searched and viewed at https://www.nelep.co.uk/projects/?spg_funding-profile%5B%5D=local-growth-fund&set_order=desc

4. **Export Update: North East Chamber of Commerce Department of International Trade Programme**

4.1 **Introduction**

The Chamber delivers the Department of International Trade (DIT) service throughout the North East and is currently commencing delivery of year four, of a five year contract. DIT have recently released a “Prior Information Notice” stating their intent to potentially reprocur export services later this year. The Chamber has also delivered on behalf of DIT in a consortium arrangement, prior to the current contract.

Due to the Chamber’s strong focus on international trade, through its already well established service for export documentation, practical support and guidance, plus its international connectivity with Chambers throughout the world, the DIT contract completes a comprehensive offer for North East businesses. The Chamber has an excellent track record in delivering the export services contract, exceeding targets on a yearly basis.

International trade is crucial to the North East region and the Chamber delivers the contract with a view to maximising support for North East companies to generate economic growth and sustainability, supporting the aims and objectives of both the North East LEP and NECA.

Delivery Structure

4.2

Within the NECA area the Chamber has five locally based International Trade Advisers (ITAs), focusing on specific, geographic areas, plus sector specialists in the following disciplines; automotive, digital and creative, healthcare and life sciences, food and drink and e – commerce. The team is managed by a Team Leader, reporting into the Chamber’s International Trade Director. The model is very much based on partnership working, particularly with Local Authorities, and this is evidenced within this report.

This team of advisers is supported by a strong operational team including; a marketing and events team, business development team, trade mission delivery and the management of an integrated ERDF export support programme. The impacts and key performance indicators of the DIT contract are “Export Wins” secured with the help and support of an ITA. An “Export Win” being a secured overseas sale. “Export Wins” are validated by the business and audited directly by DIT.

Activities

4.3

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1. International Trade Advisor Support

International Trade Advisors work with the whole spectrum of companies from novice exporters to larger, much more experienced businesses who want assistance to trade with different markets. The ITA develops an Export Growth Action Plan with the business which identifies the key activities the business needs to undertake to sell overseas. This can include; specific training, a visit to an overseas market, website development, translation of marketing material, in market research and technical support. In many cases the activities can be part funded by ERDF.

At the time of writing the contract delivery framework for 2018/19 is just being finalised and outputs are moving to focus on the value of exports, rather than the number of new exporters.

2. Workshops and Events

A series of workshops and events are also delivered to further support businesses, in many cases these are delivered in partnership with local authority colleagues and hosted at partner venues. The programme is delivered under three strands:

- **Introduction to Export:** The basics for first time and novice exporters;
- **Market Opportunities:** Meet experts from overseas Chambers, DIT posts and market entry consultants; and
- **Trade Skills:** Acquire skills to facilitate international trade.

3. Trade Mission Programme

Each year the Chamber works with colleagues across the Northern Powerhouse region, to deliver a programme of trade missions. These cover programmes for new exporters, attendance at key international trade fairs and exhibitions and bespoke programmes to develop key collaborations with overseas markets which present good opportunities for the key strengths of North East businesses.

Since March 2017 the North East team have led the following missions:

- **Boston**, 15 delegates, sector focus digital, tech, healthcare and life sciences
- Food Hospitality China Trade Show, **Shanghai**, 14 delegates, sector focus beverages
- **Dublin**, 11 delegates, new to export mission with intensive support programme
- Maison & Objet Trade Show, **Paris**, new to export mission, 16 delegates
- **Belin and Brandenburg**, new to export mission, 18 delegates
- India, North East led mission to **Bangalore, Pune and Mumbai**

The trade mission programme for the current contract year is yet to be fully confirmed, but due to previous successful missions, the North East team will be leading on Boston and Food Hospitality China in Shanghai.

4. ERDF Programme – “Expanding North East Presence in North East

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Markets”

This programme was designed in collaboration with the Growth Hub and NELEP. The three year £4.8m project will work with 360 new and existing exporters throughout the North East LEP area, providing innovative tailored help – focussed on companies in North East LEP sectors and the Transitional Area - including grant assistance for Export Growth Action Plans. This activity complements activities in the DIT contract with an Export Development Fund and Specialist Support, the project is in the process of boosting the capability and capacity of SMEs to internationalise, increasing the numbers of local exporters and the value of exports and create 325 new jobs.

Current Outputs

- Funding **£704K** committed against a target of **£722K**
- Businesses supported through an Export Growth Action plan = **329** against a target of **360**
- 160 companies have claimed totalling **£377K**
- Jobs created= 94, this is 32 ahead of profile target, with total target for jobs being 325.

The Innovation in Services project is a specialist programme which offers in depth support, primarily within the transitional area of County Durham. An example of this is bespoke digital and legal support for Durham SME’s and later this year the Chamber will be undertaking some meet the buyer activity for Denmark and the Netherlands. The project also successfully delivered a mission to Ireland for 11 businesses. In addition to these activities, training to support businesses in making the most out of trade show attendance has been developed. The first workshop takes place in February with a view to host more. Matching the ERDF to the DIT contract has been crucial in being able to introduce tailored, localised projects to encourage more companies to engage in trading internationally.

Export Wins by Local Authority Areas.

As detailed the “Export Win” is the key measurement of the DIT activity, which we record by Local Authority area.

Summary of Export Wins by Local Authority (April 1 2017 – March 31 2018)

Local Authority	Number of Wins	Value of Wins
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Gateshead	27	£6,581,748
Newcastle	130	£32,052,690
North Tyneside	37	£5,836,716
Northumberland	54	£24,639,605
South Tyneside	25	£15,401,750
Sunderland	26	£67,601,470
County Durham	91	£18,855,553
Totals	390	£170,969,532

5. T-Level Consultation

5.1 Background

The report of the Independent Panel on Technical Education (the Sainsbury Report) recommended a new system of technical education to provide a high quality technical education option, alongside an academic option for students aged 16-19. The government committed to the recommendation in the Post-16 Skills Plan and the Technical and Further Education Act 2017.

A public consultation on the design of T-Levels ran from November 2017 – February 2018 to obtain view on the major aspects of the proposals. Responses were received from educational institutions, industry, awarding organisations, representative bodies and local authorities.

The response showed strong support for T-Levels, however responses also included some reservations about the proposed speed of implementation, the practicalities of the requirement of industry placements to be met and the implementation costs that FE Colleges and training providers will incur.

5.2 Government Response to the Consultation

Following the response to the consultation, the government has provided the following assurances:

1. The government will increase the level and pace of communication and improve the response times for requests for information to allow colleges and providers to prepare for the launch of T-Levels.
2. Work closely with colleges and providers delivering the first T-Levels to co-create the programmes and address the delivery concerns raised in the consultation.
3. Additional support will be provided to enable T-Level industry placements to be successfully delivered, including widening the remit of the National Apprenticeship

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Service to provide a 'one stop shop' for advice and support for employers.

5.3 Next Steps

Following a competitive application process run by the Department of Education, the providers in the North East are:

- Gateshead College;
- New College Durham; and
- St Thomas More Catholic School in Blaydon

The intention is for T-Levels to be delivered from 2020, therefore young people entering year 10 in September 2018 will be the first to be able to choose T-Levels and will begin their studies after their GCSE's in year 11. The first subjects that can be studied in 2020 will digital, construction and education and childcare.

6. European Structural & Investment Funds

6.1 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.

6.2 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 £174m representing 76% of total allocation. Exchange rate changes could result in additional allocations being made available.

For the Sustainable Urban Development (SUD) call announced 15 September, for the MD area, total funding of £18.6 was available. The final deadline for EOIs was 30 March 2018. 2 Bids from the January deadline are currently in appraisal and 6 bids were submitted at the March deadline are still to be appraised.

The North East Fund of Fund (JEREMIE2) is now open and launch events are taking place across the region from Friday 11 May.

Currently 43 projects have been Legally Committed and 28 projects are in the Full or Outline appraisal stages.

Further ERDF calls will be issued in October 2018 and March 2019.

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6.3 European Social Fund (ESF)

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

5 of the six ESF calls closed during the last reporting period have been assessed decisions have been communicated to bidders for:

- North East Ambition Pilot Strategic Framework
- North East Ambition Pilot Tailored Delivery
- Digital Skills North East
- North East Specialist Support for the Unemployed/Inactive (Health Barriers and 50+)

Projects appraised but still to be advised of a decision by DWP;

- Specialist Support for those Furthest Away from the Labour Market

Projects still to be appraised:

- Raising the Skill Levels of the North East Health and Social Care workforce

Employment Support for Young People 18 -29 received 11 bids and 8 have been approved to Full Application, with the condition that the bidders work through Technical Assistance (TA) colleagues to ensure alignment and minimise duplication. In January 2018 the TA network held a workshop for the bidders to support this. Full Applications have now been submitted.

6.4 European Agricultural Fund for Rural Development (EAFRD)

EAFRD funds form part of the National Growth Programme, from which the North 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 2017 with a closing date of 31 May 2018, submitted bids are now being appraised.

Match funding is required for all ESIF calls.

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7. Potential Impact on Objectives

7.1 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.

8. Financial and Other Resources Implications

8.1 There are no financial or other resource implications directly associated with the recommendations of this report as it is for information only.

9. Legal Implications

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

10. Key Risks

10.1 There are no key risks arising from this report.

11. Equality and Diversity

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

12. Crime and Disorder

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

13. Consultation/Engagement

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

14. Other Impact of the Proposals

14.1 There will be no other impacts arising from this report

15. Contact Officers

Sarah McMillan, Corporate Lead – Economic Strategy and Skills
Email: sarah.mcmillan@southtyneside.gov.uk Tel: (0191) 424 7948

16. Sign off

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

Leadership Board

Date: 31st July 2018

Subject: Employability and Inclusion Update

Report of: Thematic Lead for Employment and Inclusion

Executive Summary

The purpose of this report is to provide 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

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Background Information

- 1.1 This report provides an update on the employability, inclusion and skills programmes and projects that the Combined Authority and the North East Local Enterprise Partnership (**North East LEP**) are delivering within the context of the North East Strategic Economic Plan (**SEP**) for the North East.

Labour Market Intelligence

- 1.2 Labour Market Intelligence (LMI) for the North East continues to be developed. Discussions regarding future data collection, collation and distribution are ongoing with a number of partners, with a view to presenting data and information to various audiences. Point 1.8 refers to the development of a Data Hub.

- 1.3 The North East LEP developed a series of Careers Videos to highlight opportunities in key priority sectors in 2017. They are part of a toolkit available for schools and colleges in the North East. Their purpose is to support educators to communicate the many exciting career opportunities available in the North East and the pathways young people can take towards them. The videos and toolkits have been requested by over 250 educational establishments and support organisations.

- 1.4 The toolkit includes lesson plans, assembly plans, PowerPoint slides and excerpts from the videos to highlight certain key messages. Feedback has been extremely positive.

Graduate Retention

- 1.5 Additional case studies and videos have also been produced by the North East LEP, to provide LMI for graduates as part of the drive for Graduate Retention as described in the SEP. The videos and case studies provide examples of graduate level roles in key sectors and reasons to 'LiveWorkStay' in the North East. The campaign launched in late 2017 and provides a further resource for schools, colleges and universities. The social media campaign was the most successful campaign the North East LEP has had to date and the resources are being used by all four universities. Further resource is being developed with a focus on key employment growth sectors to be launched during the academic year 18/19.

Construction labour skills gap & analysis

- 1.6 The North East LEP, local authorities, key construction employers, groups and CITB are working in partnership to address the labour and skills challenges in the construction sector across the area.

CITB in partnership with the North East LEP produced a report highlighting the

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- 1.7 challenges for the short and medium term around skill levels and availability of labour. This report provides an evidence base to inform stakeholders from which clear market messages can be defined so that effective planning around investment decisions can be made to maximise employment and growth opportunities. The data was presented to a wide stakeholder group late 2017. We continue to monitor data from this sector.

North East Data Hub

- 1.8 In partnership with the North East Combined Authority, the North East LEP launched the Data Hub in March 2018. The data hub is a digital platform that gathers data from across the region on the economy and transport and allows users to compare data in a simple, user friendly way. In due course skills data will also be available via this platform. Data shows that user numbers are good and development of phase 2 is underway, including discussions with other data platforms to find ways in which to aggregate data. Presentations to raise awareness of the Data Hub have been delivered to over 120 schools and colleges.

DWP European Social Fund Opt-In for the North East

- 1.9 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.

- 1.10 Performance data from January 2017 to end June 2018 shows 1,465 people in total have started the programme. This breaks down to 1,024 in the more developed area (Northumberland, Tyne and Wear) and 441 in the transitional area (County Durham). 352 first job starts (including those with more than one job start) and 423 jobs in total. Around 78% are in the more developed region. 23% of starters have achieved a first job entry.

Assessment of participants shows:

- 1.11
- Almost three quarters of participants are long-term unemployed, the majority for five years or more.
 - Over three quarters live in a 'jobless household', where no-one works.
 - Almost one-third of participants are aged 50 and over.
 - The majority have long-term health conditions or disabilities (some conditions were undiagnosed before joining the programme) and managing conditions, both prior to job entry and in-work, is an area of high demand.
 - Poor mental wellbeing remains prevalent as a barrier to work. High demand for mental health support is common across employment support programmes, particularly those working with the long-term unemployed.

Performance is on a consistent upward trajectory. Insufficient referrals from

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1.12 Jobcentres was the main cause of under-performance in the first year of the programme, but this has increased steadily in the current year. Introduction of widened eligibility across the contract may be having an impact in access to new cohorts, though displacement from other programmes is unknown. Working Links will continue to make all efforts to reach the original cohort.

1.13 Despite improved performance, cumulative starts below 85% of the target profile means the formal Performance Improvement Notice (PIN) process will remain in place until 31st August. The programme therefore remains at risk until the PIN is removed. A Local Engagement Meeting in late July will monitor progress.

1.14 A number of actions are underway to address performance. Volumes have been reallocated across the supply chain to the highest performing partners. The revised marketing and engagement plan to drive referral volumes from Jobcentres and a widened range of referral partner organisations is having an impact, including from Children's Centres, housing providers, GP surgeries, adult learning centres, and community partners. A digital champion has been appointed to improve the social media profile and stimulate interest from those not attending Jobcentres or engaging with other programmes.

1.15 DWP is starting to consult local areas about potential for contract extensions beyond 2019. It is expected that the subsequent report can provide greater information.

North East Mental Health Trailblazer

1.16 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.

1.17 Performance data from January 2017 to the end of June 2018 shows the trial had a total of 615 participants in the treatment group and 199 in the control group, a total of 814. Increased performance volumes have been consistent across the past two quarters, with the period between April and June as the best performing to date. This places the project to achieve beyond profiles if referral rates are sustained. Referral volumes from Jobcentres continue to be made at an average of over 200 per month. 22 job outcomes were achieved in the quarter, consistent with the previous two, and reaching a total of 97 jobs to date. The job outcome rate of 18% has dipped slightly due to the high influx of referrals, but is expected to recover and return to over 20%. County Durham continues to be the best performing area in terms of number of participants but performance has become more even across all areas. Gateshead is performing well for both people attached to the programme and for job outcomes.

A Project Change Request (PCR) to extend to December 2019 has been appraised by DWP and sent to the ESIF Sub-Committee for comment, closing on

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1.18 13th July. This is much delayed, and was due for approval in mid-July which would have allowed the project to plan for the remaining 18 months.

1.19 Partnership with community partners and other ESF programmes is aiming to reach cohorts not engaging with Jobcentres. The project will place greater emphasis on reaching residents classed as 'economically inactive' (unemployed but not claiming benefits conditional on jobsearch), where there is clearly demand but people in the cohort are generally harder to engage with. There will also be actions taken to support people in response to changes in benefit status with the introduction of Universal Credit.

1.20 As the required sample size for the meta evaluation by Behavioural Insights Team (including West London, Blackpool and the North East), the Random Control Trial element of the project will close at the end of October 2018. The evaluators will conduct a small scale mid-term review in early August, consulting stakeholders and staff. It is expected that the full evaluation will be available in early 2019. As mental health support appears to be such an area of high demand, as well as a government priority, the evaluation will provide some rich intelligence into how effective integration of services has performed locally. The report will be communicated to all local organisations, including North East LEP and CCGs to inform how future commissioning and funding priorities reflect findings and recommendations.

1.21 Completion of this will allow the project to continue for the final 14 months without allocating participants to treatment and control groups. Individuals will be referred to the project as normal, but all assessed as needing treatment will be offered IPS employment support (currently the service available in the treatment group). This will further help project performance and boost the numbers receiving support.

Generation NE

1.22 Generation NE covers the whole of the North East LEP geography and has been operational since July 2014. The programme has supported 4800 young people, delivering 2200 job outcomes to date; over 1000 of those gaining employment have now sustained employment for 6 months or more. Generation NE funds have also provided match-funding for Durham Works (YEI) enabling support for a significant number of young people in Durham. The project has exceeded all original targets set in 2014 and continues to perform well.

1.23 An ESF call for projects to support young people into employment and training was closed in autumn last year. A full application was submitted to the ESF Managing Authority by Newcastle City Council on the 9th March 2018 which included a proposal to extend the Generation NE project and the inclusion of The Princes Trust as a new partner in project. As a result of the ESF application the eligibility of Generation NE has extended to include those aged 18-29 years old (previously 16-24).

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1.24 We await the outcome of the application for ESF funds and have been assured that the application is currently undergoing appraisal by the Managing Authority. Despite no confirmation of ESF funds being received as yet, the Generation NE ESF project has chosen to begin delivering support 'at risk' from April 1st 2018 pending the outcome of the application and to date has over 100 young people registered on the new programme.

1.25 As a part of the ongoing evaluation of the project a full Randomised Control Trial Evaluation supported by the What Works Centre for Local Economic Growth is about to commence which will test the impact of the Generation NE project on the employment outcomes of the young people it supports and will evaluate the support offered through both face to face and digital channels.

North East Ambition and the Good Career Guidance benchmarks

1.26 Nationally the work in the North East continues to be widely acknowledged as transformational. The North East LEP's work heavily influenced the implementation plan for the DfE national careers strategy (released in Dec 2017) and the statutory guidance (Jan 2018). All schools and colleges across the country are now expected to use the career benchmarks and the Careers and Enterprise Company (CEC) have the remit to lead the national implementation.

1.27 The CEC, in their Career Hub Prospectus, recognised the leading role of the North East LEP in shaping the National Careers Strategy. The North East LEP has secured a 'Careers Hub' for the region – one of only 20 nationally. There will be a dedicated North East Ambition Careers Hub supporting 40 secondary schools and a dedicated North East Ambition Careers Hub for Colleges, supporting all 9 of our General FE Colleges in the region and a Sixth Form College. Each 'Hub' will be supported by a 'Hub Lead' and Enterprise Coordinators to ensure progress and impact are maximised. Hubs will be formed at the beginning of academic year 2018/19.

The North East LEP has additionally been recognised as the lead Careers Hub nationally and will be given a remit to support the successful development of the other twenty hubs across the country.

1.28 From the starting point of the original Gatsby pilot in 2015, the regional scale up of North East Ambition continues; 146 secondary schools are now engaged and all 9 colleges have adopted and are working towards the benchmarks.

1.29 The Social Mobility Commission 'State of the Nation Report 2017' recognised the impact of North East Ambition "the North East Local Enterprise Partnership has transformed careers support at local schools/colleges from the worst provision in the country to some of the best. Today, it is leading the way on good-quality careers advice – a consequence of collaborative efforts to improve performance".

1.30 The report recommends that "Local Enterprise Partnerships should follow the

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approach of the North East Local Enterprise Partnership”. This impact has attracted significant national attention and the Skills Director will address a Westminster Forum on the theme of ‘next steps for skills in England – funding, leadership and developing place-based industrial strategies’ in October 2018.

1.31 The handbook of good practice, developed by the Gatsby Foundation, showcasing the excellent work of the North East pilot schools and colleges sent to every school in the country in April 2018 has been very positively received within the region and across the country. This has been supplemented by the creation of a dedicated microsite, containing good practice examples from schools and colleges across the North East www.goodcareerguidance.org.uk .

1.32 Our Advocates (those in the original pilot schools and colleges) continue to be deployed to support schools and colleges both across the region and across the country. To date, the North East LEP has presented at five National Careers Strategy Briefings, one National Careers Education and Guidance Show(UK), two Westminster conferences, one Public Policy Exchange Briefing, one World Skills UK show, one Future Ready Conference, one Enterprise Village conference, the UCAS conference and three City & Guilds Franklin Debates. Additionally the North East LEP has directly supported other LEP’s, Senior Leaders, and Careers Leaders in the North East, Cornwall, Birmingham, Nottingham, Lincolnshire, London, Greater Manchester/North West, Cornwall, Cumbria, Leeds and Yorkshire so far this year.

1.33 Our SEND Working Group continues to work closely with the Gatsby Foundation to ensure that SEND schools and colleges are supported to achieve the benchmarks. We are working on a mapping document, highlighting the evidence and examples that schools from the SEND sector can use as evidence of good practice in relation to the benchmarks. An event was held in May, attended by over 50 SEND schools and a range of employers and businesses where good practice was showcased. This was delivered in partnership with National Grid and the CEC.

1.34 Our North East Ambition College Working Group, comprising all 9 General FE Colleges in the region, continues to work directly with the CEC and Gatsby Foundation to shape the development of supporting resources for colleges seeking to achieve the benchmarks. We have influenced national thinking, facilitated two workshops to shape the production of a national ‘guide for career leaders in colleges’ and have participated in national research. Four North East Colleges are helping to shape the development of a national audit tool ‘Compass for Colleges’ and the chair of the group will join the LEP on the National Steering Group for Compass. Resources, created with input from North East Colleges, will be issued by CEC to all colleges in September 2018. In addition, we have hosted learning visits from 6 colleges from outside the region to learn from the good practice of our colleges, whilst continuing to facilitate the sharing of good practice between colleges within the region.

Leadership Board

1.35 We continue to support the roll out of the Careers Strategy nationally, for example, a group of North East Careers Leaders supported the development and creation of a 'Quick Guide for Career Leaders' in relation to their new statutory duties. This included the production of a series of videos, links to key documentation and signposting to support. This new national resource, developed here in the North East, was launched at our regional careers leader network meeting in June 2018. This will be made available to all career leaders nationally in July 2018. We are also working with CEC to create video resources that can be used to support careers leaders to implement and achieve the career benchmarks. These resources should be completed in the first term of the new academic year 2018/19.

1.36 A drive to introduce careers provision in primary education is described within the new Careers Strategy and this is echoed by primary schools in the region who have expressed a wish to be proactive in this regard. Following a number of conversations and proposals, the North East LEP is delighted to have secured a commitment for co-funding from EY Foundation to deliver a primary benchmark pilot. This funding will be matched with funds from the North East Ambition ESF pilot to ensure that we can work with 10% of the North East LEP area's primary schools (70 in total). 10% is sufficient to provide valuable evaluation and research data. The LEP will work with pilot schools to re-flavour and adapt the key characteristics of the secondary benchmarks to ensure applicability for the primary setting. The Department for Education are supportive and are interested in the outcomes of the pilot, as are the CEC who will in due course start to consider how career guidance is delivered nationally in a primary setting.

North East Ambition ESF Project

In July 2017, DWP released a call under Priority Axis 2 : Skills for Growth, 2.2 Improving the labour market relevance of education and training system.
North East Ambition Pilot: Develop and Implement a Strategic Framework to transform education, change lives and drive forward industrial growth.

1.37 The LEP submitted an outline application in October 2017 which was subject to an assessment against the project selection criteria by the Managing Authority for the European Social Fund Programme in England, informed by advice on strategic fit from the Local European Structural and Investment Funds Sub-Committee(s). In March 2018, the application was accepted at outline stage and invitation to progress to the submission of a Full Application was issued. The Full Application was submitted in May 2018 and is now under appraisal by the ESIF Managing Authority. The North East LEP continues to work with those appraising the Full Application, to achieve an approval in a timely fashion to meet the target September 2018 launch date.

1.38

Working with The Edge Foundation, STEM Learning and RTC North, the North East Ambition pilot project will put SMEs at the centre of education; helping them to engage effectively with educators, learners and wider communities to influence careers and curriculum systems and to develop industry relevant skills and

Leadership Board

harness learner talent.

1.39

The project will develop a framework for careers and curriculum development, along with a supporting toolkit to help educational establishments maximise its value; deliver more effective pathways of engagement to bring together educational establishments and SMEs who wish to work together through business-educator programmes; and provide additional programmes of support to develop project-based learning in schools, and support young people to progress into apprenticeships, FE and HE.

1.40

Higher Education

We continue to work with the four universities in the region and Universities UK to shape a pilot programme. A meeting was held with the Office for Students (OfS), where the work of the North East LEP and the North East Collaborative Outreach Programme (NECOP) was identified as the example of good practice nationally. We hosted a delegation from OfS in June 2018, to support them in their review and development of the programme nationally. We have been invited to attend a national working group to extend this work. We have identified further good practice at a university outside of the region and we are working closely with them to share this with North East universities. We are planning to meet with AGCAS in the new academic year and then finalise details of a pilot with UUK.

1.41

Business and Education Engagement – Enterprise Advisors

This Government-backed initiative was started in 2015 and is now a key feature of the National Careers Strategy. The Career & 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.

1.42

The North East LEP has taken the opportunity to shape the original CEC model to enhance opportunities for school and business engagement and in particular to support schools and colleges to achieve two of the eight Gatsby benchmarks (5 and 6). To date in the North East over 150 Enterprise Advisors have signed up, and over 100 schools and colleges are now actively working with their Enterprise Advisor. Our matches and the sustainability of those matches mean that the North East performance is now amongst the highest in the country.

1.43

With the support of partners and our Communications team, we continue to grow the network of business leaders becoming Enterprise Advisors. Activities within the network include school CPD sessions for staff to support benchmarks 4, 5 & 6. Engie hosted the most recent EA networking event and we have showcased good practice between EA's and schools at the regional careers leader network meetings in January 2018 and in June 2018. The North East LEP supported the thinking around (and participated in) an educator/employer 'sprint' at Northumbrian Water's Innovation Festival in July 2018.

1.44

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Through ESF funding, the North East Ambition project will scale up activities of the EA network and increase the number of the Enterprise Coordinators within the team to give capacity to support each and every school and college in our region and ensure that SME's benefit.

1.45 *Technical Education & Apprenticeships*

Technical Qualifications – the proposed implementation of the recommendations from the Sainsbury Review will bring a step change to the provision and quality of technical education. The plan is to bring 15 new T-level courses that will replace the 13,000 qualifications currently offered. The design of the new routes will be closely aligned with apprenticeships so students can progress on to higher or degree apprenticeships or into higher education in a University. The design of the new routes is underway with pilots of the first routes due to be trialled in 2018, with a view to wider implementation in 2020.

1.46

Employer engagement is key to the success of T-levels and the North East LEP is working with Gatsby Foundation, providers and employers specifically focussing on a review of the current technical education provision and the ability to deliver relevant vocational and technical skills for the future employment base in the area. Two colleges in the North East are part of a pilot programme within the DfE, trialling T-levels (Sunderland and Gateshead) and the Principal of Gateshead College is a member of a national working group working with the FE Commissioner.

1.47

As part of the Great Exhibition of the North, the North East LEP secured the 'Technicians Make it Happen' Campaign to base their roadshow at the Mining Institute. The North East has a growing demand for technician skills especially within STEM focussed sectors, these also closely align with 'Opportunity Areas' identified within the SEP. Our aim is to ensure that there are appropriate technical education pathways available to reflect the evolving labour markets and that labour market information is available to the FE sector, in particular, to allow them to make investment decisions regarding infrastructure (facilities and teaching staff) to deliver this provision.

1.48

The North East LEP is supportive of a bid for a North East Institute of Technology and continues to work with bidders on a compelling, high quality and collaborative bid that will provide the pathways and expertise in provision of higher level technical teaching.

1.49

Apprenticeships

The Apprenticeship Growth Partnership meetings continue and the focus of the AGP is :-

- To assess the impact of changes to the delivery of apprenticeships on employers

Leadership Board

- To promote Higher and Degree level apprenticeships with employers
- To promote the benefits of apprenticeships to employers

1.50

The North East LEP is supporting national campaigns to raise awareness and promote apprenticeships to employers, young people, schools and parents and was extremely active during National Apprenticeship week, encouraging all of our partners to participate and promote the benefits of good quality apprenticeships. We have supported the ASK (Apprenticeships, Skills, Knowledge) Programme, to raise awareness of apprenticeships to young people in the region. The provider of this service in the North East has had their contract extended into next academic year and we will continue to support their work.

1.51

A priority for the North East LEP is to monitor the KPIs regarding uptake of apprenticeships, particularly in key sectors against national performance. Regional apprenticeship data is still not available and remains very difficult to obtain. We continue to work with ESFA in relation to this. With new GDPR legislation, the ESFA is working with the LEP's to amend data sharing agreements. The North East LEP has provided evidence that we are a suitable data controller and we await further information from ESFA. Once established, this should provide access to robust and accurate apprenticeship performance data.

1.52

The above notwithstanding, we continue to promote the benefits of apprenticeship to employers. The Skills programme is working with the North East Growth Hub to raise awareness to businesses about the benefits of hiring apprenticeships. You can find the apprenticeship content on the Growth Hub [here](#). The LEP secured £5K ESFA funding to promote apprenticeship, so ran a 6 weeks campaign to drive traffic to the dedicated landing page on the Growth Hub, showcasing relevant case studies, guides and the broad range of apprenticeships available.

1.53

The campaign was:-

- Targeted paid activity on LinkedIn to promote case studies and related content alongside text ads.
- Pay per Click (PPC) activity to drive traffic from those already researching or investigating the recruitment of apprentices.
- This was supplemented with social activity across the Growth Hub social platforms including the production of two video blogs from organisations regarding the benefits of taking an apprentice. The links to these are

1.54

<https://youtu.be/EebFJBILixk>
<https://www.northeastgrowthhub.co.uk/insights/case-study-sterling-pharma-solutions-limited/>

North East Education Challenge

The North East Local Enterprise Partnership's 'Education Challenge' as described

Leadership Board

1.55 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 the Gatsby Career Benchmarks in the North East, the Education Challenge will support teachers, schools, governors and leaders to integrate an understanding of the world of work and career opportunities into the curriculum to ensure those entering the workforce have the skills to support our diverse economy and are fully aware of the progression routes available to make this happen. The definition of Skills in this context means both academic achievements and ‘employability’ skills.

The North East LEP has been chosen by Ford Next Generation Learning (the Charitable Foundation for Ford Motor Group) and the Edge Foundation as the first area internationally to translate elements of the very successful Academies of Nashville model. The pilot will initially work with three schools in the region building an approach that works within the context of this country and in a mainstream setting. The vision is building a ‘rolling’ model that is impactful, scalable and replicable.

1.56

The Academies of Nashville model transformed attendance and attainment across 12 schools initially by placing employers and business partners alongside teachers and school leaders and developing highly personalised approaches to progression for students. 10 years ago, these schools were some of the worst performing schools in the US, now they are amongst the highest performing in terms of attendance and progression. The model has been rolled out across 25 states.

1.57 The North East LEP’s brief is to create and implement the pilot to run from January 2018 to December 2018 initially involving 3 schools with a view to rolling the pilot out to further schools and FE in January 2019. Project outputs:

- 1.58
- 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’, a broader understanding of employability skills, and to disseminate these within the pilot schools and more broadly across the region.
 - To deliver in Autumn 2018 a teacher CPD event sharing the learning.
 - To create resources to support the delivery of Careers in the Curriculum.
 - Evaluate the pilot to provide evidence of impact.

The pilot is managed by a Steering Group co-chaired by Edge Foundation and the Skills Director from the North East LEP. Implementation and progress of the pilot is reported to the Employment and Skills Advisory Board, the LEP Board and NELB throughout 2018.

Leadership Board

1.59 Within the team the regional lead and industry alignment managers have started the process of shaping the key elements into each of three pilot school settings. All schools have identified trailblazer teachers who have attended a training day related to project-based learning and employer engagement, this was delivered in partnership with Newcastle University, the Edge Foundation and Ford NGL team.

1.60 The Industry alignment managers continue to work alongside the teachers to identify curriculum need and identify best match employers so that project work can be delivered to students from September 2018. A trial model for delivery has been delivered over 6 weeks in one pilot school which is now informing planning for Key Stage 3 delivery from September. One pilot school has restructured curriculum and timetable to allow extended time periods to work with employers through the curriculum from September.

1.61 Industry alignment managers continue to engage with new employers through a range of activities. All three pilot schools have held 'visioning and master planning' days in July 2018, facilitated through the North East LEP and Ford NGL, where the community of parents, teachers, school leaders, employers, governors and support organisations for each school came together and worked towards an action plan for implementation with each school. Over 100 people attended these sessions. Actions have initially centred around the profile of a 'school leaver' and the essential skills and experiences they need to have had an opportunity to develop and learn from.

1.62 Additionally in June, the North East LEP team presented at the CBI Regional Council to secure support of additional employers. Trailblazer teachers have visited schools in other parts of the country to explore different models of teaching. Exciting employer-educator co-designed projects are currently being developed in all three pilot schools.

1.63 The Regional Lead is a member of the newly established, Project Based Learning International Champions group representing the UK and the North East, in a global community sharing best practice and learning. We are working to secure an international symposium relating to this work in the region in September 2019

1.64 Industry alignment managers have reviewed and evaluated tracking of employer engagement in order to identify areas for development, in turn leading to new tracking systems allowing reporting of headline statistics and sub-group analysis, including details of NECOP register, SEND and pupil premium. This has been recognized as good practice by NECOP and the Office for Students. The Regional lead remains in discussion with NECOP to identify focused strategies to ensure that students from disadvantaged backgrounds have increased opportunity to experience HE progression pathways. As a translation of the US model of a Capstone Project (a two-term process in which students pursue independent research on a question or problem of their choice, engage with the scholarly debates in the relevant disciplines and, with the guidance of a faculty mentor, produce a substantial paper that reflects a deep understanding of the topic), we

1.65

Leadership Board

are considering enhancing the delivery of the UK Extended Project Qualification (EPQ) at Yr. 12&13 which many universities recognize. The Regional Lead is working closely with universities in the region to align approaches to staff development and project conception and implementation. Further partnership visits from Ford NGL took place in July 2018 and are scheduled to take place again in November 2018, where initial projects will be showcased.

This project continues to gain significant national attention and the Skills Director regularly shares details with the Head of Education CBI, the policy team at the Department for Education and the Chair of the Education Select Committee, Robert Halfon MP.

A wave one expansion will include further schools and colleges from across the region from the start of 2019.

Fuller Working Lives – 50+

1.66 We have considered the Fuller Working Lives (FWL) report from DWP, the Industrial Strategy and IPPR's FWL recommendations for the North East and have commenced the development of a series of activities focussed on the 3 R's,

- Retain
- Retrain
- Regain (Recruit)

1.67 We wished to better understand the barriers, opportunities, unconscious bias and other factors with employers and conducted a survey in 2017. The findings from that survey were used to inform the discussion and debate in a region-wide event in September, jointly hosted by CIPD, Sage and Newcastle University as well as the LEP. What emerged was that there are clear sector differences in approach, urgency and attitude to fuller working lives and therefore a series of events was devised.

1.68

EDT, working with the North East LEP secured £50K to deliver seven sector specific events based on the above model, with the LEP presenting regional data and setting the scene; a sector lead to endorse with case studies and a call to action. Events are underway and will run until Sept 2018. The LEP highlighted the FWL strategy at existing sector and business facing events including NOF, BIONow, Tech Talent Charter and People Power. In parallel EDT are offering consultant led workshops to businesses to support them to audit their skills and training needs as well as mid-life career reviews for individual employees.

1.69

Funding has been secured to develop an Employer Toolkit via the North East Growth Hub, part of a multi-faceted approach to reach local employers. The toolkit will feature local employers demonstrating best practice, calls to action and employer support services. The tool will be developed fully in Autumn 2018. Case studies from businesses around the retain; retrain and recruit strands are currently being sought.

1.70

Leadership Board

The DWP central policy team for FWL continue to attend our Task & Finish Group and are supportive of our strategy. The DWP monthly bulletin to national stakeholders highlighted the North East LEP's approach as best practice in July.

1.71

Proposals

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

Reason for Proposals

1.72

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

Alternative Options Available

2.

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

2.1

Next Steps and Timetable for Implementation

3.

3.1

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

4.

4.1

5.

5.1

Leadership Board

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

- 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.

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15. Background Papers

15.1 There are no background papers for this report.

16. Contact Officers

Michelle Rainbow, Skills Director, North East Local Enterprise Partnership
michelle.rainbow@nelep.co.uk
0191 338 7439

17. Sign off

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

18. Glossary

AGP – Apprenticeship Growth Partnership
CBI – Confederation of British Industry
CEC – Careers Enterprise Company
CIPD – Chartered Institute of Personnel and Development
DWP – Department of Work and Pensions
EDT – Education Development Trust
ESF – European Social Funding
ESIF – European Structural and Investment Funds
FWL – Fuller Working Lives
IAPT – Increasing Access to Psychological Therapies
IoS – Isles of Scilly
IPPR – Institute of Public Policy Research
IPS – Individual Placement and Support
LMI – Labour Market Intelligence
NECA – North East Combined Authority
NECOP – North East Collaborative Outreach Programme
PCR – Project Change Request
PPC – Pay per Click
SEND – Special Educational Needs and Disability
SEP – Strategic Economic Plan
STEM – Science, Technology, Engineering and Math
YEI – Youth Employment Initiative

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Leadership Board

Date: 31st July 2018

Subject: Transport (and Digital Connectivity) Thematic Lead Update Report

Report of: Thematic Lead for Transport and Digital Connectivity

Executive Summary

The East Coast franchise has now passed back into public hands (under the London North Eastern Railway (LNER) brand) and we will be working to ensure that improvements previously committed continue to take place.

Several rail franchises continue to see operational difficulties, particularly Northern and Transpennine in our region. We have made it clear to Transport for the North (TfN) and the Department for Transport (DfT) that the needs of rail passengers in the North East need to be recognised, and that improvements promised through the Northern Rail franchise must be delivered.

Our ambitious proposals to the Transforming Cities Funding Bid have been submitted to phase 1 of the process and we wait to hear whether our bid will proceed to the second phase.

The Transport Select Committee has been scrutinising the decision to scrap several rail electrification schemes and the way funding decisions are made. We hope that the recommendations from this inquiry may lead to new processes in place at the DfT that will give transport schemes in the North a stronger weighting for funding.

Nexus continues to invest in transforming existing stations on the Metro network to improve accessibility and passenger security, as well as investigating future Metro and local rail network expansion opportunities.

We are currently formulating a response to the DfT's Cross Country Passenger Rail franchise consultation which will strongly reject a proposal to reduce Cross Country capacity in the North East.

A Joint Transport Committee (JTC) has been proposed and if it is formed, the Committee will be responsible for overseeing the development of the Transport Plan, Cycling and Walking Strategy and Implementation Plan and Bus Strategy. The JTC would also scrutinise the on-going project to procure a new Metro fleet as well as making the case for funding to transform our region's infrastructure, both in terms of transport and also digital connectivity.

Recommendations

It is recommended that the Leadership Board notes the contents of this report.

Leadership Board

1. Update on current issues

1.1 East Coast Mainline

On the 23rd June 2018, the East Coast franchise passed into public hands, marking the 3rd failure of the East Coast franchise since 2007. According to media reports, Stagecoach has taken an £86 million hit with the failure of the franchise, which according to the Secretary of State, was due to Stagecoach and Virgin getting their sums badly wrong in the bid for the franchise. Almost all Virgin Trains East Coast (VTEC) staff transferred across to the newly branded London and North Eastern Railway (LNER) to ensure as smooth a transition as possible. On the ground there was little difference for passengers, with the exception of changes to branding.

The Government has announced that this is the first step towards establishing an 'East Coast Partnership'. It is imperative that the any future arrangements deliver a transformational improvement to services for passengers. A key component to this transformation is the badly needed investment to tackle the capacity and resilience issues the East Coast Mainline (ECML) suffers and to ensure the ECML is ready for HS2 and Northern Powerhouse Rail services.

1.2 Northern and Transpennine franchises

Meanwhile, the Northern Rail and Transpennine franchises continue to struggle to deliver the timetables they promised from the major May timetable change. An emergency timetable is in place across the Northern Rail network and Transpennine are suffering from multiple operational issues resulting in frequent cancellations of trains short of their intended destinations. The need for greater control over the delivery of rail services in the North has never been stronger given the timetable issues and we are working with TfN to make the case for greater devolution of powers and decision making.

In the meantime, working with TfN, a comprehensive compensation package for passengers affected by the recent rail disruption has been agreed. This will see season ticket holders in the North East being eligible to receive a cash payment equivalent to 1 week's travel, and up to 1 month's travel for those worst affected in Lancashire, Cumbria and Greater Manchester.

1.3 December 2018 Timetable Changes – Rail

Following the disruptive changes to rail timetables in May 2018, it has been announced that the previously proposed major timetable enhancements for December 2018 have been postponed. Instead, the timetable change will be more cautious in nature, with a focus on improving reliability for passengers.

Whilst the prospects of a more stable timetable is welcome in the wake of recent events, this announcement means that previously planned enhancements as part

Leadership Board

of the Northern franchise to improve service frequencies on the Durham Coast route and Tyne Valley route have been postponed until 2019. Whilst this additional wait for service enhancements is concerning, assurances have been given that existing services will not be reduced or downgraded.

1.4 Transforming Cities Funding Bid

Last month the region submitted an ambitious proposal to the Transforming Cities funding bid and by the time of this report, we are expecting to have heard whether the region has submitted a successful proposal to Phase 1 of the Transforming Cities Funding Bid. This will allow us to proceed to Phase 2, known as 'co-development', where shortlisted applicants and the DfT will work together to develop a package of schemes. These schemes will then be assessed via a competitive 'challenge' process.

The timescales associated with Phase 2 are not currently known. The Regional Transport Team has been working with Nexus and Local Authorities to determine how the application can be taken forward in phase 2, should the phase 1 application be shortlisted.

1.5 Transport Select Committee Rail Inquiry

The Transport Select Committee has now issued a report regarding its inquiry that investigated the cancellation of electrification schemes by the Secretary of State and the balance of transport funding between different areas of the country. Electrification is an important element of ensuring long term cost efficiency and environment sustainability on the railways. It is important that this region continues to lobby for electrification schemes across the North to secure the long term future of a sustainable and efficient railway.

The Committee also reported on the regional disparities of funding. The Committee argues that appraisal methodologies should focus on regeneration impacts of investment in transport as opposed to journey time savings. The DfT is open to the idea of rebalancing the appraisal toolkit. This presents an opportunity to help shape future appraisal of major schemes and will be especially important for TfN as it seeks to fund the proposed TfN Investment Plan.

1.6 Tyne and Wear Metro

The "Metro all change" modernisation programme continues to deliver improvements for passengers. Nexus has recently completed the modernisation of five stations on the Metro's Airport line, which has included improvements to accessibility, security and energy efficiency.

Hitting the 87.2% punctuality target continues to be a challenge on Metro, with the most recent figure at 83%. Infrastructure faults and a resurgence in cable theft

Leadership Board

incidents are key factors behind the disappointing figures. Metro patronage has also fallen during 2017/18 compared to the previous year.

However, the region is playing host to a number of major events this summer which are likely to attract significant numbers of visitors to the area. Metro is likely to have its busiest summer to date and has a key role to play in ensuring local residents and visitors to the region traverse the region efficiently. Metro successfully served thousands of passengers during the Ed Sheeran concerts, the opening night of the Great Exhibition of the North and during the Tall Ships event in Sunderland.

On the 18th June, Nexus hosted a market day for train manufacturers across the globe for the procurement of the new Metro fleet. By the time of this report, prospective bidders will have responded to a questionnaire to allow progression to the next phase of the procurement. Nexus aims to award the contract for a new Metro fleet and new depot by the end of 2019.

1.7 Cross Country Franchise consultation

The DfT have published a consultation document for the next Cross Country rail franchise to commence in 2019. The consultation closing date is the 30th August. A response on behalf of the Thematic Lead for Transport is being drafted and will be submitted prior to the closing date. Cross Country currently operate two services in the North East, one from Edinburgh to Plymouth and one from Newcastle to Reading. These services are used by 2.5 million passengers per year, providing unique direct links from the North East towards Sheffield, Birmingham, Bristol and Reading.

The region has been warning for some time that capacity constraints, particularly north of Northallerton on the ECML, need to be urgently addressed in order to cope with growing demand. Disappointingly, one of the consultation questions asks “If the network was unable to cope with all the service enhancement aspirations north of Northallerton on the East Coast mainline, would a curtailment of one of the existing Cross Country services be acceptable (with the resources redeployed to enhance other existing or new routes?)”.

Our response will give a strong rebuttal of this proposal citing the key economic “trade” between the NE and South Yorkshire, West Yorkshire, the East and West Midlands and the need for direct rail links, the high proportion of passenger usage of these services and the predicted future strong growth in demand particularly in the North East on these services.

2. Future Transport Arrangements – Joint Transport Committee

- 2.1 Concurrent with the creation of the new North of Tyne Combined Authority, future transport governance may be managed through a Joint Transport Committee (JTC). The JTC would be made up of members from both the North of Tyne

Leadership Board

Combined Authority and NECA. If a JTC is formed, it is intended to replicate the current approach to transport governance across the current combined authority geography.

- 2.2 If a JTC is formed, it will have a number of key issues to tackle, including;
- Producing the Transport Plan and a series of sub strategies including the Cycling and Walking Strategy and Implementation Plan and Bus Strategy.
 - Moving forward with the Metro Future project, including the procurement of a new Metro fleet and looking to identify funding sources to fund expansions to the existing Metro and local rail network.
 - Making the case for desperately needed investment on the ECML to help prepare it for future demands from HS2 and Northern Powerhouse Rail.
 - Continuing to seek funding to ensure the region is at the forefront of the latest digital connectivity advances, including 5G.

3. Proposals

- 3.1 This report is for information purposes only. Therefore, no proposals are contained in this report.

4. Reasons for the Proposals

- 4.1 This report is for information purposes only.

5. Alternative Options Available

- 5.1 Not applicable to this report.

6. Next Steps and Timetable for Implementation

- 6.1 Nexus has commenced the procurement process for a new fleet of Metrocars, a process which will take a number of years, with the first new train expected to be delivered by the end of 2021. A response will be submitted to the Cross Country Trains franchise consultation. In addition, the region will continue to seek further funding to enhance transport and digital connectivity.

7. Potential Impact on Objectives

- 7.1 Successful delivery of the various transport and digital connectivity schemes and investment proposals outlined in this document will assist the Combined Authority in delivering its objective to maximise the area's opportunities and potential.

Leadership Board

8. Financial and Other Resources Implications

- 8.1 The report includes information on funding and financial opportunities. There are no specific additional financial implications for NECA arising from this report.
- 8.2 There are no Human Resource or ICT implications.

9. Legal Implications

- 9.1 There are no specific legal implications arising from this report.

10. Key Risks

- 10.1 Risk of work streams not progressing in a timely manner may impact upon the region's ability to achieve its aspirations for improving transport.

11. Equality and Diversity

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

12. Crime and Disorder

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

13. Consultation/Engagement

- 13.1 Many of the transport programmes outlined in this report have been the subject of consultation, at either a regional or national level.

14. Other Impact of the Proposals

- 14.1 No specific impacts

15. Appendices

- 15.1 Appendix A – Letters between Cllr Forbes and the Secretary of State

16. Background Papers

- 16.1 Not applicable

17. Contact Officers

- 17.1 Tobyn Hughes, Managing Director (Transport Operations)
tobyn.hughes@nexus.org.uk Tel: 0191 203 3236

Leadership Board

Stephen Bellamy, Business Development Officer (Policy)
stephen.bellamy@nexus.org.uk Tel: 0191 203 3219

18. Sign off

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

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Leadership Board

Date: 31 July 2018

Subject: Statement of Accounts 2017/18

Report of: Interim Chief Finance Officer

Executive Summary

The purpose of this report is to present the final accounts for approval taking into account the findings of the external audit being undertaken by Mazars.

This year the preparation and audit of the Final Accounts has been brought forward by two months. This has compressed the time available to complete the work and to circulate the papers to both Audit and Standards Committee and to the NECA Leadership Board.

The 2017/18 audit programme is nearing completion and Mazars, as the external auditor, expect to issue their opinion before the end of July. No material issues have been identified during the audit so far and during discussions they have indicated that they are likely to issue an unqualified opinion on the accounts and an unqualified value for money opinion, subject to the satisfactory completion of the outstanding audit activity. A final Audit Report will be circulated for consideration in advance of the meeting and the Leadership Board will be updated on any comments from the Audit and Standards Committee, which meets to consider the Annual Report and Accounts for 2017/18 on 30 July.

The Statement of Accounts will be presented for approval by the Leadership Board. Any proposed changes to the accounts following the completion of the external audit work and the Audit and Standard Committee consideration will be presented at the meeting for consideration.

Recommendations

The Leadership Board is asked to note this report, a full set of recommendations will be included in the supplemental report.

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1. Background Information

- 1.1 The draft Annual Report and Accounts was completed and signed off by the Chief Finance Officer on 31 May 2018, in advance of the statutory deadline.
- 1.2 Audit and Standards Committee considered the draft Annual Governance Statement (AGS) and accounting policies for 2017/18 at its meeting on 3 April and is due to approve the final AGS and to consider the Annual Report and Accounts and to consider the report of the External Auditor at its meeting on 30th July.
- 1.3 The Statement of Accounts has been subject to a period of public inspection and external audit and the final Statement of Accounts is now presented for approval along with the report of the External Auditor, Mazars.
- 1.4 The Statement of Accounts must be signed off by the Chair of the Leadership Board and the Chief Finance Officer on behalf of the Authority and published online by 31 July 2018.

2. Proposals

2.1 Independent Auditor's Opinion

- 2.1.1 The detailed report of the external auditor will be circulated with a supplemental report. Mazars anticipate issuing an unqualified audit opinion, dependent on the successful completion of some outstanding items of work, which are set out in their report.

2.2 Statement of Accounts

- 2.2.1 A number of adjustments have been made between the draft and final accounts, and these will be set out in the external auditor's report to be circulated with the supplementary report.
- 2.2.2 The Statement of Accounts is to be presented to Audit and Standards Committee on 30 July. Any issues or comments raised at the meeting will be reported verbally to the Leadership Board.

2.3 Arrangements to secure economy, efficiency and effectiveness in the use of resources

- 2.3.1 As part of the audit of the Authority's accounts, the External Auditor is required to assess the Authority's arrangements to secure economy, efficiency and effectiveness in the use of resources, commonly referred to as the Value for Money (VFM) assessment. The auditor's assessment will be included in their report which will be circulated with a supplementary report.

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2.4 Annual Governance Statement

- 2.4.1 Audit and Standards Committee reviewed the draft AGS at its meeting on 3 April 2018 and the final version on 30 July. Since that point, there have been no additional governance and control issues arising either through internal audit work or from the audit of the accounts. NECA officers are not aware of any other issues arising that would need to be reflected in the AGS. The AGS will be included in the supplementary report.

3. Reasons for the Proposals

- 3.1 The Accounts must be approved and signed by the Chair of the North East Combined Authority and the Chief Finance Officer by 31 July 2018, and published online by this date in order to meet statutory accounting deadlines.

4. Alternative Options Available

- 4.1 The recommended option is that the Leadership Board agree the recommendations which will be set out in the supplementary report in order for NECA to meet the statutory deadlines of 31 July 2018 for approval of the accounts.

5. Steps and Timetable for Implementation

- 5.1 The Accounts must be signed by the Chair of the North East Combined Authority and the Chief Finance Officer by 31 July 2018, and published online by this date.

6. Potential Impact on Objectives

- 6.1 There is no direct impact on objectives as a result of this report. Sound financial stewardship improves the ability of the Authority to meet all of its objectives.

7. Financial and Other Resources Implications

- 7.1 Financial and other resource implications will be set out in the supplementary report.

8. Legal Implications

- 8.1 There are no legal implications directly arising from this report. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

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9. Key Risks

- 9.1 There are no risk management implications directly arising from the recommendations this report.

10. Equality and Diversity

- 10.1 There are no specific equalities and diversity implications arising from the recommendations in this report.

11. Other Impact of the Proposals

- 11.1 There are no other impacts arising from the recommendations in this report.

12. Appendices

13. Background Papers

- 13.1 None

14. Contact Officers

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

Katherine Laing, Principal Accountant, Katherine.laing@northeastca.gov.uk,
Tel: 0191 277 7518

15. Sign off

Head of Paid Service: ✓

Monitoring Officer: ✓

Chief Finance Officer: ✓

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Date: 31 July 2018

Subject: Finance Update – 2017/18 Outturn and 2018/19 Update

Report of: Chief Finance Officer

Executive Summary

The purpose of this report is to present the Leadership Board with the outturn position for 2017/18 against the revenue budget and the capital programme. The outturn for 2017/18 resulted in capital expenditure of £101m, and revenue expenditure of £110.9m, both within budget.

The report also gives an update on the revenue budget and capital programme for 2018/19. The revenue budget monitor for the current year shows a satisfactory revenue position at this early stage in the year, with spending anticipated to be within the overall budget and no unexpected cost pressures arising. Capital expenditure to the end of the second accounting period (May 2018) is relatively low, but in line with the anticipated profile at this early stage in the year. The capital programme has been updated for the changes to the Local Growth Fund (LGF) programme by the Leadership Board at its last meeting on 20 June.

An outline of the budget timetable and process for 2019/20 is also set out for information.

Recommendations

The Leadership Board is recommended to:

- i. Note the outturn position on the revenue budget and the capital programme for 2017/18 as set out in this report
- ii. Note the update about the revenue budget position and capital programme for 2018/19
- iii. Note the proposed budget timetable for the preparation of the 2019/20 Budget set out in section 2.6.

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1. Background Information

- 1.1 Monitoring information on capital and revenue budgets is provided periodically to the Leadership Board throughout the year in line with the Constitution, with detailed reports on Transport budgets being reported to the Transport North East Committee (TNEC) on a regular basis.
- 1.2 This report sets out the outturn position for 2017/18, and an update on 2018/19 budgets as at the end of May (accounting period 2).
- 1.3 The draft accounts for NECA were completed by the 31 May 2018 and signed off by the Chief Finance Officer, subject to Audit and sign off by the Leadership Board. This is in line with faster close deadlines which came into effect in 2017/18. The draft accounts were published on the NECA website in June 2018, and the public inspection period has now finished with no challenge received. The draft accounts are subject to audit by the Authority's external auditors, Mazars, and will be presented to the Authority for approval following the audit, on the date of this Leadership Board 31 July under a separate agenda item.

2. Proposals

2.1 2017/18 Capital Programme Outturn

- 2.1.1 At its meeting in January 2017, the Authority agreed a base capital programme of £148.9m. This was revised during the year in line with additional approvals and rescheduling of projects to an approved total programme of £126.1m.
- 2.1.2 The table below sets out expenditure to the end of the year against the capital programme, totalling £100.958m. A final outturn against programme of 77% compared with the original budget for the year and 95% of the revised budget for the year was achieved. Full expenditure on each area including funding swaps are shown, with lines to remove the double count of expenditure.

2017/18 Capital Programme	Original budget	Latest budget	Outturn	Variance (from latest budget)
	£m	£m	£m	£m
Local Growth Fund	75.600	61.124	61.124	0
Metro Asset Renewal Plan	41.686	28.385	26.890	(1.495)
Nexus Non-Metro Programme	0.000	0.409	0.298	(0.111)
Tyne Tunnels*	2.425	4.000	2.130	(1.870)
Other Transport Grants	11.309	11.755	11.355	(0.400)
Total	131.020	105.673	100.958	(4.715)

* Expenditure of £0838m on the Tyne Tunnels was funded by LGF programme at the year end.

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2.1.3 Local Growth Fund

Final outturn against the Local Growth Fund (LGF) programme, including a temporary fund swaps for expenditure on the Tyne Tunnels, was £61.124m. The purpose of the temporary funding swap is to make full use of the LGF grant and to increase the flexibility within the LGF programme in future years as the funding swap will be returned as 'revenue' funding in the next one or two years. LGF grant received in 2017/18 was £42.505m which was fully utilised including a further £18.6m carried forward from 2016/17.

2.1.4 Metro Asset Renewal Programme (ARP) – 2017/18 Outturn

This was the eighth year of Nexus' eleven- year programme to renew the Metro network where investment is directed towards those assets where there is the greatest need, according to both asset conditions and a risk based approach that ensures future operational requirements are fully considered.

Despite the table below showing an under spend against the revised budget of £1.192m, the budget for any particular year should be seen in the context of the long-term funding commitment from government where the following factors are a key feature of how Nexus delivers its renewal programme:

- i. The requirement from DfT that Nexus achieves at least a minimum level of expenditure and no more than a maximum level of expenditure in any one financial year (which for 2017/18 were set at £21.932m and £33.043m respectively);
- ii. The flexible way in which grant funding can be vired between financial years with up to 20% being carried forward into the following year or 20% being brought forward from the following year (an increase from 10% flexibility as a result of discussions during 2017 with DfT);
- iii. A recognition that logistical and other planning processes play a significant role in determining where resources are deployed in fulfilling the objectives of Nexus' three year rolling programme, which at any particular time involves the delivery of around 100 individual projects; and the need for each individual project comprising the overall programme to deliver value for money.

The 2017/18 capital budget therefore included an over programming level of 25%. This was necessary because experience has shown that over-programming levels reduce during the course of the year as efficiencies are delivered and/or specific projects are re-phased in order that expenditure levels are contained within the agreed DfT funding envelope.

A key benefit of this approach is that it gives Nexus the ability to actively manage the schedule and delivery of projects to drive efficiencies without a risk of falling below minimum expenditure levels. This includes obtaining procurement savings through

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consolidating packages of work to increase market interest and competitiveness, and ensuring that necessary disruption to the Metro service is minimised (by avoiding key events and making best use of school holidays and lower patronage windows).

During the financial year, the Metro capital budget was subsequently revised from £41.686m prior to the start of the financial year, to £33.881m.

The reduction in the budget was due to the re-profiling of individual projects, some of which were brought into the current year when the 2016/17 year was closed down, some of which have been moved into future years and some of which have been accelerated i.e. delivered earlier than previously planned, together with a change in priorities.

Examples included:

- i. Track works from Gateshead Stadium to South Shields which were initially planned for 2016/17 which have now been postponed to future years to minimise disruption to passengers;
- ii. Halt station package works rescheduled to 2018/19;
- iii. Increased fleet investment to minimise disruption to passengers pending delivery of new fleet;
- iv. Railway Traffic Management System (RTMS) project, reflecting the need to reschedule to coordinate with the implementation of the Radio project; and
- v. Overhead Line project pending delivery of specialised materials.

These examples reflect the dynamic nature of the programme and also helps ensure spending targets are achieved.

The 2017/18 outturn for the Metro Asset Renewal Plan Capital Programme is £32.689m, lower than the revised estimate, as detailed in the table below. However, this is within the agreed DfT funding envelope for the year which required a minimum amount of expenditure of £21.932m (against DfT grant funded expenditure of £28.385m). The outturn is £0.387m less than the Quarter 4 monitoring position reported earlier this year, largely as a result of the cancelled works in early March as a result of the bad weather experienced.

Metro Asset Renewal Programme 2017/18	Latest Approved 2017/18	Outturn 2017/18
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	£m	£m
Civils	1.018	0.702
Communications	1.993	1.961
Mechanical & Electrical	0.199	0.089
Metro Cars	2.869	2.746
Miscellaneous	0.232	0.231
Overhead Line	2.333	2.362
Permanent Way	14.905	14.824
Plant	0.006	0.010
Power	0.148	0.092
Signalling	2.051	1.856
Stations	2.147	1.957
Skills Centre	0.484	0.061
Sub-total (Note 1)¹	28.385	26.891
Other Projects	5.496	5.799
Grand Total	33.881	32.689

2017/18 Approved Programme includes various projects that formed part of the original budget for 2016/17 but were subsequently carried forward for delays into future years.

To the end of 2017/18, the following key projects have been progressed:

- The Northumberland Park to South Gosforth permanent way renewal scheme is now substantially complete with only minor 'snagging' works to undertake.
- Renewal and refurbishment of track and switches and crossings between Chillingham Road and St James stations is complete with the exception of some minor works planned for completion at Byker Viaduct later this year.
- Replacement of Killingworth Road Bridge was completed within a 5-week closure – undertaken concurrently with track renewal works to minimise the impact on Metro services.
- The detailed design of the renewal of track from Gateshead Stadium to South Shields station was finalised, with a view to minimising disruption to Metro Services.
- Refurbishment of five stations on the Airport line (Callerton, Bankfoot, Kingston Park, Fawdon and Wansbeck Road) progressed with all painting completed and station furniture installed. Line painting and platform tactile installation are scheduled for later this year.
- Detailed design is complete for the South Shields Transport Interchange. The contractor has started on site and piling works were completed at the turn of the year.
- Tyne Dock station refurbishment completed.
- Refurbishment of Monkseaton, West Monkseaton and Cullercoats station continued, undertaken by Nexus' direct labour force (Capital Delivery).
- Detailed design completed in relation to Shiremoor, Palmersville, Benton and Longbenton station refurbishments. Works are planned in mid-2018 using the

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Nexus Capital Delivery team.

- The full-scale programme to address cable degradation in location cases progressed to plan. This will continue for the next 3 years.
- The installation of new radio infrastructure completed. Fitment and commissioning of equipment on Metrocars is progressing in the first half of this year.
- A strategy to commission the Rail Traffic Management System (RTMS) whilst minimising disruption to Metro services was developed and its launch will follow the new radio system going live.
- The network wide Overhead Line Equipment renewal programme began with a revised strategy based on 42-hour possessions in order to optimise the efficiency of delivery and limit the impact on Metro services. These works will continue over the next three years and, funding permitting, into future years.

The outturn for 2017/18 is financed as follows:

Metro Programme Financing	Funding 2017/18
	£m
ARP	
Metro Rail Grant (MRG)	24.202
Local contribution 10%	
- Local Transport Plan (LTP)	2.640
- Reserves	0.049
Total ARP	26.891
Other Schemes	
Highways Challenge Fund	4.496
Local Growth Fund	1.302
Total – other Schemes	5.798
Total	32.689

2.1.5 Nexus Non-Metro Capital Programme – 2017/18 Outturn

The latest revised budget for 2017/18 is £0.409m with expenditure at the year-end of £0.298m as set out overleaf.

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Nexus Non-Metro Programme	Latest Approved budget 2017/18	Outturn 2017/18
	£m	£m
Cycling	0.069	0.071
Real Time	0.016	0.016
Wi-Fi	0.045	0.011
Ferry Works	0.279	0.200
Total Nexus Non-Metro	0.409	0.298

Attempts to procure a wireless concession stalled because of a lack of market interest. Following market feedback, a revised strategy has now been developed for procurement later this year. Opportunities to work with the 5G partnership will be explored.

In terms of the ferry, works slipped to this year as a result of a contractual dispute with the contractor which are now resolved such that the works will be undertaken during the first part of the current year.

Non-Metro Capital Programme Financing

The following table sets out how the Nexus Non-Metro capital programme for 2016/17 will be financed:

	Funding 2017/18
	£m
Grant	
Local Transport Plan (LTP)	0.077
Nexus Contribution	
Reserves	0.221
Total	0.298

2.1.6 Tyne Tunnels Capital Programme

The majority of the Tyne Tunnels capital programme relates to the refurbishment of the Tyne Pedestrian and Cycle Tunnels (Phase 3 Improvement Works) (TPCT). Total expenditure during the year amounted to £2.975m, of which £2.968m related to TPCT works and £0.007m related to remaining activity on the New Tyne Crossing project.

During 2017/18 the refurbishment works on the Tyne Pedestrian and Cyclist Tunnels continued with civil, mechanical and electrical engineering contractors working on site. However, issues were encountered with performance of the steelwork contractor which delayed the commencement of the installation of the glass elevator by the

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Italian Contractor.

This resulted in a reduced spend against budget of £2.975m from £4m. Issues encountered on the project have delayed the completion date to Christmas 2018 and an increase in the overall cost of the project to £15.65m, as previously reported.

The approved source of funding for the Tyne Tunnels capital programme is the Tyne Tunnels reserves. During 2017/18, a funding swap was agreed in order to maximise use of LGF grant during the year, a total of £0.838m LGF was used to fund the TPCT works. A corresponding amount will be made available from the Tyne Tunnels reserves to fund LGF expenditure in future years and the return of the money in the form of 'revenue' funds will provide significant additional flexibility to the LGF programme.

2.1.7 Other Transport Grants

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 variance against the LTP grant (outturn £11.534m compared with latest approved budget of £11.685m) relates to carry forward against the funding held for minor public transport schemes to be delivered in constituent local authorities. This funding will be used to deliver works during 2018/19, which is permitted under the grant conditions.

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 underspend against the programme in 2017/18 (£0.527m against a revised programme of £1.090m) will be carried forward to the 2018/19 programme.

2.2 2017/18 Revenue Budget Outturn

2.2.1 At its meeting held on 17 January 2017, the Combined Authority received a report from the Chief Finance Officer setting out the Authority's proposed base net budget for 2017/18 for transport activity of £85.0m and total levies of £83m. The budget was revised during the year to reflect a decision to reduce the grant to Nexus by £3.333m and hold this in an earmarked reserve for the match funding of the Metro Fleet replacement programme in future years. Income and expenditure on the Tyne Tunnels was lower due to a lower level of Traffic flow through the Tunnels as the construction work on the A19 Silverlink junction continues. The cost saving on the Regional Transport Team budget reflected activity undertaken in the year.

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2.2.2 In terms of non-transport expenditure, there was a £0.067m saving on the Corporate costs budget, which was partly used to fund £0.039m of costs relating to Devolution activity.

2.2.3 The table overleaf summarises the net Revenue Budget (i.e. the net cost to the North East Combined Authority after external income and direct government grants are taken into account) for 2017/18. Expenditure was below budget mainly due to the £3.333m reduction in grant paid to Nexus, which is held by NECA in a reserve in relation to the Metro Fleet renewal. Income was in excess of revised budget, the main variance being on the Tyne Tunnels tolls income, which was lightly higher than expected.

2017/18 Revenue Expenditure	2017/18 Revised Budget	2017/18 Actual	2017/18 Variance
	£000	£000	£0
Expenditure			
NECA Transport Retained budget	2,160	2,122	(38)
Grant to Durham	15,477	15,477	0
Grant to Nexus	60,890	57,557	(3,333)
Grant to Northumberland	6,217	6,217	0
Tyne Tunnels	26,507	27,103	(596)
Corporate Budget	362	295	(67)
Devolution	0	39	39
Inward Investment Budget	460	438	(22)
Regional Transport Team (incl. Go Smarter)	1,250	1,042	(208)
ESF ERDF Mental Health & Technical Assistance	569	569	0
Total Expenditure	113,892	110,859	(3,033)

2017/18 Revenue Income and contribution to Reserves	2017/18 Revised Budget	2017/18 Actual	2017/18 Variance
	£000	£000	£000

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Income			
Transport Levy	(84,744)	(84,744)	0
Tyne Tunnels	(26,536)	(27,014)	(478)
Contributions from local authorities – Corporate	(300)	(300)	0
Contributions from local authorities – Inward Investment	(140)	(140)	0
Contributions from NELEP – Inward Investment	(148)	(148)	0
Interest	(252)	(361)	(109)
Other income	(1,851)	(1,652)	199
Total income	(113,971)	(114,359)	(388)
Contribution to Metro Fleet Reserve	0	3,333	3,333
Contribution to NECA Reserves	79	167	88

2.2.3 Transport Levy Budget

The transport grants to the year paid to the Durham, Northumberland and Nexus were paid in line with the revised budget, with underspends and overspends against the revised figure retained by the delivery organisations.

The Durham outturn position was an underspend of £241k against the grant, in relation to procurement of subsidised services.

The Northumberland outturn position was an underspend of £249k, £187k underspend was due to contracts on subsidised bus services switching to tendered values rather than being supported with Bus Service Operators Grant (BSOG). No new routes were added to the network to utilise the underspend as the current BSOG arrangements were ceasing at the 31 March 2018 and the Council awaited the announcement on the level of grant that would be received from the 1 April 2018. Concessionary Fares underspent by £87k due to fixed price deal agreed with a major operator for the period to 2019-20.

2.2.4 Tyne Tunnels

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 or government funding at all. Variances against budget were on the Tolls Income and Contract Payments budgets. During the year, traffic levels at the Tyne Tunnels reduced significantly, which coincided with ongoing works being carried out by the Highways Agency at the Coast Road and A19 Junction, and the completion of works on the A1 which had given a temporary boost to Tunnel traffic. For NECA, reduced tolls income is offset by lower contract payments to the tunnels operator, TT2 Ltd, since their payments are determined by actual traffic levels.

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The outturn at the year-end shows an improved position from when the revised budget was agreed in January. The final outturn position was a surplus of £0.901m which was utilised to make an additional voluntary contribution to MRP and a revenue contribution towards capital expenditure after these contributions the Tyne Tunnel Reserve at 31 March 2018 is £22.302m.

2.2.5 Corporate Budget

Expenditure on the Corporate budget for NECA was slightly underspent by (£67k) against the budget, despite additional support costs incurred in relation to devolution (£39k). The NECA Corporate Reserve increased from £283k at the beginning of the year to £311k at the end of the year, which is considered by the Chief Finance Officer to be a prudent level to be carried forward to 2018/19.

2.2.6 Inward Investment

Each local authority in the area is engaged in activities designed to generate and convert inward investment enquiries. These local arrangements have been supplemented by the creation of the Inward Investment Gateway that is able to provide a considered regional response to potential inward opportunities generated by UKTI and other activities. The work is led by the Director, Invest North East England, supported by a team of two staff employed by the Authority.

Contributions from the seven councils totalled £140k, matched by a contribution of £140k from the North East LEP as agreed on a three-year basis starting in 2015/16, with the balance funded mainly from the LEP Enterprise Zone account. Actual expenditure to the year end was £438k, funded entirely from contributions and income from interest.

2.3 2018/19 Capital Programme Update

2.3.1 At its meeting in January 2018, the Authority agreed a base capital programme, including over-programming, of £176.2m. Following the 2017-18 year end outturn, this has been revised to £179.8m to take account of slippage and accelerated spend from the prior year and updating the LGF element of the programme in line with approvals for changes given at the last meeting of the June. After taking account of potential slippage of over-programming, a more likely outturn level of spending is £145m. Expenditure at this early stage of the year is low, but this is in line with anticipated profiles across the year with claims from most projects to be submitted following the end of the first quarter.

	Original Approved Budget 2018/19	Latest Approved Budget 2018/19	Period 2 2018/19	Projected Outturn 2018/19

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	£m	£m	£m	£m
Local Growth Fund	79.839	76.599	5.837	63.433
Enterprise Zone Interventions	43.489	43.489	-	34.800
Metro Asset Renewal Programme	37.982	44.608	3.310	31.850
Nexus non-Metro*	0.000	0.176	0.020	0.111
Tyne Tunnels Programme	3.600	3.600	0.430	3.600
Other Transport Grants*	11.309	11.309	-	11.309
Less Over Programming	(37.470)	(34.678)		0
Total	138.749	145.103	9.597	145.103

* Less grant funding shown in other programme lines

2.3.2 Local Growth Fund

The revised programme for the year now totals £76.599m, with LGF grant of £52.206m available. When the return of funding swaps is included, the total amount of resources available for 2018/19 is £63.433m, which is the level of spending that is planned as an outturn. The level of over-programming in 2018/19 on this level of resources is £13.166m, which is 21% of the funding available in 2018/19. This level of over-programming is considered satisfactory to be able to achieve the use of LGF grant and resources by the end of 2018/19, which would continue to demonstrate a very high level of performance to DCLG. The level of over-programming on the total LGF programme over the next four years has now been eliminated, with a small saving in the overall level of available resources of around £0.65m identified so far. This will be considered further in the Project Approvals report on the agenda, where a potential use of this funding is discussed.

2.3.3 Metro Asset Renewal Plan

The Leadership Board approved the Metro Asset Renewal Plan (ARP) capital programme for 2018/19 in January 2018 totalling £37.982m. This is the ninth year of the eleven year ARP programme. The requirement from DfT is that Nexus achieves at least a minimum level of expenditure and no more than a maximum level of expenditure in any one financial year (which for 2018/19 were set at £21.041m and £31.264m respectively). The 2018/19 capital budget therefore included an over-programming level approaching 50%. The reasons for the approach to over-programming are described further below.

At the end of the second of 13 (4 week) periods (ending 26 May 2018), the Metro capital budget has been revised to £44.608m. The increase in the budget for this year is due to the re-profiling of individual projects, some of which were brought into the current year when the 2017/18 year was closed down, some of which will need to be moved into future years and some of which will be accelerated i.e. delivered earlier than

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previously planned. The budget now also includes and the Metro Maintenance and Renewals Skills Centre (£5.7m). Examples of re-profiling include:

1. Track works from Gateshead Stadium to South Shields which have been further reviewed to try to minimise disruption while achieving value for money (£6.6m);
2. Halt Station works which have been re-profiled from 2016/17 to maximise value for money (£1.3m);
3. Radio and Rail Traffic Management projects, reflecting the need to reschedule elements of the programme into future years in order to successfully deliver these complex projects (£0.7m); and
4. Overhead Line, which has been re-profiled from previous years to allow for delivery timescales of materials (£1.0m).

The £6.6m movement between the original budget for 2018/19 and the latest budget for 2018/19 can be summarised as follows:

	£m
Re-phasing from 2017/18, increasing 2018/19 budget	6.1
Accelerated projects (from 2018/19 to 2017/18), reducing 2018/19 budget	(0.4)
Re-phasing from 2018/19 to future years, reducing 2018/19 budget	-
Accelerated projects (from 2019/20 to 2018/19), increasing 2017/18 budget	0.3
Other changes (largely inclusion of Metro Maintenance and Renewals Skills Centre funded by Local Growth funding and Track works)	0.6
Total	6.6

Expenditure as at the end of Period 2 is £3.310m. This represents 16% of the £21.041m minimum expenditure level required by DfT for this financial year. The latest forecast to the year end is now £38.743m; lower than budgeted largely because of reduced expenditure forecasts in the phasing of works relating to the Rail Traffic Management System and the Replacement Point Motors Projects.

An evaluation of remaining risks in the programme together with several options to undertake managed reprofiling of expenditure will ensure that the final outturn falls within the DfT's prescribed funding tolerance which, as previously indicated, is required to be at least £21.041m.

At this stage any variation in expenditure against the revised budget that is not forecast to be incurred in the current year will be carried forward into the 2019/20 programme. To the end of the second four-week period of 2018/19, the following key projects have been progressed:

- The programme of halt station refurbishment continues for Monkseaton, West Monkseaton, Cullercoats, Shiremoor, Palmersville, Benton and Longbenton

Leadership Board

stations commencing with painting preparation and lighting upgrades. Repairs to Monkseaton Station canopy gable ends are being tendered in June.

- Rail Vehicle Accessibility Regulations- DfT’s Legal Team are now drafting an exemption order which might mean a reduction in the need for these works pending the introduction of the new fleet of Metrocars. The timescales for approval are still to be confirmed however.
- South Shields Interchange – construction is underway and the autumn 2018 closure of South Shields Station in order to deliver a revised track reconfiguration are planned.
- Design work for the South Shields Renewals Centre is continuing. Site setup as planned for early June with piling to commence at the end of the month.
- A contract has been awarded for the renewal of Burnside and Beach Road bridges in North Tyneside. Planning and detailed design is underway in advance of work on site in March 2019.
- Tanners Bank Bridger is progressing to outline design. This will enable Nexus to take advantage of north Tyneside councils bid for Highways Maintenance Challenge Funding in 2019/20 should it be successful.
- An intense 54-hour possession took place on 12th & 13th May successfully completing a number of activities – Manors points renewal (4012), the remaining two adjustment switches on Byker Viaduct, Track Lowering at Cullercoats, and heavy maintenance to 4010/4011 switches and crossings.
- Installation of new on-train equipment accelerated in period 2 with fitment to 100% of the fleet including battery locomotives on 4th June.
- The commissioning plan for the Railway Traffic Management System (RTMS) is being developed – implementation is planned for 4th & 5th August 2018.
- The Overhead Line Equipment renewal programme continues. The work cancelled in March due to extreme weather was undertaken on 12th and 13th May. A further 42-hour possession was planned for 16th and 17th June.

Over the next 3 four-week periods of 2018/19, the Metro ARP cost loaded programme shows the following expenditure profile, as detailed in Appendix A.

	Year to Date	Period 3 Forecast	Period 4 Forecast	Period 5 Forecast
	£m	£m	£m	£m
In period spend	3.31	2.18	2.84	3.31
Cumulative Spend	3.31	5.49	8.33	11.64

Forecast expenditure for 2018/19 is financed as follows:

	Latest Approved Funding 2018/19	Projected Funding 2018/19
	£m	£m
ARP		
Metro Rail Grant	23.537	23.537

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Local contribution 10%		
- Local Transport Plan (LTP)	2.640	2.640
- Reserves	(0.025)	(0.025)
Over-programming	12.758	6.893
Total ARP	38.910	33.045
Other Schemes		
LGF	5.698	5.698
Total – other Schemes	5.698	5.698
Total	44.608	38.743

Nexus non-Metro – 2018-19 Update

The latest revised budget for 2018/19 is £0.176m, with forecast expenditure at £0.111m, as set out below:

Nexus Non-Metro Programme	Latest budget 2018/19	Projected Outturn 2018/19	Period 2 Spend 2018/19
	£m	£m	£m
Regent Centre Car Park	0.032	0.035	0.027
Ferry Works	0.144	0.076	0.002
Total Nexus Non-Metro	0.176	0.111	0.029

The following table sets out how the Nexus Non- Metro capital programme for 2018/19 will be financed.

	Latest Approved Funding 2018/19	Projected Funding 2018/19
	£m	£m
Grant		
Local Transport Plan (LTP)	0.077	0.077
Nexus Contribution		
Reserves	0.099	0.034
Total	0.176	0.111

2.3.5 Tyne Tunnels Capital Programme

The refurbishment works on the Tyne Pedestrian and Cycle Tunnels (TPCT) are continuing with civil, mechanical and electrical engineering contractors working on site. The installation of the inclined glass elevator is ongoing with the installation of the rails, motors and control panels and elevator trolley and floor being completed.

Leadership Board

At the last Sub-committee meeting it was reported that the specialist electrical contractor engaged on the project had entered administration and that they had ended their involvement on the project. Officers have assessed the options available to complete the remaining electrical works. NECA will use Newcastle Council's 'in-house' electricians to complete the project. This will allow the time and cost impact of the administration to be minimised.

A review of the project costs has been completed and total estimated out-turn for the project remains as previously reported at £15.65m, with an estimated level of expenditure in the current year of £3.6m. This will be funded by use of the Tyne Tunnels Reserves.

2.3.6 Other Transport Grants

The budget for 2018/19 is £11.309m. Spend to date as at May 2018 is shown as nil because the first payments are due at the end of the first quarter.

2.4 2018/19 Revenue Budget Update

2.4.1 At the Leadership Board Meeting on 16 January 2018, budgets totalling £110.797m were agreed for NECA. Following the 2017/18 year end, these budgets have been revised and expenditure is now forecast to be around £1m, with the change relating to the Tyne Tunnels budget. A summary is set out in the table below, showing the budget, forecast to the year end and actual expenditure to the end of the second period (May 2018).

	2018/19 Budget	2018/19 Forecast	Actual to P2
	£000	£000	£000
Expenditure			
NECA Transport Retained budget	2,100	2,100	297
Grant to Durham	15,691	15,691	3,842
Grant to Nexus	59,700	56,367	9,400
Grant to Northumberland	6,146	6,146	747
Tyne Tunnels	26,271	26,271	3,515
Corporate Budget	374	374	24
Inward Investment Budget	460	460	60
Economic Development Budget	25	25	-
Total Expenditure	110,767	107,434	17,855
Income			
Transport Levy	(83,648)	(83,648)	(13,950)
Tyne Tunnels	(26,260)	(26,260)	(4,415)
Local Authority Contributions -Corporate Costs	(300)	(300)	(50)

Leadership Board

Local Authority Contributions - Inward Investment	(140)	(140)	(23)
Contributions from NELEP – Inward Investment	(288)	(288)	-
Revenue Grants – DIT	-	(146)	-
Interest	(188)	(199)	-
Total income	(110,824)	(110,981)	(18,438)
Contribution to Metro Fleet Renewal reserve		3,333	555
Contribution to NECA Reserves	57	214	28

2.4.2 2018/19 Transport Revenue Budget

The only significant change to the original Transport Revenue budget agreed in January is the reduction in the planned Grant to Nexus by £3.333m to £56.367m, which was reported to the Leadership Board in March. This money will be held in a ringfenced reserve for Metro Fleet renewal costs to contribute towards the £25m match funding that is needed. There are no other significant changes to the NECA budget to report at this point.

The transport grants are fixed for the year, with any changes in spending levels being adjusted for in the following year. Within the Transport grants, Durham and Northumberland Councils are currently forecasting a breakeven position. Nexus is reporting an improved position on its 2018/19 budget, as outlined below. This will be updated and reflected in the next reports on the budget monitor and the Draft Budget and Levies for 2019/20 in November.

Nexus' Q1 2018-19 Update

When approving Nexus' 2018/19 revenue budget, the Leadership Board approved use of £1.934m of Nexus reserves in order that Nexus could set a balanced budget. This allowed Nexus to maintain frontline services despite a £1.190m reduction in the grant it receives from the NECA. This is possible because of a combination of permanent savings that were achieved in the previous financial year and further efficiencies within 2018/19.

Position as at period 2

Since the Leadership Board met in January 2018 a number of variations have been forecast. A Deficit of £1.536m is forecast against the budget. The variations are set out overleaf.

	£m	£m
Base budget 2018/19		1.934
Forecast Variations Period 2		
HV Power	(0.500)	
Secured Services	(0.190)	

Leadership Board

Insurance	(0.055)	
Ferry Landings	0.099	
Legal Fees	0.100	
Inflationary adjustments	0.058	(0.488)
Nexus Forecast 2018/19		1.446
NEMOL Forecast (Surplus) / Deficit		0.090
Group Forecast (Surplus) / Deficit		1.536

High Voltage Power

Based on last year's consumption and application of new rates supplied by Npower indications are that expenditure to the year end in respect of HV power is likely to be £0.500m less than budget. This is in line with the 2017/18 year end outturn which also reported an underspend on the HV power budget.

Secured Services

Since the approval of the 2018/19 revenue budget a number of secured service contracts have been renewed at a lower level than that which was provided for, creating savings of approximately £0.190m.

Insurance

The forecast in relation to insurance shows a £0.050m saving against budget. This includes savings on the annual premiums, lower claims than anticipated and the ongoing property valuation exercise.

Ferry Landings

A revenue budget of £0.099m to accommodate the Ferry landing repairs at North and South Shields has been carried over from the previous financial year as a result of delays experienced in the procurement and also delivery of the required works.

Additional legal fees

There are a number of issues pertaining to employment matters being managed by the legal department, which are currently forecast to put an additional £0.100m of pressure on the 2018/19 revenue budget.

General Rates and Inflation

Several of Nexus' income and expenditure budgets are linked to inflation indices that were estimated when the budget was set, for example Metro Rail Grant (MRG) and the Network Rail Track Access Charge (TAC), both of which are linked to RPI. Now that the actual rate is known and is lower than originally estimated, the forecast has been amended accordingly. In addition, the Metro infrastructure business rates are above the original budget provision.

Leadership Board

Metro Operations - North East Metro Operations Ltd(NEMOL)

NEMOL, Nexus' subsidiary company set a balanced budget, and this was incorporated within the overall Nexus budget requirement approved in January by the Leadership Board. As at period 2, several cost pressures totalling £0.090m have been identified.

The table below, which replicates the format used in the Leadership Board budget report from January 2018, provides the Committee with a summary of Nexus' budget position as at the end of period 2. The table overleaf shows Nexus' main service areas after support services and other indirect costs have been allocated.

	Approved Budget £m	Period 2 Position £m	Variation £m
ENCTS	35.357	35.551	(0.194)
Discretionary CT	4.284	4.189	0.094
Metro (including NEMOL)	2.816	1.470	1.346
Ferry	0.918	1.139	(0.221)
Local Rail	0.100	0.153	(0.053)
Bus Services	11.718	11.780	(0.062)
Bus Infrastructure	2.004	1.952	0.052
Public Transport Information	1.104	1.669	(0.565)
TOTAL REQUIREMENT	58.301	57.903	0.398
NECA GRANT (LEVY)²	(56.397)	(56.397)	0.000
DEFICIT	1.934	1.536	0.398

2.4.3 Tyne Tunnels

The forecast for Tolls Income and Contract Payments has not been changed at this point. It will be updated later in the year, based on updated traffic flow figures and an estimated of the impact of the progress towards completion of the A19 Silverlink junction works. This has been further revised downwards to reflect the experience of the previous financial year. Other budget lines are not currently forecasting any significant variances at this early stage in the financial year.

2.4.4 Corporate Budget

At this time, spending against the Corporate Budget is expected to be within budget. Some savings in staffing costs are expected to be offset by one off costs relating to

² After deducting £3.333m in respect of pensions savings which is being retained by the NECA on Nexus' behalf in order to part fund the new fleet

Leadership Board

activity linked with changes as a result of the impact of devolution. This will be monitored and an updated projection will be provided as part of the next budget monitor report.

2.4.5 Inward Investment

The forecast position for 2018/19 is to breakeven. A continuation of the revenue grant from Department of International Trade of £146k is included in the budget. This grant will be used to fund participating NECA local authorities with work on foreign direct investment via the employment of staff to work on this area. This is in support of a key element of the North East Strategic Economic Plan – strengthening flows of inward investment helping to drive new sources of growth and employment.

2.4.6 Economic Development and Skills

Provision was included in the 2018/19 budget report for a contribution of £25k to help fund the work of the Economic Development and Regeneration Advisory Board being coordinated on behalf of NECA by South Tyneside Council, which will be funded by interest income.

2.5 Reserves

2.5.1 At the year end, total reserves of the Authority in the draft accounts were £162.964m. Under accounting standards which the Authority must follow, reserves as categorised as either ‘usable’ reserves, which can be applied to fund expenditure, and ‘unusable’ reserves which hold statutory accounting adjustments, are not backed by cash and cannot be used to fund expenditure.

NECA’s usable reserves at 31 March 2018 were £55.242m. This figure includes Grants Unapplied (where grant funding has not yet been used to fund expenditure but is committed to projects), the Metro Reinvigoration Reserve, which is held on behalf of Nexus to contribute towards local match funding for the Metro Asset Renewal Programme, and reserves held by the Tyne Tunnels. Reserves of the North East LEP are also included in this figure, for example those relating to NEIF repayments and Enterprise Zones income.

The decrease in reserves during the year relates to LGF grant unapplied carried forward from 2016/17 and fully committed in 2017/18. The actual un-ringfenced Corporate Reserve of NECA was only £0.311m at the year end, and the Tyne and Wear Transport Reserve was £0.513m. Audit and Standards Committee requested that the low level of these uncommitted/unearmarked reserves be highlighted in the accounts as the much higher total reserve figures could give a misleading impression about the level of uncommitted reserves that are available.

2.6 2019/20 Budget Timetable

Leadership Board

The key budget decisions are normally taken in January to ensure that the statutory date for setting the Transport Levies is met and constituent councils have information to include in their budget reports in good time. The current committee timetable for 2018/19 includes a NECA Leadership Board meeting on 22 January 2019, which will make the NECA Budget Decisions for 2019/20. For 2019/20 the key decisions on the transport budget and levies are expected to be taken by the proposed Joint Transport Committee. While the meeting dates for this new Committee have not yet been confirmed, it is expected that a budget meeting will be needed on or shortly before 22 January.

The budget proposals for 2019/20 would normally be subject to a consultation process of two months. It is proposed that the NECA Leadership Board will consider its draft budget proposals for 2019/20 at its scheduled meeting on 20 November 2018. It is expected that the proposed new Joint Transport Committee will also consider the draft budget proposals for Transport at a meeting to be arranged in November 2018.

The budget proposals will also be considered by the NECA Audit and Standards Committee at its meeting on 4th December 2018 and by the NECA Overview and Scrutiny Committee at its meeting on 20th December 2018.

The budget proposals for 2019/20 will be developed and considered by the appropriate officer groups (for Transport, Economic Development, Finance Directors and Chief Executives) in the constituent authorities during August and September, with draft proposals being considered by members in Durham, Northumberland and Tyne and Wear during September and October. This will enable the draft proposals to be reported in November for consultation.

3. Reasons for the Proposals

- 3.1 Monitoring information on capital and revenue budgets is provided periodically to the Leadership Board through the year in line with the Constitution, with detailed reports on Transport budgets being reported to TNEC on a regular basis. This report is presented for information.

4. Alternative Options Available

- 4.1 This report is presented for information, and no decision is required.

5. Next Steps and Timetable for Implementation

- 5.1 The draft accounts are subject to audit by the Authority's external auditors, Mazars. The final accounts will be reported to the Leadership Board for approval in September.

6. Potential Impact on Objectives

Leadership Board

6.1 The report updates on progress with the delivery of the capital programme and revenue budget of the Authority which supports the meeting of all its objectives.

7. Financial and Other Resources Implications

7.1 Finance and resource implications are set out in the body of the report. This report is for information, with no decision required.

8. Legal Implications

8.1 The Authority has a duty to ensure it can deliver a balanced budget. The Local Government Act 2003 imposes a duty on the Authority to monitor its budgets during the year and consider what action to take if a potential deterioration is identified.

9. Key Risks

9.1 Financial risks associated with the authority's activities, and actions taken to mitigate these, will be factored into strategic risk management processes for the Combined Authority.

10. Equality and Diversity

10.1 There are no equality and diversity implications arising from the recommendations in this report, which is for information.

11. Crime and Disorder

11.1 There are no crime and disorder implications arising from the recommendations of this report, which is for information.

12. Consultation/Engagement

12.1 The Authority's revenue budget and capital programme are subject to consultation as part of the approval process. Individual projects within the programme are subject to community/consultation arrangements appropriate to the scale and nature of the projects.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from the recommendations in this report, which is for information.

Leadership Board

14. Appendices

14.1 Appendix A: Nexus Capital Programme Information

15. Background Papers

15.1 NECA Revenue Budget and Transport Levies 2017/18 – Leadership Board 17 January 2017

NECA Revenue Budget and Transport Levies 2018/19 – Leadership Board 16 January 2018

NECA Capital Programme 2017/18 – Leadership Board 17 January 2017

NECA Capital Programme 2018/19 – Leadership Board 16 January 2018

Project Approvals – Local Growth Fund – Leadership Board

16. Contact Officers

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

Katherine Laing, Principal Accountant, katherine.laing@northeastca.gov.uk, 0191 2116065

17. Sign off

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

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Appendix A – Metro Asset Renewal Plan

Asset Category	Budgets					Forecasts			
	Original Approved Budget (DfT submission) 2018/19	Amended Programme 2018/19	Approved Programme 2019/20	Approved Programme 2020/2021	Total Budget 2018/19-2020/21	Period 2 Forecast 2018/19	Period 2 Forecast 2019/20	Period 2 Forecast 2020/21	Total Forecast 2018/19-2020/21
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Civils	2,072	2,470	817	500	3,787	2,132	1,446	514	4,091
Communications	3,137	3,747	221	15	3,983	3,989	506	35	4,529
Level Crossings	0	3	0	0	3	0	0	0	0
Mechanical & Electrical	260	354	80	80	514	342	80	80	502
Metro Cars	3,410	3,533	3,410	3,410	10,353	3,225	3,410	800	7,435
Miscellaneous	1,915	2,919	341	390	3,650	2,312	1,022	390	3,724
Project Management Costs	0	0	1,700	1,700	3,400	0	1,700	1,700	3,400
Overhead Line	2,796	4,134	3,531	3,457	11,122	3,602	2,989	2,932	9,523
Permanent Way	14,462	8,901	7,717	10,375	26,993	8,173	8,521	12,226	28,920
Plant	0	0	0	0	0	8	0	0	8
Power	0	56	69	100	226	56	0	0	56
Signalling	4,328	5,361	991	1,281	7,633	3,602	2,065	1,304	6,972
Stations	5,601	7,210	2,757	140	10,107	5,604	3,162	644	9,409
Total ARP Programme	37,981	38,688	21,635	21,448	81,770	33,045	24,900	20,624	78,569
Other Projects	0	5,698	0	0	5,698	5,698	0	0	5,698
TOTAL	37,981	44,385	21,635	21,448	87,468	38,743	24,900	20,624	84,267

Note 1

Other Projects include Metro Maintenance and Renewals Skills Centre.

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