

Overview and Scrutiny Committee

Tuesday 8 February 2022 at 10.30 am

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

Anyone wish to attend to observe the meeting, should contact Karen Christon no later than Friday 4 February 2022.

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AGENDA

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| 1. Welcome and Introductions | |
| 2. Apologies | |
| 3. Declarations of Interest | |
| 4. Agree the minutes of the meeting held on 7 December 2021 | 1 - 6 |
| 5. Education, Inclusion and Skills Portfolio update | 7 - 22 |
| In attendance: Cllr Karen Kilgour, NTCA Cabinet Member for Education, Inclusion and Skills. | |
| Attached: Report | |
| 6. Adult Education Budget update | 23 - 42 |
| In attendance: Leigh Mills, Head of Inclusive Growth | |
| Attached: Report | |

7. **Education Improvement update** **43 - 46**
In attendance: Adrian Dougherty, Head of Education Improvement
Attached: Report
8. **Poverty Truth Commission update** **47 - 54**
In attendance: Ruth Redfern, Director of Policy and Performance
Attached: Report
9. **Quarter 3 Budget Monitoring Report** **55 - 64**
In attendance: Janice Gillespie, Chief Finance Officer
Attached: Report and appendix
10. **Cabinet's Response to the Overview & Scrutiny Committee Budget Recommendations and Final Budget Proposals** **65 - 110**
In attendance: Elizabeth Kerr, Principal Governance and Scrutiny Manager
Janice Gillespie, Chief Finance Officer
Attached: Report and appendices
11. **Date and Time of Next Meeting**
Tuesday 15 March 2022 at 10:30am

Contact Officer:
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Overview and Scrutiny Committee

7 December 2021

(10.30 am - 12.10 pm)

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

Draft Minutes

Present:

Councillors L Bowman, M Hall, J Hunter, L Bowman, G Stone, J Beynon and R Higgins.

22 WELCOME AND INTRODUCTIONS

K Christon (Democratic Services) opened the meeting and invited committee to appoint a Chair for the meeting, in the absence of the committee Chair or Vice-Chair.

Councillor Hunter was nominated and seconded for the position of Chair for the meeting.

RESOLVED – that Cllr Hunter be appointed as Chair for the meeting.

23 APOLOGIES

Apologies for absence were received from Cllr Seymour (Cllr Beynon attending as substitute), Cllr Wright (Cllr Higgins attending as substitute), Cllr Scott, Cllr Kirwin and Cllr Fairlie.

24 DECLARATIONS OF INTEREST

None.

25 AGREE THE MINUTES OF THE MEETING HELD ON 12 OCTOBER 2021

The minutes of the meeting held on 12 October 2021 were agreed as an accurate record.

NORTH EAST LOCAL ENTERPRISE PARTNERSHIP - STRATEGIC ECONOMIC PLAN UPDATE

The committee received a report from H Golightly, Chief Executive, of the North East LEP on the Strategic Economic Plan (copy attached to the Official Minutes).

H Golightly introduced the report commenting on: the status and independence of the North East LEP and role of the local authority as the accountable body; and progress toward the priorities outlined in the Strategic Economic Plan, the five programme areas and the Annual Delivery Plan. Reference was also made to the Regional Economy Group, established in response to the pandemic and which included wide membership from the Combined Authorities, universities, CBI and local business.

H Golightly then responded to questions/comments received from members and the following points were noted:

- Better quality jobs were identified through occupational codes and refer to jobs at managerial, professional or technical level. The target for better quality jobs was 70% and to date just over 100% had been achieved.
- It was anticipated that job targets would be achieved by 2024, subject to the impact of the pandemic. To date 70,000 new jobs had been created against a target of 100,000.
- The term 'levelling up' also applied within the region and to support this the LEP employed approximately 30 staff who provided day-to-day delivery to support skill development from early stage through to employment.
- Skills activity had an 'each and every child' approach and included work with 150 secondary schools on careers advice and guidance. A pilot had also taken place in primary schools.
- Detailed analysis of data and evidence was carried out to compare the region's position to that nationally. This was particularly important when bidding for funding and in order to ensure resources were focused where they were most needed.
- The North East LEP did not manage EU funding but had been instrumental in securing funding in 2014. It was anticipated that the Levelling Up White Paper would provide clarity on the detail of the Shared Prosperity Fund, although this was not expected to be at the same level as Local Growth Deals or previous EU funding.
- In respect of priorities beyond 2024, it was expected that the Levelling Up White paper would provide context on what would be expected. Internal work had started to take place including discussions with the Regional Economy Group and data and evidence would be analysed to determine the position of the region against a number of indicators. The next plan would cover a period of 15 years but was unlikely to provide a significant change in direction, however there may be a need to give some focus to sectors that had suffered the greatest during the pandemic.
- Investment in the East Coast Mainline was still expected, but this would not be at the same level as that proposed through high-speed rail. The North East LEP worked closely with Transport North East but was not directly involved in transport related matters.

- Digital inclusion was recognised as vital, including access to the internet in rural areas. The North East LEP would continue to highlight to government the importance of investment in rural and hard to reach communities but had no role beyond that.
- In respect of supporting business growth and providing business support, government funding had been provided to establish a growth hub, including an online platform that brought together all business support organisations for businesses to easily access. A small team was employed to provide one-to-one support to businesses, alongside mentoring, peer support and leadership programmes.
- The North East LEP coordinated a Tourism Group, which operated at a strategic level and considered where additional value could be added. Highlighting the qualities of the region as a great place to live and work was particularly important in attracting inward investment.
- R Hamilton advised that the Combined Authority worked closely with the North East LEP team to attract tourism to the region and currently proposals were sought from tourism organisations for new products in response to opportunities that might emerge from the low carbon agenda.

The Chair thanked H Golightly for attending and responding to the committee's questions.

RESOLVED that the report be noted.

27 **CABINET MEMBER UPDATE**

Committee received a report from Cllr Johnson, Cabinet Member for Investment and Resources, which provided an update on the work and plans for his portfolio area (copy attached to the Official Minutes).

The Chair noted apologies for absence from Cllr Johnson and advised that he had offered to attend a future meeting should committee require.

R Hamilton, Chief Economist, introduced the report and referenced: the remit of the portfolio; delivery of the North of Tyne Investment Programme, including examples of the range and diversity of projects supported; the level of jobs created or safeguarded; inward investment by organisations who had also considered other locations; and the portfolio holder's role in oversight of the Investment Programme.

Responding to points raised earlier in the meeting, reference was made to the challenges of broadband connectivity by rural residents and the £12m government funding that had been secured to provide for fibre infrastructure between public buildings in Northumberland from which connections could then be made to local residents and businesses.

R Hamilton then responded to questions/comments received from members and the following points were noted:

- Care was taken to avoid double counting jobs created. However, it was acknowledged that jobs evidenced as been safeguarded or created through support provided by the combined authority, would also appear in the overall figures published by ONS and recorded by the North East LEP.

- The region needed more highly skilled jobs, but also to create jobs and opportunities across the skills and wage spectrum.
- The North Sea Weekender event was a combined authority funded project - approximately £30,000 – which provided a range of activities on the coast and sought to attract new visitors and to raise the profile of the area.

The Chair noted that the event had been included on the front page of the Sunday Times.

- It was suggested that once individuals came to the North East for work, they tended to stay. However, the region was not as good as other areas in attracting individuals in the first place. A project would be launched shortly in conjunction with a number of companies in the tech sector to promote the region and its relocation opportunities, both in respect of finding a first job but also the opportunity to develop a career.

The Chair thanked R Hamilton for attending and responding to the committee's questions.

RESOLVED that the report be noted.

28 INVESTMENT FUND UPDATE

Committee received a report from R Hamilton, Chief Economist, which provided an overview of progress of the NTCA Investment Fund and the Covid-19 Capacity Fund, as requested by the committee (copy attached to the Official Minutes).

R Hamilton introduced the report commenting on: the progress that had been made on delivery of the Investment Fund Capacity Fund; rapid deployment of grant funding through the Covid Capacity Fund to support community organisations, businesses and individuals; the number of jobs expected to be created and safeguarded; and examples of projects that had been supported to deal with specific challenges including access to equity style finance for businesses at early and growth stages and support for development of high streets in response to long term trends.

R Hamilton then responded to questions/comments received from members and the following points were noted:

- There was no indication that further support financial support would be provided by the government to deal with future issues arising from the ongoing pandemic situation, but the combined authority would be prepared to deal with them if they arose, and future support would be based on previous learning and evaluation of the current programme.
- Where Covid had resulted in a direct impact on project delivery, the combined authority had worked with projects to re-profile activity or consider alternative delivery options.
- It was acknowledged that support would not prevent the change in shopping habits and impact this has had on high streets. The combined authority would work with local authorities and would take national evidence and best practice, to make the best use of the limited funding available. Intervention would include

activity that had a long term and sustainable impact and examples might include alternative uses for empty properties or pilot activity to support small independent retailers to become established or test new business ideas.

RESOLVED – that the report be noted

29 2021/22 QUARTER 2 NTCA BUDGET MONITOR REPORT

Committee received a report from J Gillespie, Chief Finance Officer, which presented the second quarter monitoring report on the 2021/22 NTCA financial position (copy attached to the Official Minutes).

K Laing, Strategic Finance Manager, introduced the report indicating that the budget reflected the capacity required to deliver the investment funding, plus support services and accommodation. Reference was made to:

- an increase in staffing, which had been fully funded through investment fund workstreams and reflected the capacity needed to deliver the programme;
- a one-off contribution from the Mayoral Capacity Fund, the balance of which had been set aside for election costs in 2024;
- expenditure through the Investment Fund, which was expected to increase in line with project profiles;
- £12m expected expenditure of the Brownfield Housing Fund to deliver housing on brownfield sites; and
- an expectation that the £22m Adult Education Budget would be achieved.

K Laing, J Gillespie and R Redfern then responded to questions/comments received from members and the following points were noted:

- The papers should indicate a £600,000 balance from the Mayoral Capacity Fund, which would be held in reserve for the 2024 election as there was no government contribution toward costs incurred in holding the election.
- There had been no inflationary increase to the Investment Fund allocation from government.
- Covid had limited direct impact on the combined authority. However, projects had reported difficulty with recruitment and this was being risk monitored, particularly in respect of providers funded through the Adult Education Budget, where it was a challenge for them to change their delivery.
- During the pandemic staff productivity at the combined authority had remained high and this was being monitored to ensure staff did not work long hours.
- The investment fund allocation from government would not take account of inflation and new and innovative ways of delivering the fund within the financial envelope would need to be considered.
- The Brownfield Housing Fund had been overprogrammed to offset the late allocation to the combined authority in 2020. £5m had been carried forward from year 1 into year 2 and there was a good pipeline of projects and level of project expenditure.

The combined authority would seek to ensure a good working relationship with government departments to maximise the opportunity for flexibility in funding, to ensure that all resources could be spent.

RESOLVED - that the report be noted.

30 **2022-2026 NTCA BUDGET PROPOSALS**

Committee received a report from J Gillespie, Chief Finance Officer, which presented the initial draft budget for the North of Tyne Combined Authority for 2022-23 and the medium-term financial plan for the period 2023-24 to 2025-26 (copy attached to the Official Minutes).

J Gillespie introduced the report indicating that the budget included a refresh of proposed investment and any assumptions that had been made, including the impact of inflation on projects. These were risk monitored and variations made where needed.

Responding to a query, J Gillespie confirmed that in respect of the Transport Levy, the combined authority's role was only to collect the levy and pass it on and agreed that officers would consider how this could best be described in the budget papers.

The Chair highlighted that the committee had the opportunity for further discussion on the budget proposals, including to hear feedback from the consultation, at a budget workshop in January.

RESOLVED – that the report be noted.

31 **DATE AND TIME OF NEXT MEETING**

Noted as 8 February at 10:30am, venue to be confirmed.

Overview and Scrutiny Committee

Cabinet Member Briefing

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

This briefing at the 8 February 2022 Overview and Scrutiny Committee meeting will be from **Councillor Karen Kilgour, Portfolio Holder for Education, Inclusion and Skills**.

Education, Inclusion and Skills Portfolio overview

This portfolio delivers activities that widen opportunities, create new training and job openings, close gaps and provide the skills pipeline for our future industries and sectors. It does this through major investments in adult education, employability and inclusion, and through innovation in employment support in partnership with DWP. A joint school improvement programme across North of Tyne maximises DfE investment to best support all children, with a focus on our most vulnerable. The three workstreams within this portfolio are adult education and skills, inclusive economy and education improvement.

Our North of Tyne vision is of a dynamic, sustainable and more inclusive economy; one that brings together people and opportunities to create vibrant communities and a good quality of life. We have an ambition to narrow inequalities and ensure that everyone has a stake in our region's future.

NTCA is working hard to achieve this vision, to advocate for good employment practices and a more equitable economy, where we create wealth and distribute it fairly, through local re-investment and growth.

We understand the strong link between health, wealth and the economy. We also understand that some of our communities and people are locked out of opportunities for good health, good jobs and financial security. That is why we have put actions to address inequality, poverty and poor educational attainment at the centre of our work.

Our greatest asset is the resilience of our people and places. The skills, tenacity and ambition of our residents will continue to make the North of Tyne an exciting area for businesses to invest in, partners to work in, and people to live and thrive in.

Our ambition for a more inclusive North of Tyne is built on three key aims:

1. Creating a more social and inclusive economy - one which promotes wellbeing across all communities by ensuring wealth is retained locally and distributed more equitably.
2. Addressing inequality and poverty, enabling our residents to access opportunities at every stage of their lives.
3. Driving better coordination of education, skills, employment and health activities to help more people move into good work, and progress in work.

These aims are central to our recovery from the pandemic working in partnership with our local authorities and wider stakeholders.

1. Inclusive Economy Board

- 1.1. At the heart of the North of Tyne devolution deal is Inclusive Growth and the creation of an 'Inclusive Economy Board' (IEB). The IEB was established in March 2020, meets quarterly and brings together organisations and individuals who, together, support the North of Tyne to be the home of ambition for all.
- 1.2. The Right Reverend Bishop Christine Hardman chaired the IEB since its creation. She has now retired and stepped down from her role as the Chair of the IEB. Under the IEB's terms of reference, the Chair of the IEB is nominated by the Mayor and the Education, Inclusion and Skills Cabinet member and then is subject to Cabinet approval. At the NTCA Cabinet meeting on 30 November 2021, the Mayor and Councillor Kilgour, as Cabinet member and the Vice Chair of the IEB, nominated Baroness Grey-Thompson as Chair which was approved by Cabinet.
- 1.3. Baroness Tanni Grey-Thompson is one of Britain's most successful sports people, having broken over 30 World Records and represented Britain at 5 Paralympic Games. In 2010, she became an Independent Crossbench Peer in the House of Lords, taking the title Baroness Grey-Thompson of Eaglescliffe in the County of Durham with interests including disability rights, welfare reform and sport. Her interest in, and commitment to, a more inclusive economy in the North East of England is also demonstrated by her wider professional roles; she is a Board Member of the London Marathon organisation, the Sportsaid Foundation, the Duke of Edinburgh Awards and Join In. In addition to this, she is also a Board Member of several organisations including Transport for London, the London Legacy Development Corporation and the London 2017 Organising Committee. In 2021, she became President of the Local Government Association and is also Chancellor of Northumbria University, recognising her long-standing commitment to the North East of England. Baroness Tanni Grey-Thompson will chair her first IEB at its next meeting on 18 February 2022.
- 1.4. The purpose of the IEB is to advise, support, challenge and influence inclusive economy interventions across the North of Tyne area, championing the NTCA Vision and supporting the area to become a national exemplar in inclusive growth. The Board also provides robust governance around an integrated strategic approach to better integrate and strengthen education, skills and employment interventions to improve local education and employment outcomes for North of Tyne residents. The Board acts in an advisory capacity to support the delivery of NTCA's inclusive economic growth ambitions
- 1.5. The IEB has overseen the initiatives, projects and programmes detailed in this report.

2. Good Work Pledge

- 2.1 A key element of the NTCA's ambitions for an inclusive economy is ensuring that our residents not only have access to work, but also to 'Good Work'. This is work that provides amongst other things security, skills, progression opportunities, promotes health and well-being and a decent standard of living, helping to ensure that the North of Tyne area is productive and thriving.
- 2.2 The COVID-19 pandemic has caused unprecedented changes to our economy and has reshaped the way in which businesses and residents connect. Good Work is a central component of our economic recovery plan, enabling businesses and residents to mutually benefit from the growth and prosperity of the area. The Good Work Pledge (GWP) provides a platform to recognise best practice, new ways of working and collectively reimagine the opportunities for work in the North of Tyne.
- 2.3 NTCA has worked with employers and other key stakeholders to understand what Good Work looks like and how we as a Combined Authority can share best practice, promote, and reward employers that share our vision for Good Work. After seeking input from businesses of all types and sectors, including expert input from national organisations, the GWP co-development was finalised at an event chaired by the North East Chamber of Commerce and Newcastle Building Society. The event was supported by businesses and organisations from across the region. The Good Work Pledge was then launched by Mayor Driscoll and Cllr McCarty at an online event in November 2020, supported by Carnegie UK and Bernicia Housing Association.

- 2.4 The pledge consists of five areas, presented as 'pillars' that contain the criteria used to identify, promote, and grow good work practices in businesses and organisations of all sizes and sectors across the region. The five pillars of practice employers are expected to meet are:
- i. **Promoting Health and Wellbeing.** You provide a safe working environment and provide opportunities for your people to develop healthy lifestyles, especially positive mental health.
 - ii. **Developing a Balanced Workforce.** You invest in training and progression for employees – planning for now and for the future. Inclusiveness and equity are central to your work
 - iii. **Valuing and Rewarding your Workforce.** You pay a fair wage, offer extra benefits and provide security and job fulfilment for your people wherever possible.
 - iv. **Effective Communications and Representation.** You promote trust and fairness by valuing and listening to your employees and involving them throughout the organisation.
 - v. **Demonstrate a Social Responsibility.** You contribute to our area by buying locally, thinking green and supporting your people to 'give back' through volunteering or community action.
- 2.5 Businesses are invited to apply for the Good Work Pledge through an online application form available on the NTCA website here: <https://www.northoftyne-ca.gov.uk/projects/good-work-pledge/>.
- 2.6 Every application submitted for the Good Work Pledge is subject to assessment by NTCA against the published criteria. Following a robust assessment, applications are then verified internally to ensure fairness and consistency. Awards of the Good Work Pledge are available at two levels, Standard and Advanced:
- Standard Level.** Must be able to demonstrate that you can meet or are actively working towards any two of the five available pillars and submit a case study demonstrating this work in practice.
- Advanced Level.** Must be able to demonstrate that you can meet or are actively working on the criteria for all five pillars and submit a case study demonstrating this work in practice.
- 2.7 Multiple methods have been used to date to raise awareness of the Good Work Pledge and drive up applications. There has been extensive use of social media channels to report on the Good Work Pledge's progress, including a campaign featuring videos of representatives from businesses talking about why they signed up to the pledge. NTCA have also harnessed the power of the local business news channel B:Daily to raise the profile within the region's business audience.
- 2.8 The Good Work Pledge has sponsored award categories at the North East Business Awards and the Dynamites Tech and IT Awards and NTCA Cabinet members continue to promote the benefits of Good Work at various events and conferences.
- 2.9 Partnership working is a vital part of the ongoing success of the Good Work Pledge. NTCA is collaborating with the North East England Chamber of Commerce (NEECC), the Advisory, Conciliation and Arbitration Service (ACAS) and the Federation of Small Businesses (FSB) for sharing of knowledge, best practices and resources with their members.
- 2.10 At the time of writing this briefing, over 35,000 employees are working at places supporting the NTCA Good Work Pledge and there are 44 Good Work Pledge holders. The details of which can be viewed on the NTCA website here: <https://goodworkpledge.awardsplatform.com/gallery/LPJqyxge>
- 2.11 We are using all of our learning and insight to continue the scale up of the Good Work Pledge to turn the tide on low paid, unreliable, and poor work.
- 2.12 The future of the GWP is for it to become a community; an association for members that provides value, one that offers something in return for their support. In early 2022, the first 'Good Work Community' newsletter will be digitally published and sent to all Pledge holders. The newsletter will feature useful information, news, NTCA opportunities, and feature any new members. By the spring of 2022, the Good Work Pledge will host its first networking event, a possible collaboration with partner organisations.

- 2.13 In early 2022, the Good Work Pledge will partner with the Trade Union Congress' (TUC's) Better Health at Work Scheme (BHAW) in a passporting arrangement that will allow BHAW Gold status employers to obtain an automatic GWP 'Standard' award. Gold level members of the BHAW scheme are ambitious businesses that care deeply about the health of their employees, and it's anticipated they'll continue their journey with GWP to advanced level.
- 2.14 In 2022, we will partner with the NEECC to offer 'meet the expert' events to offer free networking opportunities for Pledge holders. This will provide Pledge holders with the expert knowledge and advice offered by NEECC and provide real value as an employer committed to good work.
- 2.15 Also in 2022, we will consider how the principles of Good Work can be instilled into the start-up business community through our network of business support partners. It is hoped this work will encourage new businesses to think about the business they want to be and what they want to stand for ethically as they establish their business models.

3 Wellbeing Framework

- 3.1 Collective wellbeing measures seek to balance the social, economic, environmental and democratic (SEED) needs of people and places and recognise the relationship between them. As such they are a valuable tool in driving a more inclusive economy.
- 3.2 In 2020 Carnegie UK and NTCA, building on our partnership around Good Work, started to explore the role of wellbeing in relation to NTCA's inclusive economy ambitions. In December 2020 we held a public engagement event to explore the appetite and interest in wellbeing with a presentation from Sophie Howe, Future Generations' Commissioner for Wales. Based on the success of this event, and under the direction of the Cabinet Member and the Mayor, officers developed a formal partnership with Carnegie UK. The purpose of this partnership was to develop a series of activities to explore and understand perspectives on wellbeing within the area, with the aim of creating the first wellbeing framework within a Mayoral Combined Authority context.
- 3.3 Under the direction of NTCA's Inclusive Economy Board, in Spring 2021, and in consultation with nominated leads from the three Directors of Public Health across Newcastle, North Tyneside and Northumberland, the NTCA and Carnegie UK identified 12 specialists from across sectors and areas to support this work. We are grateful to Professor Mark Shucksmith OBE from Newcastle University, Carnegie UK Board member and member of NTCA's Inclusive Economy Board, and Sarah McMillan, Assistant Director of Policy, Northumberland County Council who agreed to act as independent Co-Chairs of the Roundtable.
- 3.4 The agreed aims of the Roundtable were to explore whether wellbeing can inform a shared policy narrative across different departments and tiers of governance in the North of Tyne, as well as across 'anchor organisations' in areas such as health, housing and higher education. If so, what the key wellbeing outcomes for the North of Tyne could be, based on existing policy commitments and wider public and stakeholder engagement. This would include considering relevant datasets to understand progress towards these outcomes, resulting in a framework for this purpose. Members committed to undertake an approach which was evidence-based, connected through proactive engagement with stakeholders regionally, nationally and internationally, and collaborative, in line with the NTCA's own organisational values.
- 3.5 This approach aimed to produce a framework which would:
- Work effectively in line with the core commitments of the NTCA's Devolution Deal with Government.
 - Complement the priorities of our constituent member local authorities and wider strategic stakeholders.
 - Support, rather than conflict with, the NTCA's accountability and assurance mechanisms as a public body.
 - Be based on indicators which evidence shows have a direct impact on wellbeing, rather than those assumed to correlate with wellbeing.

- Reflect the views of a wide range of stakeholders in the North of Tyne – institutions and organisations, as well as residents and communities.

- 3.6 The Roundtable reviewed international practice by the Organisation for Economic Co-operation and Development and Wellbeing Economy governments in the UK and abroad to understand the purpose and scope of wellbeing frameworks. Central to the Roundtable’s approach was an acknowledgement that wellbeing frameworks are not performance management tools, simply replacing one set of measures of activity with another set. Effective wellbeing frameworks privilege ‘outcome’ indicators, which measure changes overtime, over ‘process’ indicators, which are limited to measuring specific activities. The NTCA has taken the same approach with our recently published Equalities Objectives 2021-25. In doing this wellbeing frameworks aim to help numerous different partners consider and take practical steps towards positively affecting wellbeing in their communities, without undermining established performance management frameworks (such as the NTCA’s targets within our Devolution Deal).
- 3.7 At the centre of the Roundtable’s approach was a structured, comprehensive and transparent engagement and consultation exercise. This consisted of four phases:
- Literature review – covering international evidence on wellbeing thinking and practice, regional intelligence and NTCA’s own strategic documents.
 - Call for evidence – open for eight weeks and promoted widely by NTCA and partners.
 - Community-led consultations – working through a small number of established voluntary, community and social enterprise (VCSE) organisations to engage people in the discussion.
 - A You Gov survey, to fill gaps in evidence gained through the three preceding stages.
- 3.8 This ensured that as the Roundtable discussions progressed, members were able to understand and reflect upon a wide-range of views from across the area, gathered in structured manner. This approach reflected the NTCA’s own commitment to co-production and co-design.
- 3.9. The framework, which was approved by NTCA Cabinet at its meeting on 25th January 2022, is below. NTCA is one of the first English devolved areas to implement a wellbeing framework, following the Wellbeing Economy governments in New Zealand, Iceland, Scotland and Wales.

| Wellbeing Framework for the North of Tyne | |
|--|---|
| <i>Our vision</i> | |
| The North of Tyne is a place with a dynamic and more inclusive economy , one that brings together people and opportunities to create vibrant communities and a high quality of life , narrowing inequalities and ensuring that all residents have a stake in our region's future . | |
| <i>Our wellbeing outcomes</i> | |
| We are all able to access education so that we achieve our potential | We all have access to good quality jobs and fair work |
| We are all able to access health, care and other services so that we live long and healthy lives | We all have enough money to meet our needs, like heating, eating and housing |
| We all have good quality homes in safe, welcoming communities | We have the infrastructure and support that we need to succeed |
| All our communities, businesses and governments take responsibility for tackling the climate crisis | We are all valued and treated with respect by each other and our human rights are upheld |
| We all have access to a good quality local environment and live in neighbourhoods free from pollution and other environmental problems | We all have a voice in decisions that affect our communities and in the public services we use |

- 3.10 Our vision is for institutions and organisations across the North of Tyne and beyond to acknowledge, identify and enact policies and programmes that work towards the wellbeing outcomes of the framework. In practical terms NTCA will lead by example and will take forward the specific recommendations from the Roundtable which includes:
- 1. Embedding** this understanding of wellbeing into NTCA decision-making processes through the following specific actions:
 - a. Include wellbeing as part of every consideration made by Cabinet by March 2022.

- b. Use NTCA's existing **communications channels** to promote the findings and themes of the work across Spring 2022.
- c. Integrate into regular monitoring and reporting by NTCA's **insights and data team** by December 2022.

2. Regularly report and review progress to the Inclusive Economy Board, at its quarterly meetings, and to NTCA Cabinet, annually, on how the vision for wellbeing is taking effect across our area. Board members will be encouraged to share their contributions on how they are helping to deliver the Framework's ambitions: this will be captured in the annual report.

3. Oversight and implementation of the framework should occur under the direction of the Cabinet Member, the Mayor and the Managing Director.

3.11 This approach will help bring to life NTCA's commitment to wellbeing in a practical and proportionate way, building on the core wellbeing and health strategies of our constituent local authorities.

3.12 NTCA Cabinet have approved that oversight and implementation of the framework will be supported by the NTCA's Inclusive Economy Board, under the direction of the Cabinet Member, the Mayor and the Managing Director. This will ensure appropriate governance of the framework, in-line with the NTCA's Devolution Deal and inclusive economy commitments. This will also help to engage a wide range of partners in using the framework, many of whom have already contributed to the Roundtable's consultation exercises.

4. Poverty Truth Commission

4.1 A progress report on the Poverty Truth Commission has been provided to the Overview and Scrutiny Committee for consideration as a separate item at its meeting on 8th February 2022.

5. Child Poverty

5.1 An increasingly important barrier to delivering an inclusive economy for all North of Tyne residents is the high rate of child poverty in our area. Child poverty is one of the strongest indicators of an area's economic inequality. The North East currently has the second highest rate of child poverty of any English region after London. 22% of children in the North of Tyne live in poverty. More than half of those children are in working households – families without the financial resilience to cope with economic shocks.

5.2 The COVID-19 crisis has put these families and households at much greater risk due to loss of income, schooling and access to practical and social support. Consequently, vulnerable families and children have been central to our local authorities' responses to the pandemic, for example via local decisions to continue providing free school meals during the holidays or working in partnership with schools and alternative education settings to get laptops or tablets to students to enable online learning during school closures.

5.3 At the end of 2020, IPPR North published research into child poverty in the North East with a specific focus on devolution and made a series of recommendations for Combined Authorities to consider. Recommendations included considering ways to support parents into good quality work, working with schools to mitigate child poverty and making child poverty a specific priority, for example through inclusive economy work.

5.4 In June 2021, NTCA Cabinet approved investment in the development and delivery of a Child Poverty Prevention programme, to address some of the symptoms and root causes of child poverty in our area.

5.5 It is intended that by July 2023, the Child Poverty Prevention Programme will have:

- a. Funded pilot poverty prevention interventions reaching 600 children in schools across the North of Tyne following a review of existing provision and based on the recommendations of a newly established expert working group.
- b. Provided financial support to 210 households through the school gate by delivering welfare guidance to families, leveraging the positive relationships between schools and families and existing good practice from across constituent local authorities.
- c. Worked with employers in over 30 businesses, supporting their employees by developing poverty reduction strategies in the workplace that will reduce the financial burden on working families.

6. Digital Inclusion

- 6.1 In June 2020, NTCA invested £686,250 in a pilot scheme to support residents who, due to social distancing measures and the closure of services, found themselves to be digitally excluded, unable to afford internet connectivity and/or access the computers needed to get online. This included unemployed adults, adults accessing basic qualifications and young people who were left without access to school.
- 6.2 Acknowledging the wider complexities of digital exclusion, this pilot aimed to directly respond the conditions caused by COVID-19 and support residents who had a degree of digital experience or basic digital capability but where the main barrier to digital services during the pandemic was material access.
- 6.3 The pilot project started in June 2021 and was completed in December 2021. Despite a slow start resulting largely from issues with the global supply of Chromebooks, kit reached 2,751 residents across the North of Tyne against a profiled target of 2,675.
- 6.4 As the pandemic unfolded, the project monitored demand and adjust local delivery accordingly - as a result, more devices were delivered in schools to support students learning from home, filling the gaps left by the Department for Education laptops scheme. 49% of devices were distributed to schools, 39% to adults in education and 12% to residents seeking employment.
- 6.5 Local councils used their existing networks of services and partners to reach residents quickly. Despite concerns that these networks may overlook possible routes to residents, the demographic data collected on the pilot's beneficiaries indicates that devices reached those conventionally more likely to experience digital exclusion, 45% of participants were from a Black, Asian and Minority Ethnic background and 16% had a disability. This was confirmed in a survey with participants, where 79% of respondents stated they would not have had access to the internet during the pandemic without this scheme.
- 6.6 Following recommendations from an evaluation of the digital inclusion pilot, NTCA has committed to building institutional knowledge on digital exclusion and inclusion, working with the NELEP to support regional coordination on digital inclusion, and continuing to invest in innovation and partnership to tackle digital inclusion through the 5G and Future Connectivity programme.
- 6.7 In June 2021, NTCA shortlisted the Good Things Foundation project Breaking Barriers through Digital Skills: A Pathway to Digital Employability for UKCRF funding. The bid was successful and will support digital inclusion in the North of Tyne area. The project aims to test a proposed digital skills and support pathway connecting the community sector to formal learning in Newcastle, Northumberland, and North Tyneside. Delivery will run until the end of June 2022 and will target those beneficiaries who are of working age, have little or no digital skills, and are unemployed, underemployed, or economically inactive.

7. Education Improvement

- 7.1 A progress report on Education Improvement has been provided to the Overview and Scrutiny Committee for consideration as a separate item at its meeting on 8 February 2022.

8. DWP/NTCA Employment Framework

8.1 Within the NTCA Devolution Agreement there is a commitment for NTCA and DWP to jointly develop and adopt an Employment Support Framework - to drive the better coordination of employment, skills and health services across the North of Tyne area to increase the number of residents moving into work. The DWP/NTCA Employment Framework Agreement is provided in Appendix 1.

8.2 One of the main roles of the Inclusive Economy Board is to provide oversight and governance of the Employment Support Framework and to agree activities to take forward the shared strategic ambitions. At the first meeting of the Board in March 2020, the draft Employment Framework was welcomed by Board members and the Board's support was instrumental in achieving formal assent from the Secretary of State in October 2020. The intention of the Framework is to make a significant contribution to a more inclusive economy in the North of Tyne. Collaboration, innovation, and co-design are at the heart of this shared framework.

8.3 In response to the pandemic, activity has focused on supporting young people, specifically:

Youth Employment Partnerships

8.4 The creation of 'Youth Employment Partnerships' is a collaborative, partnership-based approach to tackling youth unemployment. Leadership by NTCA, the constituent Local Authorities and DWP is enabling a coordinated approach to maximise existing resources and capacity through better coordination, whilst simplifying the employability landscape for advisers and young people.

8.5 The insights of young people and employers is central to understanding how current delivery models might be aligned, improved or enhanced. DWP Flexible Support Funding has been secured to employ six officers across North of Tyne (2 in each Local Authority) to co-ordinate and manage partnership activity. NTCA funding has been approved to develop a small grants programme to invest in voluntary sector organisations to engage and support young people who face additional barriers to accessing mainstream employability services. An independent organisation has been appointed to manage the programme which is being co-designed with multi-sector partners and will be implemented throughout 2022.

8.6 Discussions with a wide range of stakeholders are also ongoing to develop a pilot model for Looked after Children and Care Leavers who require additional support to prepare for adulthood and employment.

Kickstart

8.7 NTCA is acting as a Kickstart Gateway organisation on behalf of businesses and charities operating in the North of Tyne. Working closely with DWP and local authorities, NTCA is supporting employers to access the national Kickstart Scheme, which provides funding to create new jobs for 16- to 24-year-olds on Universal Credit who are at risk of long-term unemployment. NTCA has committed funding to enhance Kickstart delivery, ensuring all placement opportunities meet our ambitions for good work.

8.8 NTCA funding has provided an enhanced package of support to both young people and employers which is being delivered by Newcastle Futures. This additional offer is a digital service providing a consistent, quality experience to achieve longer-term successful outcomes for both the young person and the employer. DWP ceased accepting employer applications on the 17th of December 2021. The last date a young person can start a Kickstart placement is the 31st of March 2022.

8.9 NTCA Progress to date:

- 380 NTCA Gateway Kickstart placements have been approved by DWP (from 121 employer applications submitted);
- 182 placements have been successfully filled so far;
- 56 placements have now been completed;

- NTCA have received responses on the outcome of 66% of these placements. For the outstanding placements, employers have been contacted requesting feedback;
- Of 26 responses received, 24 have had a positive outcome, with the young person going into employment or education. The remaining 2 elected to go back into job-searching.

8.10 Future priorities of the DWP/NTCA Employment Framework

Several workshops have been held with national and local stakeholders and the following three areas have been identified as priorities as we enter 2022:

- Our role as system leaders to respond to future challenges/opportunities:** To help inform future investment and to learn from past activity we need to develop a more evidence-led approach to labour market demand. We must understand the scale of need, anticipated changes in employment/skills provision and rationale for future interventions. We need improved collaboration on shared solutions at scale and a more efficient use of existing resources in the system. This approach must be led by real labour market demand and involve a wider range of stakeholders.
- Piloting innovative place-based activity:** Key to a place-based recovery will be co-designed and co-funded place-based pilot projects. These will need to target areas with long-term unemployment, working with those furthest from the workplace and utilising the most appropriate model for that community or neighbourhood. While this priority will focus on unemployment/economic inactivity, future activity will have a more holistic approach and include a range of factors impacting on the wellbeing of specific communities e.g., mental health and isolation, complex lives.
- Health and unemployment:** Unemployment has consistently been found to have a negative impact on a range of health outcomes. The initial focus of this activity will be to undertake a deep dive to determine the extent of health-related employment issues across North of Tyne, which will support the development of integrated provision of employment support and health care.

These 3 areas have been supported by the Inclusive Economy Board and an approach will be co-designed throughout 2022.

9. Apprenticeship Hub

- Apprenticeships have long been an important part of the skills, education, and employment landscape. Apprenticeships act as key enablers which connect residents with higher quality employment through supplementary skills and education. We have an opportunity to maximise the impact of apprenticeships, at all levels, in preparing our residents for the skills demanded by businesses now, and in the future. Our residents and employers have faced significant disruption as a result of COVID-19 and, as we have seen in other parts of society, COVID-19 has had a significant impact on young people, with the number of apprentices aged 16-19yrs falling more than any other age group.
- Following direction from the Inclusive Economy Board and constituent Local Authority Education Directors, and approval from the NTCA Cabinet, the NTCA Apprenticeship Hub was launched in Summer 2021 as a 2-year pilot and represents an investment in education and skills infrastructure which both serves to better coordinate existing information, support and opportunities whilst enabling best practice careers advice using digital resources. The Apprenticeship Hub is an innovative EdTech platform, developed and provided by Globalbridge, a North East based SME. The platform provides an immediate solution to digitally connect pathways between education and industry and provides a proven and scalable tech solution to deliver the NTCA Apprenticeship Hub. The platform uses tech to bring opportunities directly to young people, and is levelling the playing field of opportunity, building a bridge for employers and young people to engage – providing a digital advantage and an instantly accessible post-COVID solution to the students, educational institutions and employers in our region.

- 9.3 The NTCA Apprenticeship Hub is adding value to the progression opportunities available for our young people and complements existing programmes such as the devolved AEB, sector-based work academy programmes (SWAPS), Kickstart, the Youth Employment Partnership, Traineeships, T Levels, Skills Bootcamps and the national Restart programme.
- 9.4 The NTCA Apprenticeship Hub also complements our work with employers, supporting them to understand and embed apprenticeship opportunities within their talent and workforce development practice. This added connection with employers is catalysing the implementation of the Good Work Pledge and Skills for Growth investment by opening up communication pathways with more employers and enabling NTCA to shape recruitment and training opportunities in line with our Recovery and Growth Sectors.
- 9.5 The NTCA Apprenticeship Hub is initially being piloted with young people in education who are at risk of becoming unemployed at the end of their studies. This is seen as a preventative intervention and aligns with the objectives of the NTCA Schools Improvement Strategy. The economic benefits of preventing a young person from disengaging from education, employment and training are well documented, both for the public purse and for the individual themselves. The NTCA Apprenticeship Hub is providing young people the ability to evidence their skills and connect with work placement, apprenticeship, and job opportunities, reducing the chance of becoming Not in Education, Employment or Training (NEET).
- 9.6 The NTCA Apprenticeship Hub is being piloted in schools and colleges across the NTCA geography with the initial focus on learners in Year 11 and Year 13 who are making choices about their next destinations, in a proactive effort to prevent our young people from becoming NEET. Globalbridge deliver training and support to school and college staff to support use of the platform in classroom careers activities, and they deliver digital staff training to every employer who signs up to the NTCA Apprenticeship Hub.
- 9.7 As of January 2022, there are 17,431 students signed up to the platform. There are also 34 employers engaged with the platform, and 48 apprenticeships registered, which will continue to rise throughout the project, driven through a clear and co-developed communication and engagement plan.

10. Adult Education Budget

- 10.1 A progress report on the Adult Education Budget has been provided to the Overview and Scrutiny Committee for consideration as a separate item at its meeting on 8th February 2022.

11. Employability and Skills Programme

- 11.1 In June 2019, NTCA Cabinet agreed an allocation of £3m for the Employability and Skills programme to provide a much-needed source of match funding to unlock remaining ESF funds available to the region.
- 11.2 Out of the six projects NTCA issued an in-principle match-funding offer to, four successfully secured ESF funding and the projects have been developed. The Employability and Skills Programme is being delivered in phases to align with the ESF Calls and timelines. The projects are in early stages of delivery/set up and will run until the end of 2023. The NTCA investment has totalled £1,933,523 and will unlock £2,307,380 of match funding, supporting over 2,568 residents.
- 11.3 Below is a short overview of each project:
- i. DiversityNE – North East Autism Society. This project provides community based one-to-one support for individuals, working alongside an Employment Specialist to develop skills for work and effective job searching, as well as providing employer engagement to develop employer readiness for inclusive and supportive employment. Support starts with an assessment of each client, following an Individualised Action Plan to develop a schedule of activity based on individual needs, agree support strategies, and address identified employment needs. Some examples of project activities include supported work placements and volunteering, peer support, in-work support, dyslexia

assessment/support and confidence building. Referrals from Jobcentre Plus, independent referral organisations and self-referral.

ii. Get Ahead – Changing Lives. This project supports people to overcome the complex reasons that prevent them finding work by building on strengths and aspirations using the skills and expertise of partners and local employers to achieve their goals to make a lasting change. Activities include employer engagement to build on and develop partnerships with local businesses to deliver apprenticeships, employment and training opportunities, providing budgeting and financial skills interventions and intensive employment support to enable people to address their multiple complex barriers to accessing the labour market. These include CV development, interview skills, confidence building, stress management and emotional resilience. Professional referrals or self-referrals are accepted.

iii. Northern Directions – Groundwork North East. This project works with young people (16-24) not in education, employment or training. Each person is assigned a youth worker who will develop an action plan, offering an end-to-end employability and personal development package tailored to the unique and complex needs of each participant. Activities include 1:1 support through coaching, mentoring and Information, Advice and Guidance, specialist interventions including debt management and health and wellbeing, learning and development opportunities, employer engagement and supported progression pathways, including (self)-employment, apprenticeship/traineeship, further education and training. The Project also includes a programme of Green/Digital.

iv. Gateshead College - North East Skills Hub will undertake specific pre-employment and engagement activities, help long-term unemployed/economically inactive residents tackle barriers to working, and focus on progression into sustainable employment and increased participation in education/training. Working with a range of sector employers, it will concentrate on subject sector areas Engineering & Manufacturing Technologies and Construction & Built Environment with a specific focus on sites and construction related sectors (inc. low carbon/retrofit, infrastructure, etc) in the North of Tyne.

12. Union Learn

- 12.1 Union Learn Representatives were roles funded nationally from the Union Learn fund and created via the trade unions to provide the workforce with impartial, non-judgemental advice and guidance, and connect people to practical opportunities to improve their skills.
- 12.2 Previous delivery of projects funded from the national Union Learn fund demonstrated that
- more than two thirds of learners with no previous qualifications gained a qualification through this route
 - 9 out of 10 participants gained at least one new skill
 - 1 in 4 gained promotion or greater responsibility in their job
 - 70% of all learners said they would not have engaged in the learning or training on offer without the support of their union. This rose to 79% for those with no qualifications.
- 12.3 The end of the national funding in 2021 triggered a discussion between the Northern TUC, NTCA and the 3 constituent Local Authorities and presented an opportunity to explore new ways of delivering similar Union Learn provision in a way that is more closely aligned to local priorities and funding streams such as the devolved Adult Education Budget, Skills for Growth programme, the Good Work Pledge and the Inclusive Economy Policy statement. To provide a service which focusses on the workforce in low-skilled low-paid roles, many of which are living in in-work poverty.
- 12.4 NTCA Cabinet approved an investment of £439,242 to fund 4 roles over the next 2 years to pilot this new approach to workforce development, led by the Northern TUC and in partnership with the 3 constituent Local Authorities. It also includes an allocation for project evaluation.
- 12.5 Commencing in early 2022, these roles will work collaboratively and reach 40 workplaces to promote union led learning and will connect 450 employees with low skills to training opportunities

13. Skills for Growth

- 13.1 NTCA's Cabinet agreed to allocate £5m to support Skills for Growth to ensure that NTCA funding for innovation and targeted investment was underpinned by the development of a skills and talent pipeline.
- 13.2 Priorities for this funding were further refined through the agreement of sector narratives. Key investments for the Skills for Growth Fund were agreed as follows:
- **Skills for Digital Innovation and Growth** - The Skills for Growth investment in the digital sector is principally focused on supporting higher-level skills interventions that are likely to have the greatest impact in terms of addressing sectoral and technical skills deficits, re-training needs and supporting recovery and growth.
 - **Green Growth Skills programme – targeted at upskilling, re-skilling and transition from traditional to 'green growth' industries** - The Skills for Growth investment will support the development of Green Growth Skills. This funding forms part of NTCA's wider green growth strategy and will equip people with the skills they need to capitalise on the growing employment opportunities in the Low Carbon and Renewable Energy Economy in our region.
 - **Creative People: Skills for the Culture, Creative and Tourism Sector** - Investment in skills is crucial to develop more resilient freelancers, businesses, and organisations, as well as ensure our residents have access to the many employment opportunities in this sector.
- 13.3 Skills for growth funds will stimulate innovation in both the supply and demand for skills and build an active and employer led response to the talent requirements of our inward investing companies, innovating firms and our wider efforts to support job transition and job creation in key sectors.
- 13.4 The first stage of the call process has proven effective in encouraging a collaborative model of skills provision. This means skills providers and employers working in partnership to deliver on skills needs analysis and collaborating to make the most of specialist strengths and sharing resources to deliver skills interventions that meet demand in key growth and recovery sectors.
- 13.5 The open call for Skills for Growth closed in November 2021. 37 EOI's across the 3 sectors were received. Following a full appraisal of the 1st stage applications, 10 project proposals have progressed to Full Business Case development following approval from Investment Panel in December 2021. Projects progressing to the 2nd stage include 5 related to Green Growth Skills, 2 related to Digital and Innovation and 4 related to the Culture and Creative Sector. NTCA officers are in contact with the successful applicants to progress business cases for appraisal in February 2022.

14. Working Homes

- 14.1 Launched in April 2019, North of Tyne Working Homes was the first large scale employment support programme launched by the NTCA. It is an innovative partnership between housing providers housing associations, learning providers and local authorities and is part funded by the European Social Fund as part of the England 2014 to 2020 European Structural and Investment Funds Growth Programme.
- 14.2 This partnership tests a new approach to supporting housing tenants to develop their skills and move into work. Housing providers are well placed to working with their own tenants, and by being part of a wider partnership can deliver a range of support which is flexible and tailored to individual need.
- 14.3 The range of the partnership means that the support can include formal and informal learning, skills development, job preparation, job brokerage and help to manage tenancies. Once people enter work, support from an employment coach will continue to help them stay in work and progress.
- 14.4 A key feature is the integration of employment support and tenancy management, using employment coaches and other support workers as part of housing management teams. As well as

help to find work, tenants can build their resilience and gain the skills to maintain successful tenancies.

- 14.5 Services are delivered in locations that best meet tenant need, including a range of neighbourhood-based hubs across the area providing on-site services within wider social community networks. They are familiar and easily accessible to local tenants as centres of on-site education and training and wider learning.
- 14.6 The project has recently been granted a 1-year extension and will now run until March 2023 to deliver support to at least 2,210 residents.
- 14.7 The project has supported 1,425 people up to December 2021 of which
 - 1,034 are social housing tenants or living in social housing households
 - 1,010 are unemployed and 415 are economically inactive.
 - 483 have gone into work and 151 into training
- 14.8 The programme has already surpassed the full programme target for number of residents registering from Ethnic Minority backgrounds and is exceeding targets for those with disabilities and aged over 50.
- 14.9 The partnership includes: Bernicia Homes; Karbon Homes; North Tyneside Housing; Newcastle Futures Ltd, Northern Learning Trust; Northumberland County Council Housing Services; and Your Homes Newcastle.
- 14.10 Northumberland County Council acts as Lead Accountable Body for North of Tyne Working Homes on behalf of the North of Tyne Combined Authority.

15. Return to Work Carers

- 15.1 The NTCA is working in partnership with Carers Northumberland, Newcastle Carers and North Tyneside Carers' Centre to deliver the Return to Work Carers Project which is a pilot project supporting carers to return to employment, education or training. Launched in April 2020 with a £666k investment commitment from NTCA Cabinet, the project will run until the end of March 2023 and aims to support 300 carers.
- 15.2 The Return to Work Carers Project is open to unpaid carers in North of Tyne, who are aged 16 or over. The project offers carer-specific advice, alongside employability support, and provides carers with the opportunity to access the range of services on offer from the carers centre.
- 15.3 A Carers into Work Advisor at each organisation, provides specialist support to carers to remove any barriers they may experience returning to employment, education or training. This includes an online training package which has been developed and tailored specifically to help carers to return to work. The advisor will work with carers to achieve their potential through one-to-one coaching, identifying and addressing any barriers, supporting with employability skills and supporting with understanding employment rights.
- 15.4 As of January 2022, 147 participants have registered onto the project.
 - As has been the trend since project commencement, the majority of participants continue to be female (75%), compared to a 25% male participant population and 0.67% transgender engagement.
 - 28% of participants are 35-49 years old, comprising the largest age range on project. Whereas only 11% of participants are 24-34 years old; the smallest percentage age range of carers supported.
 - 76% of participants identify as White-British, with the project overall continuing to prove more ethnically diverse than the general North of Tyne population.
 - 29% of participants are unemployed and looking for work and 27% of participants identify as economically inactive.
 - The majority of participants leaving the project continue to be securing employment (17) or progressing into further education or training (8).

- Of those who were in employment upon exit from the project, 58% are still in employment after six months.
- The capturing of participant data following a six month exit from the programme continues to be a project challenge and thus, as a result, there is a large proportion of unknown outcomes on a six-month status review.

15.5 Case study

Situation before involvement with Carers Centre

PT is a 39-year-old male who is the main carer for his 15-year-old son diagnosed with ADHD and ASD Autism. PT was referred to the Return-to-Work Carers Project by Carers Prevention Worker at North Tyneside Carers Centre, after identifying that PT has always had the responsibility to look after his son while his wife works full time. Life is challenging for PT as he negotiates his day-to-day activity around the needs and moods of his son, therefore, in his own words, he does not think about his own needs. Due to his caring role, PT finds balancing caring and finding suitable work alongside it difficult. PT completed a level 2 plumbing course at college with the long-term view of working for himself, which will give him the freedom to continue caring for his son without employer pressure. PT registered onto the project for support in identifying a suitable placement to complete a level 3 qualification in plumbing which would enable him to work as a trading plumber.

Interventions provided by the Carers into Work Adviser

PT was supported one to one over several appointments, mainly via telephone conversation and text messaging due to COVID-19 restrictions in the office. Initially, the Carers into Work Adviser chatted openly with PT about his caring role and the impact caring has on his life and what he would like to do. It was apparent that PT cared very much for his son, so much so that doing anything different or changing any routines would affect his son a great deal and make things even more challenging than they already were. He was given support and guidance about how to approach change slowly, taking little steps and involving his son in conversations. PT was pleasantly surprised that his son was ready to accept some changes, which meant that PT could start to explore options for moving forward. PT's main aim is to become qualified to level 3 in plumbing to enable him to pursue this as a career or indeed self-employment.

The first task the Carers into Work Advisor did for PT was updating his CV with his current and relevant qualifications in plumbing and his relevant experience in a plumbing role. His CV, as it was, did not reflect this and made him realise that by using it as it was, would probably contribute to not being successful in applying for placements related to plumbing. PT also expressed a wish to access CSCS training to obtain a CSCS Labouring Card to enable him to apply for building site labouring roles in the run up to becoming a qualified plumber. Carers into Work Adviser researched several training opportunities for PT to consider and identified a viable course for PT to apply to which would give him not only qualifications in plumbing but also gas engineering. The bonus of this course being was that it was fully funded. The Carers into Work Adviser liaised with the training provider Lomax and was able to secure a place for PT to start in August. It will take 10 months for him to complete and become qualified. The Carers into Work Adviser has also secured a place for PT on a 5-day CSCS course with People Plus, which can be completed whilst PT is on the course with Lomax. PT needed to acquire PPE clothing to do the courses. The Carers into Work Adviser applied and secured funding from the project Participant Fund to make this happen.

What difference have we made

Currently, PT is attending his course with Lomax – 2 days per week, which will continue for the next 10 months until he is qualified. He will also complete the 5-day CSCS site safety course in September. His son is currently coping well with the changes and PT hopes this will continue when school re-commences in September. PT has expressed his gratitude for the support he has received so far and comes across more confident and focused.

Appendix 1

Framework Agreement between the North of Tyne Combined Authority and the Department for Work and Pensions

This Framework Agreement addresses the commitment set out in the North of Tyne Devolution Agreement published on 8th November 2018, to jointly develop and adopt an Employment Support Framework Agreement to drive the better coordination of employment, skills and health services across the North of Tyne area in order to increase the number of residents moving into work.

The framework will make a significant contribution to the North of Tyne Combined Authority aim to create a growing, more inclusive economy, by delivering our shared strategic ambitions to:

- Achieve a better balance between skills supply and local labour market demand in the North of Tyne area to enable its residents to realise their potential in full;
- Increase employment rates of groups who are proportionally under-represented in the labour market, such as: women (including those returning to work after looking after children), people who are disabled or have a health condition, people aged over 50, those from ethnic minority groups, carers, and people with multiple complex issues;
- Support people to remain in employment if they are at risk of losing it due to age, health conditions, automation, or other barriers to retention;
- Support people to find new employment opportunities or retain employment where they have been displaced due to CV19, including re-skilling, boosting confidence and local networks;
- Develop closer regional working via the Jobcentre Plus network using tools such as co-location, outreach and youth hubs to help drive local growth and sustained recovery;
- Support in-work progression for those in low paid employment, to enable more people to achieve financial security and stability through sustainable employment.

The North of Tyne Inclusive Economy Board, of which the Department for Work and Pensions will continue to be an active member, will provide oversight of the Framework and be the key governance through which it is delivered. The Inclusive Economy Board will agree and oversee an Action Plan setting out how the shared ambitions are to be delivered in the North of Tyne area.

The Department for Work and Pensions and the North of Tyne Combined Authority will aim to deliver these ambitions by working together in partnership with the North East Local Enterprise Partnership and local employment and skills stakeholders and in the context of the Skills Advisory Panel.

This Framework Agreement was approved by the North of Tyne Combined Authority Cabinet on: 22 October 2019

This Framework Agreement was approved by the Department for Work and Pensions Minister for Employment on: 10 October 2020

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Subject: Adult Education Budget Progress report
Report of: Leigh Mills, Head of Inclusive Growth

Report Summary

The purpose of this report is to provide the Overview and Scrutiny Committee with a progress update on the devolved Adult Education Budget (AEB) which has been devolved to the North of Tyne Combined Authority (NTCA) from the 1st August 2020. The report details the adult education opportunities that were created for NTCA residents during the first Academic Year (AY) 2020-21 and outlines plans and priorities for AY 2021-22.

Over 25,400 enrolment opportunities were undertaken during AY 2020-21. NTCA AEB providers have delivered a range of provisions targeting employed and unemployed residents. These include statutory entitlements in maths, English, English for Speakers of Other Languages (ESOL) and digital skills plus full Level 2 and Level 3 vocational programmes required to access the labour market and progress in work.

The devolved AEB makes an important contribution to NTCA's inclusive economic ambitions as set out in the NTCA Corporate Plan and the NTCA Strategic Skills Plan and will play a major role in supporting the area's inclusive recovery from the COVID-19 pandemic.

Devolution of the AEB has allowed us to develop close working relationships with NTCA's AEB provider base, and establish strategic, place-based networks to allow providers to be more involved in strategic discussions about the supply and demand for skills at a local level. The ability to adapt swiftly to changing market needs has been a critical feature during the pandemic.

NTCA's devolved AEB investment is reaching residents most disadvantaged in terms of poverty and skills with 69% of enrolment opportunities undertaken by residents living in NTCA's top 20% deprived areas, and 67% of enrolment opportunities undertaken by residents who were unemployed.

AEB case studies provided in Appendix 1 of this report detail some of the amazing outcomes and employment that has been gained by residents accessing the devolved AEB in AY 2020-21.

Devolution of the AEB has provided an opportunity to make commissioning decisions on an area focused and forward-looking basis. NTCA's ambition is to improve the impact of AEB in the NTCA region and during AY 2021-22 we are continuing our approach to strategic relationship building and partnership working to develop localised, flexible, high quality provision that responds to the needs of our residents and employers and contributes to creating a more dynamic and inclusive economy.

Recommendations

The Overview and Scrutiny Committee is recommended to endorse the approach the NTCA are taking in commissioning the devolved AEB, the outcomes achieved to date, and the future plans for the budget.

1. Background information, proposals and timetable for implementation

1.1 Background

- 1.1.1 In August 2020 the NTCA took control of the devolved AEB. Additional allocations for High Value Courses and Sector-based work academy programmes devolved from the Department for Education (DfE) in September 2020 and then their delegation of the Lifetime Skills Guarantee – Level 3 Adult Offer in April 2021 brought the total funding for AY 2020-21 to £24,513,925.
- 1.1.2 NTCA are clear that the devolved AEB is a cornerstone of investment in the skills system and has a significant role in supporting our region’s economic recovery from the COVID-19 pandemic. We are working closely with providers to ensure that a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local labour market needs, helping residents to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.
- 1.1.3 Devolution of AEB has provided an opportunity to make commissioning decisions on an area focused and forward-looking basis. Our ambition is to improve the impact of AEB in the NTCA region and we will continue our approach to strategic relationship building and partnership working to develop localised, flexible, high quality provision that responds to the needs of our residents and employers.
- 1.1.4 During the first AY our main aims were to:
- Build effective relationships with NTCA’s AEB provider base to understand barriers to learning and employment that our residents face and support the development of programmes which meet individual and employer needs across the NTCA area. Recognising the important proactive role that can be played by skills providers, not as passive recipients of skills funding but as key strategic planning and delivery partners;
 - Maintain stability in adult education provision and enable flexibilities where possible to maintain delivery throughout the COVID-19 crisis and into recovery;
 - Build strong strategic links with wider stakeholders and employers in order to understand and align AEB provision to the emerging needs and changes in the local labour market;
 - Create a place-based approach to the delivery of adult skills, recognising that a ‘one size fits all’ approach will not achieve our ambitions for AEB;
 - Deliver a more responsive, accessible adult skills offer for residents, ensuring that devolved AEB is relevant and accessible to employers and residents in rural parts of Northumberland and North Tyneside as well as urban centres in Newcastle;
 - Continue to fund statutory requirements which provide residents with the basic skills in maths, English, English for Speakers of Other Languages (ESOL) and digital that are core to employability and personal development;
 - Respond flexibly and rapidly to address emerging needs and changes to the labour market.
- 1.1.5 During the first year of devolved funding, NTCA immediately started to make effective use of the flexibilities afforded by devolution of AEB in relation to its funding rules, rates, and eligibility criteria to ensure the funding could be targeted where needed most. We successfully secured provision based in the heart of our communities for innovative programmes that would not have been funded previously through non-devolved AEB.
- 1.1.6 AEB case studies provided in Appendix 1 of this report detail some of the amazing outcomes and employment that has been gained by residents accessing the devolved AEB in AY 2020-21.
- ### **1.2 AY 2020-21 Achievements**
- 1.2.1 With NTCA Cabinet approval, 100% of the devolved AEB funding, including the additional funds for High Value Courses (HVC), Sector based work academy programmes (SWAP) and the Level 3 Entitlement, was allocated to providers during AY 2020-21.

- 1.2.2 70% was allocated through Grant Funding Agreements. These allocations included funding for HVC, SWAP and the Level 3 Adult Offer. 27% was allocated through procurement exercises open to all adult education training providers. 3% was retained for NTCA administration costs.
- 1.2.3 Devolution of the AEB has allowed us to move from a system of numerous providers working in competition, to fewer providers more actively engaged in local collaboration, and with common agreement to address local need, as set out in the published NTCA Strategic Skills Plan.
- 1.2.4 The establishment of effective working relationships with the NTCA skills providers has proved invaluable in monitoring the impact of COVID-19 on AEB provision. In partnership with our provider base, we have worked hard to shape the delivery of adult education towards what our communities and businesses need during the pandemic and into recovery.
- 1.2.5 Providers have implemented innovative plans to ensure delivery continued amid lockdowns, isolation, and social distancing rules. This has included transferring provision online, supporting vulnerable learners through one-to-one video calls and where classrooms have been able to open, delivering to groups of learners with effective safety measures in place.

1.3 Devolved AEB Funding Flexibilities

- 1.3.1 The devolution of the AEB has provided NTCA with the opportunity to implement additional flexibilities on the funding for the benefit of our residents and employers. NTCA implemented a number of new funding flexibilities during AY 2020-21 in response to consultation with the AEB provider base and in response to the impact of the crisis.
- 1.3.2 The flexibilities included a fully funded non-accredited learning aim that can be utilised by all providers to engage residents in devolved AEB enrolment opportunities. The purpose of the learning aim is to offer informal activities to improve learner confidence, mental health, and wellbeing. Providers are funded to engage residents with this learning aim prior to progressing them to further learning.
- 1.3.3 Another flexibility introduced removed the requirement for employed residents to contribute 50% towards the cost of their learning and enabled fully funded accredited learning at Level 2 and Level 3 and non-accredited work-related training to support employers in areas such as business resilience and COVID-19 safe working practices.
- 1.3.4 In April 2021 a second fully funded non-accredited learning aim was introduced with the aim of enabling targeted support for mental health and provision that responds to the ongoing impacts and inequalities caused by COVID-19.
- 1.3.5 NTCA also extended the use of learning support across all NTCA AEB providers. Learning support funding is designed to remove barriers to learning and can include one to one support and/or provide resources to support learning. Prior to devolution of AEB only providers with grant funding agreements had an allocation for learning support which was based on 'historical' allocations through the Education and Skills Funding Agency (ESFA). The COVID-19 crisis has highlighted inequalities across our region with our most disadvantaged residents being impacted more severely in terms of health, digital inclusion, access to jobs, services or education and training. The extended use of learning support allocations is designed to specifically address this disadvantage and remove barriers to learning.

1.4 AY 2020-21 Enrolments

- 1.4.1 25,499 enrolment opportunities were undertaken during AY 2020-21. NTCA providers delivered a range of provision targeting employed and unemployed residents including statutory entitlements in maths, English and digital skills and full Level 2 and Level 3 vocational programmes required to access the labour market or progress in work.
- 1.4.2 4865 (19%) of these opportunities were delivered as Community Learning. NTCA recognise the value and positive impact that informal community learning can have on our resident's health and

wellbeing. Recovery from the COVID-19 crisis will require outreach into disadvantaged communities, wrap around support to re-engage our residents, building confidence and breaking down barriers to learning and work.

- 1.4.3 Table 1 below illustrates the overall number of enrolments by Local Authority area and funding model.

| Table 1. Enrolments by Local Authority area | AY 2020-21 | | |
|--|-------------------|--------------------|---------------|
| | AEB Adult Skills | Community Learning | Total |
| Newcastle | 11,472 | 2,808 | 14,280 |
| North Tyneside | 4,332 | 1,144 | 5,476 |
| Northumberland | 4,830 | 913 | 5,743 |
| Total | 20,634 | 4,865 | 25,499 |

- 1.4.4 Delivery data is analysed at Ward level to ensure that enrolment opportunities are being undertaken by residents in our most deprived areas. The review of AY 2020-21 data has revealed that 69% of enrolment opportunities were undertaken by residents living in NTCA's top 20% deprived areas.
- 1.4.5 Targeting areas where deprivation is high is a key priority in the NTCA Strategic Skills Plan to ensure that the AEB investment is reaching residents most disadvantaged in terms of poverty and skills.
- 1.4.6 All NTCA AEB providers are required to submit delivery plans which outline how they will make their provision accessible for residents in communities outside of urban centres. This includes on-line and distance learning, support with transport and good use of Community venues across Northumberland and North Tyneside in places such as Alnwick, Amble, Berwick, Rothbury, Pegswood, Morpeth, Wooler, Hexham, Haltwhistle and Whitley Bay. The data gathered suggested a significant proportion of residents living outside of urban centres are engaging with provision.
- 1.4.7 NTCA's constituent Local Authority providers utilise outreach venues and community venues and have made use of the flexibilities afforded by devolution of AEB in relation to its funding rules, rates, and eligibility criteria to ensure the funding can be targeted where it is needed most.
- 1.4.8 All providers are required to set out their enrolment targets on a monthly profile so that 'actual delivery' can be monitored against their profiled targets. Analysis of delivery data and consultation with providers confirms delivery has been impeded by COVID-19 social distancing, isolation and lockdown measures. Delivery on employer premises and practical 'face to face' provision that could not be delivered on-line was particularly affected. This included rail track engineering, construction programmes, supporting teaching and learning in schools, delivery to care workers in care homes and a Heavy Goods Vehicle (HGV) driving programme where practical driving tests were cancelled. Due to the impacts of COVID-19 providers delivered 80% of their profiled Adult Skills and Community Learning targets in AY 2020-21

1.5 Range of Provision

- 1.5.1 Providers deliver a range of provision targeting employed and unemployed residents including basic maths, English and digital skills and full Level 2 and Level 3 vocational programmes required for work. There are effective links to Job Centre Plus (JCP) work coaches across the region who help promote the AEB offer and refer unemployed residents onto courses.
- 1.5.2 NTCA providers have responded to the priorities set out in the NTCA Strategic Skills Plan and have established a wide range of provision to support unemployed residents to meet individual and employer needs across the NTCA region. This provision includes programmes to meet demand for warehousing and distribution and creating adult skills opportunities for the care sector. These

sectors have seen a surge in demand for workers and support staff as result of the COVID-19 crisis as well as the impact of Brexit.

1.5.3 Sector based work academy programmes (SWAP) have been co-designed with employers who have job vacancies in areas such as contact centres, construction, installation of fibre networks and rail engineering. There are also many opportunities for residents to gain digital skills required for work from basic level skills to Level 2 and Level 3 higher level skills.

1.5.4 Table 2 below illustrates the range of provision by subject sector area.

| Table 2. Subject Sector Area | AY 2020-21 % of enrolment opportunities |
|---|--|
| 01 - Health, Public Services and Care | 20% |
| 02 - Science and Mathematics | 1% |
| 03 - Agriculture, Horticulture & Animal Care | 0% |
| 04 - Engineering and Manufacturing Technologies | 5% |
| 05 - Construction, Planning and the Built Environment | 2% |
| 06 - Information and Communication Technology | 9% |
| 07 - Retail and Commercial Enterprise | 6% |
| 08 - Leisure, Travel and Tourism | 1% |
| 09 - Arts, Media and Publishing | 5% |
| 10 - History, Philosophy and Theology | 0% |
| 11 - Social Sciences | 0% |
| 12 - Languages, Literature and Culture | 5% |
| 13 - Education & Training | 1% |
| 14 - Preparation for Life and Work | 42% |
| 15 - Business, Administration and Law | 4% |

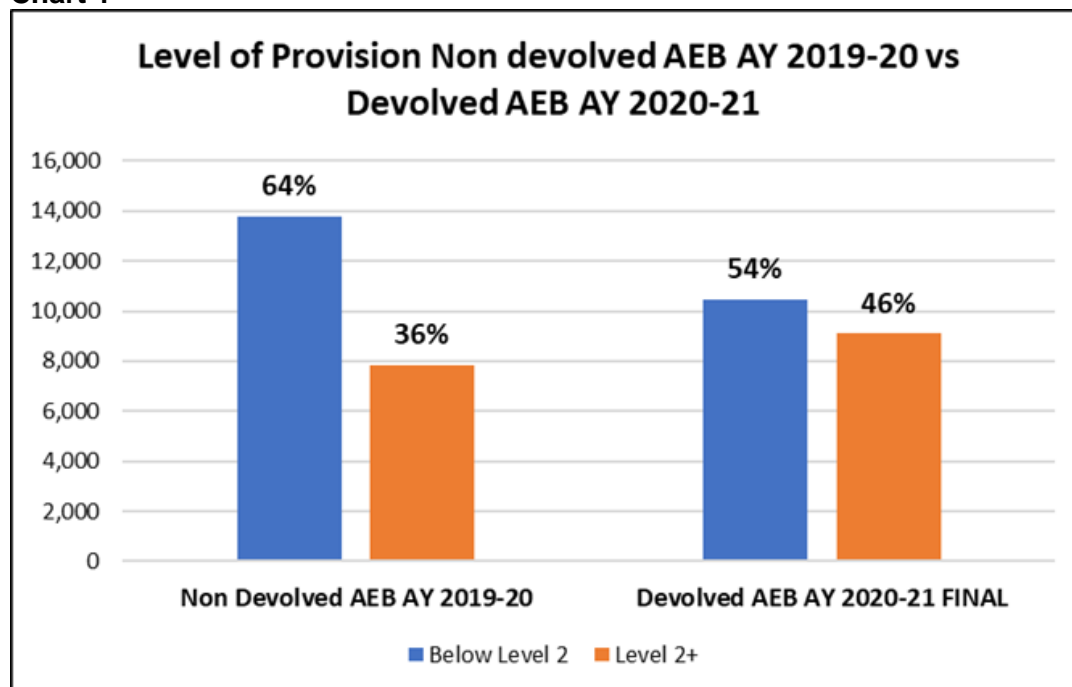
1.5.5 Subject sector area (SSA) 14 – Preparation for Life and Work accounts for 42% of all enrolment opportunities. This provision includes all English for Speakers of other Languages (ESOL), Functional Skills Qualifications in English, maths and Digital skills as well as sector routeways back to employment in vocational areas such as health and social care, hospitality, warehousing and construction.

1.5.6 Enrolment opportunities in Health, Public Services and Care have increased by 5% compared to AY 2019-20, before funding was devolved. This demonstrates the area’s response to an increased demand for skills in this sector during the pandemic.

1.5.7 Similar increases have occurred in Retail and Commercial Enterprise which incorporates provision such as warehousing and distribution. Enrolment opportunities in Information and Communication Technology have increased by 6% on AY 2019-20 to meet demand for basic digital skills so residents were able to access on-line activities during the crisis.

1.5.8 Prior to devolution, AEB delivered a significant proportion of enrolments across all sector areas that were below Level 2. Devolution has enabled us to work with providers to address the balance of low-level non-technical provision to ensure that there are more progression opportunities to the valued provision at Level 2 and above. Chart 1 below illustrates a comparison of the level of provision for non-devolved provision in AY 2019-20 and level of provision for devolved AEB in AY 2020-21.

Chart 1



1.6 Statutory Entitlements

- 1.6.1 The AEB provides free statutory entitlements which include digital, maths, English and English for Speakers of other Languages (ESOL). Grant funded providers which include Further Education (FE) Colleges and Local Authority providers deliver a significant proportion of this entitlement for the NTCA.
- 1.6.2 Analysis of AY 2020-21 delivery data reveals that 1832 enrolment opportunities were undertaken in maths and English provision with 464 (25%) undertaken as GCSE's in these subjects which is often an essential entry qualification to further education, apprenticeships and employment.
- 1.6.3 Over 4900 enrolment opportunities were in ESOL. Providers report that learners whose first language is not English have been severely impacted by the COVID-19 crisis and are increasingly marginalised by lack of digital skills to access information and support. Digital skills sitting alongside language skills have been prioritised for these learners with many now able to access some learning on-line.
- 1.6.4 First Full Level 2 and Level 3 qualifications for young people aged between 19 and 24 are also part of the statutory entitlement. The qualifications in this entitlement are highly valued by employers and provide specialist skills in the NTCA growth and recovery sectors as detailed in the NTCA Strategic Skills Plan and NTCA Corporate Plan. Colleges engaged over 540 young people in this provision during AY 2020-21.
- 1.6.5 In April 2021, the DfE delegated £409,894 to NTCA to deliver the Lifetime Skills Guarantee – Level 3 Adult Offer from 1st April to 31st July 2021. NTCA rapidly deployed the allocation to providers. In spite of the short timescales that were involved, NTCA providers successfully delivered over 40% of the allocation. The remainder of this delegated funding will be reconciled by DfE in March 2022. 147 qualifications are being undertaken by NTCA residents as part of the April 2021 to July 2021 Level 3 Adult Offer. The Level 3 Offer enables adults without an A-Level or equivalent qualification to undertake a free, Level 3 fully-funded college course, providing them with the skills valued by employers. Qualifications delivered to date include: L3 Diploma in Gas Engineering, L3 Diplomas in Adult Social Care and Residential Childcare, L3 Diplomas in Counselling and Understanding Mental Health, L3 Diploma in Work Supervision (Construction Sector).

1.6.6 Table 3 below illustrates statutory entitlement enrolment opportunities.

| Table 3. Statutory Entitlements | Number of enrolments AY 2020-21 |
|---|------------------------------------|
| English | 805 |
| Maths | 1027 |
| ESOL | 4931 |
| Digital Entitlement | 712 |
| Full Level 2 Entitlement | 353 |
| Full Level 3 Entitlement | 194 |
| Level 3 Adult Offer | 147 |
| Total | 8155 |

1.7 Profile of residents engaged in AEB

- 1.7.1 Key priorities set out in the NTCA Strategic Skills Plan include supporting residents of all ages, including those in work, to develop their skills to progress into better jobs and increase their earnings. We also aim to extend the reach of learning opportunities to a broader range of underrepresented groups.
- 1.7.2 Analysis of the profile of residents engaged in enrolment opportunities during AY 2020-21 suggested that the investment is responding to these priorities:
- 69% of residents accessing devolved AEB reside in the top 20% deprived wards in our region (45% of in the top 10% deprived wards);
 - 16,457 (67%) of AEB opportunities were undertaken by unemployed residents;
 - 3710 (27%) of AEB opportunities were undertaken by young people (19-24);
 - 60% of AEB enrolment opportunities were undertaken by women;
 - Over 10,000 (40%) of enrolment opportunities were undertaken by residents from our BAME community;
 - 4269 residents (17%) participating in provision self-declared a learning difficulty/disability.
- 1.7.3 AEB provision is supporting women who are out of work and/or returning to work with a range of provision both informal to build confidence and maximise transferable skills and formal learning opportunities leading to qualifications and skills most valued by NTCA employers. In AY 2020-21 62% of female enrolments were unemployed.
- 1.7.4 The devolved AEB has enabled NTCA to offer a low wage flexibility for residents who earn less than the 'real' living wage. This provides full funding for employed residents who are on a low wage and may not have engaged in learning due to course fees being unaffordable. Over 2500 enrolment opportunities were eligible for the low wage flexibility with 68% of these enrolments undertaken by women.
- 1.7.5 The pandemic has impacted all communities across our region, not least those from a Black, Asian, and Minority Ethnic (BAME) background who have been unduly affected by the virus in terms of transmission and health. The devolved AEB provided over 10,000 enrolment opportunities which were undertaken by our BAME community.
- 1.7.6 Research suggests that people with disabilities have also been among the hardest hit during the COVID-19 crisis and this looks set to worsen. With some support systems unavailable, people with disabilities have faced multiple barriers in finding employment, education, or training. Over 4200 (17%) of AEB enrolment opportunities are accessed by residents who have self-declared a learning difficult/disability. Work will be undertaken during AY 2021-22 to understand further the barriers to learning and employment that our residents with disabilities face to ensure that AEB provision for these residents is truly accessible and inclusive for all.

1.7.7 It is well documented that the COVID-19 crisis disproportionately affected our young people and supporting this age range to gain the skills needed to progress into good employment is a priority for the AEB. In AY 2020-21 over 3700 (27%) of enrolment opportunities were undertaken by young people aged 19-24 with many of these receiving vital employability support as well as full level 2 and level 3 qualifications.

1.8 Academic Year 2021-22

1.8.1 The devolved AEB is enabling NTCA to strengthen the strategic focus of education, work, and skills provision for adults. We have put in place the fundamentals of skills devolution and intend to build on our approach of creating close collaborations, bringing together employers, colleges, training providers, local commissioners and the VSCE sector to construct a skills system that is joined up whether funding is devolved or not.

1.8.2 DfE have confirmed NTCA's devolved AEB for AY 2021-22 as £23,551,493 plus an additional £1,641,588 for the delegated Lifetime Skills Guarantee – Level 3 Offer. Bringing the total to £25,193,081. NTCA's AEB providers and funding allocations for AY 2021-22 is included in Appendix 2 of this report.

1.8.3 The table below provides a summary of AY 2021-22 finances

| | |
|--|--------------------|
| AEB devolved from DfE to NTCA for AY 2021-22 | £23,551,493 |
| L3 Entitlement delegated from DfE to NTCA for AY 2021-22 | £1,641,588 |
| Total Allocation 2021-22 | £25,193,081 |
| 3% Administration costs | £706,545 |
| AEB allocations to Grant providers AY 2021/22 | £15,610,134 |
| AEB allocations to Contract for Services in Lot 1 Unemployed | £2,235,363 |
| AEB allocations to Contract for Services in Lot 2 Employed | £3,162,193 |
| AEB allocations to Contract for Services in Lot 3 Innovation | £1,252,954 |
| L3 Entitlement Allocations | £1,452,424 |
| Total devolved AEB allocations AY 2021-22 | £24,419,613 |
| AEB devolved from DfE remaining to allocate AY 2021-22 | £773,468 |
| Amount reconciled in AY 2020-21 | £899,255 |
| Total remaining to allocate in AY2021-22 | £1,672,724 |

1.8.4 Over 13,900 enrolment opportunities have been created since the start of AY 2021-22. Providers are delivering a range of provision targeting employed and unemployed residents including statutory entitlements in maths, English and digital skills and full Level 2 and Level 3 vocational programmes required to access the labour market or progress in work.

1.8.5 Providers have continued to implement innovative plans to ensure delivery of the devolved AEB continues despite the ongoing impact of the pandemic. This has included transferring provision on-line, making effective use of NTCA funding flexibilities to support vulnerable learners and providing classroom-based learning with safety measures in place.

1.8.6 However, providers have raised concerns regarding the mental health and wellbeing of adult learners as well as a lack of confidence to engage in training as the crisis continues. Further concerns are being raised related to the rising number of COVID-19 cases and potential impact on learner engagement as we enter 2022. An overview of AEB delivery Quarter 1 to November 2021 is detailed in Appendix 3 of this report.

1.8.7 In response to this intelligence, NTCA have implemented additional flexibilities for AY 2021-22

| | |
|---|--|
| 1 | Re-introduce fully funded accredited learning at Level 2 and Level 3 for employed residents in key sectors who currently have to contribute 50% towards the costs of learning. |
| 2 | Fully fund English and maths qualifications for unemployed residents who are assessed as functioning at Level 1 or below regardless of prior attainment in these subjects. |
| 3 | Extend the digital entitlement offer through devolved AEB and fully fund a non-accredited digital learning aim that providers can utilise to deliver 'essential digital skills' for residents. |

- 1.8.8 In the coming weeks we will also be launching 2 mini competitions to allocated further AEB funding to providers
- i. Mini competition for providers in Lot 1 on the current AEB framework to utilise unallocated AEB funding to support provision that is closely aligned to the Sector-based Work Academy Programme (SWAP) model of delivery. Provision tendered will be in the following identified sectors: Construction, Manufacturing, Retail & Commercial and Transport & Logistics.
 - ii. Mini competition for providers in Lot 1 of the current AEB framework to utilise unallocated AEB funding to support the needs of residents with Learning Difficulties and/or Disabilities (LLDD)

The flexibilities implemented and the mini competitions planned are intended to offset some of the ongoing challenges the COVID-19 pandemic is creating in the skills system. They have been developed to maximise the potential for residents to take advantage of upskilling opportunities during these challenging times.

- 1.8.9 Ongoing key priorities for AY 2021-22 include continuing to:
- work closely with the NTCA provider base to develop improved analysis of learner journeys, with a focus on positive outcomes and progression;
 - develop a better understanding of residents' barriers to accessing adult education and skills provision and working collaboratively with employers, skills providers, and other stakeholders to respond directly to local challenges and remove these barriers to learning;
 - work collaboratively to better respond to employer skills/talent needs, specifically in the NTCA growth and foundation economy sectors;
 - develop and implement a range of locally focused initiatives, aligned with local and national policy developments with supporting evidence and intelligence;
 - keep the funding in the skills system to facilitate provider stability and enable rapid recovery from the pandemic;
 - support delivery of the NTCA Corporate Plan and the NTCA Strategic Skills Plan.

2 Equalities Statement

- 2.1 As required by Section 149 of the Equality Act 2010, the NTCA has considered its obligations regarding the Public Sector Equality Duty and there will be no anticipated negative impact on groups with protected characteristics from these proposals.
- 2.2 Each organisation the NTCA contract with are required by law to meet all relevant requirements in the workplace in respect of equalities. Through the Due Diligence process, we have sought assurance from each provider that they have appropriate policies in place which protect and champion equality within their service.
- 2.3 In addition, we encourage all companies we work with to be mindful of our commitment to equalities and direct them to guidance provided by the Equalities and Human Rights Commission.
<https://www.equalityhumanrights.com/en/advice-and-guidance/guidance-businesses>

3 Inclusive Economy Statement

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

- 3.2 The AEB is being used to better equip residents with low or no qualifications in the North of Tyne with the skills required to participate in our key recovery and growth sectors. The alignment of provision towards the North of Tyne growth sectors will better meet the needs of our businesses and in turn provide residents with clearer opportunities to contribute to and benefit from economic growth now and in the future.
- 3.3 The NTCA will continue to monitor the impact of the AEB on the inclusive economy aspirations as part of all performance management processes.
- 3.4 In due course, all providers will be invited to commit to the NTCA Good Work Pledge to advance their contributions as employers to the NTCA's inclusive economy aspirations.

4 Climate Change Statement

- 4.1 The NTCA has considered the implications relating to climate change in decisions regarding allocation of the AEB and believe there will be no negative impact as a result.
- 4.2 All providers are required to provide assurance that they have an environmental and sustainability policy.
- 4.3 In all procurement exercises, applicants were appraised on their commitments to climate change as part of Social Value. Where specific commitments have been made in relation to climate change, the NTCA will monitor compliance through performance management processes.
- 4.4 With the impact of COVID-19, early indication shows the provider base in the NTCA area have significantly increased the use of online learning as a means of delivery. Although no measurements are in place, the NTCA understand this will likely reduce carbon emissions associated with staff and learner travel.

5 Consultation and Engagement

- 5.1 Further to the public Market Engagement and Procurement events held in preparation for taking control of the devolved AEB, NTCA have established effective working relationships with NTCA Grant and Contracted providers to monitor and respond to the impact of the COVID-19 crisis on the first year of devolved AEB. Insight and intelligence gathered has been used to inform funding flexibilities and additional provision made available through the AEB provider base to support recovery.
- 5.2 NTCA officers maintain regular contact with relevant stakeholders including the North East Local Enterprise Partnership (NELEP), Skills Providers, the Department for Work and Pensions (DWP), the DfE and Employers. This supports co-ordination of vacancy opportunities and skills development.
- 5.3 NTCA AEB officers attend regular meetings with DfE, the ESFA and other Mayoral Combined Authorities (MCAs) to share information and best practice.
- 5.4 NTCA will continue to work collaboratively with national strategic partners and local stakeholders to align the devolved AEB with other funding streams and activity to ensure it complements, rather than duplicates the wider learning experiences and opportunities aimed at supporting our residents to progress in learning and to move towards or into productive and sustained employment.

6 Appendices

Appendix 1. AEB Case Studies

Appendix 2. NTCA AEB providers and funding allocations for AY 2021-22

Appendix 3. Overview of AEB delivery Quarter 1 to November 2021

7 Background Papers

NTCA Corporate Plan

NTCA Strategic Skills Plan 'Opportunity for All'

NTCA AEB Cabinet papers 24 April 2019, 4 June 2019, 30 July 2019, 22 October 2019, 25 February 2020, 28 July 2020 and 29 September 2020, 23 March 2021, 30 November 2021.

8 Contact Officers

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9 Glossary

| | |
|-------|---|
| AEB | Adult Education Budget |
| AY | Academic Year |
| BAME | Black, Asian and Minority Ethnic |
| LLDD | Learners with learning difficulties or disabilities |
| DfE | Department for Education |
| DWP | Department for Work and Pensions |
| ESFA | Education and Skills Funding Agency |
| ESOL | English for Speakers of other Languages |
| HVC | High Value Courses |
| JCP | Job Centre Plus |
| MCA | Mayoral Combined Authority |
| NELEP | North East Local Enterprise Partnership |
| NTCA | North of Tyne Combined Authority |
| SSA | Subject Sector Area |
| SWAP | Sector based work academy programme |

Appendix 1. AEB Case Studies

Action Foundation

Action Foundation, a North of Tyne based charity, funded through NTCA's procured AEB Innovation Lot, work in partnership with mainstream and community-based English for Speakers of Other Languages (ESOL) providers, to deliver an **ESOL Co-ordination, Enrolment, and Advice Service (CEAS)**. This service has been developed to tackle and resolve perceived obstacles to accessing ESOL tuition and have a clear focus on 'hard to reach' vulnerable groups and individuals who struggle to navigate and engage in the current learning offers available.

Case Study

Azza is a Sudanese woman with refugee status who moved to Newcastle after fleeing violence and conflict in Darfur; she has two children under five. Azza attends Newcastle college to study ESOL, however she had been unable to study due to a lack of device to access to access the online learning materials. Furthermore, the lack of internet access also hindered her ability to seek volunteer opportunities.

Action Foundation were able to provide Azza with training and a tablet and data which meant that she was able to continue her English studies and develop her English language skills even when while classes were suspended during lockdown. Azza progressed with her research into volunteering opportunities and now feels confident to begin when her youngest child starts attending nursery. An added benefit has been that Azza has been able to video call with her family which has reduced her isolation and she also been able to access educational apps and videos to entertain her children.

Back 2 Work Complete Training

Back 2 Work Complete Training secured an NTCA AEB Contract for Service to deliver vocational skills for employment. The *Vocational Skills* are divided over four routeways:

- Care: Level 1 Award in Skills for Health and Social Care, providing the core understanding and skills for anyone wishing to work in the care sector.
- Construction: Level 1 Award in Health and Safety in a Construction Environment, with Level 1 units Understanding the Construction Industry and Construction Practice. This qualifies learners to receive a CSCS card (funded by B2W) and ensures a base-level understanding of the industry required to gain entry-level employment.
- Supply Chain: Learning plans will include up to 2 units that reflect requirements of the available vacancies. Available units include: Pick Goods in Logistics Operations; Process Orders for Customers in Logistics Operations; Moving and/or Handling Goods in Logistics Operations; Principles of Food Safety in Logistics; Receive Goods in Logistics Operations; Operate Equipment to Perform Work Requirements in Logistics Operations.
- Retail: Level 1 Award in Retail Knowledge. The qualification covers occupations and customer service in the retail sector, sales, stock control, and health and safety. This short course provides foundation-level knowledge for anyone looking to secure employment in retail.

Quote from learner:

"Back 2 Work Complete Training absolutely pulled me out of a horrible place and opened so many doors for me. Massively appreciated!"

Did you find employment upon course completion? & how are you finding employment

"Yes, H-Vac installation all over the UK"

First Limited

First Limited secured an AEB contract in NTCA's Innovation Lot and offer a selection of niche support and engagement programmes to equip learners with the knowledge, entrepreneurial skills and tool kits they need for self-employment or become employed by businesses.

Case Study

- As a result of attending the Understanding Enterprise course with FIRST, Alex has moved off sickness benefit and is now running her own business [ALT Beauty](#). She has gone from strength to strength and the course gave her the confidence to get back into work after a long period of mental health challenges and she is now thriving as a self-employed entrepreneur. She has undertaken further sector specific training and is now able to offer a full range of beauty treatments.
- Mark Wong is the founder of [Impossbrew](#), a healthy, relaxing alternative to alcohol free beer. After completing the Level1 award in Understanding Enterprise with FIRST, Mark was able to commercially launch his product and is now an up-and-coming entrepreneur of the future.

Newcastle College

Newcastle College have a Grant Funding Agreement with NTCA to deliver devolved AEB. They deliver a range of vocational qualifications including: Diplomas in Health & Social Care, Diplomas in Engineering, Vehicle Repair, Electrical Installations. The College also deliver statutory entitlements in Maths/English/ESOL, Level 2 and Level 3 entitlements for young people and the Level 3 Adult Offer.

Case Study

David joined the NHS Academy at Newcastle College in November last academic year 20-21. After suffering a brain injury during his GCSEs, David struggled at University and felt frustrated with continuous knock backs in his employment search. David is a committed learner and wanted a vocation he could progress in and value. He took advantage of every available opportunity in terms of additional tutorials and practical advice. His personal tutor Danny helped him to see the value in his past experience in terms of the NHS role. Without the requisite Maths grade, David learnt how to map the statistical element of his previous studies to the person specification in order to demonstrate his suitability to the NHS, all employability strategies he had been unaware of previously. His dedication paid off and David was successful in achieving employment with the NHS as a Healthcare assistant upon successful completion of his course.

North Tyneside Council Employability & Skills Service

North Tyneside Council have a Grant Funding Agreement with NTCA to deliver devolved AEB. They deliver a range of provision including statutory entitlements in Maths/English/Digital and vocational programmes such as Supporting Teaching & Learning in Schools. North Tyneside Council successfully delivered Sector Based Work Academy Programmes (SWAPs) for the Care sector and Catering Sector during AY 2020-21.

North Tyneside Council supported over 170 residents into employment through their AEB delivery:

19yr old Leah attended a Catering sector-based work academy programme in September 2020 and the following month was employed on as an apprentice with Sizzler Inns.

After attending a Get Into Healthcare programme, created in November 2020 to support NHS Lighthouse recruitment, James was employed as a Laboratory Assistant.

Following 8 months of furlough, Lisa was made redundant as the North East moved back into lock down. In March 2021, she enrolled onto our Digital Skills for Work programme to support her IT skills and build confidence. During the course, she successfully secured a position with Greggs to start following programme completion.

Leanne signed up to our first Social Care SWAP completing the programme virtually due to the extended restrictions in Feb 2021 and following completion of her Level 2 Certificate she immediately secured full-time employment as a Care Worker.

Release Potential

Release Potential funded through NTCA's AEB Innovation Lot provide a 'return to work' programme in Northumberland. Residents' confidence and teamwork skills are built on the programme through the use of film. Learners produce a live thirty-minute magazine style television show. Supported by tutors and industry professionals, learners are introduced to studio practices and trained in using broadcast quality digital equipment. Each learner takes on a specific role including technical; research; reporting; presenting; set production; sound; lighting' and photography. This places learners outside their comfort zones and builds confidence and resilience. Live recording of the show takes place at the end of the second day with an invited studio audience including employees from the Department of Work and Pensions (DWP) and potential employers.

Release Potential have supported over 50 residents to gain employment during AY 2020-21

Quote from Simone Kelly, Support Worker for Exemplar Healthcare, a service providing care and rehabilitation for adults with a diverse set of needs.

The course with Release Potential has not only helped me academically but also mentally as I now understand myself a lot more than I did, and I think that is an important thing as I can't work on helping other people if I haven't worked on myself first! Within 12 months I can apply to do a nursing associate aiming to work her way.

Simone emphasises she is 'thankful' to Release Potential for 'giving' her the 'chance she needed' in a year stricken with chances seemingly far and few.

University Centre Quayside

University Centre Quayside (UCQ) secured an NTCA AEB Contract for Service for Lot 2 which focusses on supporting employed residents. UCQ offer vocational programmes in health & care and manufacturing/engineering subjects (at Levels 1 and 2), and maths, English and Digital skills (at levels Entry Level 3 to Level 2) to support employers and their employees. UCQ currently deliver workforce skills provision in the NCTA area and provide an effective employer journey that is designed to engage employers, assess their needs and to devise effective and efficient training solutions to provide a positive impact for both the organisation and their employees.

Case Study

Danny attended the Essential Skills for Manufacturing course at UCQ whilst working part-time on a low wage on a temporary contract. He has subsequently gained full time employment in a highly paid job, working offshore, utilising the skills he gained on the course.

Appendix 2 – NTCA AEB Providers and Funding Allocations AY 2021-22

| Grant funded provider name | AEB Total Allocation AY 2021-22 |
|--|--|
| Education Partnership (Northumberland College) | £1,318,313 |
| Gateshead College | £642,594 |
| Gateshead Council | £199,352 |
| Newcastle City Council | £3,035,981 |
| Newcastle College | £5,254,682 |
| North Tyneside Metropolitan Council | £1,938,476 |
| Northumberland County Council | £1,134,642 |
| South Tyneside Council | £514,376 |
| Tyne Coast College | £1,265,836 |
| Workers Educational Association | £350,852 |
| | £15,655,104 |

| Procured Contract for Service provider name | AEB allocation AY 2021-22 | | | |
|--|----------------------------------|-------------------|---------------------|-------------------|
| | Lot 1 Unemployed | Lot 2 Employed | Lot 3 Innovation | Total |
| Action Foundation | | | £85,000 | £85,000 |
| Back 2 Work | £149,820 | | | £149,820 |
| B-Skill Limited | | £253,270 | | £253,270 |
| CECOS Computing International Ltd. | £343,173 | £497,394 | | £840,567 |
| East Durham College | | £101,275 | | £101,275 |
| FIRST Face to Face Ltd. | | | £90,000 | £90,000 |
| Gateshead College | | £497,333 | | £497,333 |
| Health & Safety Training Ltd. | £648,340 | | | £648,340 |
| Key Training Ltd. | | £630,066 | | £630,066 |
| Learning Curve Group Ltd. | £499,286 | | | £499,286 |
| McCroy Training Limited | | £495,200 | | £495,200 |
| New College Durham | | £99,700 | | £99,700 |
| North Tyneside Metropolitan Council | | | £149,764 | £149,764 |
| Northumberland Business Service Ltd. | | | £155,000 | £155,000 |
| PeoplePlus Group Ltd. | £497,520 | | | £497,520 |
| Profile Development & Training | | £75,087 | | £75,087 |
| Release Potential Limited | | | £299,970 | £299,970 |
| Skills North East | £97,224 | £213,040 | | £310,264 |
| The Alnwick Garden Trust | | | £31,000 | £31,000 |
| The Cedarwood Trust | | | £382,000 | £382,000 |
| University Centre Quayside Ltd. | | £299,828 | | £299,828 |
| Barnardos | | | £60,220 | £60,220 |
| | £2,235,363 | £3,162,193 | £1,252,954 | £6,650,510 |

| Level 3 Adult Offer Allocations AY 2021-22 | |
|---|-------------------|
| Provider Name | Allocation |
| B-Skill Limited | £82,642 |
| East Durham College | £33,367 |
| Education Partnership North East (Northumberland College) | £201,166 |
| Gateshead College | £80,769 |
| Learning Curve Group Ltd. | £130,692 |
| New College Durham | £199,677 |
| Newcastle City Council | £121,363 |
| Newcastle College | £258,538 |
| North Tyneside Metropolitan Council | £14,444 |
| Profile Development & Training | £19,220 |
| Skills North East | £82,000 |
| South Tyneside Council | £32,696 |
| Tyne Coast College | £120,850 |
| Totals | £1,377,424 |

Appendix 3 – Overview of AEB delivery – Quarter 1 to November 2021

1. AEB enrolment opportunities

Over **13,900 enrolment opportunities** are being undertaken or have been delivered in the 1st Quarter of AY 2021-22 to November 21. NTCA providers have delivered a range of provision targeting employed and unemployed residents including statutory entitlements in maths, English, and digital skills and full Level 2 and Level 3 vocational programmes required to access the labour market or progress in work.

NTCA recognise the value and positive impact that informal community learning can have on our resident's health and wellbeing. Recovery from the COVID-19 crisis will require outreach into disadvantaged communities, wrap around support to re-engage our residents, building confidence and breaking down barriers to learning and work.

Delivery data is analysed at Ward level to ensure that enrolment opportunities are being undertaken by residents in our most deprived areas. The review of the 1st Quarter data reveals that has revealed that 10,163 (73%) of enrolment opportunities are undertaken by residents living in NTCA's top 20% deprived areas. **6852 (49%) of enrolments are in the top 10% deprived wards across NTCA**

2. Range of provision

Providers deliver a range of provision targeting employed and unemployed residents including basic maths, English and digital skills and full Level 2 and Level 3 vocational programmes required for work. There are effective links to Job Centre Plus (JCP) work coaches across the region who help promote the AEB offer and refer unemployed residents.

72% of enrolment opportunities during the first quarter of AY 2021- 22 are undertaken by residents who are unemployed, with 48% of these residents unemployed and actively looking for work.

Data by subject sector is monitored to ascertain whether there are any gaps in provision, particularly in relation to key sectors. Enrolments in the 1st Quarter suggests that additional delivery is required in areas such as construction, manufacturing and digital where there is currently high employer demand.

Table 2 below illustrates the range of provision by subject sector area.

| Table 2. | R04 - Nov 21 | |
|---|---------------|----------|
| Enrolments by subject sector area | Number | % |
| 01 - Health, Public Services and Care | 2,237 | 16% |
| 02 - Science and Mathematics | 374 | 3% |
| 03 - Agriculture, Horticulture & Animal Care | 152 | 1% |
| 04 - Engineering and Manufacturing Technologies | 428 | 3% |
| 05 - Construction, Planning and the Built Environment | 321 | 2% |
| 06 - Information and Communication Technology | 367 | 3% |
| 07 - Retail and Commercial Enterprise | 726 | 5% |
| 09 - Arts, Media and Publishing | 772 | 6% |
| 12 - Languages, Literature and Culture | 591 | 4% |
| 13 - Education & Training | 200 | 1% |
| 14 - Preparation for Life and Work | 7,271 | 52% |
| 15 - Business, Administration and Law | 432 | 3% |
| Total | 13,959 | |

Subject sector area (SSA) 14 – Preparation for Life and Work accounts for 52% of all enrolment opportunities. This provision includes all English for Speakers of other Languages (ESOL), Functional Skills Qualifications in English, maths and Digital skills as well as sector routeways back to employment in vocational areas such as health and social care, hospitality, warehousing, and construction.

3. Statutory Entitlements

The AEB provides free statutory entitlements which include digital, maths, English and English for Speakers of other Languages (ESOL). Grant funded providers which include Further Education (FE) Colleges and Local Authority providers deliver a significant proportion of this entitlement for the NTCA.

Table 3 below illustrates statutory entitlement enrolments

| Table 3. | R04 |
|-------------------------------|-----------------------------|
| Statutory Entitlements | Number of enrolments |
| English | 565 |
| Maths | 737 |
| ESOL | 4351 |
| Digital Entitlement | 214 |
| Full Level 2 Entitlement | 305 |
| Full Level 3 Entitlement | 182 |
| Level 3 Adult Offer | 224 |
| Total | 6578 |

4. Profile of residents engaged in devolved AEB

Key priorities set out in the NTCA Strategic Skills Plan include supporting residents of all ages, including those in work, to develop their skills to progress into better jobs and increase their earnings. We also aim to extend the reach of learning opportunities to a broader range of underrepresented groups.

Analysis of the profile of residents engaged in enrolment opportunities during the first quarter of AY 2021-22 suggests that the investment continues to respond to these priorities:

- 73% of residents accessing devolved AEB in Quarter 1 reside in the top 20% deprived wards in our region (49% of in the top 10% deprived wards);
- 9763 (72%) of Quarter 1 AEB opportunities are being undertaken by unemployed residents;
- 2300 (16%) of AEB opportunities are being undertaken by young people (19-24);
- 8138 (58%) of AEB enrolment opportunities are being undertaken by women, of which 78% are unemployed;
- Over 6900 (49%) of enrolment opportunities are being undertaken by residents from our BAME community;
- 2540 residents (18%) participating in provision have self-declared a learning difficulty/disability.

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Subject: Education Improvement Update
Report of: Head of Education Improvement

Report Summary

This report gives an update on the progress of the North of Tyne Education Improvement Pilot and Education Challenge.

Recommendations

The Overview and Scrutiny Committee is recommended to note the work and progress made towards an Education Improvement Pilot and continued work towards long term funding for a North of Tyne Education Challenge, and make any comments, suggestions, or recommendations as appropriate.

1 Background

- 1.2 The North of Tyne devolution deal set out our bold ambition to address academic underperformance and inequalities by establishing a North of Tyne Education Challenge and developing a Joint School Improvement Strategy.
- 1.3 We have requested Government support for an ambitious Education Challenge as part of Budget, Comprehensive Spending Review and COVID-19 Recovery Package submissions, though have not yet received a commitment to fund the Challenge. NTCA Cabinet approved a Joint School Improvement Strategy in July 2020, built upon an engagement campaign that captured the views of school leaders, trade unions and education experts.
- 1.4 In March 2021, officers presented a progress update to the Overview and Scrutiny Committee outlining an approach to develop a shared work programme with the Regional Schools Commissioner (RSC), to align North of Tyne school improvement work with emerging national strategies, while building the evidence base for further funding.
- 1.5 In September 2021, NTCA Cabinet approved funding for an innovative Education Improvement Pilot to deliver the priorities of our Joint School Improvement Strategy, while addressing emerging needs of pupils in the wake of Covid disruption. The pilot will prepare our local education system for the Education Challenge when funding arrives and build the evidence base to secure that funding.

2 What are we trying to improve?

- 2.1 This pilot programme will address regional gaps exacerbated by the pandemic that see North of Tyne pupils underperforming compared to their peers elsewhere in the country, with particular focus on pupils from the most disadvantaged backgrounds.
- 2.2 Children in England have missed more normal, face-to-face education than anywhere in Europe during the pandemic – over 115 learning days. Evidence tells us that pupils from disadvantaged backgrounds have been disproportionately affected. We know, for example, that over 4,500 families in the North of Tyne could not access online learning during school closures and therefore struggled to engage with learning resources during this time.
- 2.3 92% of our Primary schools and only 68% of our Secondary schools are graded as Good or Outstanding by Ofsted. Our leadership development training needs to better reflect the current challenges of school leadership (including how to lead through a crisis), in order to raise standards

and prepare a strong pipeline of tomorrow's school leaders.

- 2.4 We are concerned about the mental health of our workforce and pupils, highlighted by a rising number of Education, Health and Care Plans accountable to Social, Emotional & Mental Health issues, further exacerbated by the impacts of Covid-19.
- 2.5 Not enough of our children enter the North of Tyne education system ready for school, with early reading highlighted as one of our biggest areas of concern given the significant long-term negative impact on academic outcomes.
- 2.6 Furthermore, progress between Key Stage 2 and Key Stage 4 has historically been and continues to be a significant problem. At the end of Key Stage 4, 4000 of our young people do not achieve a 'strong' 9-5 pass in English and Maths GCSEs.
- 2.7 The achievement gap (the difference in attainment between pupils from disadvantaged and non-disadvantaged backgrounds) is one of the biggest challenges in the North of Tyne education system.
- 2.8 Our exclusions across North of Tyne are higher than the national average, both for fixed-term and permanent exclusions, with children receiving the Pupil Premium more likely to receive a fixed term exclusion than their peers.
- 2.9 Finally, on leaving school, too many of our young people are not in education, employment or training. We have already seen a sharp decline in apprenticeship uptake among our 16 to 18-year olds since the onset of the Covid-19 crisis and expect this to get worse. We also face an employability skills gap which needs to be addressed before our young people leave school.

3 Our approach – an Education Improvement Pilot work programme

- 3.1 By July 2023, the Education Improvement Pilot aims to have:
- 3.2 Supported the education recovery of at least 250 North of Tyne pupils most affected by COVID-19, by launching ten education recovery projects and by supporting at least 15 schools to build strong blended learning curricula and enhance catch-up opportunities for all pupils in those schools.
- 3.3 Supported the development of our teachers and school leaders with a focus on leadership and mental health in collaboration with the incoming Teaching School Hub. We will have trained and accredited 36 education advisers across the region, engaged 48 senior leaders in a bespoke leadership development programme and launched a mental health programme engaging 150 schools.
- 3.4 Improved transition into and between schools by: piloting a school readiness programme supporting at least 50 children; rolling out an early literacy programme directly supporting 130 schools, 260 members of staff and 4500 pupils; and piloting a school transition programme reaching 40 schools.
- 3.5 Supported our schools in challenging contexts with targeted interventions to narrow the learning gap, including literacy interventions and a review of alternative provision.
- 3.6 Improved career pathways for North of Tyne pupils by engaging 3 schools in each local authority in a careers curriculum working group, and coordinating stronger links between local employers and the curriculum in 75 of our schools.
- 3.7 This pilot contributes to our ambitions to address academic underperformance and inequalities, which have been exacerbated in the wake of Covid. The scale of need is considerable. We are being proactive in testing innovative, research-based approaches, and seek financial support from Government for our wider Education Challenge.

4 Progress towards the Education Improvement Pilot

4.1 Since outlining a proposed shared work programme to the Overview and Scrutiny Committee in March 2021, the following progress has been made:

- An Education Improvement Pilot has been co-developed with Newcastle City Council's Assistant Director: Education & Skills, Northumberland County Council's Director of Education and Skills, North Tyneside Council's Assistant Director for Education, with input from the Regional Schools Commissioner - North at the DfE. Wider local authority teams and regional stakeholders have also fed into development of the pilot.
- A full business case has been developed by NTCA officers, with NTCA Investment Panel recommending an investment of £967,800 for the pilot from the Recovery Innovation Fund, subsequently approved by NTCA Cabinet.
- A Programme Officer has been recruited and Senior Programme Manager recruitment is underway.
- Sector engagement has begun – presentations have been delivered to Headteacher groups in each constituent LA, and work has begun with key stakeholders including teaching unions, the Teaching School Hub and Schools North East. A letter outlining the pilot has been sent to every school in North of Tyne from the North of Tyne Mayor, Cabinet member for Education, Inclusion and Skills and all three LA education leads.
- At the time of writing, two leadership programmes and an early literacy programme are in final stages of sign-off and will be launched with relevant schools ahead of February half-term.

5. Other notable progress

While the Education Improvement Programme is now the main vehicle to realise the ambitions set out in the Joint School Improvement Strategy, additional progress of note includes:

5.1 STEM & Digital programme

The NTCA STEM & Digital programme delivered by partners Kielder, Woodhorn, Sunderland Software City, Digital Catapult and NUSTEM was redeveloped to better serve schools during lockdown and the subsequent uncertainties presented. With an additional year of delivery remaining, the programme has supported over 30,000 pupils, 2,000 parents and 720 teachers, exceeding initial target outputs.

5.2 Blended learning

Representatives from each LA, sector experts, the Education Endowment Foundation and school leaders have established a Blended Learning working group. Best practice has been shared across hundreds of our schools to reduce potential learning loss and maximise remote learning.

5.3 NU Futures

Newcastle United Foundation continue delivery of an ambitious Futures programme, intended to inspire young people who are struggling to engage with education. This high-profile, transformative outreach programme part-funded by NTCA has completed pilot delivery and is now on track to reach 10,000 young people per year and ultimately support at least 150 pupils into employment per year.

6. Next steps

In addition to delivering Education Improvement Pilot, work will continue with Government to negotiate the overall funding package to improve education in our schools through an Education Challenge as outlined in the North of Tyne Devolution Deal.

7. Equalities Statement

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

8. Inclusive Economy Statement

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

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

9. Climate Change Statement

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

10. Consultation and Engagement

Officers at NTCA have worked with over 250 education professionals to co-develop the priorities on which the pilot is built. We value the expertise of school leaders, teachers, governors, teacher educators, sector trade unions, local and national system leaders. To this end we have engaged over time with this diverse group of stakeholders. An initial round of stakeholder events was held, followed by discussions with MHCLG and the DfE, and then further stakeholder workshops and headteacher briefings. Meetings with teaching unions followed conversation between the NTCA Mayor and TUC. Views gathered from school leaders, teachers, health and social care leaders, businesses, government representatives, teaching unions and sector experts have been fed into the strategy.

11. Appendices

None

12. Background Papers

Joint School Improvement Strategy

13. Contact Officers

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14. Glossary

DfE (Department for Education)
STEM (Science, Technology, Engineering and Mathematics)
ECF (Early Career Framework)



Subject: Poverty Truth Commission progress report

Report of: Ruth Redfern, Director of Policy and Performance

Report Summary

The purpose of this report is to provide Overview and Scrutiny Committee with an update on progress with NTCA's Poverty Truth Commission. At the end of 2020 NTCA became the first Combined Authority to support a post-Covid Poverty Truth Commission with the aim of exploring and responding to the unique effects of economic exclusion in the North of Tyne as a result of the pandemic. This report provides the Committee with key achievements during the first phase of mobilisation and invites members to provide reflections from the communities they represent.

Recommendations

The Overview and Scrutiny Committee is recommended to note the contents of the report and provide any specific reflections to designated contact officers (section 8).

1. Background

- 1.1 Members will be aware that Poverty Truth Commissions (PTCs) are models of direct engagement where community, civic and business representatives are brought together with people with lived experience of poverty (community commissioners). Commissions work to understand the specific features of poverty in their areas and work collaboratively to come up with practical solutions – delivering policy change in partnership. Central to the PTC model are the principles of fairness and equity.
- 1.2 PTCs are usually supported by local authorities but not led by them. They are usually hosted independently to ensure their work is genuinely equitable and collaborative. PTCs aim to help to facilitate a wider-range of voices to join decision-making, intending to make better decisions as a result.
- 1.3 Poverty Truth Commissions tend to:
 - Run on average for two years.
 - Recruitment from a wide range of communities of place and interest, prioritising the voices of groups which are rarely heard in traditional methods of engagement.
 - Secure funding from a mix of public, civic and/or business sources to support collaboration.

2. Purpose, Timing and Funding of a PTC for the North of Tyne

- 2.1 Covid is exacerbating inequalities nationally and regionally: this is explicitly acknowledged in NTCA's Recovery Plan. Providing the opportunity to hear directly from our residents and communities about this issue will help the Combined Authority, and our partners, to respond to Covid effectively. Our PTC is unique: we will be the first Commission to occur on a Combined Authority footprint and post-Covid as we being to enter recovery.
- 2.2 NTCA Investment Funding has pump-primed the model. The project has also received match funding from two important sources: firstly, the Community Foundation for Tyne, Wear and Northumberland which has been actively involved in directly funding and supporting the project. The partnership has also received additional supporting funding from The Joseph Rowntree Foundation (JRF) to enable learning from the PTC in relation to NTCA's co-production and co-design strategy, as directed by Overview and Scrutiny Committee last year.

2.3 In July 2021, following an open procurement exercise, local charity Children North East (CNE) was appointed to deliver the PTC over two years. Children North East's mission is help children and young people grow up healthy and happy. CNE were instrumental in creating the Poverty-proofing the School Day programme and tools, which is recognised as national best practice in co-producing child-led solutions to the stigma and experience of poverty.

2.4 Based on this expertise and deep understanding of the complex, everyday experience of poverty and marginalisation, CNE proposed the following a four-stage approach to delivering the PTC:

| Stage | Main Activities | Key Milestones |
|-------------------|--|---|
| Engage | Research, building networks and recruiting the community and civic commissioners | Launch event |
| Explore | Thematic grouping works established to explore specific areas of experience and recommend experimental responses | Mid-term report |
| Experiment | Each working group delivers a 3-6 month action plan with associated impact measures | Commission progress meeting & public learning event |
| Embed | Key findings and recommendations reported to NTCA and other key stakeholders. Next steps agreed. | Final report & influencing activities |

2.5 CNE also analysed the relative populations of each of NTCA's constituent areas and proposed a commissioner profile as outlined in the table below. In-line with NTCA inclusive economy ambitions CNE also plans to ensure representation of people with protected characteristics across this population profile e.g. people from Black and Minority Ethnic backgrounds, younger and older commissioners, people with disabilities or who are Deaf.

| Area | Relative Population (%) | Commissioners Headcount |
|----------------|-------------------------|-------------------------|
| Newcastle | 36.7% | 8 |
| North Tyneside | 24.7% | 6 |
| Northumberland | 38.9% | 9 |
| North of Tyne | 100% | 24* |

*This figure is the total for community and business commissioners. The community commissioner target is a maximum 15 to allow for some natural change in the numbers engaging across the project's duration.

2.6 CNE is now coming to the end of the first Engage stage. Key achievements to date include:

- Contacting 171 voluntary and community organisations across the North of Tyne to promote the PTC and support commissioner recruitment. Organisations have varied in size and scope, from Byker Pantry to Shelter, West Northumberland Foodbank to NE Youth.
- Holding 57 initial meetings with gateway community organisations
- Contacting 30 potential commissioners for detailed briefings and support, of which 6 have been secured and 4 are in discussion with CNE facilitators
- Securing 6 community commissioners against a target of 12
- Adapted interactions in-line with changing Covid guidance e.g. tablet and data loans to access virtual meetings
- Joined the Poverty Truth Network, the national network of PTCs to learn from existing practice and share ideas for innovation. CNE, with its strength in young people's work is considering a mini-commissioners approach with under 18's. This has not been done before: CNE would build on learning from its Poverty Proofing the School Day programme to think about how this might be delivered safely and meaningful.

Further information is provided in appendix 1.

2.7 20 potential commissioners, who have held induction meeting with CNE staff, have declined or withdrawn. This is due to a variety of reasons: change in personal circumstances, their own decisions on whether participating is right for them. Understanding of who does not chose to engage will be as important as securing enough permanent commissioners, as it may highlight under-served

experiences. CNE also has robust psychosocial safeguarding policies and risk assessments which inform all aspects of delivery. This covers issues such as how and when people share their own experiences of poverty and exclusion so that participation in PTC does not expose people who are already vulnerable to any additional or unnecessary risks.

- 2.8 Although CNE has had great success in engaging with a large number of VCSE organisations its staff have found that direct access to residents e.g. joining community centre drop-ins has been a more productive strategy than relying on third parties to share information. This allows CNE staff to explain the aims of the PTC clearly and directly answer any questions people may have.
- 2.9 NTCA holds monthly monitoring meeting with the CNE team which the Community Foundation attends on an ad hoc basis. This enables NTCA, CNE and our co-funder to work together on delivery, performance and impact monitoring, ensuring co-production remains at the heart of our approach.

3. Next steps

- 3.1 **Finalising the Community Commissioners** – CNE are working with local authority officers in each area, and with local VCSE support agencies to increase outreach with community-led groups and organisations, ensuring there is proportionate representation from each of the local authority areas. Members are welcome to recommend organisations CNE might like to approach to ensure a balanced representation.
- 3.2 **Recruiting Civic Commissioners** – At the centre of the PTC model is a reversal of traditional power dynamics at the heart of decision-making. As a consequence, the community commissioners will lead decision-making on the civic (business, statutory, civil and political) commissioners who are invited to be part of the PTC. They will work together to ensure the full PTC composition reflects the same diversity of experience important in community commissioner recruitment – with geography, experience of equality issues and sectoral interests all considered.

4. Equalities Statement

- 4.1 The Overview and Scrutiny Committee is mindful of its duty under the Public Sector Equality Duty and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it; and also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.
- 4.2 An equalities impact assessment has been undertaken and has found the impact of a PTC for the North of Tyne to be broadly positive. This will be particularly the case as poverty is often the direct result of disadvantage experienced by people with protected characteristics and experiencing socio-economic disadvantage e.g. children from Pakistani and Bangladeshi families are 2.8 and 2.4 times as likely, respectively, to live in low-income households than white British children (Child poverty and education outcomes by ethnicity, ONS, 2020).

5. Inclusive Economy Statement

- 5.1 The Overview and Scrutiny Committee is mindful of the NTCA's inclusive economy ambitions and the five characteristics of an inclusive economy: participation; equity; growth; stability and sustainability and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision has taken these fully into account. The PTC will specifically support the development of an inclusive economy in line with the following characteristics:
- Participation – Delivering a people-centred approach to local economic development by co-designing responses to COVID-19 which are based on the lived experience of our residents, especially those whose voices are least heard.

- Equity – Tackling inequality in the North of Tyne by creating a mechanism whereby the voices and view of residents experiencing poverty and socio-economic disadvantage are given parity with the experience of public sector and business and civil society commissioners.
- Growth – Informing the quality of NTCA policies, programmes and projects to target and effectively address poverty, directly targeting poorer communities, families and individuals.

6. Climate Change Statement

6.1 The Overview and Scrutiny Committee is mindful that the NTCA’s and the three constituent Local Authorities have declared a Climate Emergency and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision has taken climate change fully into account. There are limited direct climate change implications for the PTC project, however the PTC will offer NTCA the opportunity to learn about residents’ experiences and views of climate change from the perspective of lived experience of poverty. This will support the NTCA’s response to our Citizen’s Assembly on Climate Change recommendations and our partnership project with Ashden, the climate change charity.

7. Consultation and Engagement

7.1 Under the direction of Cabinet members, NTCA officers presented these proposals to the Inclusive Economy Board in September 2020 for early advice and support. Officers have worked closely with both the independent Poverty Truth Commission Network and JRF as an experienced PTC partner and funder, to build on best practice. The three constituent local authorities have been actively involved throughout: NTCA officers have benefitted in particular from advice from Northumberland’s senior manager with responsibility for poverty programmes, as she has previously worked on two PTC’s nationally.

8. Appendices

Appendix 1: NTCA Poverty Truth Commission: CNE Update
Appendix 2: NTCA Poverty Truth Commission Example Flyer

9. Background Papers

[Poverty Truth Commission](#), NTCA Cabinet Report, 24 November 2020

10. Contact Officers

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11. Glossary

| | |
|------|----------------------------------|
| CNE | Children North East |
| JRF | The Joseph Rowntree Foundation |
| PTC | Poverty Truth Commission |
| NTCA | North of Tyne Combined Authority |

NTCA Poverty Truth Commission: CNE Update

Community Commissioners Summary

NB: All names are pseudonyms and information is restricted to maintain confidentiality. The below has been co-produced with the Community Commissioners.

THEMES: Mental Health, DWP (UC), Disabilities, Health, Children, Geography/accessibility, heat/fuel, stigma

Paul is a 45 year old man living in rural Northumberland. His main difficulty has been transitioning from high paid employment with a family to a single parent on very low income, almost overnight. He has had struggles with his mental health, exacerbated by his financial situation and his dealings with DWP. Alongside his financial poverty he has had issues with fuel poverty; travelling for work opportunities and keeping his home powered and heated. Paul recently has been successful in gaining a temporary employment contract and is working from home full time, however is still having issues with DWP. Likewise, he has had added costs from the theft, and subsequent write off, of his car.

Kerry is a 30 year old woman living in Byker. She is a single mother to three children under 10, her son has sensory issues and ASD which impacts the whole family; she receives no financial support from the children's father. Her main difficulties include budgeting the money she receives from her benefits; she has found the move to Universal Credit very difficult to navigate and extremely stressful. The documentation required has also been challenging: she has no proof of ID and even her mobile contract is in her ex-partner's name. Kerry has lived with mental health issues for some time and the challenging changes she has faced have exacerbated her issues. Kerry became homeless for a period of time when she left her partner due to domestic abuse; she was forced to go with a private landlord who proved very difficult to deal with and not understanding or sympathetic to her situation. Kerry is currently attending college in order to gain qualifications which will increase her employability, however, this is impeded by her childcare responsibilities. Kerry has discussed that finding activities for her three children is difficult; costs, age restrictions or unsuitability for her son often exclude many activities.

Valerie is a highly educated 50 year old woman living in a Northumbrian coastal community that has pockets of poverty. Her main issues around poverty stem from the impact on her human rights, including barriers to inclusion. Despite owning a business with her husband, COVID has hit hard; consistently being "one pay packet away from destitution". Her geographical location and being a person with disabilities causes further intersectionality with poverty. She has shared there is a lack of opportunity, funding and access for services and activities; those that can be accessed are often much more expensive than elsewhere. Valerie is passionate about sharing her experiences relating to access to health care and transport issues, including fuel costs.

Neve is a single mother, in her mid 30s, living in Newcastle. She has four children under 16, one of which with SEN. Neve worked in Health and Social Care for 20 years and has recently left, which has implicated her benefits and the move to Universal Credit. She works hard with money management and shares the childrens expenses with her ex partner. One of the most difficult issues for Neve is challenge to provide suitable activities for children of varying ages, abilities and, particularly during school holidays. This is added to by the financial pressures of travel and costs of activities.

Ruth is a 38 year old female from North Northumberland living with her partner and two grown up children. Her first child was born during her late teens and subsequently lived as a single mother. Since then her situation has fluctuated having issues ranging from lack of food and nutrition, heat/fuel poverty, access and costs of travel. She highlights that often health suffers due living with poverty, or just above, whether mental or physical health. The stigma of poverty and 'being a young, single mother' has impacted her greatly.

| Fig 2: Recruitment update: TO DATE (Jan 2022) | | | | |
|--|-----|----|---------------|-------------------|
| Organisations contacted | | | | |
| Total | | | | Initial Meetings |
| 171 | | | | 57 |
| Community Commissioners contacted | | | | |
| Total | | | In Discussion | Declined/Withdrew |
| 30 | | | 4 | 20 |
| Community Commissioners recruited to date | | | | |
| Total | NCL | NT | Nland | |
| 6 | 2 | 0 | 4 | |

Meetings were held via Zoom or face-to-face, often within organisations.

Organisations have varied in size and scope, from Byker Pantry to Shelter, West Northumberland Foodbank to NE Youth.

POVERTY TRUTH COMMISSION

**SHARE YOUR EXPERIENCE.
INSPIRE REAL CHANGE.**

Your voice matters in the fight against poverty. The Poverty Truth Commission has been set up to listen to your experiences of financial hardship and to develop actions to help others in our region.

What is the Poverty Truth Commission?

The Poverty Truth Commission exists to ensure that the voices of people who have experienced poverty are listened to by the people and organisations that have a role in creating solutions.

The Commission is intended as a safe, supported space in which stories of what it is really like to experience financial hardship can be shared and put in front of those with the power to influence change.

Through individuals sharing their experiences (called "Community Commissioners"), the project will improve the understanding of the barriers faced by those living below or close to the poverty threshold and change perceptions about individuals affected by financial hardship.

Why take part?

- Use your voice to inspire positive action
- Help inform policy changes
- Meet new people
- Grow your skills and networks
- Represent your community



**NORTH
OF TYNE
COMBINED
AUTHORITY**

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Subject: 2021/22 Q3 NTCA Budget Monitor Report

Report of: Janice Gillespie, Chief Finance Officer

Report Summary

The purpose of this report is to present the Q.3 Budget Monitoring Report on the 2021/22 NTCA financial position to the Overview and Scrutiny Committee. The report brings together the forecast financial position for both the Corporate, Investment Fund, Brownfield Housing Fund and Adult Education budget and provides an indication of the potential position of the Combined Authority on 31 March 2022. It also sets out the potential position on the reserves at the year end.

Recommendations

The Overview and Scrutiny Committee is recommended to note the report on the 2021/22 Q.3 NTCA Budget Monitor Report which was submitted and approved at Cabinet on 25 January 2022 and attached as Appendix 1.

1. Background information, proposals, and timetable for implementation

- 1.1 Cabinet approved the 2021/22 Budget on 26th January 2021. Included in that Budget was the estimated expenditure across the year for both the Corporate Budget, Investment Fund, Brownfield Housing Fund, and the Adult Education Budget.
- 1.2 The 2021/22 Budget Proposals were set within the context of the COVID-19 pandemic and delay to Comprehensive Spending Review (CSR).
- 1.3 The 2021/22 Q3 NTCA Budget Monitor reflects the continued development of the Combined Authority in terms of the establishment of the Authority's staffing structure, and the systems required to support the delivery and monitoring of projects and programmes aligned with its vision based on current information and trajectory of delivery of programmes and projects.
- 1.1.4 The 2021/22 NTCA Outturn position will be brought to Overview and Scrutiny after being presented to Cabinet on 7 June 2022.

2. Equalities Statement

- 2.1 The Overview and Scrutiny Committee is mindful of its duty under the Public Sector Equality Duty and when undertaking scrutiny of a particular topic looks to see that any policy/event/decision eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it; and also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic. This report is reporting on the financial performance of the Authority and therefore any equality impact assessment on the individual project and programmes will have been undertaken.

3. Inclusive Economy Statement

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

4. Climate Change Statement

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

5. Consultation and Engagement

- 5.1 The 2021/22 NTCA Final Budget Proposals were subject to wide consultation both internally and externally.

6. Appendices

Appendix 1. 2021/22 Q3 NTCA Budget Monitor Report.

7. Background Papers

Cabinet 26 January 2021 -2025 Budget Proposals

8. Contact Officers

Janice Gillespie, Interim Chief Finance Officer
E-mail address: Janice.gillespie@northtyneside.gov.uk
Tel: 0191 6435701

9. Glossary

| | |
|------|--|
| NTCA | North of Tyne Combined Authority |
| Q.3 | Quarter 3 (1 October – 31 December 2021) |
| EIA | Equality Impact Assessment |



Subject: 2021/22 Quarter 3 NTCA Budget Monitor Report
Report of: Chief Finance Officer
Portfolio: Investment and Resources

Report Summary

This report is the third quarter monitoring report to Cabinet on the 2021/22 financial position. The report brings together the forecast financial position for both the Corporate, Investment Fund, Brownfield Housing Fund and Adult Education budget and provides an indication of the potential position of the Combined Authority at 31 March 2022.

Recommendations

The Cabinet is recommended to note the forecast budget monitoring position for the Combined Authority as set out in paragraphs 1.2 through to 1.6 and the reserves position in 1.7.

1. Background Information, Proposals and Timetable for Implementation

1.1 Background

1.1.1 Cabinet approved the 2021/22 budget on 26th January 2021. Included in that budget was the estimated expenditure across the year for both the Corporate Budget, Investment Fund, Brownfield Housing Fund, and the Adult Education Budget.

1.1.2 The 2021/22 budget proposals were set within the context of the COVID-19 pandemic and delay to Comprehensive Spending Review (CSR).

1.1.3 The 2021/22 Q3 budget monitor reflects the continued development of the Combined Authority in terms of the establishment of the Authority's staffing structure, and the systems required to support the delivery and monitoring of projects and programmes aligned with its vision based on current information and trajectory of delivery of programmes and projects.

1.2 Corporate Budget

1.2.1 The Corporate budget for 2021/22 set a net zero position covering the costs associated with the capacity required to deliver.

1.2.2 Table 1 overleaf reflects the 2021/22 forecast position across the key income and expenditure heads within the Corporate Budget head.

Table 1: Q3 2021/22 Corporate Budget Monitor

| Corporate | Budget £m | Forecast £m | Variance £m |
|-------------------------------------|----------------------|------------------------|------------------------|
| Expenditure | | | |
| Employees | 2.564 | 2.843 | 0.279 |
| Other Service Expenses | 1.699 | 0.980 | (0.719) |
| Contribution to Reserves | - | 0.600 | 0.600 |
| Support Services | 0.276 | 0.285 | 0.009 |
| JTC Levy | 26.801 | 26.801 | - |
| Gross Expenditure | 31.340 | 31.509 | 0.169 |
| Income | | | |
| Mayoral Capacity Grant | (1.000) | (1.000) | - |
| Constituent Authority Contributions | (0.111) | (0.111) | - |
| Investment Fund Contribution | (2.231) | (2.086) | 0.145 |
| Investment Fund Workstreams | (0.221) | (0.465) | (0.244) |
| AEB Contribution | (0.678) | (0.678) | - |
| Other Contributions | (0.123) | (0.193) | (0.070) |
| Interest on Investments | (0.175) | (0.175) | - |
| JTC Levy | (26.801) | (26.801) | - |
| Gross Income | (31.340) | (31.509) | (0.169) |
| Net (Income)/Expenditure | - | - | - |

1.3 Corporate Expenditure Variances

1.3.1 There are currently 60 staff directly employed by the Combined Authority, this reflects an increase in the current forecast position on employee expenditure of £0.279m this is in light of increasing numbers of projects and programmes, resulting in recruitment of a number of temporary posts to lead on the delivery of the projects. A workforce planning exercise was undertaken earlier this year with a view to being clear about capacity management and retention of a competent, productive, and collegiate workforce set within the context of a consistent set of agreed principles appropriate for the Authority. This has identified an additional 5 priority posts, the part year costs of which are reflected in the forecast employee expenditure reflected in Table 1.

1.3.2 The increase in employee expenditure is matched by an increase in income from Investment Fund workstreams and an increase in other contribution income.

1.3.3 Mayoral Capacity Fund received for 2021/22 provided one-off funding of £1m. Commitments against this fund includes support for the Spacehive Platform and also a commitment towards IT asset management programme. A contribution to reserves (£0.600m) has been included in the budget monitor to reflect the requirement to prepare for the next Mayoral election in 2024.

1.3.4 A small increase (£0.009m) in Support Services is due to an increase in the insurance policy costs.

1.4 Investment Fund

1.4.1 To date the Combined Authority has achieved:

- A commitment of £76.420m against 88 live projects – out of a total programme value of £90.000m to March 2023.
- These projects will attract £255m of private sector leverage and are forecast to deliver 4,340 jobs and safeguard a further 2679.

- Of these, the first 659 new jobs have been created and 1773 safeguarded.

Table 2 sets out the commitments against the key themes of the Investment Fund.

Table 2: Commitment against Investment Fund Thematic Area

| | Committed | Allocation | % Allocated |
|--|---------------|---------------|-------------|
| | £m | £m | |
| Business | 43.190 | 45.300 | 95% |
| People | 13.115 | 17.300 | 76% |
| Place | 10.659 | 13.250 | 80% |
| Major Strategic Economic Opportunities | 7.340 | 9.650 | 76% |
| Business Case Development Fund | 2.116 | 4.500 | 47% |
| | 76.420 | 90.000 | 85% |

1.4.2 The Investment Fund Programme continues to grow as projects progress through the pipeline. There have been key funding proposals coming forward for consideration, around innovation and supporting our key sectors. Work continues at pace to operationalise the headline sector strategies agreed by Cabinet. In addition, there is a step change in the volume of contracts and supporting financial claims as projects and programmes come to fruition. Table 3 below shows the forecast position for the Investment Fund in 2021/22.

Table 3: Investment Fund Q3 Budget Monitor

| Investment Fund | Budget £m | Expenditure at Q3 £m | Forecast £m | Variance £m |
|--|-----------------|----------------------------|-----------------|-----------------|
| Expenditure | | | | |
| Business Case Development Fund | 1.000 | 0.139 | 0.837 | (0.163) |
| Investment Projects | 26.757 | 6.339 | 15.189 | (11.568) |
| Technical Assistance | 0.250 | 0.119 | 0.350 | 0.100 |
| Contribution to Corporate | 2.231 | 2.086 | 2.086 | (0.145) |
| Gross Expenditure | 30.238 | 8.683 | 18.462 | (11.776) |
| Income | | | | |
| Investment Fund | (20.000) | (20.000) | (20.000) | - |
| Total Income | (20.000) | (20.000) | (20.000) | - |
| Net Position (Income)/Expenditure | 10.238 | (11.317) | (1.538) | (11.776) |
| Investment Reserve brought forward | (50.129) | (50.129) | (50.129) | - |
| Net Investment Fund Reserve carried forward | (39.891) | | (51.667) | (11.776) |

1.4.3 Investment Fund actual spend was at £8.683m at the end of Quarter 3, with forecast year-end expenditure expected to be £18.462m, reflecting £11.776m lower than budget. This is expected to rise considerably in the near future, reflecting project profiling agreed by Investment Panel. The quality of delivery continues to be strong. Relationships with grant recipients remain strong and organisations have been keen to work with NTCA to design and embed innovative delivery approaches, ensuring that projects can continue to meet the aims, objectives, and outputs that they set out to achieve.

- 1.4.4 The North of Tyne continues to invest to support the economic economy, alongside the wider opportunities articulated in the Devolution Deal and the Corporate Plan. In total, investments by the NTCA so far are forecast to create or safeguard over 7000 jobs, with 659 jobs already secured. In addition, 361 placements for young people have been created through the NTCA's 'Kickstart programme', with 170 positions filled – meaning that successful matches are running at almost twice the national average rate of 27%.
- 1.4.5 Additionally, the pipeline has continued to develop with a number of schemes to be delivered in 2021/22, including the Green New Deal Fund which was launched in November 2021 and will deliver a significant amount of expenditure (£9m) and outputs. The increase shown (£0.100m) on the Technical Assistance budget is in relation to evaluation work due to be contracted pending the Gateway Review.
- 1.4.6 Within the Investment Fund workstream the following projects include funding to be spent on capital schemes:

Table 4: Investment Fund Capital Schemes Budget Profile

| Project | 2021/22 £m | 2022/23 £m | Total £m |
|-----------------------------|-----------------------|-----------------------|---------------------|
| NU Futures | 1.642 | 0.028 | 1.670 |
| Swans Energy Park | - | 2.000 | 2.000 |
| Bates Clean Energy Terminal | 1.100 | 1.100 | 2.200 |
| North Shields Fish Quay | 0.386 | 1.154 | 1.540 |

1.5 **Brownfield Housing Fund**

- 1.5.1 The Brownfield Housing Fund is the first housing allocation for the North of Tyne Combined Authority. The funding is intended to support the development of at least 1,500 new homes, by remediating and revitalising brownfield sites across the North of Tyne area. The Brownfield fund is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach to supporting housing and economic recovery.
- 1.5.2 A current total pipeline of 19 schemes with a total funding request of £26.100m. This position provides enough flexibility to manage the programme and NTCA, in collaboration with partners will continue to develop the pipeline of schemes in order to manage a deliverable capital programme which meets the requirements and timescales set out by DLUHC.
- 1.5.3 In terms of approvals to date, NTCA have approved 5 schemes with a total commitment of £11.140m. These schemes are forecasting the creation of 1238 housing units with the extended pipeline accounting for 3144, this is set against the DLUHC target of 1500. Forecast private sector leverage for the 5 approved projects stands at £115.95m. These schemes have been contracted and are now delivering on the ground, the following section sets out further detail on each scheme.
- 1.5.4 A call for sites was recently undertaken to identify additional sites for the fund and to build the Brownfield pipeline for future funding. A total of £26 million of schemes were received and are currently being assessed. It is expected that an updated pipeline will be confirmed in early 2022.
- 1.5.5 Due to the late confirmation and receipt of funding in Year 1 (2020/21) and delays due to the pandemic, the unspent allocation from Year 1 was carried forward into Year 2 (2021/22). This will increase pressure in terms of accelerated delivery in this financial year.
- 1.5.6 The updated position for Year 2 at the point of Q.3 reflects that up to September 2021, £3.1 million had been claimed, with forecasts indicating an additional £1.75 million spend by March 2022. This slippage is due to a number of factors, including delays caused by COVID-19; the complexity of the

sites coming forward with regards to viability, securing private sector developers and investors; as well as a small number of schemes needing to be adjusted to meet planning requirements. Table 5 below reflects the projected programme spend as at Q.3.

Table 5: Brownfield Housing Funding Profile updated for Year 1 underspend

| | Total | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|----------------------------------|--------|--------|--------|--------|--------|--------|
| | £m | £m | £m | £m | £m | £m |
| Projected Programme Spend | 23.854 | 0.585 | 4.265 | 14.804 | 3.100 | 1.100 |

1.6 Adult Education Budget (AEB)

- 1.6.1 In August 2020 NTCA took control of £23.145m devolved Adult Education Budget for the academic year 2020/21. An additional allocation of £0.959m for one year was received in September 2020 to invest in high value courses and sector-based work academy programmes. A further £0.409m was delegated to NTCA in April 2021 to deliver Lifetime Skills Guarantee. Bringing the total AEB for the academic year (August 2020 – July 2021) to £24.514m.
- 1.6.2 The Department of Education have confirmed NTCA's devolved AEB for the period 1 August 2021 to July 2022 is £23.551m plus an additional £1.642m for the delegated Lifetime Skills Guarantee bringing the total AEB in 2021/22 academic year to £25.193m.
- 1.6.3 Over 25,400 enrolment opportunities have been undertaken during Academic Year (AY) 2020/21, NTCA providers delivered 82% of actual learning in AY 2020/21, even though the COVID-19 pandemic caused all learning environments to close for a significant proportion of the academic year. This reflects the work and commitment from our provider base, to ensure residents are supported and deliver as much quality provision as possible, whether that is face-to-face or online.
- 1.6.4 Providers AEB delivery plans for AY 2021/22 were underway from the 1st August 2021 and will be monitored at quarterly performance management meetings throughout the year. Engagement with the new Level 3 Adult Offer is also being closely monitored to ensure funding delegated to NTCA for this delivery is utilised in full and NTCA residents without a full level 3 offer are accessing this new entitlement.

Table 6 below shows the forecast budget position on AEB for financial year 2021/22.

Table 6 Adult Education Budget Forecast Academic Year 2021/22

| | Financial Year 2021/22 | | |
|--|------------------------|-------------------|-------------------|
| | Budget £'000 | Forecast £'000 | Variance £'000 |
| Expenditure | | | |
| Grant Awards | 15.369 | 16.064 | 0.695 |
| Procured Services | 6.659 | 6.676 | 0.017 |
| Corporate Contribution | 0.678 | 0.678 | - |
| Lifetime Skills Guarantee | - | 1.086 | 1.086 |
| Gross Expenditure | 22.706 | 24.504 | 1.798 |
| Income | (22.706) | (24.504) | (1.798) |
| Gross Income | (22.706) | (24.504) | (1.798) |
| Net Position (Income)/Expenditure | - | - | - |

1.7 Reserves

- 1.7.1 The forecast position on reserves held at 31 March 2021/22 are detailed below in Table 7.

Table 7 Reserves as at 31 March 2022

| Reserves Statement | Opening Balance | Movement in Reserve | Closing Balance |
|---|------------------------|----------------------------|------------------------|
| | £m | £m | £m |
| Strategic Reserve | 0.200 | - | 0.200 |
| Investment Fund Reserve | 50.129 | 1.538 | 51.667 |
| Election Reserve | - | 0.600 | 0.600 |
| Preparing to Exit Grant | 0.183 | - | 0.183 |
| Total NTCA General Fund Reserves | 50.512 | 2.138 | 52.650 |

- 1.7.2 Reserves will increase by £2.138m to £52.650m based on the current trajectory on the Investment Fund. The level of the Investment Fund Reserve reflects Investment Fund monies received to date of £80.000m with delivery on projects anticipated to slightly increase the reserve to £52.650m at the end of 2021/22. It is anticipated that an additional reserve will be created in relation to the balance of the Mayoral Capacity Fund (Paragraph 1.4.5) in relation to future election costs.
- 1.7.3 The Strategic Reserve continues to be maintained at £0.200m in line with the Reserves and Balances Policy.

2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority. The 2021/22 budget position against which the budget is monitored against demonstrates the Authority has properly discharged its functions and assisted in delivering the Authority's vision, policies, and priorities.

3. Key Risks

- 3.1 There are no specific risks relating to this report.

4. Financial and Other Resources Implications

- 4.1 This is a financial report with any financial or resource implications set out in the report.
- 4.2 The Mayor and Cabinet need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances in accordance with the Authority's Reserves and Balances policy.

5. Legal Implications

- 5.1 The Combined Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy's Prudential Code: Capital Finance in Local Authorities and the Department of Levelling Up Housing and Communities Statutory Guidance on Local Government Investments.
- 5.2 The Combined Authority is required to agree a balanced budget annually and to monitor performance against that budget throughout the year. The Combined Authority must also make provision for an adequate level of un-earmarked reserves. It is also required to ensure that good financial governance arrangements are in place.

6. Equalities Implications

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

7. Inclusive Economy Implications

7.1 There are no direct inclusive economy implications arising from the recommendations in this report. However, EIA's include inclusive economy implications and NTCA has adopted socio-economic disadvantage as a protected characteristic.

8. Climate Change Implications

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

9. Consultation and Engagement

9.1 The creation of the North of Tyne Combined Authority has been subject to significant and regional consultation. The 2021/22 budget was subject to wide consultation across the North of Tyne Region. The constituent authorities have been consulted directly on the production of the outturn statement.

10. Appendices

None

11. Background Papers

26 January 2021 NTCA Budget Report

12. Contact Officers

Janice Gillespie, Interim Chief Finance Officer
e-mail address: Janice.gillespie@northtyneside.gov.uk
Tel: 0191 6435701

13. Glossary

| | |
|------|----------------------------------|
| AEB | Adult Education Budget |
| AY | Academic Year |
| NTCA | North of Tyne Combined Authority |

14. Sign-off

| | | | | |
|------------------------------------|--|-------------------------------|----------------------------|---------------------------|
| 1) Mayor and Cabinet Member Yes | 2) Lead Chief Exec/Director/SMT Yes | 3) Chief Finance Officer: Yes | 4) Monitoring Officer: Yes | 5) Managing Director: Yes |
|------------------------------------|--|-------------------------------|----------------------------|---------------------------|

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Subject: Final 2022-2026 NTCA Budget and Cabinet's response to the Committee's recommendations on the Budget Proposals

Report of: Elizabeth Kerr, Principal Governance and Scrutiny Manager

Report Summary

The purpose of this report is to inform the Overview and Scrutiny Committee of Cabinet's response to the committee's recommendations on the 2022-2026 Budget Proposals and includes the final proposals as agreed at Cabinet on 25 January 2022.

Recommendations

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

1. Background Information, Proposals and Timetable for Implementation

1.1 Introduction

1.1.1 At its meeting on 25 January 2022 Cabinet approved the budget for the North of Tyne Combined Authority (NTCA) for 2022/23 and the medium-term financial plan for the period 2023/24 to 2025/26. The NTCA budget is attached at appendix A. The NTCA is the accountable body for the North East Local Enterprise Partnership (North East LEP) and Invest North East England (INEE) and their budgets are attached at appendix B.

1.2 Overview and Scrutiny Committee's recommendations

1.2.1 After receiving the draft budget proposals at its meeting on 7 December 2021 and holding a budget workshop on 11 January 2022, the committee submitted a report to Cabinet which noted the proposals and considered that Cabinet should agree the recommendations as set out in the budget proposals and had no specific recommendations to make on the individual elements which made up the budget.

1.2.2 The report, which provided information on the role of the committee in the budget setting process, what information it had received and its comments and recommendations to Cabinet formed part of the suite of documents, attached at appendix A, considered by Cabinet on 25 January 2022.

1.2.3 In the report, the committee acknowledged the challenge of engaging the public with the NTCA's budget and welcomed the Chief Finance Officer's assurances that it was important to the team and would be reviewed again to see what improvements could be made. Members made suggestions regarding circulating a paper questionnaire and also seeking support from the local authorities, as they have an engaged audience, by including a link to the NTCA budget proposals on their website. The Chief Finance Officer agreed to look into both suggestions for next year.

1.3 Cabinet's response

1.3.1 The Mayor and Cabinet thanked the committee for their work and acknowledged the importance of hearing from the public and residents on the budget proposals. Cabinet agreed with the committee that a good way to broaden the number who saw the proposals would be to include information on each of the constituent authorities' own websites. The Chief Finance Officer agreed to take this proposition forward as part of next year's consultation programme.

1.3.2 Cabinet formally accepted the report as the response from the Overview and Scrutiny Committee to the 2022-2026 Budget proposals for the North of Tyne Combined Authority and noted its comments and observations.

2. Equalities Statement

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

3. Inclusive Economy Statement

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

4. Climate Change Statement

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

5. Consultation and Engagement

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

6. Appendices

Appendix A 2022-2026 NTCA Final Budget Proposals including the Treasury Management Strategy and the Overview and Scrutiny Committee's response to the initial budget proposals.

Appendix B 2021/22 Indicative Outturn and 2022/23 Indicative Budget Proposals for the North East Local Enterprise Partnership and Invest North East England.

7. Background Papers

Overview and Scrutiny Committee Work Programme 2021/22
NTCA Constitution
Minutes of the Cabinet meeting held 25 January 2022

8. Contact Officer

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

9. Glossary

NTCA North of Tyne Combined Authority

Subject: 2022-2026 NTCA Budget Proposals
Report of: Chief Finance Officer, Janice Gillespie
Portfolio: Investment and Resources

Report Summary

The purpose of this report is for Cabinet to approve the budget for the North of Tyne Combined Authority (NTCA) for 2022/23, and the medium-term financial plan for the period 2023/24 to 2025/26. The report will present the budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget, and the Brownfield Housing Fund. The report also outlines the context within which the budget proposals have been prepared in relation to the Comprehensive Spending Review (CSR). The draft budget proposals were brought to 30 November 2021 Cabinet, the only substantial changes to the budget since this date is the Mayoral Capacity Funding for 2022/23 (£1.000m) announced as part of the Provisional Local Government Financial Settlement, and the Transport Levies position for 2022/23 which were approved at the Joint Transport Committee on 18 January 2022. There continues to be no additional cost to local taxpayers or local authorities in the current budget proposals.

NTCA are the accountable body for the North East Local Enterprise Partnership (LEP) and as such this report includes proposals for the North East LEP accountable body budget.

The Overview and Scrutiny response to the 2022-2026 Budget Proposals is appended to this report as Appendix B.

Recommendations

The Cabinet is recommended to:

1. Note the comments made by Overview and Scrutiny set out in Appendix B
2. Agree the Corporate Budget for 2022/23 as set out in paragraph 2.1
3. Agree the Investment Fund as set out in paragraph 2.2
4. Agree the Adult Education Budget as set out in paragraph 2.3
5. Agree the Brownfield Land Programme Budget as set out in paragraph 2.4
6. Note the Tyne and Wear levies will be issued on the 15 February 2022
7. Agree to hold the reserves set out in paragraph 2.5 and note the Chief Finance Officer continues to keep the level of resources under review as the Authority develops and new information becomes available about the financial risks facing authority arrangements for managing risks.
8. Note the North East LEP Accountable Body Budget, paragraph 2.6
9. Agree the 2022/23 Treasury Management Strategy set out in paragraph 2.7 and Appendix A.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 The budget and medium-term financial plan have been developed within the context of the strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the Authority's strategic plans can be delivered within the financial resources available.
- 1.2 In developing these budget proposals, the Mayor and Cabinet have been clear in their approach to ensuring the North of Tyne Combined Authority is a lean organisation. The budget proposals include the anticipated capacity required to deliver the ambition of the Combined Authority. In the light of increasing numbers of projects and programmes, this has included recruitment, capacity management and retention of a competent, productive, and collegiate workforce with the aim of creating a long-term staffing plan. The organisation may grow in the future and that will be based on a set of consistent set of agreed principles appropriate for the Combined Authority.
- 1.3 The North of Tyne Combined Authority Corporate Plan was taken to Cabinet Annual Meeting on 8 June 2021. Setting out the ambitions of Cabinet for the Authority, both immediately and in the future, with a roadmap for action and captures the breadth of work undertaken and ensures activities are aligned allowing for clear collaborative working.
- 1.4 The Corporate Plan has been developed through a process of co-design with Cabinet and plays an intrinsic role in ensuring that funding and resources are used efficiently and effectively adding maximum value and delivering with impact.
- 1.5 The Corporate Plan will drive the work programme of the NTCA which will turn into both team plans and individual personal objectives, creating a 'golden thread' from Cabinet's vision to day-to-day delivery. Importantly, the Plan is rooted in the NTCA values, which underpin the way the authority works and outlines our approach to managing wisely the resources, funding, and investment available.
- 1.6 The 2022/23 Budget has been prepared within the context of the recent Comprehensive Spending Review announcement which confirmed the shift on tax burdens, in particular the increase of 1.25% on Employer National Insurance. In addition to some additional Regional measures in relation to 'Levelling up' with more information to follow in the White Paper in the imminent future. The Combined Authority's drive for further devolution is still clear.

2. 2022-2026 Budget Proposals

2.1 Corporate Budget Proposals

- 2.1.1 The Corporate Budget of the North of Tyne Combined Authority is required to support operational costs including staffing, marketing and communications, accommodation costs and SLA's.
- 2.1.2 As the Combined Authority continues to grow consideration has been given to the anticipated capacity required to deliver the ambition of the Combined Authority with the aim of creating a long-term staffing plan considering the increasing number of projects and programmes. Table 1 overleaf, sets out the proposed draft budget that is required to operate the Combined Authority and how it is to be funded.

Table 1: 2022/23 Budget and 2023-2026 Financial Plan

| | 4 Yr. Corporate Budget Summary | | | | |
|-------------------------------|--------------------------------|-----------------|-----------------|-----------------|------------------|
| | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | Total £000 |
| Expenditure | | | | | |
| Staffing | 3,145 | 3,241 | 3,337 | 3,407 | 13,130 |
| Mayor's Office | 248 | 252 | 255 | 258 | 1,013 |
| Other Costs | 1,203 | 1,103 | 1,103 | 1,103 | 4,512 |
| Contribution to Reserves | 800 | - | - | - | 800 |
| Transport Levy | 29,335 | 29,335 | 29,335 | 29,335 | 117,340 |
| SLAs | 285 | 285 | 285 | 285 | 1,140 |
| Total Expenditure | 35,016 | 34,216 | 34,315 | 34,388 | 137,935 |
| Income | | | | | |
| Grant Income | (5,681) | (4,781) | (4,880) | (4,953) | (20,295) |
| Contribution from Reserves | 0 | (100) | (100) | (100) | (300) |
| Transport Levy | (29,335) | (29,335) | (29,335) | (29,335) | (117,340) |
| Total Income | (35,016) | (34,216) | (34,315) | (34,388) | (137,935) |
| | | | | | |
| Net Position (Inc)/Exp | 0 | 0 | 0 | 0 | 0 |

- 2.1.3 The budget proposals reflect the increase in National Insurance contributions of 1.25% payable by employers and employees. A 2% year on year uplift has also been assumed in the staffing estimates contributing to the increase in staffing costs over the 4 yr. period reflected.
- 2.1.4 The bulk of the expenditure is funded through devolved funding secured through the devolution deal, and contributions from constituent authorities of £37,000 each and will be regularly reviewed as the delivery of key priorities and actions progress.
- 2.1.5 As the North of Tyne Combined Authority continues to develop the Mayor and Cabinet has continued to work with officers to maximise opportunities of the three constituent authorities working together effectively and efficiently with the North of Tyne Combined Authority.
- 2.1.6 The provisional Local Government Financial Settlement published on 16 December 2021, indicated a further £1.000m Mayoral Capacity Fund. This has been received annually since the Combined Authority was established, although, there had been no confirmation that this was to continue into 2022/23 and is not confirmed for future years. The Mayoral Capacity Fund for 2021/22 has been used to create a reserve to reflect the requirement to prepare for the next Mayoral election in 2024. In addition, a Strategic Capacity Fund has been created for 2022/23 in response to the potential of additional capacity required to prepare for more and wider devolution.
- 2.1.7 As for 2021/22, the Combined Authority is required to raise the levies on the constituent authorities, the levies will be issued on 15 February 2022 this will enable the constituent councils to take the levies and other contributions into account in setting their own budgets. The Joint Transport Committee (JTC) met on the 18 January 2022, to approve the 2022/23 levies. The 2022/23 Levy is reflected in Table 1 above with indicative levy budgets going forward.

2.2 Investment Fund Proposals

- 2.2.1 The Investment Fund sets out costs associated with the development, management of and delivery of projects to be funded through the Investment Fund.

2.2.2 The North of Tyne Combined Authority Corporate Plan was taken to Cabinet Annual Meeting on 8 June 2021. Setting out the ambitions of Cabinet for the Authority, both immediately and in the future, with a roadmap for action. It captures the breadth of work undertaken and ensures activities are aligned allowing for clear collaborative working. The updated draft Investment Fund Budget is set out in Table 2 below. The Table sets out clearly the expected date of the 5-year Gateway review with an indication of cumulative spend at that stage. It is important to note that whilst the review will be in year 5 the authority was launched late in 2018/19 so Table 2 shows indicative spend for a period of just over 4 years.

Table 2: Draft Investment Fund Proposals

| | Previous Years 2018-2022 £000 | 2022/23 £000 | Total 5-Yr Gateway Review £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 |
|---------------------------------|----------------------------------|-----------------|-----------------------------------|-----------------|-----------------|-----------------|
| Expenditure | | | | | | |
| Business Case Development Fund | 2,773 | 500 | 3,273 | 200 | 200 | 200 |
| Investment Projects | 31,486 | 41,600 | 73,086 | 15,750 | 19,800 | 9,800 |
| Technical Support | 750 | 250 | 1,000 | 200 | 100 | 100 |
| Contribution to Corporate Costs | 5,991 | 2,650 | 8,641 | 2,850 | 2,900 | 2,900 |
| Total Expenditure | 41,000 | 45,000 | 86,000 | 19,000 | 23,000 | 13,000 |
| Income | | | | | | |
| Funding Sources | (80,000) | (20,000) | (100,000) | (20,000) | (20,000) | (20,000) |
| Total Income | (80,000) | (20,000) | (100,000) | (20,000) | (20,000) | (20,000) |
| Net Position (Inc)/Exp | (39,000) | 25,000 | (14,000) | (1,000) | 3,000 | (7,000) |
| Cumulative Position | (39,000) | (14,000) | | (15,000) | (12,000) | (19,000) |

2.2.3 Delivery on the programme is now in full swing, a healthy pipeline has been established and includes a broad range of funding proposals which will deliver across the authority's priorities. Project proposals continue to progress through the assurance framework with pace remaining an important focus. Work has continued with portfolio holders to progress work around the key sectors identified for investment and to provide support to businesses and residents. This includes the recruitment of people into new employment opportunities created as a direct result of our investment.

2.2.4 Included in the budget is provision for Technical Support, this is a requirement of the Assurance Framework that Investment Fund proposals are subject to external independent testing. Any unspent Investment Fund will be held and transferred to a specific reserve at the year end to support the delivery of the programme of work in future years. During this current financial year there has been a rapid increase of committed and defrayed expenditure, and more importantly in the outcome's projects are reporting.

2.2.5 Table 3 reflects the capital expenditure included within the Investment Fund programme to date. Since the establishment of the Combined Authority discussions have been ongoing with HM Treasury on acquiring wider borrowing powers. HM Treasury have now confirmed their willingness to include NTCA in a new set of regulations which will apply to a number of Mayoral Combined Authorities who were not included in the previous regulations. A report taken to 30 November Cabinet gave consent to HM Treasury making the necessary regulations which will allow NTCA to be included in the regulations which are expected to be laid by Central Government later January 2022. This will mean that NTCA will have these borrowing powers in future years which will provide

the authority with more flexibility in its approach to use of the Investment Fund and the delivery of the Mayor and Cabinet's priorities. The debt cap for each year will be agreed with HM Treasury on an annual basis.

Table 3: Capital Funding included within the Investment Fund

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|------------------------|----------------|------------------|------------------|----------------|----------|------------------|
| | £ | £ | £ | £ | £ | £ |
| NTCA IF Capital | 31,498 | 1,014,950 | 924,419 | 29,133 | - | 2,000,000 |
| Capital Match | 95,617 | 3,081,066 | 2,806,240 | 88,439 | - | 6,071,362 |
| Total Capital | 127,115 | 4,096,016 | 3,730,659 | 117,572 | - | 8,071,362 |

2.3 Adult Education Budget

- 2.3.1 As part of the devolution deal the Adult Education Budget was devolved to the authority with an effective start date of August 2020. This provides the Authority with significant new powers and responsibilities in delivering both Mayoral and Cabinet priorities alongside the national skills agenda and priorities.
- 2.3.2 The geographical spread of provision for the devolved AEB aligns with travel to learn patterns in NTCA and that residents in rural parts of Northumberland and North Tyneside have access to local provision.
- 2.3.3 All 'in year' funding allocations are guided by the commissioning principles set out in the AEB Strategic Skills Plan, working closely with providers to ensure a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local skills needs, helping residents to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.
- 2.3.4 Funding allocations as a result of performance management and demand will not exceed the overall devolved AEB funding and will be guided by the commissioning principles set out in the AEB Strategic Skills plan. Regular monitoring on AEB will enable NTCA to respond to any 'Economic Shocks', unexpected fluctuations in the skills sector, and potential increases in digital entitlement.
- 2.3.5 Table 4 below reflects a high-level balanced Budget with funding awarded to grant providers and other procured deliveries. The split between grant and procured service is detailed, based on historic delivery. This profile may change as the review of delivery changes develop as detailed above.

Table 4: Draft Adult Education Budget

| | Adult Education Budget 4-Yr Profile | | | | |
|---|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | Total £000 |
| Expenditure | | | | | |
| Grant Awards | 15,369 | 15,369 | 15,369 | 15,369 | 61,476 |
| Procured Services | 6,659 | 6,659 | 6,659 | 6,659 | 26,636 |
| Admin Costs and contribution to Corporate | 678 | 678 | 678 | 678 | 2,712 |
| Total Expenditure | 22,706 | 22,706 | 22,706 | 22,706 | 90,824 |
| Income | | | | | |
| Funding Sources | (22,706) | (22,706) | (22,706) | (22,706) | (90,824) |
| Total Income | (22,706) | (22,706) | (22,706) | (22,706) | (90,824) |
| Net Position (Inc)/Exp | 0 | 0 | 0 | 0 | 0 |

- 2.3.6 AEB operational costs are included within the Corporate budget with a contribution of 3% of overall AEB income made towards Corporate support costs.

2.4. Brownfield Housing Budget

- 2.4.1 The Brownfield Housing Fund was first announced in the March 2020 National Budget to support Mayoral Combined Authorities and their local areas develop housing on brownfield land. Overall, £276m has been allocated to the six Northern city regions, North of Tyne Combined Authority was awarded £24m over a 5-year period with a £0.550m revenue capacity support grant (for 2020/21 only).
- 2.4.2 Brownfield Housing Fund specifically supports sites with an identified market failure due to site conditions. The programme is part of a broader housing programme the Housing and Land Board have in development that aims to bring forward a pipeline of sites shaping a longer-term strategic delivery approach. Different funding streams and partnership arrangements will be used to best meet priorities across the area.
- 2.4.3 Table 5 below shows the profile of both the capital and linked revenue support grant over the life of the project.

Table 5: Brownfield Housing Budget Profile

| | Total | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--|--------|--------|--------|--------|--------|--------|
| | £m | £m | £m | £m | £m | £m |
| Initial Funding Profile | 24.000 | 5.000 | 8.100 | 6.700 | 3.100 | 1.100 |
| Revised Funding Profile reflecting underspend in 2020/21 c/f to 2021/22 | 23.854 | 0.585 | 12.368 | 6.700 | 3.100 | 1.100 |

2.5 Reserves

- 2.5.1 As set out in the budget report to Cabinet on 4th December 2018, a Corporate reserve of £0.200m was created. The level of reserve will remain under review as the Combined Authority develops and new information becomes available about the financial risks facing NTCA and the arrangements in place for managing those risks.

2.6 North East LEP Accountable Body Budget

- 2.6.1 NTCA is the Accountable Body for the North East Local Enterprise Partnership (North East LEP) and this report therefore includes proposals for the budget providing corporate support as its Accountable Body.
- 2.6.2 All seven local authorities (LA7) in the North East area currently contribute £10,000 to meet the costs of the North East LEP Accountable Body role.
- 2.6.3 The budget for the North East LEP Accountable Body role (£124,000) primarily covers Service Level Agreement (SLA) charges (£70,000) and external costs (£54,000) funded from estimated interest on investment income on the NEIF and the LA7 contributions. The budget will need to be kept under review for any new areas of work that are identified over and above the budget that is agreed, the 2022/23 North East LEP Accountable Body Budget is proposed to be maintained at the same level as the current year which results in a net balanced budget position. Table 6 shows the 2021/22 North East LEP Accountable Body Budget.

Table 6: 2022/23 North East LEP Accountable Body Budget

| | North East LEP Accountable Body Budget 2022/23 |
|------------------------------------|---|
| Expenditure | £ |
| Service Level Agreements | 70,000 |
| External Support | 54,000 |
| Total Expenditure | 124,000 |
| Income | |
| LEP Accountable Body Contributions | (70,000) |
| Interest Income (NEIF) | (54,000) |
| Total Income | (124,000) |
| Net (Inc)/Exp | 0 |

2.7 NTCA Treasury Management Strategy

- 2.7.1 The Combined Authority is required to approve a Treasury Management Strategy before the start of each financial year, this is attached as Appendix A for approval. The Combined Authority defines its treasury management activities as: “The management of the Combined Authority’s borrowing, investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.7.2 Borrowing, currently the Combined Authority does not have powers to borrow other than for Transport responsibilities with a proportion of the outstanding balance of the loans and investments in relation to Transport (based on the share of Tyne and Wear population in each Combined Authority area) shown in the balance sheets of the two Combined Authorities as part of their year-end accounts. A summary therefore of the actual loans outstanding and authorised borrowing limit in relation to Transport is reflected in the Treasury Management Strategy of the NTCA.
- 2.7.3 Discussions have been ongoing with HM Treasury on securing wider borrowing powers for the Combined Authority. HM Treasury have now confirmed their willingness to include NTCA in a new set of regulations which will apply to a number of Mayoral Combined Authorities who were not included in the previous regulations. A report taken to 30 November Cabinet gave consent to the HM Treasury making the necessary regulations which will allow NTCA to be included in the regulations which are expected to be laid by Central Government later January 2022. This will mean that NTCA will have these borrowing powers in future years. The debt cap for each year will be agreed with HM Treasury on an annual basis. An authorised borrowing limit of £20.000m in advance of obtaining the borrowing powers was agreed in 2021/22 Treasury Management Strategy. Once confirmation of the regulations has been laid the Combined Authority will bring to Cabinet a Capital Investment Strategy and a Minimum Revenue Provision Strategy which are a requirement that the Combined Authority has in accordance with the Prudential Code.
- 2.7.4 Investment Strategy – The Combined Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. It should be noted that as the accountable body for the North East LEP and Invest North East England (INEE) any investment balances managed on a day-to-day basis will include balances relating to the North East LEP, INEE as well as the Combined Authority. The Treasury Management Investment Strategy reflects the investment activities of the North East LEP in addition to the Combined Authority.

3 Potential Impact on Objectives

- 3.1 The North of Tyne Combined Authority Corporate Plan sets out the strategic objectives of the Authority. The budget will enable the Authority to properly discharge its functions and assist in delivering the Authority’s vision, policies, and priorities.

4 Key Risks

4.1 There are no specific risks relating to this report.

5 Financial and Other Resources Implications

5.1 The financial implications arising from the outcomes of this report will be appraised as part of the decisions made as to what is included in the Authority's 2022-2026 Financial Plan, incorporating the 2022/23 Budget-Setting process.

5.2 The Mayor and Cabinet need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year Financial Plan for 2022-2026 in accordance with the Authority's Reserves and Balances Policy.

6 Legal Implications

6.1 The Authority is required to agree a balanced budget annually and to monitor that budget throughout the year. The Authority must also make provision for an adequate level of un-earmarked reserves. It is also required to ensure that good financial governance arrangements are in place.

7 Equalities Implications

7.1 The Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equality's legislation are considered prior to any decision being made.

7.2 The Authority will continually monitor the effect of our Budget-setting process and decision-making, utilising equality impact assessments and reflecting the Authority's equalities objectives.

7.3 Equality Impact Assessments (EIA) may be included in proposals for inclusion with the initial Budget proposals in November 2021 where applicable, in order to be available to the Mayor and Cabinet when it further considers the Financial Plan and Budget proposals on 30 November 2021.

8 Inclusive Economy Implications

8.1 There are no direct inclusive economy implications arising from the recommendations in this report. However, EIA's include inclusive economy implications and NTCA has adopted socio-economic disadvantage as a protected characteristic.

9 Climate Change Implications

9.1 There is no direct climate changed implications arising from the recommendations in this report. However, climate change is considered within an EIA for projects.

10 Consultation and Engagement

10.1 The creation of the North of Tyne Combined Authority has been subject to significant regional and national engagement. The 2022/23 Draft Budget are based on the devolution deal and the Parliamentary Order which created the Authority and the Authority's Vision which has been detailed in the Corporate Plan which has been agreed by Cabinet and is being shared with stakeholders in a range of events.

10.2 Consultation with the Business Community and the Community and Voluntary Sector has continued throughout the budget process as part of the overall approach to engagement undertaken with these sectors. In addition, the attendance at Cabinet of both the Ambassador for business and the Ambassador for the Community and Voluntary sector will add to the opportunity for engagement. The Mayor and Cabinet will be updated and respond to recommendations made by Overview and Scrutiny Committee at the Cabinet Meeting on 25 January 2022 (attached at Appendix B).

11 Appendices

Appendix A 2022/23 Treasury Management Strategy

Appendix B Overview and Scrutiny Committee response to the 2022-2026 Budget Proposals

12 Background Papers

26 January 2021 Financial Plan and Budget.

5 February 2021 North East Combined Authority Leadership Capital and Revenue Outturn Report.

13 Contact Officers

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14 Glossary

| | |
|------|---|
| CSR | Comprehensive Spending Review |
| BFH | Brownfield Housing Fund |
| AEB | Adult Education Budget |
| LEP | North East Local Enterprise Partnership |
| INEE | Invest North East England |

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1. Background

The Combined Authority is required to operate a balanced budget, which means that cash raised during the year will meet cash expenditure. A key part of the Combined Authority's treasury management function is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Combined Authority's low risk policy, providing adequate security and liquidity before considering investment return.

Another key element of the treasury management function is the management of the funding associated with the Combined Authority's capital investment plans. These capital plans provide a guide to any potential borrowing needs of the Combined Authority, essentially the longer-term cash flow planning to ensure that the Combined Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. Although the Combined Authority has not identified any imminent borrowing plans other than in respect of the relevant share of the Joint Transport Committee liabilities, it is engaged in discussions with Government to obtain borrowing powers so that these are in place when borrowing is required.

The contribution the treasury management function makes to the Combined Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or on larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security and liquidity of the sums invested.

2. Statutory Requirements

The Combined Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy's Prudential Code: Capital Finance in Local Authorities and the Department for Levelling Up, Housing and Communities (DLUHC) Statutory Guidance on Local Government Investments.

The CIPFA Treasury Management Code requires the Combined Authority to approve a Treasury Management Strategy before the start of each financial year.

In addition, the DLUHC guidance requires the Combined Authority to approve an Investment Strategy before the start of each financial year.

The CIPFA Treasury Management Code and the Prudential Code are closely linked. The Combined Authority is required to have regard to the Prudential Code when setting limits to the level of its affordable borrowing. The 2017 update to the Prudential Code drew together the reporting requirements of the Prudential Code and the Treasury Management Code resulting in the requirement for the Combined Authority to produce a capital strategy that includes specific

requirements in respect of debt and borrowing and treasury management. An Investment Strategy will be produced when the Combined Authority has determined potential borrowing limits through dialogue with the Treasury.

CIPFA published revised Treasury Management and Prudential Codes on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. However, the Combined Authority has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Cabinet for approval.

3. Treasury Management Policy Statement

3.1 Effective Treasury Management

The Combined Authority will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives, and approach to risk management of treasury management activities
- Suitable Treasury Management Practices (TMPs), setting out the manner in which the Combined Authority will seek to achieve its policies and objectives and detail how it will manage and control treasury management activities.

3.2 Reporting

The following reports will be issued during the financial year for approval by Cabinet:

- An annual report on the Combined Authority's Treasury Management Strategy and plan to be pursued in the coming year. This will include an Investment Strategy and will be considered by Cabinet as part of the budget approval process.
- A mid-year review report. This will update members on the progress of the capital position, show amended prudential indicators where required and performance against the strategy.
- An annual report, after year end closure on the performance of the treasury management function, on the effects of decisions taken and the transactions executed in the past year, and any circumstances of non-compliance with the Treasury Management Strategy and TMPs.

3.3 Responsibilities

The Combined Authority delegates responsibility for the implementation and regular review of its treasury management policies and practices and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the Combined Authority's policy statement and TMPs and if that officer is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management. Cabinet has responsibility to ensure the implementation and regular monitoring of its treasury management policies delegates the responsibility for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's policy statement and TMPs.

Responsibility for ensuring effective scrutiny of the Treasury Management Strategy and Treasury Management Policies is delegated to Overview and Scrutiny Committee.

The Combined Authority's Treasury Management function is managed under a service level agreement with North Tyneside Council.

The Treasury Management functions of the Joint Transport Committee are approved as part of the North East Combined Authority budget setting process in their role as Accountable Body. A review of the NECA Treasury Management Strategy has been undertaken and is in line with that of the Combined Authority.

3.4 Training

The CIPFA Treasury Management Code requires the responsible officer to ensure those members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

3.5 Treasury Management Policy Statement 2022-23

The Combined Authority defines its Treasury Management activities as:
“The management of the Combined Authority’s borrowing, investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

3.6 Risk Management

The Combined Authority regards the successful identification, monitoring, and control of risk to the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage those risks.

3.7 Value for Money

The Combined Authority acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

3.8 Borrowing Policy

At this current time the Combined Authority does not have the powers to borrow other than for Transport responsibilities, the borrowing that will be reflected in this Combined Authority’s statement of accounts relates to historic Tyne and Wear Transport activities and the financing and borrowing costs are met by the Tyne and Wear Levy. Details of which are included the Treasury Management Strategy and Prudential Indicators of the North East Combined Authority as the appointed accountable body.

3.9 Investment Policy

The Combined Authority’s primary objectives for the investment of its surplus funds are to protect the principal sums invested from loss, and to ensure adequate liquidity so that funds are available for expenditure when needed. The generation of investment income to support the provision of the Combined Authority’s services is an important, but secondary, objective.

The Combined Authority will have regard to the DLUHC Guidance on Local Government Investments and will approve an Investment Strategy each year as part of the Treasury Management Strategy. The strategy will set criteria to determine suitable organisations with which cash may be invested, limits on the maximum duration of such investments and limits on the amount of cash that may be invested with any one organisation.

4. Treasury Management Strategy for 2022-23

The proposed strategy for 2022-23 in respect of the following aspects of the treasury management function is based upon the treasury management officers' view on interest rates, supplemented with market forecasts provided by to North of Tyne Combined Authority's treasury advisor, Link Group. This strategy covers:

- Treasury management consultants
- The current treasury portfolio position.
- Prospects for interest rates.
- The borrowing strategy.
- Sources of borrowing
- Policy on borrowing in advance of need.
- The Investment Strategy.
- Financial investments.
- Creditworthiness.
- Liquidity management.
- Non-financial investments; and
- Policy on the use of financial derivatives

4.1 Treasury Management Consultants

Whilst the Combined Authority has appointed external Treasury Management advisors it recognises that responsibility for Treasury Management decisions remains with the Combined Authority at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, that from any appointed treasury advisers.

It also recognises that there is value in employing external providers of Treasury Management services in order to acquire access to specialist skills and resources. The Combined Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

4.2 Current Treasury Portfolio Position

The Combined Authority's Investment position as at December 2021 is set out in Table 1 below:

Table 1: Current Treasury Portfolio as at 31 December 2021

| Investments | Average amount Invested | Average Rate Interest earned |
|--------------------|--------------------------------|-------------------------------------|
| | £m | % |
| Local Authorities | 127 | 0.13 |
| Total | 127 | |

The Combined Authority became the accountable body for the North East LEP (LEP) from the 1st April 2020, as such NTCA is responsible for managing the cashflow of the LEP in addition to its own. The level of funds invested as at December 2021 was £127m. This being invested with other local authorities which is considered a low-risk counterparty/instrument commensurate with the Combined Authority's low risk policy, providing adequate security and liquidity before considering investment return.

4.3 Prospects for Interest Rates

The Combined Authority agreement with North Tyneside Council for treasury management services currently has access to Link Group as its external treasury advisor and part of their service is to assist the Combined Authority to formulate a view on interest rates. The table below sets out Link Group professional view of interest rates.

Table 2: Link Group forecast interest rates – (December 2021)

| Link Group Interest Rate View | | 20.12.21 | | | | | | | | | | | | | |
|-------------------------------|--------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--|
| | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 | Jun-24 | Sep-24 | Dec-24 | Mar-25 | |
| BANK RATE | 0.25 | 0.25 | 0.50 | 0.50 | 0.50 | 0.75 | 0.75 | 0.75 | 0.75 | 1.00 | 1.00 | 1.00 | 1.00 | 1.25 | |
| 3 month ave earnings | 0.20 | 0.30 | 0.50 | 0.50 | 0.60 | 0.70 | 0.80 | 0.90 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| 6 month ave earnings | 0.40 | 0.50 | 0.60 | 0.60 | 0.70 | 0.80 | 0.90 | 1.00 | 1.00 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | |
| 12 month ave earnings | 0.70 | 0.70 | 0.70 | 0.70 | 0.80 | 0.90 | 1.00 | 1.10 | 1.10 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | |
| 5 yr PWLB | 1.40 | 1.50 | 1.50 | 1.60 | 1.60 | 1.70 | 1.80 | 1.80 | 1.80 | 1.90 | 1.90 | 1.90 | 2.00 | 2.00 | |
| 10 yr PWLB | 1.60 | 1.70 | 1.80 | 1.80 | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.10 | 2.10 | 2.10 | 2.20 | 2.30 | |
| 25 yr PWLB | 1.80 | 1.90 | 2.00 | 2.10 | 2.10 | 2.20 | 2.20 | 2.20 | 2.30 | 2.30 | 2.40 | 2.40 | 2.50 | 2.50 | |
| 50 yr PWLB | 1.50 | 1.70 | 1.80 | 1.90 | 1.90 | 2.00 | 2.00 | 2.00 | 2.10 | 2.10 | 2.20 | 2.20 | 2.30 | 2.30 | |

From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, and MPC decisions, will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geographical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be dependent on economic and political developments.

4.4 Investment and Borrowing Rates

Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels.

4.5 Borrowing Strategy

Previously, the Combined Authority did not have powers to borrow other than for Transport responsibilities with a proportion of the outstanding balance of the loans and investments in relation to Transport (based on the share of Tyne and Wear population in each Combined Authority area) shown in the balance sheets of the two Combined Authorities as part of their Year end accounts. A summary therefore of the actual loans outstanding and authorised borrowing limit in relation to Transport is reflected in the Treasury Management Strategy of the NTCA.

Discussions have been ongoing with HM Treasury on acquiring wider borrowing powers. HM Treasury have now confirmed their willingness to include NTCA in a new set of regulations which will apply to a number of Mayoral Combined Authorities who were not included in the previous regulations. A report taken to 30 November Cabinet gave consent to the Combined Authority making the necessary regulations which will allow NTCA to be included in the regulations which are expected to be laid by Central Government later January 2022. This will mean that NTCA will have these borrowing powers in future years. The debt cap for each year will be agreed with HM Treasury on an annual basis. An authorised borrowing limit of £20.000m in advance of obtaining the

borrowing powers was agreed in 2021/22 Treasury Management Strategy. Once confirmation of the regulations has been laid the Combined Authority will come back to Cabinet with a Minimum Revenue Provision Policy Statement for the NTCA.

At this current time the Combined Authority does not have the powers to borrow other than for Transport responsibilities, the borrowing that will be reflected in the Combined Authority's statement of accounts relates to historic Tyne and Wear Transport activities and the financing and borrowing costs are met by the Tyne and Wear Levy. A proportion of the outstanding balance of the loans and investments (based on the share of Tyne and Wear population in each Combined Authority area) will be shown in the balance sheets of the two Combined Authorities as part of their year-end accounts. A summary of the actual loans outstanding and authorised borrowing limit at the date of the preparation of this report is shown in table 3 below.

Table 3: Transport Loans Outstanding and Authorised Borrowing limit as at December 2021

| | Principal | Interest Due | Total | NECA Share | NTCA Share |
|-------------------------------|------------------|---------------------|--------------|-------------------|-------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Capital Financing Requirement | 187,610 | | 187,610 | 103,232 | 84,378 |
| Actual External Debt | 170,333 | 1,492 | 171,825 | 94,547 | 77,278 |
| Authorised Borrowing Limit | | | 210,000 | 115,552 | 94,448 |

Additional borrowing of £5m was taken out in relation to Enterprise Zone activity, this was taken out by North East Combined Authority (NECA) in 2019-20 when NECA was the accountable body for the North East LEP. NECA will continue to manage this borrowing on behalf of North of Tyne Combined Authority now accountable body responsibility for the North East LEP is with North of Tyne Combined Authority.

The North of Tyne are pursuing borrowing powers and as these are granted an authorised borrowing limit of £20m is to be proposed in addition to the borrowing limit above.

| | |
|---|--------|
| | £000 |
| North of Tyne Combined Authority Authorised Borrowing Limit | 20,000 |

4.6 Prudential Indicators and Minimum Revenue Provision.

Prudential Indicators and Minimum Revenue Provision (MRP) Policy. The new arrangements set out in the NECA (North East Combined Authority) and NTCA Orders require decisions about the Transport Revenue budget and Levies and the Transport Capital Programme to be determined by the Joint Transport Committee (JTC). The transport functions and assets still rest with each Combined Authority but can only be exercised or deployed through the decisions of the Joint Transport Committee (see link [Joint Transport Committee Borrowing.pdf](#)).

Once borrowing powers to the NTCA are granted officers will come back to members with a Minimum Revenue Provision (MRP) Policy Statement for the NTCA.

5. Annual Investment Strategy

5.1 Investment Policy

The Combined Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. It should be noted that the Combined Authority is now the accountable body for the North East LEP, and any investment balances managed on a day-to-day basis will include balances relating to the North East LEP as well as the Combined Authority.

The Combined Authority's Investment Strategy will give consideration to core balances and cash flow requirements and the outlook for short-term interest rates. Where cash flow identifies cash sums that could be invested for longer periods (potentially obtaining a greater return), the value to be obtained from longer term investments will be carefully assessed.

If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable. Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Both the CIPFA Treasury Management Code and DLUHC guidance require the Combined Authority to invest any funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.

The above Code and guidance also emphasise the importance of the management of risk within treasury management functions. This Combined Authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- Credit ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. Any assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Combined Authority will engage with its advisors to maintain a monitor on market pricing such as credit default swaps and overlay that information on top of the credit ratings.
- Other information sources used will include the financial press, share prices and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- The Combined Authority has defined a list of types of investment instruments that the treasury management function is authorised to use. There are two lists in under the categories of 'specified' and 'non-specified' investments.

5.2 Financial Investments

The CIPFA Treasury Management Code and the DLUHC guidance has now extended the meaning of 'financial investments' to include the following:

- Specified investments;
- Loans; and
- Non-specified investments.

5.3 Specified Investments

Specified investments are denominated in sterling; repayable within 12 months (either because of an expiry date or through a non-conditional option); not defined as capital expenditure by legislation; and invested with a body or in an investment scheme described as high quality or invested with one of: the UK Government; a Local Authority; or a Parish Council or Community Council.

5.4 Loans

Loans could be to local enterprises, local charities, wholly owned companies, and joint ventures as part of a wider strategy for local economic growth. In some cases, these loans may not be seen as prudent if adopting a narrow definition of prioritising security and liquidity. To allow such loans to be made whilst continuing to have regard to the DLUHC guidance Local Authorities must be able to demonstrate in their strategy that:

- Total financial exposure to these types of loans is proportionate;
- That an allowed “expected credit loss” model for loans and receivables as set out in IFRS 9 Financial Instruments has been adopted to measure the credit risk of a portfolio;
- That appropriate credit control arrangements to recover overdue repayments is in place; and
- The Combined Authority has formally agreed the total level of loans by type that it is willing to make, and their total loan book is within their self-assessed limit.

5.5 Non-specified Financial Investments

Non-specified investments are any investment not meeting the definition of a specified investment (less high credit quality, may be for periods in excess of 12 months, and are more complex instruments which require greater consideration by members and officers before being authorised for use).

The following table provides a list of specified investment instruments that are authorised to be used by the Combined Authority, subject to cash limits and time limits indicated:

Table 3: Specified Investment Instruments

| | Credit Criteria | Maximum Deposit | Maximum Period |
|---|---|------------------------|--|
| Debt Management Agency Deposit Facility | UK Government backed | £50m | Unlimited |
| UK Local Authorities | N/A | £10m each | 1 year |
| UK Government Treasury Bills | UK Sovereign Rating | £10m | 1 year |
| Term deposits with banks and building societies | Blue /Orange Red Green No Colour | £10m each | 12 months 6 months 100 days Not for use |
| Certificate of Deposits with banks and building societies | Blue /Orange Red Green No Colour | £5m each | 12 months 6 months 100 days Not for use |
| Money Market Funds | AAA | £10m each | Liquid |
| Local Authority Controlled companies in the NTCA area | | £5m | 5 years |

The following table provides a list of non-specified investment instruments that are authorised to be used by the Combined Authority, subject to the cash limits and time limits indicated:

Table 4: Non-specified Investment Instruments

| | Credit Criteria | Maximum Deposit | Maximum Period |
|---|------------------------|------------------------|-----------------------|
| UK Local Authorities | N/A | £5m each | 3 year |
| Commercial Property Investment Fund Loans (LEP) | N/A | £30m | Unlimited |
| Property Funds | N/A | £5m | Unlimited |

The Combined Authority has determined that it will limit the maximum total exposure to non-specified investments as being 25%.

Investments will only be placed with counterparties from countries with a specified minimum sovereign rating.

All investments will be denominated in sterling.

The Combined Authority will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

5.6 Creditworthiness Policy

The minimum credit ratings criteria the Combined Authority use will be a Short-Term rating (Fitch or equivalents) of F1 and a Long-Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings, but they may still be used. In these instances, consideration will be given to the whole range of ratings available or other market information, to support their use.

The Combined Authority also applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies; Fitch, Moody's, and Standard & Poor's. Link Group supplement the credit ratings of counterparties with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swap (CDS) spreads to provide early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties and are used by the Authority to determine the suggested duration of investments.

This service uses a wider array of information other than just primary ratings and by using a risk weighted scoring system it does not give undue preponderance to one agency's ratings.

The Combined Authority is alerted to changes to ratings of all three agencies through its use of the Link Group creditworthiness service.

If a downgrade results in the counterparty no longer meeting the Combined Authority's minimum criteria, its further use as a new investment will be withdrawn immediately. In addition to the use of credit ratings the Combined Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website. Extreme market movements may result in downgrade of an institution or removal from the Combined Authority's lending list. Sole reliance will not be placed on the use of this external service. In addition, the Combined Authority will also use market data and market information on any external support for banks to help support its decision-making process.

As a result, in the change in accounting standards for 2018-19 under IFRS 9, the Combined Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year.

5.7 Liquidity Management

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

5.8 UK Banks – Ring Fencing

The largest UK banks are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as ring-fencing. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and small and medium-sized enterprise (SME) deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day to day core transactions, whilst more complex and riskier activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Combined Authority will continue to assess the new formed entities in the same way that it does others and those with sufficiently high ratings, will be considered for investment purposes.

5.9 Non-Financial Investments

The DLUHC guidance defines an investment as all of the financial assets of a Local Authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit, for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations. The definition of an investment also covers loans made by a local authority to one of its wholly owned companies or associates, to a joint venture, or to a third party.

The Combined Authority recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Combined Authority will ensure that all the organisation's investments are covered in the Investment Strategy and will set out, where relevant, the organisation's risk appetite and specific

policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

The Combined Authority will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures, and liabilities including financial guarantees and the organisation's risk exposure.

5.10 Policy on the use of Financial Derivatives

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

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Overview and Scrutiny Committee Report to Cabinet

25 January 2022

**Subject: North of Tyne Combined Authority 2022-2026 Budget
Proposals**

Report of: Overview and Scrutiny Committee

Portfolio: All

Report Summary

This report presents the response of the Overview and Scrutiny Committee to Cabinet's proposals for the 2022-26 North of Tyne Combined Authority Budget. It provides information on the role of the committee in the budget setting process, what information it has received and its comments and recommendations to Cabinet.

Recommendations

The Overview and Scrutiny Committee recommends Cabinet accepts this report as the response from the Overview and Scrutiny Committee to the 2022-26 Budget proposals for the North of Tyne Combined Authority and takes its comments and observations into account when agreeing the Budget at its meeting on 25 January 2022.

1. Background Information, Proposals and Timetable for Implementation

1.1 Process

1.1.1 In accordance with the Budget and Policy Framework Rules of Procedure (Part 3.2 of the Constitution) the Overview and Scrutiny Committee has a particular role in the setting of the North of Tyne Combined Authority's (NTCA) budget. Cabinet must present to the committee the budget setting process, the initial proposals and have regard to any recommendations and/or observations from the Overview and Scrutiny Committee when finalising the Authority's budget.

1.1.2 At its 12 October 2021 meeting the Overview and Scrutiny Committee received a report on the 2022-2026 Financial Planning and Budget Process which outlined the process to be adopted for the Authority's Financial Planning and Budget Process for 2022/23 as part of the proposed framework for the four years 2022/23 to 2025/26. This included information in relation to the updated Medium-Term Financial Strategy (MTFS), the development of the detailed budgets for 2022/23 and the timetable for key decision milestones and dates for the setting of the budget.

1.2 Draft Budget Proposals

1.2.1 Cabinet met on 30 November 2021 to consider the initial draft budget for NTCA for 2022/23 and the medium-term financial plan for the period 2023/24 to 2025/26 which included a draft budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget and the Brownfield Housing Fund. The report also outlined the context within which the budget proposals have been prepared in relation to the Comprehensive Spending Review (CSR). NTCA are the accountable body for the North East Local Enterprise Partnership (North East LEP) and proposals for the North East LEP accountable body budget were also included.

1.2.2 The Overview and Scrutiny Committee received these proposals on 7 December 2021.

1.2.3 At its meeting on 7 December 2021 the committee sought clarification on NTCA's role in the Transport Levies and also the addition of a budget line to reflect the intention to build reserves to fund the costs for the expected mayoral election in 2024.

1.3 Budget Workshop

- 1.3.1 The committee held a workshop on 11 January 2022 to further discuss and scrutinise the proposals, be informed of any changes and provide a formal response to Cabinet. The Chief Finance Officer attended the workshop to present information on what had changed since the draft proposals were considered by the committee in December and to answer any questions.
- 1.3.2 The committee were reminded of the initial proposals and that they were developed within the context of the strategic priorities and policy decisions made by the Mayor and Cabinet to ensure that the authority's strategic plans could be delivered within the financial resources available. The 1.25% increase in National Insurance contributions had been built in but as the Levelling Up White Paper was still to be published any operational changes that may be required to meet any opportunities within that were still unknown. It had been confirmed that the Mayoral Capacity Fund of £1m had been extended for 2022/23 as part of the Provisional Local Government Financial Settlement and Cabinet would determine where that would be assigned to. Options included contributing to the future costs of the mayoral election and to responding to the opportunities in the Levelling Up White Paper.
- 1.3.3 The updated Transport Levies position for 2022/23 had been approved at the Joint Transport Committee on 18 January 2022. It was noted that the NTCA budget proposals had no additional cost to local taxpayers or the three local authorities.
- 1.3.4 A member enquired whether the Brownfield Housing Fund could be extended as the need would still be there at the end of the programme. The Chief Finance Officer explained that there had been an indication in the Comprehensive Spending Review that further funding for this area of work might be available and it was a matter of waiting to see if anything came forward.
- 1.3.5 In relation to engagement, the committee was informed that the Chief Finance Officer had consulted with the business community and the voluntary and community sector since the initial proposals had been published. Both groups welcomed the consultation and received the information and made no direct comments. A page on the NTCA website had been created to allow members of the public to submit any questions or comments, which was highlighted through a number of posts on social media. This consultation exercise was open from 1 December 2021 until 7 January 2022. One positive comment was received in relation to the work being undertaken to ensure managing unallocated AEB funds for academic year 2021-22.
- 1.3.6 It was acknowledged by officers that generating interest in the budget of the NTCA was a challenge and that considering how this could be improved was a continuous process. Members made suggestions regarding circulating a paper questionnaire and also seeking support from the local authorities by including a link to the NTCA budget proposals on their website as they have an engaged audience. The Chief Finance Officer agreed to look into both suggestions for next year.
- 1.3.7 The workshop also received a presentation on Treasury Management which provided the members with an overview of its purpose, the legal and regulatory requirements, the reporting regime and the economic view and the role of the markets in Treasury Management. The NTCA was in the process of seeking borrowing powers which, once received, would require the Authority to adopt a Capital Strategy. The Overview and Scrutiny Committee would be kept informed as this work progressed.

1.4 Conclusions

- 1.4.1 The Overview and Scrutiny Committee noted the proposals and considered that Cabinet should agree the recommendations as set out in the budget proposals and had no specific recommendations to make on the individual elements which make up the budget.
- 1.4.2 The committee acknowledged the challenge of engaging the public with the NTCA's budget and welcomed the Chief Finance Officer's assurances that it was important to the team and would be reviewed again to see what improvements could be made.

1.4.3 The committee thanked the officers involved in drafting the report and making the presentations to the committee and answering their questions throughout the process.

2. Potential Impact on Objectives

The North of Tyne Combined Authority Corporate Plan sets out the strategic objectives of the Authority. The budget will enable the Authority to properly discharge its functions and assist in delivering the Authority's vision, policies, and priorities.

3. Key Risks

There are no specific risks relating to this report from the Overview and Scrutiny Committee.

4. Financial and Other Resources Implications

There are no direct financial and resource implications arising from the recommendations in this report. The financial implications of the proposals are set out in full in the report to Cabinet from the Chief Finance Officer.

5. Legal Implications

There are no direct legal implications arising from the recommendations in this report. The legal implications of the proposals are set out in full in the report from the Chief Finance Officer to Cabinet.

6. Equalities Implications

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

7. Inclusive Economy Implications

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

8. Climate Change Implications

There is no direct climate changed implications arising from the recommendations in this report.

9. Consultation and Engagement

The Overview and Scrutiny Committee is a consultee in this budget setting process.

10. Appendices

None

11. Background Papers

[2022-26 Financial Planning and Budget Process Report to Cabinet, 22 September 2021](#)

[NTCA Budget Proposals 2022-2026 Report to Cabinet, 30 November 2021](#)

[Minutes of NTCA Overview and Scrutiny Committee meetings held on 12 October and 7 December 2021](#)

[North of Tyne Constitution](#)

12. Contact Officers

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Subject: 2021/22 Indicative Outturn and 2022/23 Indicative Budget Proposals for the North East Local Enterprise Partnership and Invest North East England

Report of: Interim Chief Finance Officer, Janice Gillespie

Portfolio: Investment and Resources

Report Summary

The purpose of this report is to apprise Members of the North East Local Enterprise Partnership (LEP) indicative Outturn position for 2021/22 and indicative Revenue Budget for 2022/23 which are to be reported to the LEP Board on the 27 January 2022. This report will also provide an update on the Invest North East England (INEE) 2021/22 indicative Outturn position and indicative Revenue Budget for 2022/23. The North of Tyne Combined Authority became the Accountable Body for both the LEP and INEE on 1 April 2020. This report will provide a brief background of the principles agreed in relation to the Accountable Body role and a brief overview of the budget and funding of both the North East LEP and INEE with the LEP Revenue Budget report presented in Appendix A to the report and INEE Revenue Budget as Appendix B.

Recommendations

The Cabinet is recommended to note the contents of this report and in doing so note the update on the 2021/22 North East LEP Revenue Budget and the 2021/22 Invest North East England Revenue Budget and note the provisional estimate for the 2022/23 Revenue Budget for both the North East LEP and Invest North East England.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 The Combined Authority became the Accountable Body for the North East LEP and Invest North East England as of 1 April 2020.
- 1.2 As the accountable body for the North East LEP, at the time when decisions relating to the 2022/23 Budget must be taken, the North of Tyne Combined Authority Budget report will include information about the funds available to the North East LEP and its proposed budget for 2022/23, which will be agreed by the North East LEP Board. The budget will need to reflect decisions about the level of government grant available to support the North East LEP costs as well as the guidance and resource requirements needed to meet grant conditions.
- 1.3 **North East LEP Budget**
 - 1.3.1 The North East LEP core team activity is part funded from a Government Grant of £0.500m, which is required to be matched by £0.250m local authority contributions. It is proposed the current level of match funding contributions continue to be provided in 2022/23 by the seven North East Councils contributing £35,714.29 each.
 - 1.3.2 As detailed in the NTCA 2022-2026 Budget report as Accountable Body for the North East LEP, NTCA will receive £10,000 from each of the North East Councils to support this role.
 - 1.3.3 In addition to the LEP core funding, the LEP have also secured £4.277m of external funding, to help support the delivery of the of the North East Strategic Economic Plan.

1.3.4 The original net budget for the current financial year approved in May LEP Board was a deficit of £0.141m. The forecast net outturn is for a surplus of (£0.135m), representing a significant improvement on the budget which reflects confirmation of external funding which was not confirmed at the time of setting the original budget.

1.3.5 The net budget position for 2022/23 is a deficit of £0.254m, which will be met from contributions from the Enterprise Zone account (as previously approved from the LEP Board) unless further funding is approved. A copy of the North East LEP Budget report is attached at Appendix A.

1.4 Invest North East England Budget

1.4.1 The Invest North East England (INEE) team coordinates inward investment activity across the North East, including responding to investor opportunities for investment to the region. The gross budget for INEE is £0.460m funded in part from a contribution of £0.020m from each of the seven local authorities within the North East LEP area, matched historically by £0.140m funding from the North East LEP from interest on balances. The forecast outturn is £0.417m an in-year underspend due to reductions on lead regeneration as a legacy of COVID-19.

1.4.2 At this stage it is recommended that the budget for 2022/23 is set at £0.460m with the contribution of £0.020m per local authority being retained, and the balance of funding met from Enterprise Zone surplus. Historically the LEP have contributed £0.140m to the Invest North East England budget met from interest on balances on Local Growth Fund, however, with this fund now finishing this funding source is no longer available. The balance of replacement funding is proposed to be met from the Enterprise Zone however, this has not been agreed. A copy of the Invest North East England Budget report is attached at Appendix B.

2. Potential Impact on Objectives

The proposals of this report put into effect the principles of the Accountable Body role.

3. Key Risks

There are no key risks at this time.

4. Financial and Other Resources Implications

4.1 The Deed of Co-Operation sets out the requirement that “there shall be no financial or operational detriment to the North East LEP operations as a consequence of the New Order or any change in the Host Combined Authority”. This also includes no detrimental financial implication for the North of Tyne Combined Authority.

5. Legal Implications

5.1 The legal implications have been considered within the Deed of Co-operation.

6. Equalities Implications

6.1 The Combined Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equality’s legislation are considered prior to any decision being made. In respect of the NTCA specifically the Combined Authority will continue to monitor the effect of their budget-setting process and decision-making by using equality impact assessments (EIA).

7. Inclusive Economy Implications

7.1 There are no direct inclusive economy implications arising from this report.

8. Climate Change Implications

8.1 There are no direct climate change implications arising from the recommendations in this report. However, climate change is considered within an EIA for projects in respect of NTCA.

9. Consultation and Engagement

9.1 The LEP Budget Report presenting the provisional budget for 2022/23 will be taken to LEP Board in January 2022.

9.2 The NTCA Budget 2022-26 report, attached to this report as an appendix, details the consultation undertaken as part of the NTCA Budget process.

10. Appendices

Appendix A North East Local Enterprise Partnership 2021/22 Indicative Outturn and 2022/23 Budget
Appendix B Invest North East England 2021/22 Indicative Outturn and 2022/23 Budget

11. Background Papers

As detailed on the individual reports within the Appendices.

12. Contact Officers

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13. Glossary

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

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North East Local Enterprise Partnership Board



27th January 2022

ITEM 7: Update on 2021/22 Revenue Budget; and a Provisional Estimate for the Revenue Budget for 2022/23

1. Introduction

- 1.1 The purpose of this report is to provide an update to the Board on the North East Local Enterprise Partnership (North East LEP) revenue budget position for the current financial year (2021/22), and to provide an indicative budget for the next financial year (2022/23). This report also provides an updated budget position in relation to the Enterprise Zone account, and an update on the Local Growth Fund (LGF), the Getting Building Fund (GBF) and the North East Investment Fund (NEIF).
- 1.2 As in previous years it is intended to provide an indicative outturn report for 2021/22 and an updated indicative budget for 2022/23 with latest information about funding and a three-year budget projection coming to the May LEP Board.
- 1.3 As of 1st April 2020, the North of Tyne Combined Authority (NTCA) became the new accountable body for the North East LEP, the 2021/22 indicative outturn and 2022/23 indicative budget position continues to reflect this.

2. North East LEP 2020/21 Revenue Budget

- 2.1 The North East LEP (LEP) core budget covers LEP operational activity and also management of the LGF, GBF, NEIF and Enterprise Zone programmes. Table 1 provides a summary of the revised revenue budget for the year compared with the revenue budget reported in January 2021, and the subsequent updated revenue budget reported in May 2021, with supporting notes provided below.
- 2.2 The North East LEP Board agreed a provisional revenue budget for 2021/22 of £5.462m in January 2021 and an updated revenue budget of £7.906m in May 2021. With a higher gross income estimate of £7.764m in May, the projected drawdown from the LEP reserve had reduced from £0.285m in January 2021 to £0.141m, leaving an estimated reserve of £0.613m at the end of the year, as reported in May 2021.
- 2.4 Total revenue expenditure in 2021/22 is estimated to be £7.958m, which is £0.051m slightly more than estimated in May 2021. This slight increase in revenue expenditure is the net effect of new funding streams and their associated operational expenditure budgets, and a reduction in employee expenditure due to other funding streams coming to an end and natural wastage. However, gross income has increased by (£0.329m) compared with (£7.764m) in May to (£8.093m) in the revised January 2022 budget, increasing the net budget position by (£0.276m) compared to May resulting in a positive surplus position of (£0.135m) compared to the net deficit position reported in May of £0.141m.
- 2.5 This follows the pattern in previous years, where a cautious view on income and a prudent provision for costs, results in an estimated call on reserves at the start of the year, and additional income or lower costs in the year reduces the call on reserves at

the year end. The estimated level of the North East LEP Reserve to be carried into 2022/23 is now £0.748m.

2.6 The main budget variations are summarised below.

Employee Costs

2.6.1 Employee costs reduced from £3.741m in May to £3.381m, a reduction of £0.360m. This reduction is in part due to fixed term contracts linked to funding streams ending and a freeze on recruitment pending the outcome of the national LEP Review. A 1.75% assumption for pay award has been included in the employee budget estimate however, this has not yet been confirmed. A budget for staff allowances/expenses is also included in the budget total of £0.020m.

Other Costs

2.6.2 Other operational cost budgets reflected in the 2021/22 revised budget relate to new grant income streams, including Made Smarter (£0.520m) and Community Renewal Funding (CRF) in relation to the Future Market Acceleration Programme (£0.079m). There is a reduction shown on the Skills operational budgets (£0.202m) with the cessation of EY grant funding and also a reduction on the North East Ambition operational expenditure budget due to realignment of operational budgets to employee costs.

Table 1. North East LEP 2021/22 Indicative Outturn

| | 2021/22 Original Budget (Jan 2021) | 2021/22 Updated Budget (May 2021) | 2021/22 Revised Budget (Jan 2022) | Variance |
|--|---|--|--|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| Employees | 3,533 | 3,741 | 3,381 | (360) |
| Premises | 207 | 225 | 225 | 0 |
| Communications | 250 | 250 | 256 | 6 |
| Growth Hub Operational Costs | 60 | 250 | 256 | 6 |
| Innovation Challenge Covid | 0 | 313 | 313 | 0 |
| Other Operational Costs | 600 | 670 | 676 | 6 |
| North East Ambition Operational (ESF) 2 | 0 | 192 | 76 | (117) |
| Peer Networks | 0 | 160 | 212 | 52 |
| Made Smarter | 0 | 217 | 520 | 303 |
| LGF High Potential Operational | 99 | 0 | 158 | 158 |
| Life and Health Sciences | 0 | 0 | 135 | 135 |
| Brexit Policy Work Programme | 0 | 85 | 123 | 38 |
| Trade and Export Strategy | 0 | 46 | 70 | 24 |
| Norther Powerhouse11 | 0 | 0 | 30 | 30 |
| Energy Commissioning, Studies, Research Projects | 0 | 85 | 125 | 40 |
| Skills Operational CEC, EY CITE | 10 | 714 | 512 | (202) |
| Future Markets Accelerator Fund | 0 | 0 | 79 | 79 |
| Inward Investment Contribution | 140 | 140 | 140 | 0 |
| EZ NEIF Costs | 0 | 405 | 405 | 0 |
| LGF Project Management | 55 | 51 | 101 | 50 |
| Getting Building Fund Project Management | 94 | 133 | 165 | 32 |
| GROSS EXPENDITURE | 5,462 | 7,906 | 7,958 | 51 |
| LEP Core & Strategy Grant from DCLG | (500) | (500) | (500) | 0 |
| Local Authority Match Contributions | (250) | (250) | (250) | 0 |
| CORE FUNDING | (750) | (750) | (750) | 0 |
| Local Growth Fund (Programme Mgmt) | (447) | (454) | (604) | (150) |
| Getting Building Fund (Programme Mgmt) | (298) | (320) | (370) | (51) |
| Interest Generated on Funds | (140) | (140) | (140) | 0 |
| Growth Hub | (780) | (780) | (780) | 0 |
| Business Support | 0 | 0 | (40) | (40) |
| Peer Networks | (100) | (410) | (375) | 35 |
| ERDF + Digital Catapult | (76) | (42) | (42) | 0 |
| Academic Health Science Network (AHSN) | 0 | (47) | (135) | (88) |
| LGF High Potential | (148) | (41) | (197) | (156) |
| Made Smarter | 0 | (288) | (600) | (312) |
| Energy Accelerator | 0 | (143) | (143) | 0 |
| Energy Strategy BEIS/TVCA, RCEF, OREC Misc. | (189) | (192) | (178) | 13 |
| Energy Commissioning, Studies, Research Projects | 0 | (85) | (79) | 6 |
| Innovation Challenge Covid | 0 | (313) | (313) | (0) |
| NEIF Contribution to cover activity costs | (110) | (418) | (485) | (67) |
| EZ Contribution to cover activity costs | (110) | (96) | (236) | (140) |
| North East Ambition 1 (ESF) | (188) | (188) | (203) | (15) |
| North East Ambition 2 March 2023 | (1,122) | (1,190) | (845) | 345 |
| Skills Operational CEC, EY CITE, Education Challenge, DFE, | (443) | (1,305) | (1,085) | 219 |
| LA Contributions re ESIF Co-ordinator | (20) | (20) | (20) | 0 |
| Brexit Policy Work Programme | 0 | (144) | (40) | 104 |
| Trade and Export - World Wide Chamber | 0 | (46) | (70) | (24) |
| Norther Powerhouse11 | 0 | 0 | (30) | (30) |
| Future Markets Accelerator Fund | 0 | 0 | (79) | (79) |
| Contribution Pension - NTCA | (156) | (168) | (154) | 14 |
| Other Income | (100) | (100) | (100) | 0 |
| EXTERNAL FUNDING | (4,427) | (7,014) | (7,343) | (329) |
| GROSS INCOME | (5,177) | (7,764) | (8,093) | (329) |
| NET BUDGET | 285 | 141 | (135) | (276) |
| Increase in LEP Reserve/(Contribution from Reserve) | (113) | | 135 | |
| EZ Reserve (Contribution) | (172) | (141) | 0 | |
| LEP savings/LEP income | | | | |
| B/F LEP RESERVE | (613) | (613) | (613) | |
| C/F LEP RESERVE | (500) | (613) | (748) | |

3. LEP 2022/23 Revenue Budget

- 3.1 The indicative revenue budget for 2022/23 reflects the latest known information for income in 2022/23 with the employee and operational costs required to meet the delivery associated with the individual income streams.
- 3.2 The estimates in this report are indicative and will be refined further to be reported to the LEP Board in May, as part of a three-year Medium-Term Budget, when the outturn position for 2022/23 is clear and more information about grant income available for 2022/23 should be known.
- 3.3 A summary of the indicative budget for 2022/23 is set out in the table below. The indicative figures show a 26% decrease in Gross Expenditure from £7.958m to £5.878m and a 31% decrease in Gross Income from £8.093m to £5.624m. The overall effect is an indicative net deficit of £0.254m.
- 3.4 Employee costs reflect a small decrease of £0.049m from £3.381m in 2021/22 to £3.332m in 2022/23. The estimate takes into account the increase to national insurance contributions of 1.25% as reported in the Comprehensive Spending Review in October 2021. An assumed 3% pay award has also been factored into employee costs reflecting the anticipated increase in inflation. A contribution equivalent to the level of the employer's pension contribution (£0.145m) is received from the Accountable Body the NTCA, as previously the LEP had benefited from the surplus pension position under the North East Combined Authority (NECA).
- 3.5 The main changes in income reflect the cessation of some of the Skills grant funding, such as Education Challenge, EY and DfE (£1.085m). A reduced contribution for the Local Growth Fund (LGF) programme management as it nears the end of the programme (£0.366m) as well as reductions from the LGF High Potential (£0.197m) and Peer Networks (£0.375m). The North East LEP continues to bid for additional grants and any grants secured will be included in the budget as they are announced.
- 3.6 Other significant changes in the estimates are summarised after table two:

Table 2. North East LEP 2021/22 Indicative Outturn and 2022/23 Base Budget

| | 2021/22 Revised Budget (Jan 2022) | 2022/23 Base Budget | Variance |
|--|--|------------------------|----------------|
| | £'000 | £'000 | £'000 |
| Employees | 3,381 | 3,332 | (49) |
| Premises | 225 | 228 | 3 |
| Communications | 256 | 250 | (6) |
| Growth Hub Operational Costs | 256 | 244 | (12) |
| Innovation Challenge Covid | 313 | 0 | (313) |
| Other Operational Costs | 676 | 619 | (56) |
| North East Ambition Operational (ESF) 2 | 76 | 135 | 59 |
| Peer Networks | 212 | 0 | (212) |
| Made Smarter | 520 | 437 | (83) |
| LGF High Potential Operational | 158 | 0 | (158) |
| Life and Health Sciences | 135 | 0 | (135) |
| Brexit Policy Work Programme | 123 | 27 | (96) |
| Trade and Export Strategy | 70 | 6 | (64) |
| Norther Powerhouse11 | 30 | 0 | (30) |
| Energy Commissioning, Studies, Research Projects | 125 | 0 | (125) |
| Skills Operational CEC, EY CITE | 512 | 187 | (324) |
| Future Markets Accelerator Fund | 79 | 68 | (11) |
| Inward Investment Contribution | 140 | 0 | (140) |
| EZ NEIF Costs | 405 | 95 | (310) |
| LGF Project Management | 101 | 22 | (79) |
| Getting Building Fund Project Management | 165 | 76 | (89) |
| GROSS EXPENDITURE | 7,958 | 5,878 | (2,080) |
| LEP Core & Strategy Grant from DCLG | (500) | (500) | 0 |
| Local Authority Match Contributions | (250) | (250) | 0 |
| CORE FUNDING | (750) | (750) | 0 |
| Local Growth Fund (Programme Mgmt) | (604) | (512) | 91 |
| Getting Building Fund (Programme Mgmt) | (370) | (201) | 169 |
| Interest Generated on Funds | (140) | (110) | 30 |
| Growth Hub | (780) | (780) | 0 |
| Business Support | (40) | (154) | (114) |
| Peer Networks | (375) | 0 | 375 |
| ERDF + Digital Catapult | (42) | (36) | 6 |
| Academic Health Science Network (AHSN) | (135) | (40) | 95 |
| LGF High Potential | (197) | 0 | 197 |
| Made Smarter | (600) | (600) | 0 |
| Energy Accelerator | (143) | (180) | (38) |
| Energy Strategy BEIS/TVCA, RCEF, OREC Misc. | (178) | (163) | 15 |
| Energy Commissioning, Studies, Research Projects | (79) | 0 | 79 |
| Innovation Challenge Covid | (313) | 0 | 313 |
| NEIF Contribution to cover activity costs | (485) | (110) | 375 |
| EZ Contribution to cover activity costs | (236) | (87) | 149 |
| North East Ambition 1 (ESF) | (203) | (167) | 36 |
| North East Ambition 2 March 2023 | (845) | (896) | (51) |
| Skills Operational CEC, EY CITE, Education Challenge, DFE, | (1,085) | 0 | 1,085 |
| LA Contributions re ESIF Co-ordinator | (20) | 0 | 20 |
| Brexit Policy Work Programme | (40) | (67) | (27) |
| Trade and Export - World Wide Chamber | (70) | (6) | 64 |
| Norther Powerhouse11 | (30) | 0 | 30 |
| Future Markets Accelerator Fund | (79) | (68) | 11 |
| Contribution Pension - NTCA | (154) | (145) | 9 |
| Other Income | (100) | (100) | 0 |
| EXTERNAL FUNDING | (7,343) | (4,874) | 2,458 |
| GROSS INCOME | (8,093) | (5,624) | 2,469 |
| NET BUDGET | (135) | 254 | 378 |
| Increase in LEP Reserve/(Contribution from Reserve) | 135 | | |
| EZ Reserve (Contribution) | 0 | (254) | |
| LEP savings/LEP income | | | |
| B/F LEP RESERVE | (613) | (748) | |
| C/F LEP RESERVE | (748) | (748) | |

Core Funding

- 3.6.1 The 2022/23 budget has assumed that LEP Core Funding from Government will continue at the same level. The national LEP Review has still not been reported. Should the LEP Review recommend any change to the current LEP Model, the assumption used for this indicative budget is that 2022/23 will form a transition year and funding will be made available to implement any changes. It is anticipated that the review will report ahead of the 2022/23 financial year, allowing for an accurate grant figure to be used in the May Board report. Likewise, Growth Hub funding is assumed at the same level as 2021/22, until Government informs us of an alternative position. In previous years, formal clarification of Growth Hub Funding has been made in the March ahead of the April start date.

Local Growth Fund (LGF)

- 3.6.2 The income source used to fund the £0.140m contribution from the LEP to support the Invest North East England Budget was previously funded from interest gained from investing LGF funding. As Local Growth Funding (LGF) from Central Government has now come to an end this funding source is no longer available to the LEP. LGF replacement funding is now being channelled through Combined Authorities and Local Authorities.
- 3.6.3 The LGF programme ran from 2015-2021 with £270.1m of funding. Temporary project funding swaps, using budget freedoms and flexibilities from DLUHC (formerly MHCLG) during the programme, are now being returned to support the completion of approved projects. It is estimated that £9m will be spent in 2022/23 on residual projects ranging from infrastructure investment on the strategic International Advanced Manufacturing Park, where AESC Envision have announced they are to build a new giga factory, to a range of smaller Community and Voluntary Sector led green infrastructure recovery projects across the region. New investments include the establishment of the £4m Project Development Acceleration Fund to assist with the accelerated development of regional strategic capital and revenue projects and to support the leverage of new funding into the region.
- 3.6.4 The residual LGF legacy projects carried through into 2022/23 and beyond will require ongoing project management, not least where there is a substantial amount of match funding for example on Gateshead Quays which includes £300m match funding stretching to 2024/25. There remains an uncommitted LGF balance of just over £0.800m, it is recommended within this report to seek approval that the original percentage applied over the life of the LGF scheme associated with project management costs of 2.5% is increased to 2.8% to meet the ongoing project management activity required.
- 3.6.5 An impact and value for money assessment of the LGF programme has been commissioned externally (by Steer ED) during the year. The report highlighted that the programme is ahead of target in terms of job creation to date with over 6,300 jobs reported.

Getting Building Fund

- 3.6.6 A revenue stream to fund programme management costs on Getting Building Fund (GBF) is reflected in 2022/23 (£0.201m), in line with delivery of the completion of the programme. The GBF programme is in its second year with an annual budget award from DLUHC of £23.5m (half of the £47m grant approval). Reflecting the wider economic context, many building projects have faced a challenging year with tenders coming in above budget due to rising construction costs, delays in the supply of

materials and COVID related constraints. Nevertheless, it is forecast that this year's GBF budget will be fully spent with all of the second tranche of £23.5m grant being fully used in 2021/22. This will leave the additional allocation of NEIF/EZ surplus, and the return of temporary funding swaps made in 2020/21 to be spent in 2021/22, which includes the contribution to programme management costs.

- 3.6.7 Work is well advanced on several projects including highways infrastructure on the Tyne Dock Enterprise Zone, where Equinor are to locate their Operations and Maintenance base to serve the Dogger Bank windfarm in 2023. Elsewhere in Newcastle, the Newcastle United Foundation NU Futures building is nearing completion creating new learning, coaching and community facilities. A pilot of the planned new regional Commercial Property Improvement Scheme is now up and running with six private sector industrial and office schemes being implemented across the North East.

BEIS Funding

- 3.6.8 BEIS has provided funding in respect of Peer Networks (£0.375m) in 2021/22 which is not expected to be continued in 2022/23. However, the Made Smarter Grant has been confirmed to continue at the same level in 2022/23 (£0.600m), which is part delivered by Tees Valley Combined Authority. Growth Hub Supplemental funding has been received from BEIS of £0.780m in 2021/22 and anticipated in 2022/23.

North East Ambition (ESF)

- 3.6.9 An extension has been agreed to North East Ambition 1 (NEA1) to December 2023 in line with North East Ambition 2 (NEA2) delivery.

4. North East LEP Revenue Balances

- 4.1 The estimate for 2021/22 and 2022/23 shows that the North East LEP revenue balance on 1 April 2021 was £0.613m and this is shown as increasing slightly to £0.748m at 31 March 2022. It is important to maintain a reasonable balance to deal with future uncertainties.
- 4.2 The balancing figure of £0.254m in the indicative 2022/23 revenue budget is a call on the Enterprise Zone surplus from the previously agreed £0.5m per annum budget.
- 4.3 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income surplus of up to £0.5m per annum could be utilised to support the revenue budget if required. To date there has not been a requirement to use this facility and therefore in effect saving £2.0m of potential spend from the EZ account. It was agreed by the LEP Board in May 2021 that as necessary a call on this unspent EZ requirement could be used to support the revenue budget. The intention is to reduce the call on the EZ account by the year end though additional income and cost savings.
- 4.4 The balance on the Enterprise Zone account is estimated to grow from £3.655m to £4.829m this year and £5.118m next year, as illustrated in section 5 below. The intention is to keep a cash balance of at least £2m in the EZ account each year, which if needed can be used to support LEP costs following the approval of the LEP Board, as mentioned in paragraph

5. North East Enterprise Zones

- 5.1 Ten Round 1 Enterprise Zones are located across four local authority areas: Newcastle, North Tyneside, Northumberland, and Sunderland. In April 2017 these were joined by a further ten Round 2 sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside, and Sunderland with the International Advanced Manufacturing Park (IAMP) site launched on the 1st April 2018 to complete the coverage of our 21 Enterprise Zones.
- 5.2 Business rates growth generated on Enterprise Zones accrues to the North East LEP for a 25-year period, in accordance with national regulations. This income is used to fund the capital financing costs of approved Enterprise Zone capital infrastructure, revenue administration costs, and a contribution towards Inward Investment activity. The financial administration of Enterprise Zones is managed in accordance with the local Enterprise Zone Business Rates Income Pooling Agreement. This agreement helps to pool and manage risk relating to borrowing undertaken by councils to fund Enterprise Zone capital works; helps to minimise costs and to helps to avoid additional revenue costs for council. The administration of the agreement has succeeded in achieving a positive cash flow on the Enterprise Zone account, which has enabled a cumulative surplus to be generated. This acts as a contingency to help mitigate the risk of annual income shortfalls.
- 5.3 Table 3, below, provides a summary of the Enterprise Zone account income and costs for 2020/21 (actual) and the estimated income and expenditure figures for 2021/22 and 2022/23. The Business Rate Income figures includes an element of contributions from the Section 31 grant provided by DLUHC to compensate for the under-indexation of the business rate multiplier, which should have been increased by the Retail Price Index. This grant has been confirmed as 20/499th of rates in 2020/21, 26/499th in 2021/22 and 51/499th in 2022/23.

Table 3: Enterprise Zone Account

| <u>Enterprise Zone Account</u> | <u>2020/21</u> | <u>2021/22</u> | | <u>2022/23</u> |
|------------------------------------|----------------|-------------------|-----------------|----------------|
| | Actual | May 2021 Estimate | Latest Estimate | Estimate |
| | £000 | £000 | £000 | £000 |
| <u>Business Rate Income</u> | | | | |
| <u>Round 1 Sites</u> | | | | |
| Newcastle (Neptune) | 537 | 502 | 593 | 621 |
| North Tyneside (Swans) | 143 | 217 | 217 | 232 |
| Northumberland (Blyth) | 334 | 326 | 326 | 308 |
| Sunderland (A19) | 628 | 705 | 692 | 659 |
| <u>Round 2 Sites</u> | | | | |
| Northumberland | 34 | 38 | 38 | 40 |
| Gateshead (Follingsby) | 255 | 233 | 1,289 | 2,457 |
| IAMP | 581 | 689 | 667 | 703 |
| South Tyneside (Holborn) | 0 | 60 | 60 | 171 |
| Durham (Jade) | 51 | 157 | 142 | 219 |
| Newcastle (Airport) | 0 | 137 | 137 | 144 |
| Business Rate Income | 2,563 | 3,064 | 4,161 | 5,554 |
| Interest of Account Balance | 14 | 21 | 15 | 20 |
| Total Income | 2,577 | 3,085 | 4,176 | 5,574 |
| <u>Expenditure</u> | | | | |
| Capital Financing Costs | 1,805 | 2,101 | 2,174 | 2,528 |
| INEE Team Contribution | 65 | 157 | 157 | 160 |
| EZ Account Operation | 99 | 86 | 108 | 90 |
| Total Costs | 1,969 | 2,421 | 2,439 | 2,778 |
| Annual Surplus | 608 | 664 | 1,737 | 2,796 |
| Less - Use of Surplus | | | | |
| - To Fund LEP Costs | | -500 | 0 | -500 |
| - Project Development Fund | | -1,300 | -500 | -1,000 |
| - CPIF Incentives* | | 0 | 0 | -1,000 |
| Cumulative Surplus | 3,655 | 2,519 | 4,892 | 5,188 |

- 5.4 The increase in income in 2021/22 is mainly due to the completion and occupation of buildings on the Follingsby EZ site and the receipt of income from buildings completed in 2020/21 on the Newcastle Airport and IAMP EZ sites, where business rate income for that year is due to be received in 2021/22. Some of the income figures in the table above are provisional and will be updated when information is received from councils. The intention is to reflect any updated information received before the Board meeting in a revised table.
- 5.5 While income for 2021/22 is expected to be higher than the previous year, the rateable value for some new buildings has not yet been formally set by the District Valuer and a prudent estimate of the level of income has been made including a contingency. It is possible that the £1m increase in business rate income for the new buildings for 2021/22 could be paid in 2022/23 if their rateable value is not set in time this year by the District Valuer. An inflation uplift in income of 4.8% in 2022/23 will be funded by way of Government grant for the under-indexation of the business rate multiplier.

- 5.6 The costs mainly relate to capital financing costs including borrowing costs (which includes interest) and the repayment of previous interest free loans from the LEP's North East Investment Fund (NEIF) and the repayment of LGF funding swaps.
- 5.7 The cumulative surplus is expected to increase both this year and next, with increasing surpluses in future years.
- 5.8 One of the agreed uses of the Enterprise Zone surplus is to underwrite the costs of the LEP Team budget of up to £0.500m each year. The original 2021/22 LEP Team budget, agreed in January 2021, envisaged a potential call on the EZ surplus of £0.5m. This was during the year and the latest estimate is that no contribution will be required in 2021/22. This follows a similar pattern to previous years, where the use of the EZ surplus was not called on at the year end. In the latest draft 2022/23 Revenue Budget, a potential contribution of Enterprise Zone Surplus of £0.254m looks to be required. At this point the normal allocation of up to £0.5m is being set aside as a prudent provision. It is envisaged that this contribution will reduce as additional income or cost savings are identified during 2022/23. In the event of a contribution actually being required, this will reduce the Enterprise zone cumulative surplus. More information will be reported in May when a report on the projected lifetime surplus on the EZ account will be presented to the May Investment Board and the full Board.
- 5.9 The use of the EZ surplus to fund the Project Development Fund is shown in 2021/22 and 2022/23. The potential use of £1m the EZ surplus to fund Commercial Property Investment Fund (CPIF) Incentives* is also shown, which is subject to the approval of the LEP Board. In a report on this agenda

6. North East Investment Fund (NEIF)

- 6.1 During 2021/22 the North East Investment Fund continued to receive repayments from its projects continuing its record of 0% default on investment, although the impact of Covid 19 has resulted in some rescheduling of repayments. Of greatest significance to the Fund, after long period of negotiation and having satisfied requests made by the Finance Investment Sub Committee (FISC) of BEIS, the North East LEP (and its Accountable Body) were released from the contractual obligations of the £30m Regional Growth Fund contribution to the North East Investment Fund. This has provided the North East LEP with the flexibility to use the NEIF to pursue a strategic objective of setting up an independently fund managed Commercial Property Investment Fund to help tackle weaknesses in the North East commercial property market. During 2021/22 steady progress has been made with procurement of an independent fund manager for the CPIF, with the expectation of launch early in 2022/23. The CPIF will be £35m of senior debt, supported by up to £15m of grant incentives. It will primarily be financed from the NEIF, with the potential for two allocations of £5m to be allocated from the EZ surplus if approved by the LEP Board.
- 6.2 Repayments have continued from significant projects, including the Centre for Innovation and Growth at University of Durham. However, NEIF beneficiaries have been amongst the many businesses effected by COVID19 pandemic, and this has resulted in several projects renegotiating repayment terms. The secured nature of NEIF investments has meant the Investment Board has been able to agree to such requests when they have come forward when supported by satisfactory evidence. The major investment of the year has seen the expansion of the North East Property Development Fund, managed by FW Capital, providing loans up to £2m to developers of small scale residential and commercial development. The additional

investment occurs following the successful piloting of the Fund and growth in demand from SME developers in region.

7. Recommendations

7.1 The Board is requested to:

- i. Note the positive Budget outturn position for 2021/22.
- ii. Note the indicative Budget for 2022/23, with an update on the 2022/23 Budget being reported to the LEP Board in May along with a three-year estimate.
- iii. Approve the increase to the percentage of Local Growth Fund (LGF) project management costs from 2.5% to 2.8% over the life of the LGF Scheme.
- iv. Note the estimated end of year position of the Enterprise Zone account, which will be updated when updated income projections are received from all councils.

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Invest North East England 2021-22 Indicative Outturn and 2022-23 Budget.

1. Overview

- 1.1 Invest North East England (INEE) acts as the strategic inward investment service in the North East. It works collaboratively with its seven local authority partners, two combined authorities, and other key stakeholders such as the North East LEP, Department of International Trade, and Universities to increase the levels of inward investment flowing into the region from both UK-owned and foreign-owned businesses.
- 1.2 Operationally, INEE's work has a few key guiding principles:
- INEE's primary function is to focus on attracting new inward investment to the North East (rather than seeking to secure re-investment in existing companies).
 - INEE works closely with, and on behalf of, all seven constituent authorities, its aim being to maximise levels of inward investment regardless of location in the North East (a 'North East First' principle).
 - INEE activity aims not to duplicate, but add value to activities undertaken by the constituent local authorities.
 - INEE engages in proactive lead generation activity which is sector-based, focussed on: Digital Technology; Energy; Life Sciences; Advanced Manufacturing; Financial, Professional and Business Services.
 - INEE focus of activity will be on strategic inward investment projects which require regional-level promotion, coordination, and collaboration in the first instance, before a focus on a specific site.
 - As far as possible, INEE will aim to attract investment opportunities which will lead to significant numbers of high-quality jobs (more and better Jobs)

2. Performance

- 2.1 After a very challenging (Covid-affected) 2020/21 with subdued levels of enquiries, 2021/22 is shaping up to be the best year for a decade for the North East in terms of investment projects landed and new jobs created.
- 2.2 There have been multiple successful investment projects from foreign-owned companies as well as UK companies expanding into the region. These investments have come from a number of sectors including: offshore wind, business services, digital technology, and advanced manufacturing.
- 2.3 INEE has led many of these successful projects and currently has a very healthy project pipeline which it hopes to secure investments from in the final quarter of 2021/22 and into 2022/23. The team is leading the development of a regional

proposition in electrification, a sector that offers a hugely significant opportunity for the region over the next few years.

3. 2021/22 Indicative Outturn and 2022/23 Proposed Budget

- 3.1 The 2021/22 Indicative Outturn position reflects an increase in employee expenditure relating to an additional member of the Team to meet delivery against the increased investment project activity detailed in section 2 above. This post continues on into 2022/23 on a fixed term contract basis to meet the continued activity on electrification. The increase in employee expenditure has been met from savings on other areas of the budget.
- 3.2 Historically the Invest North East England (INEE) budget has been funded from contributions from the 7 local authorities (£20,000 each); contribution from the North East LEP (£140,000) and the balance met from Enterprise Zone surplus due to the inward investment linked to Enterprise Zone sites, plus a small contribution from private sector (£10,000).
- 3.3 The North East LEP contribution (£140,000) was funded from interest achieved from investing Local Growth Fund and in 2020/21, 2021/22 Getting Building Fund balances, with both these funding streams finishing in 2021/22 this funding is no longer available. There are discussions to be had on replacement funding, with the proposal being that it is met from the Enterprise Zone account, this is reflected in Table 1 below but not yet confirmed. The Indicative Outturn for 2021/22 and the proposed budget for 2022/23 is set out in Table 1 below.

Table 1. Invest North East England 2021/22 Indicative Outturn and 2022/23 Proposed Budget

| | 2021/22 Original Budget | 2021/22 Indicative Outturn | 2022/23 Proposed Budget |
|--------------------------------------|--|---|--|
| Expenditure | £ | £ | £ |
| Salaries | 166,000 | 192,000 | 237,000 |
| Staff Training | 2,000 | 700 | 1,000 |
| Travel and Subsistence | 9,000 | 5,000 | 5,000 |
| Web, Telecoms, Computers | 8,000 | 10,000 | 8,000 |
| Marketing/Comms/Events | 107,000 | 90,000 | 90,000 |
| Membership Fees (e.g. Sector Bodies) | 3,000 | 3,000 | 3,000 |
| Visit Hospitality Costs | 0 | 1,000 | 0 |
| Professional Consultancy | 20,000 | 7,500 | 8,000 |
| Lead Generation | 120,000 | 93,000 | 93,000 |
| Research Resource Licenses | 25,000 | 15,000 | 15,000 |
| Gross Expenditure | 460,000 | 417,200 | 460,000 |
| Income | | | |
| Local Authority Contributions | (140,000) | (140,000) | (140,000) |
| LEP Contribution | (140,000) | (140,000) | 0 |
| EZ Contribution | (170,000) | (130,894) | (310,000) |
| Private Sector Contribution | (10,000) | (6,306) | (10,000) |
| Gross Income | (460,000) | (417,200) | (460,000) |
| Net Budget | 0 | 0 | 0 |