



North East Combined Authority, Leadership Board

Tuesday 17th January, 2017 at 2.00 pm

Meeting to be held at North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27

www.northeastca.gov.uk

AGENDA

	Page No
1. Apologies for Absence (Members)	
2. Declarations of Interest	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
3. Minutes of the Previous Meeting Held on 15 November 2016	1 - 6
4. Updates from Thematic Leads	
(a) Economic Development and Regeneration	7 - 28
(b) Employability and Inclusion	29 - 52
(c) Transport and Digital Connectivity	53 - 64
5. Local Growth Fund - Project Approvals	65 - 72
6. Budget 2017/18 and Transport Levies	73 - 118

7. **Capital Programme 2017/18 and Treasury Management and Investment Strategy** 119 - 150
8. **Economic Development and Regeneration Advisory Board - Appointment of Second Vice Chair** 151 - 154
9. **Date and Time of Next Meeting**

Tuesday 21 March 2017 at 2pm at Northumberland County Council, County Hall, Morpeth.

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

To All Members

North East Combined Authority

Leadership Board

15 November 2016

Meeting held: Committee Room, County Hall, Durham, DH1 5UQ

Present:

Councillor: P Watson (Chair)

Councillors M Gannon, S Henig, I Malcolm and J McCarty, Mayor N Redfearn and Mr A Hodgson

66 **APOLOGIES FOR ABSENCE (MEMBERS)**

Councillors G Davey and N Forbes.

67 **DECLARATIONS OF INTEREST**

None.

68 **MINUTES OF THE PREVIOUS MEETING HELD ON 20 SEPTEMBER 2016**

The minutes of the previous meeting held on 20 September 2016 were approved as a correct record and signed by the Chair.

69 **MINUTES OF THE EXTRAORDINARY MEETING HELD ON 6 SEPTEMBER 2016**

The minutes of the extraordinary meeting held on 6 September 2016 were approved as a correct record and signed by the Chair.

70 **TREASURY MANAGEMENT MID-YEAR UPDATE**

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

Members considered the report which set out a summary of the treasury management activity in the first six months of 2016/17, provided information on the updated prudential indicators and sought agreement to the proposed changes to the method for calculating Minimum Revenue Provision (MRP).

RESOLVED – That:

- i. the investment criteria and limits set out in section 2.10 be noted;
- ii. the updated 2016/17 prudential indicators set out in section 2.11 be noted;
- iii. the proposed changes to the method for calculating MRP set out in section 3 be used for the preparation of the 2017/18 budget and MRP Statement.

71 NORTH EAST COMBINED AUTHORITY 2016/17 FINANCIAL UPDATE

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

Members considered the report which provided an update of the 2016/17 Capital Programme and Revenue Budget for the NECA Leadership Board and sought agreement to related recommendations.

RESOLVED – That:

- i. the report be noted;
- ii. the revised capital programme for the year, estimated to be £148m, as set out in section 4 and the appendices 1 and 2, be approved;
- iii. the approach to maximising the use of the Local Growth Fund grant this year, set out in section 4.2.3 of the report, subject to the approval of the North East Local Enterprise Partnership be noted;
- iv. the Leadership Board noted that revenue expenditure for the year was expected to be £118.3m within the £119m revenue budget set out in the July update report in overall terms;
- v. the proposal to fund devolution costs of £0.474m from savings in transport budgets for 2016/17 be agreed; and
- vi. the Leadership Board noted that the third Financial Update for the year would be reported to the NECA Leaders Board meeting in January 2017.

72 NORTH EAST COMBINED AUTHORITY BUDGET 2017/18

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

Members considered the consultation report which set out the key budget issues, principles and proposals that were likely to be included in the 2017/18 Budget Report for the North East Combined Authority (NECA) for consideration by the Leadership Board on 17 January 2017.

In discussion, it was noted that:

- Notwithstanding the fact that not all of the information that was needed to complete the budget was currently available, assurances were offered to NE LEP in respect of their expectation for funding for 2017/18.
- In highlighting the responsibility of NECA to deliver the best budget, the Chair reiterated the importance of a thorough understanding by Members of the detail in the proposed budget.

RESOLVED – That:

- i. the report and Member's comments be noted;
- ii. the budget approach of setting out a detailed revenue budget for 2017/18 as another transitional year, while the future role and responsibilities of NECA

were clarified, be agreed. This would take into account the need to meet the statutory responsibilities of NECA that would continue in 2017/18 as well as the need to achieve savings to help constituent authorities deal with cuts in their funding as part of the Government's continuing austerity measures. Indicative transport budgets would be set out over a three year period, where it was possible to do so;

- iii. the following points and proposals would form the basis of consultation about the NECA 2016/17 Revenue Budget: -
- a) The Transport Budget for Tyne and Wear was indicatively proposed to be set at £63.04m, which was a further reduction of £2.08m (-3.2%) compared with the budget this year. The cost saving to councils was proposed to be delivered by way of a combination of a repatriation of reserves and a sustainable reduction in the levy. The budget savings needed to deliver this were expected to be made in 2017/18 without any significant impact on transport services, through efficiencies and further temporary use of Nexus reserves. The delivery of further savings in future years was likely to require cuts in services from 2018 and options to achieve sustainable savings and a balanced budget by 2019/20 will be consulted upon during 2017.
 - b) The indicative Transport Budget and Levy for Durham County Council area was expected to be £15.482m, which was a small net increase of £0.042m. No reductions in services were envisaged for 2017/18.
 - c) The indicative Transport Budget and Levy for Northumberland County area was likely to be around £6.286m, which was a reduction of £0.048m on the current year's budget. No reductions in services were envisaged for 2017/18.
 - d) The £250k contribution to fund the North East LEP, which was required to match fund the Government Grant, was proposed to be continued in 2017/18;
 - e) NECA would need to maintain sufficient capacity to meet its statutory requirements. Savings in the Corporate costs were being investigated and discussed with constituent councils and the outcome in terms of the level of corporate contributions (currently £300k was contributed towards a gross corporate budget cost of £550k) would be included in the January Budget report;
 - f) The contribution to the Inward Investment Team were also subject to discussion with constituent councils and the North East LEP. The current contributions of £140k part fund a budget of £505k in 2016/17, with an estimated outturn spend of around £439k. Options were being developed for inclusion in the January budget report.
 - g) Proposals for the uplift in Metro fares to cover inflation cost pressures have been developed to constrain the weighted average increase to 1.4%, which was 0.5% less than the annual increase in the July 2016 RPI inflation index. Detailed proposals had been agreed by the Tyne and Wear Sub-committee at its 3rd November meeting, which included a further freeze in child fares,

with a potential implementation date of 2 January 2017. No increase in the Tyne Tunnel Tolls was proposed for 2017/18.

- h) The North East LEP Budget was being prepared to reflect its responsibilities and the estimated available resources for 2017/18. A draft budget would be considered by the LEP Board later in November and more information would then be included in the January Leadership Board.
- i) NECA would need to set out a balanced budget for 2017/18, maintaining a sufficient but minimal level of reserves to manage risk and would set out a treasury management strategy for borrowing and lending which would comply with the Prudential Code.
- iv. A narrative document be prepared from the contents of this report and the comments and decisions of the Leadership Board, which would set out the budget proposals in an appropriate format for consultation.

73 UPDATES FROM THEMATIC LEADS

(a) Economic Development and Regeneration

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

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

The report was introduced by the Thematic Lead who provided an update on the work of the Economic Development and Regeneration Advisory Board to pursue and oversee progress in a number of areas, including a more effective engagement with UKTI and a review of the impact of Brexit.

In discussion, it was noted that it would be of benefit to explore whether the North East Local Enterprise Partnership and the Economic Development and Regeneration Advisory Board could produce a joint message for UKTI.

RESOLVED – That the report be noted.

(b) Employability and Inclusion

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

Members considered the report which provided an update on the progress made in delivering the Employability and Inclusion and Skills themes of the Strategic Economic Plan.

RESOLVED – That the report be noted.

(c) **Transport**

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

Members considered the report which provided an update on key developments within the Transport theme of the Combined Authority.

In discussion, it was noted that:

- With regard to connectivity and the announcement by the government on HS2's route, Members reiterated the importance for the region to be ready with options. The issue of connectivity was critical for the economic development of the region and attracting investment.
- The lack of references to the North East by the government with regard to transport investment programmes such as HS2 was disappointing and projected a wrong message for potential investors.
- A discussion took place about the disproportionate investment in transport in London when compared to the North East and the inability of the region to compete on a level playing field for investment as a result. Comments were made about the enormous potential of the region to prosper and the lack of opportunities to achieve this due to the lack of priority and funding.
- In the light of development of future high speed rail links with Scotland, a Member suggested that a proactive approach should continue to be taken by the region to achieve an agreement with Scotland to ensure priority was given to the links though the east coast rather than the west coast to bring benefits to the region and avoid the risk of a missed opportunity.
- Members also commented on the role and accountability of the Leadership Board with regard to improving connectivity of the region, and the importance of the North East priorities to be supported and promoted by Transport for the North.
- Comments were also made about the equal importance of connecting to Carlisle and Scotland as well as the South.

RESOLVED – That the report be noted.

74 **NHS SUSTAINABILITY AND TRANSFORMATION PLAN PROCESS**

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

Members considered the report which provided an overview of the process to produce a Sustainability and Transformation Plan (STP).

In discussion, it was noted that:

- Members showed a general support for the approach that each constituent local authority should submit comments as part of the programme of engagement.
- Members expressed concern about the top-down and imposing nature of the process which did not provide a real opportunity for the local authorities' effective engagement and influence. Members suggested that this concern and suggestions for improvement should be conveyed to the parties involved.

RESOLVED – That the report be noted.

75 **DATE AND TIME OF NEXT MEETING**

Tuesday, 17 January 2017 at 2pm at North Tyneside Council.

76 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That by virtue of Paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972 press and public be excluded from the remainder of the meeting during the consideration of agenda items 12, 13 and 14 (Confidential Minutes of the Previous Meeting held on 20 September 2016; North East Enterprise Zone Update; and Tyne Tunnels - Update) because exempt information was likely to be disclosed and the public interest test against the disclosure was satisfied.

North East Combined Authority

Leadership Board

Date: 17 January 2017

Subject: Economic Development and Regeneration Theme Update

Report of: Economic Development and Regeneration Thematic Lead

Executive Summary

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

Recommendations

The Leadership Board is recommended to receive this report for information.

North East Combined Authority

Leadership Board

1 Background Information

1.1 This report provides an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority.

1.2 The Leadership Board is recommended to receive the update for information.

2.0 Inward Investment

2.1 Inward Investment 2016/17 (Quarters 1 and 2) Successes

In Quarters 1 and 2 (April-September, in total there were 38 inward investments into the NECA area which will lead to the creation of 3,933 jobs. These were made up of:

a) Foreign Direct Investment

There were 21 investments leading to the creation of 2027 new jobs. Investors included:

- Teleperformance (Call centre outsourcer)
- Accenture (Software ICT)
- Janus international (Manufacturing)
- Unipress (Automotive)
- Sitel (Outsourcing)
- Convergys (Outsourcing)

b) Investments by UK-owned Companies from Outside of the Region

There were 17 investments leading to the creation of 1,906 jobs. Companies announcing investments included:

- ResQ (Contact Centre)
- Estover Energy (Energy)
- Fermeda (Life Sciences)
- Amicus ITS (IT Support)
- Lhasa (digital)

Successes in Quarter 3 (October–December) are currently being compiled. The excellent news that Nissan is to build the new model Qashqai and X-Trail in Sunderland has the potential to create thousands of new jobs in the North East.

2.2 Enquiries

North East Combined Authority

Leadership Board

Enquiry levels have been encouraging towards the end of the year with enquiries coming through to the INEE team both through the new website and by an increasing number of DIT leads. This comes on the back of a quiet period spanning a number of months, due in part to the effect of Brexit.

Current enquiries on the INEE pipeline include both UK and foreign owned enquiries in a number of sectors from Life sciences, software, contact centres, automotive and other advanced manufacturing.

2.3 Invest North East England Website/proactive work

One way in which the INEE team is planning to increase the size and quality of its investment enquiry pipeline is by becoming a proactive service, actively generating new investment enquiries. A key element of this new approach is the launch of the new INEE website, which launched at the end of October 2016. To complement the website launch, an associated social media campaign is taking place, aimed at generating enquiries from key sectors.

To back up the website, a number of promotional brochures are being produced to provide hard copies (also available electronically) for investors/events etc.

The INEE team is currently procuring a lead generation contractor. It is planned for the contract to commence in February 2017. The contractor will provide in-market representation for North East England in London and the South East. The focus of the contract is twofold:

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

2.4 MIPIM UK

INEE had a coordinated stand presence at the UK's largest property investment event, MIPIM UK, which was held in London on 19-21 October. Six private sector partner sponsors attended from the North East along with representatives from NECA's constituent local authorities. As part of the event, there was a business showcase event held with a private/public sector panel discussing key recent property deals and new opportunities available to investors in North East England.

The evaluation report compiled from feedback from the attendees is attached for information.

North East Combined Authority

Leadership Board

2.5 Business Grants

Since the abolition of One North East in 2012, agencies in the North East seeking to offer grants to secure mobile investment have had four options open to them, all supported by Regional Growth Fund. This included the Let's Grow Fund, the Northumberland Business Grant Fund, national RGF bidding rounds, and Exceptional Regional Growth Fund (ERGF). In the 5 year period since mid-2011, these sources of RGF combined provided grant funding to business investment projects in the NECA area totalling £152m, an average of £30m pa. This includes grants for inward investment and strategic re-investment projects, as well as for indigenous SMEs. However, these important sources of funding are no longer available.

There will be no further national RGF funding following closure of the programme in Autumn 2015. The Let's Grow fund has now spent or committed its full allocation, while the Northumberland Business Grant Fund closed in 2015. Finally, there is no longer a ring-fenced budget for ERGF, and this tool is now reserved for highly exceptional projects creating a minimum of 1,000 jobs, so the likelihood of ERGF being used to support an investment in the NECA area is low.

A business case was prepared in the Summer of 2016 with the aim of developing a new grant fund for inward investment projects based on allocations of LGF3 and Devolution deal funding. This is no longer an option.

The lack of any regional grant scheme is becoming a growing concern, particularly as many of the potential inward investors the INEE team are talking to state financial incentives as a key requirement. The North East in this respect does not compare favourably to many other areas including Scotland, Wales and Tees Valley all of which have grant schemes in place.

The INEE team is working with local authorities, the NELEP and others to try to find a solution to this and the Leadership Board will be provided with updates in due course.

3.0 Regional Investment Plan / Project Pipeline

The Economic Development and Regeneration theme has the lead responsibility for coordinating efforts to enhance the region's important economic assets and to develop new ones that will promote growth.

A pipeline of both employment sites and housing sites has been developed to underpin this approach. This pipeline informed the North East Local Enterprise Partnerships (NELEP) submission to round 3 of the Local Growth

North East Combined Authority

Leadership Board

Fund.

The Chancellor's Autumn Statement announced that Local Enterprise Partnerships in the North of England would be allocated £556 million. A breakdown of this allocation across the area has not yet been provided by Government.

4 Potential Impact on Objectives

4.1 The report sets out issues that will support the Authority in meeting its objectives.

5 Finance and Other Resources

5.1 There are no additional financial implications arising directly from this report.

6 Legal

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

7 Other Considerations

7.1 Consultation/Community Engagement

There are no issues arising from this report for consultation.

7.2 Human Rights

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

7.3 Equalities and Diversity

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

7.4 Risk Management

There are no specific risk management implications arising from this report.

7.5 Crime and Disorder

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

7.6 Environment and Sustainability

North East Combined Authority

Leadership Board

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

8 Background Documents

8.1 North East Strategic Economic Plan – More and Better Jobs

9 Links to plans in the Policy Framework

9.1 This report links to the Strategic Economic Plan and other plans in the Policy Framework.

10 Contact Officers

10.1 John Scott, Corporate Lead – Business, Employment and Skills.
Email: john.scott@southtyneside.gov.uk Tel: (0191) 424 6250

11 Sign off

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

Please use ✓

Invest North East England
MIPIM UK 19th – 21st Oct 2016

Overview

MIPIM UK took place at Olympia, London between 19th – 21st October 2016 and Invest North East England (INEE) attended with seven Local Authorities plus six private sector partners:

- Citrus Durham
- Carillion-Arlington
- Hanro Group
- Broadoak Asset Management (Quorum Business Park)
- Siglion
- Ward Hadaway

The **INEE stand** (27m²) was located in the central walk-way at Olympia and accommodated two meeting areas, an informal break area, storage space plus tea/coffee making facilities. During the three day event, INEE hosted a business showcase panel and a drinks reception.

The **business showcase panel**, held on Wed 19th Oct, was entitled 'North East England Works for Investors – The Deals and the Opportunities'. It centred on recent property investment deals that had been struck in North East England, why North East England is an attractive place for investors and developers to consider new projects, and the considerable appetite and support available from the region's public sector. Panel Members were Pete Gladwell, Head of Public Sector Partnerships, Legal & General; Patrick Going, Managing Director, Marick Real Estate Ltd; Irene Lucas, CBE, Chief Executive Sunderland City Council and Tom Warburton, Director of Investment and Development, Newcastle City Council.

A **drinks reception** was held on the stand on Thurs 20th Oct, where examples of regionally produced drinks were served. The suppliers for 2016 were Poetic License distillery, Fentimans Botanical Brewery, Sunderland's CBL and Maxim Brewery.

To support the North East offer, INEE produced a **Development Opportunities Brochure** which showcased key development and investment sites in North East England. The brochure included city centre, out of town and Enterprise Zone developments to illustrate the diverse investment sites on offer in the region.

In addition to the Development Opportunity Brochure, the INEE team produced marketing collateral to enhance and promote the key events, hosted by INEE:

- A5 Flyer for Business Showcase and Drinks Reception (this was also produced as a HTML version)
- Press Release (released 11.10.2016)
- E-mail footer and pictures for Social Media
- Branded INEE Cups for hot drinks on the stand

- Branded name badges for delegates
- USB sticks loaded with brochure
- INEE team updated the MIPIM Database with projects / development sites
- INEE team launched their improved website (18.10.2016) which features a section for MIPIM (<https://investnortheastengland.co.uk/development-opportunities/>)

Feedback from partners following MIPIM

Lead Generation / Return on Investment

Feedback from Partners as to the **value of MIPIM** and what they achieved:

- Partners have confirmed that there were significant enquiries / leads made on key sites and contacts made with potential new business partners/clients
- The event was used successfully to raise the profile of the company / development opportunity
- Relationship building was positive both within the NE delegation and with national players
- Intelligence sourcing – attendance at the programme of business showcase events and conference events and seminars were very useful
- Used the event as a platform to arrange meeting outside of MIPIM
- The event was useful to raise the profile of the region working collaboratively, public and private partnership
- From an inward investment perspective (the remit of INEE), MIPIM is never going to deliver significant leads for end users/relocating companies. However, two possible leads were made and are being followed up (in addition to the many property/investment leads which will be taken forward by Las/private sector).

Specific Feedback relating to INEE stand / events

Stand

<p>Positives:</p> <ul style="list-style-type: none"> • Good position at Olympia and captured footfall • Stand design and brochure were good quality and liked by majority • Private partners were happy with the size of the logos on the stand • The open sides of the stands made it feel welcoming • Layout worked well with the correct level of seating / meeting areas • Size of the stand was good, for the 	<p>Negatives:</p> <ul style="list-style-type: none"> • Would like to see more images (rolling images) or the use of videos • Look at an improved meeting space area for future years – chairs not stools, higher tables <p>Recommendations:</p> <ul style="list-style-type: none"> • What may add value is an approach with DIT / Northern Powerhouse – The ‘London Corner’ added weight so possibly enter discussions with DIT over a NPH corridor
---	--

<p>amount of delegates (if this changes in future years the size of the stand will need to be addressed)</p> <ul style="list-style-type: none"> • Tea/coffee making facilities were good and the branded cups worked well (would do again, with two machines) 	<ul style="list-style-type: none"> • Use of images / videos • Think of an innovative strategy on how the NE can demonstrate our strengths and create a buzz for the region, utilising the stand. For example, having a VR demo for people to try of one of our NE-developed games is something a little unique and hopefully draws in further interest and engagement • To avoid overcrowding on the stand (by partners), a formal rota may help by having one LA rep on stand with the INEE team, at any one time
--	---

Development Opportunities Brochure

<p>Positives:</p> <ul style="list-style-type: none"> • Well received by partners and delegates • Good level of content and image driven (good quality images helped) 	<p>Negatives:</p>
---	--------------------------

Business Showcase

<p>Positives:</p> <ul style="list-style-type: none"> • Key Note speakers were very knowledgeable and engaging • The discussion was excellent and really promoted the NE in very positive manner • The topic was interesting and relevant to MIPIM audience (and examples used were recent) 	<p>Negatives:</p> <ul style="list-style-type: none"> • The PA system (or lack of initially for a few minutes) at the business showcase event was very disappointing (this was a ReedMidem mistake) • Little footfall to the event • The attendance at the business showcase seemed very NE centric • Limited promotion prior to event meant it was poorly attended (it was in the conference programme and some leaflets were distributed) <p>Recommendations:</p> <ul style="list-style-type: none"> • Additional promotion for future years - look at a different approach to promote the event <u>before</u> MIPIM (i.e. e-mail campaign, more social, mail drop) • E-mail delegates prior event (via NE delegates targeting key people / full mail drop) – this may incur additional costs from ReedMidem to acquire full delegate
--	--

	<p>list</p> <ul style="list-style-type: none"> • Enhanced proactive in targeting other delegates, handing out leaflets following seminars and drawing attention to the stand/showcase event • Using a 'celebrity' host (cost incurred) • Research earlier the possibility of a suitable strategic event which is part of the wider programme and therefore promoted widely to all participants including listed in show programme (this would incur further cost)
--	--

Drinks Reception

<p>Positives:</p> <ul style="list-style-type: none"> • Overall very positive comments from all • Highlight for many of the delegates • Was well attended with a good mix of private and public sector attendees, with lots 'out of region' • The event was a good opportunity for networking, relationship building 	<p>Negatives:</p> <ul style="list-style-type: none"> • Drinks were delivered late to the stand (only just arrived in time) • Security guards were overly surly on departure – although the event did go on longer than expected! <p>Recommendations:</p> <ul style="list-style-type: none"> • Delegates to be more proactive in inviting people to the drinks reception • Possibly look at hosting another on stand event – it was noted that there was a 'lull' around the lunchtimes so possibly look at sandwiches / afternoon tea on the stand as a new way of networking • Enhanced proactive in targeting other delegates, handing out leaflets following seminars and even walking around with samples of the gin (from drinks reception) to draw attention and a wider audience to the stand.
--	--

Additional Observations from MIPIM

- As with previous years, those attendees who spent time researching leads prior to MIPIM, using the database to organise meetings and networking prior to the event,

and being proactive when down in London tend to get most out of MIPIM. Feedback from private partners who used the database to segment the delegate list found it of great value.

- INEE stand and delegation worked well in terms of collaboration between all the Local Authorities and the private sector partners - providing a good networking and relationship building opportunity too

Negatives:

- A lot of residential enquiries (particularly Student Housing) and a lot of sales and marketing companies
- PR – Government Ministers failed to visit the stand (were scheduled for both days)

Initial Discussions for 2017 MIPIM UK Planning

MIPIM 2017 will take place in the larger hall at Olympia, INEE have expressed an interest in exhibiting at the event (non-committal at this stage, as budgets need to be secured)

If INEE was to exhibit and take a lead for 2017, some high level discussion points need to be addressed at the initial planning stage

1. Size / Space of the stand

- For the number of partners INEE had this year, the space/size of the stand was adequate
- This may need to be reduced / increased depending on the delegation numbers for future years

2. Private Sector Partnership

- Two of this year's private sector partners have already expressed a strong interest in joining INEE next year at MIPIM UK.
- INEE would seek to secure more partners for future years and engaging with possible partners earlier on in 2017

3. Pre-Networking

- Delegates wishing to get the most out of MIPIM need to use the database and pre-network prior to the event in order to set up meetings and contacts

4. Business Showcase Event

- The topic and the key note speakers worked well and we would look to have a similar topic at next year's event. We need to consider
 - More sophisticated approach to promotion of event prior to MIPIM
 - More proactive at conference handing flyers and engaging with wider audience to attract to Business Showcase
 - Discussion over paying extra for a 45 minute slot (with this added promotion at MIPIM)

Press and Social Media Coverage:

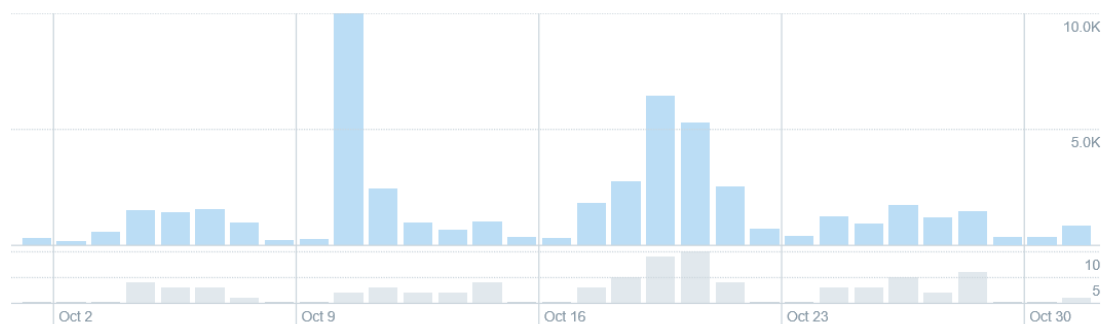
Press Release:

- Featured in the Journal / Evening Chronicle
- Invest North East England
- Make it Sunderland
- Invest North Tyneside
- Invest South Tyneside

Social Media:

- Social media activity before and during MIPIM UK saw an increase in impressions (46.1K in October 2016 – 20k more than Sept 2016)
- Top tweets and engagements focussed around private sector partners
- Gained 62 new followers during October

Your Tweets earned **46.1K impressions** over this **31 day** period



Website:

- To support MIPIM, INEE and our marketing consultants launched the improved website which features a section for MIPIM UK (<https://investnortheastengland.co.uk/development-opportunities/>)
- The new INEE website was launched on 18/10/2016 which saw a spike in activity, however throughout MIPIM sessions were constant at around 50 sessions per day

Audience Overview

Oct 18, 2016 - Oct 21, 2016

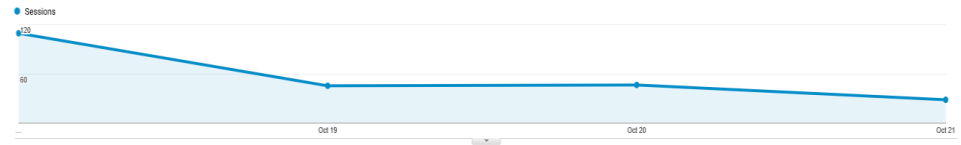
Email Export Add to Dashboard Share

All Users 100.00% Sessions + Add Segment

Overview

Sessions vs. Select a metric

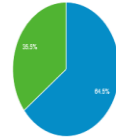
Hourly Day Week Month



Sessions 228	Users 171	Pageviews 714	Pages / Session 3.13	Avg. Session Duration 00:03:33	Bounce Rate 50.44%
-----------------	--------------	------------------	-------------------------	-----------------------------------	-----------------------

% New Sessions
64.47%

New Visitor Returning Visitor



Appendix 1 – INEE Stand



Appendix 2- Press release (11.10.2016)

INVEST NORTH EAST ENGLAND SHOWCASES REGION TO THE UK'S PROPERTY SECTOR



Representatives from the North East Combined Authority's (NECA) seven local authorities, Invest North East England, and the region's property and business sectors are showcasing the North East to domestic and overseas investors next week.

They are attending MIPIM UK, the UK's largest exhibition for property professionals that begins on Wednesday 19 and runs to Friday 21 October at London's Olympia.

The exhibition provides opportunities for the region to make connections with major overseas and UK investors and developers, and illustrate the wide range of North East development opportunities.

In the last two years, Invest North East England, together with its seven NECA partners and the UK Government, has helped to attract 204 inward investments into the North East from both foreign and UK-owned businesses and leading to the creation of 9,500 jobs.

MIPIM plays a key part in showcasing the region's strengths and opportunities to potential investors

Guy Currey from Invest North East England (INEE), which has organised and is leading the delegation, said: "This is one of the biggest events in the property industry's calendar so it's important that we take the opportunity to represent the North East and let people know why the region is such an attractive place for investors and developers to base their projects.

"We have a strong tradition in our region of public and private sector collaboration, and it pays off."

Invest North East England will be joined at the event by property developers Broadoak Asset Management, Carillion-Arlington, Citrus Durham, Hanro Group and Siglion, law firm Ward Hadaway, and representatives from the region's local authorities.

Neil Robson, Partner and Head of Property at Ward Hadaway who will be attending with fellow Property Partners Lesley Fairclough and Alex Cox, said: "North East England has a lot to shout about when it comes to the property sector and we are very proud to be able to add our voice to this at MIPIM UK.

"We work with a wide range of private and public sector clients in helping to deliver developments across the region so we recognise this is an excellent opportunity to spread the word about the North East's capabilities to a national and international audience."

North East sites being highlighted to potential investors include the Milburngate development in Durham, Newcastle's Quorum Business Park, projects in Gateshead, Northumberland and North Tyneside, plus South Tyneside and Sunderland's International Advanced Manufacturing Park (IAMP) project.

Speakers from companies including Legal & General and Marick Real Estate will also talk about why they chose to invest in the North East.

Other investment sites being highlighted at MIPIM include:

- County Durham: Durham City Park and Integra 61
- Gateshead: Gateshead Central and Baltic Business Quarter
- Newcastle: East Pilgrim Street and Newcastle International Airport Business Park
- Northumberland: Energy Central in Blyth, and Wansbeck Business Park
- North Tyneside: Indigo Park and Swans
- South Tyneside: Tyne Dock Enterprise Park and Holborn Riverside Office Quarter.
- Sunderland: Vaux and the Port of Sunderland

More than 5,000 people are expected to attend this year's MIPIM which provides a marketplace for British and international investors to meet and discuss forthcoming projects and opportunities.

"During the three days, we'll be hosting a Business Showcase event which will focus on some of the significant property investments and new opportunities here in North East England.

"Our sector strengths coupled with extremely strong support from the region's public and private sector, means we are particularly well placed to cater to investors and developers interested in advanced manufacturing, life sciences, energy, business services and IT / digital opportunities," added Guy.

Investors will be invited to discuss opportunities with the regional delegation throughout the event and at a drinks reception where examples of regionally produced drinks will be provided by Poetic License distillery, Fentimans Botanical Brewery, Sunderland's CBL and Maxim Brewery.

Councillor Paul Watson, Chair of NECA, said: “Inward investment plays an important role in supporting the growth of the North East economy. MIPIM offers an unrivalled opportunity to get in front of leading investors and developers and highlight what we have to offer as a region.

“It’s good to see Invest North East England leading a strong delegation that all focused on the same end goal of more economic growth.”

Invest North East England is the first point of contact for companies looking to invest in the region, and co-ordinates investment enquiries on behalf of the North East local authorities to ensure businesses have access to real-time information. It supports investors with a range of practical relocation support, including advice on availability of land and property, information on the regional economy and workforce, HR support and access to finance.

MIPIM UK is at London’s Olympia from Wednesday 19 to Friday 21 October. Invest North East England will be at stand F30. More details are available on investment opportunities in the North East are available at www.investnortheastengland.co.uk.

Business Showcase Event

Wednesday 19th October - 13:30

BUSINESS SHOWCASE ROOM

NORTH EAST ENGLAND WORKS FOR INVESTORS - THE DEALS AND THE OPPORTUNITIES

Join our discussion and find out about **recent property investment deals** that have been struck in North East England and why North East England is an attractive place for **investors and developers to consider new projects.**

Panel Members:

Pete Gladwell, Head of Public Sector Partnerships, Legal & General
Patrick Going, Managing Director, Marick Real Estate
Irene Lucas, CBE, Chief Executive, Sunderland City Council
Tom Warburton, Director of Investment and Development, Newcastle City Council

invest | **north east
england**

Drinks Reception

Thursday 20th October - 16:00-18:00

INVEST NORTH EAST ENGLAND STAND - F30

You are invited to join us and our partners at a drinks reception on our stand (F30) for an informal discussion about **development opportunities in North East England** and sample some of our locally produced beverages.



Drinks supplied by



MAXIM
BREWERY



cbl
SOLUTIONS GROUP

invest | north east
england

Appendix 4 – E-Footers

Invest North East England Footer:

We are exhibiting at **MIPIM UK**,
19 - 21st October at Olympia, London.

invest | north east
england

**COME AND VISIT US AND
OUR PARTNERS ON STAND F30**



Partner Footer:

We are exhibiting at **mipim UK**,
19-21st October at Olympia, London.

Come and visit us on the
Invest North East England stand - **F30**



Appendix 5 – Final Budget (excl. VAT)

Space at MIPIM	27 m ²	£15,930.00
Stand / Brochure / Project Management	Stand Production, Construction and Delivery	£13,000.00
	Stand Extras (i.e. fridge, furniture)	
	Brochure production and fulfilment	
	Project Management	
	Courier to London for extra stock and return	
Corkage	Corkage and delivery of drinks to stand (drinks provided free by suppliers)	£462.00
Extra tickets for sponsors (over and above stand allocation)	x6	£1,320.00
Contingency (set at £2,000)	Extras through Creo Communications: - INEE branded Cups and stirrers (£248.58) - Tea/Coffee and Cold Drinks (£198.57) - Name badges x 31 (£136.85) - A5 Flyers, additional art work and tent card (£129.87) - Business Card Holder, Sweet Tray, Collection Box (£40.00)	£753.87
Additional Marketing	Steve Brock Photography for Press Release	£81.00
	Total	£31,546.87
Sponsorship (£2,000 each)	6 x £2,000	(£12,000.00)
Total Cost to INEE		£19,546.87

*** does not include INEE accommodation, travel staff time incurred in organising the event*

North East Combined Authority

Leadership Board

Date: 17 January 2017

Subject: EMPLOYABILITY AND INCLUSION UPDATE

Report of: Thematic Lead for Employability and Inclusion

Executive Summary

This report provides an update as to the latest progress being made in delivering the Employability and Inclusion; and Skills themes of the Strategic Economic Plan (SEP) for the North East.

Recommendations

The Leadership Board is recommended to note the contents of the report.

North East Combined Authority

Leadership Board

1. National Policy Update

Northern Powerhouse Strategy

- 1.1 As part of its commitment to improve the productivity of the North of England, the Government published a Northern Powerhouse Strategy alongside the Autumn Statement. It recognises that a highly skilled and educated workforce is critical to economic growth and productivity - and as such the existing regional disparities in the education and skills system need to be addressed.
- 1.2 To this end from a skills perspective, the Northern Powerhouse Strategy focuses on the following key areas:

Schools

The Government launched the Northern Powerhouse Schools Strategy at the Budget 2016 and have subsequently published Sir Nick Weller's independent report (see below) which identifies the need to increase the supply of high quality teachers and senior leaders in the North, the limited capacity of multi-academy trusts (MATs), and the need for more schools to offer a stretching curriculum, as key challenges in the North.

The Government commits to consider the specific recommendations in the report further, but particularly welcome Sir Nick's proposals on attracting and retaining high quality teachers. To this end, the Government confirms that it will:

- design, fund and test a range of approaches (such as effective professional development) to attracting and retaining high-quality teachers in the North;
- invest in developing strong multi-academy trusts and sponsors to improve schools and grow capacity in the North; and
- work with the northern city regions and other areas in the North of England facing the greatest challenges, to explore options for improving the delivery of early years outcomes.

Careers

The Government recognises that the provision of careers education, advice and guidance is crucial to supporting young people to make the right choices about their futures. To this end, it will work with the North to ensure that local priorities are fed into the provision of careers advice, so that it is employer-led, integrated and meets local needs. This will involve joint working on the design of careers and enterprise provision for all ages, including collaboration on the

North East Combined Authority

Leadership Board

work of the Careers and Enterprise Company and the National Careers Service. Where the government is piloting new approaches to careers advice and guidance, we will ensure areas in the North have the opportunity to be part of any trials taking place.

Apprenticeships

The introduction of the Apprenticeships Levy in April 2017 will fund a step change in apprenticeship numbers and quality in England. The Department for Education will work with the northern city regions, to support them to work with employers and providers to develop an ambitious, locally owned plan for promoting uptake of high quality apprenticeships.

Talent retention

Whilst the Government acknowledges that the North has a huge amount to offer people who live and work in the region, it also accepts that too often, young people feel they need to move to other parts of the country to pursue their careers. In order to enable northern businesses to access the skills they require, there is a need to do more to attract graduates and other highly skilled workers. The government is interested in supporting the region to trial new approaches to tackling this challenge. This means focusing on interventions which increase information about highly skilled jobs that are available. Sheffield's RISE scheme offers a promising model, involving placing recent graduates from Sheffield universities into local SMEs. The government will work with the northern city regions, and other local stakeholders, to develop innovative proposals for attracting skilled workers.

Northern Powerhouse Schools Strategy - independent review

- 1.3 In March 2016, the Chancellor and the Secretary of State for Education asked Sir Nick Weller to undertake an independent review of northern education and produce a report to inform the delivery of a Northern Powerhouse Schools Strategy.
- 1.4 He was asked to explore why there is a particular concentration of underperformance in the North and to make recommendations to raise educational attainment. This important review has been undertaken over a relatively short period of time with the aim being to gather as much evidence and insight as possible from a range of sources.
- 1.5 The independent report focuses on what we can do in the North to make teacher recruitment easier, develop greater leadership capacity, and close the very wide gap in the achievement of disadvantaged and non-disadvantaged

North East Combined Authority

Leadership Board

children. Above all, as school leaders in the North, more needs to be done to learn from and replicate success stories locally as well as from elsewhere in the country.

- 1.6 The Findings and Recommendations from the independent report are reproduced at Appendix 1, and it anticipated that the Government will respond to these in Spring 2017.

Work, health and disability green paper: improving lives

- 1.7 Employment rates amongst disabled people reveal one of the most significant inequalities in the UK today: less than half (48%) of disabled people are in employment compared to 80% of the non-disabled population. Making progress on the government's manifesto ambition to halve the disability employment gap is central to its social reform agenda by building a country and economy that works for everyone, whether or not they have a long-term health condition or disability.
- 1.8 To this end, this Green Paper sets out the nature of the problem and why change is needed by employers, the welfare system, health and care providers, and all of us. It considers the relationship between health, work and disability before setting out some proposed solutions and asking for views on whether the Government is proposing the right things to ensure that we are allowing everyone the opportunity to fulfil their potential.
- 1.9 The evidence that appropriate work can bring health and wellbeing benefits is widely recognised. Employment can help our physical and mental health and promote recovery. But the importance of employment for health is not fully reflected in commissioning decisions and clinical practice within health services, and opportunities to support people in their employment aspirations are regularly lost. Once people are on benefits, their chances of returning to work steadily worsen. There are systemic issues with the original design of Employment and Support Allowance with 1.5 million people now in the Support Group who are treated in a one-size-fits-all way and get little by way of practical support from Jobcentres to help them into work. This consultation seeks to address these issues, exploring new ways to help people, but does not seek any further welfare savings beyond those already legislated for.
- 1.10 These challenges are complex and pressing. The Government's vision is to create a society in which everyone has a chance to fulfil their potential, where all that matters is the talent someone has and how hard they are prepared to work. On this basis, the Government wants to:
- ensure that disabled people and people with long-term health conditions have equal access to labour market opportunities and are given the

North East Combined Authority

Leadership Board

support they need to prevent them from falling out of work and to progress in workplaces which embed effective health and wellbeing practices;

- help employers take action to create a workforce that reflects society as a whole and where employers are equipped to take a long-term view on the skills and capability of their workforce, managing an ageing workforce and increased chronic conditions to keep people in work, rather than reacting only when they lose employees;
- ensure people are able to access the right employment and health services, at the right time and in a way which is personalised to their circumstances and integrated around their needs;
- more effectively integrate the health and social care and welfare systems to help disabled people and people with long-term health conditions move into and remain in sustainable employment;
- put mental and physical health on an equal footing, to ensure people get the right care and prevent mental illness in the first place;
- invest in innovation to gain a better understanding of what works, for whom, why and at what cost so we can scale promising approaches quickly; and
- change cultures and mind-sets across all of society: employers, health services, the welfare system and among individuals themselves, so that we focus on the strengths of disabled people and what they can do.

1.11 The Government is now seeking views as to what further action needs to be sustained across all sectors - and as such the Green Paper asks:

- how big a role can we expect employers to play in ensuring access to opportunities for disabled people, and how can the 'business case' for inclusive practices be strengthened?
- how can work coaches play a more active role for disabled people and people with health conditions?
- how can we improve a welfare system that leaves 1.5 million people – over 60% of people claiming Employment and Support Allowance – with the impression they cannot work and without any regular access to employment support, even when many others with the same conditions are flourishing in the labour market?
- how can we promote mental and physical health and ensure that people have timely access to the health and employment support that they need rather than struggling to access services (particularly musculoskeletal and mental health services)?

North East Combined Authority

Leadership Board

- how can we develop better occupational health support right across the health and work journey?
 - what will it take to reinforce work as a health outcome in commissioning decisions and clinical practice?
 - how can we best encourage, harness and spread innovation to ensure that commissioners know what works best in enabling disabled people and people with health conditions to work?
 - perhaps most crucially, how can we build a culture of high hopes and expectations for what disabled people and people with long-term health conditions can achieve, and mobilise support across society?
- 1.12 Based on our experience of the current system of employment support, our experience of delivering the Mental Health Trailblazer, and the approach advocated in the report of the North East Health and Social Care Integration Commission, a response to the consultation is being prepared.

2. Policy development in the North East

Travel to Learn

- 2.1 Travel to learn has emerged as a major consideration within the currently ongoing Area Based Review (ABR) of Post 16 training and education in the North East, with the Combined Authority together with its constituent local authorities and in collaboration with the North East LEP, preparing an issues paper to inform the process.
- 2.2 Within this context, it should be noted that:
- The North East geography covers 3,200 square miles and has around 2 million inhabitants and approximately 4.1m visitors each year.
 - Approximately 200,000 people commute on a regular basis into the urban centres.
 - There are three public transport organisations in the North East - Nexus, who act as the Passenger Transport Executive (PTE) for Tyne and Wear; and Durham County Council; and Northumberland County Council, who all deliver public transport on behalf of NECA in their respective areas.
 - The network of commercial bus services is provided by three primary bus operators - Arriva, Go NorthEast and Stagecoach. In addition, Nexus operates the Tyne and Wear Metro.

North East Combined Authority

Leadership Board

- 2.3 Under the Education Act 1996, all local authorities have a duty to ensure that learners of sixth form age are able to access the education and training of their choice and ensure that, if support for access is required, this will be assessed and provided where necessary. The legislation recognises that a local response to transport arrangements is important in enabling young people's participation in education and training as it allows local circumstances to be taken into account.
- 2.4 In addition, the 16-18 transport duty relates to young people of sixth form age with learning difficulties and/or disabilities aged up to 19 (and beyond the age of 19 if they are continuing on a particular course started before the age of 19). Local authorities also have a duty under the Education and Skills Act 2008 to encourage, enable and assist the participation of young people with learning difficulties and/or disabilities up to the age of 25 in education and training.
- 2.5 In meeting this duty, the seven local authorities in the North East face two primary challenges of accessibility and cost.
- 2.6 With regard to access, these challenges are different depending on whether the student lives in the urban core (central part of Tyne and Wear) or in the urban fringe/rural areas (most of Durham and Northumberland; west Gateshead; and north-west part of North Tyneside). There are also specific issues for students with more complex needs. These are detailed in the table below.

Access considerations	
Urban core	Urban fringe/rural
<ul style="list-style-type: none">• Frequent Metro and bus services and widespread cycling routes support ready access to learning within the core part of Tyne and Wear. This provision increasingly has features to make these services accessible to all. For example, on-screen and audio 'next stop' announcements.	<ul style="list-style-type: none">• Accessibility is such that students face long journey times (many in excess of an hour) and indirect routes which involve a number of service changes. This is compounded by the fact that many of the bus routes are radial via Newcastle, Sunderland and Durham city centres.• The support to students aged between 16 and 19 is in Northumberland and Durham particularly is targeted at those who are unable to travel independently or who don't have access to viable

North East Combined Authority

Leadership Board

	<p>public transport options due to the remoteness of where they live.</p> <ul style="list-style-type: none"> Some of the Colleges fill particular gaps in provision through bespoke travel services they commission direct from the commercial bus operators.
More complex needs	
<ul style="list-style-type: none"> The specific needs of SEN students is rising and becoming more complex with the need for more responsive transport provision to address those needs. Many parent are also reluctant to consider the possibility of independent travel. This is increasing the need for more escorts. Meeting the specific travel needs of students who require wheelchair access is a particular challenge, which is more acute in rural areas 	

2.7 With regard to cost, the challenges vary depending on whether the student lives in the Tyne and Wear or in Durham and Northumberland. There are also specific issues relating to cross-boundary travel. These are detailed in the table below.

Cost considerations	
Tyne and Wear	Durham/Northumberland
<ul style="list-style-type: none"> Under 16s can travel on all forms of public transport for a standard day fare using an under 16 pop card. Those students who are over 16 can buy concessionary tickets. However, these are specific to each company and journeys which involve a change of bus/Metro can mean higher costs. The range and complexity of these concessionary travel options can be confusing and act as a barrier to learners. 	<ul style="list-style-type: none"> In Durham, the offer of free travel (albeit discretionary subject to parental benefit status and employer supported costs) to young students is positive in facilitating learner choice. In Northumberland, for students able to access public bus, the cost is circa £1000 per annum. Travel passes are not an option for many as routes aren't available or do not provide appropriate solutions.
Cross-boundary travel	
<ul style="list-style-type: none"> There is potentially added cost and complexity for students accessing education and training provision outside of the local authority area (Durham, Northumberland or Tyne and Wear) they live in. The bespoke transport services funded by Colleges is often responding to this challenge, particularly in accessing those communities that are inherently reluctant to travel outside the familiar local area to access education and training. 	

North East Combined Authority

Leadership Board

- 2.8 In addition to this ABR-led analysis, Nexus presented, on 3 November 2016, a paper to the Transport North East Committee (TNEC) highlighting the complexity and cost of public transport fares for young people. The relevant extract from this report is reproduced at Appendix 1.
- 2.9 In considering this material, TNEC agreed to:
- establish a task and finish group to gain a better understanding of the current youth offer for those aged under 19 years old in more detail, and to explore what options might be available to improve the situation; and
 - commission an independent report to outline the opportunities that an improved ticketing offer for young people could have on the North East's economy, skills base and society.
- 2.10 Skills policy lead officers are now meeting with officers from the public transport organisations to ensure that both these processes are integrated and inform each other - and that the emerging recommendations from the ABR process are "travel proofed". Further updates will be presented to the Leadership Board as this work progresses. In addition, the outcomes from the recent work undertaken by the NECA Overview and Scrutiny Committee in relation to "transport barriers to employment" will shortly be presented to the Leadership Board and will subsequently inform the ongoing work outlined above.

Labour Market Intelligence (LMI)

- 2.11 The Labour Market Intelligence (LMI) Portal for the North East continues to be delivered and developed. Discussions about future developments are taking place with the North East LEP and a number of digital partners who are designing some innovative tools to present data and information to various audiences.
- 2.12 The work to produce a number of Careers Videos to promote our key priority sectors has been completed. An initial soft launch took place at the LMI Conference in November (see below) with the formal launch planned for January 2017. The videos, which involve local employers and younger employees (apprentices) who can talk about what it is like to work in a particular industry, are entitled 'What you can't do in the North East', 'Routes to Success' and 'Your Chance of Success. They will be supplemented by information packs and lesson plans for teachers. The videos will also be publically available so that they can be embedded into other useful websites to ensure a wide audience has access.

North East Combined Authority

Leadership Board

- 2.13 An LMI Conference, arranged by CfBT (the North East provider for the National Careers Service), took place in Durham on Thursday 17 November 2016 with over 60 attendees. The event's objectives were to:
- Gain an understanding of the North East labour market
 - Gain an insight into some of the key sectors in the North East and the skills demands for these
 - Understand the challenges and opportunities facing the North East labour market
 - Understand the routes to accessing and using LMI to better understand the Labour Market

The event included a number of keynote speakers in the morning followed by a choice of workshops in the afternoon, covering various sources of LMI. Discussions are now underway to consider similar events in 2017.

- 2.14 Work is ongoing to support various initiatives with their LMI needs including the Good Career Guidance Benchmarks, development of Devolution proposals and support to ensure that ESF proposals meet our strategic priorities.

3. Programme and Project Update

DWP European Social Fund Opt-In for the North East

- 3.1 The DWP 'Opt-In' programme is utilising £6m European Social Fund (ESF) to test a local approach to help long term unemployed residents into work, focusing on those with significant barriers to work, including mental and/or physical health conditions. Integration of employment support with both physical and mental health treatments will be the key delivery driver.
- 3.2 Working Links was awarded the contract and will begin delivery on 9 January 2017. The contract target is to support 2,500 residents between January 2017 and December 2019.
- 3.3 NECA and NELEP officers met DWP in November to determine local input into performance management arrangements and facilitating integration with other services at each LA level. This will include coordination with the wider European Social Investment Fund programme. Monthly local engagement meetings will be established to discuss contract performance and take actions to support the contract and mitigate under-performance as needed. Evaluation will be carried out as part of ESF monitoring.
- 3.4 An inception meeting with DWP and Working Links in late November included a presentation outlining the delivery model and supply chain arrangements in

North East Combined Authority

Leadership Board

each LA area. Working Links will deliver a mix of direct provision, mainly in the north of Tyne area, and supply chain arrangements in the south of Tyne and County Durham areas. Stress was placed on how the programme must co-ordinate with other employment services and integrate with local services, particularly health provision. Each local authority area will work with the provider to facilitate this approach and ensure local fit. A request was made to have performance data available at local authority level as a minimum, and preferably at ward level, to ensure performance is effective in each LA and in areas of greatest need (including monitoring of performance in rural areas). DWP will confirm the level of data sharing available.

NE Mental Health Trailblazer

- 3.5 The North East Mental Health Trailblazer is piloting integration of employment support with Increasing Access to Psychological Therapies (IAPT) services in each NECA LA area. Employment coaches are being placed with the IAPT teams in each area to work in coordination with clinical staff. The pilot target is to support 1,500 job seekers with mental health conditions to find work across the NECA area by October 2018.
- 3.6 The first staff were placed in IAPT services from late November in County Durham, Gateshead and South Tyneside. The other areas will follow in January with staff projected to be in place in each area by the end of January. Referral processes have been established with Jobcentres in each area.
- 3.7 Launch publicity for early 2017 is being agreed with DCLG as part of a wider trailblazer communication including the other trial areas (West London and Blackpool).
- 3.8 A report to the Clinical Commissioning Group (CCG) forum requesting CCG support was delivered on 1 December. Two sponsors were identified to cover both the County Durham and the Northumberland, Tyne and Wear areas with a role to facilitate work with the IAPT services they contract and support developments for more sustainable implementation following the trial. A multi-agency strategic level steering group including CCGS, DWP and local authorities will meet quarterly from early 2017.
- 3.9 Trailblazer purpose and design is consistent with the findings of the NECA North East Commission for Health and Social Care Integration and performance will be reported to governance arrangements between LAs and the NHS to implement the recommendations. Performance will also be reported to Health and Wellbeing Boards in each area.

North East Combined Authority

Leadership Board

- 3.10 Both the trailblazer and DWP Opt-In models are pertinent to the Improving Lives Government Green Paper consultation on the role of employers and work coaches, service innovation, occupational health support and changing the culture around work and health.

Generation NE

- 3.11 Generation NE has been operational since July 2014 and the programme has supported in excess of 3000 young people, of which 1274 have moved into employment to date and over 250 have gained work experience; 707 of those gaining employment have now sustained employment for 6 months or more.
- 3.12 The programme is continuing to deliver very good value for money compared to original expectations and this has been highlighted in a 'mid-term review' of the programme; a full report of the review findings was presented at to Leadership Board on 20 September 2016.
- 3.13 Delivery of Generation NE has now extended to cover the full NECA geography and the service is being received positively by Jobcentre Plus in Sunderland and South Tyneside with over 150 young people referred to date.
- 3.14 Generation NE is demonstrating the impact that can be achieved through a programme that is locally led, both strategically and operationally and that can impartially 'make sense' of a complex and fragmented system. In order to continue to contribute to tackling our local economic challenges it is suggested that Generation NE should be extended and widen its focus, delivering support for those young people that do not claim benefit and are generally ineligible for much of the mainstream government support. In principle agreement has been given by DCLG and DWP to this proposal.
- 3.15 Funding that may support this extension is available under Investment Priority 1.2 of the European Social Fund. The lifetime of the programme may be extended for up to 3 years and the impact of the programme broadened to support a wider cohort of young people outlined above should additional resources be secured. Support will continue to be delivered to the existing eligibility group of young people who claim Jobseekers Allowance and Universal Credit. Opportunities to apply for this funding are expected in early 2017.

Good Career Guidance Benchmarks

- 3.16 From June 2015 and in partnership with The Gatsby Foundation, North East LEP has been supporting the application of the Good Career Guidance

North East Combined Authority

Leadership Board

benchmarks. This provides the opportunity to test the benchmarks in action; lead the development of practice which will have local impact and national profile; and improve the quality of provision and opportunity for young people.

- 3.17 The benchmarks have gained significant national traction and the skills team at the North East LEP are receiving requests every week from organisations who are interested in the North East model. The Enterprise Academies Trust, Ark Academies Trust and Greenwood Academies Trust have all made enquiries. This appetite to use the career benchmarks is also reflected by the growing number of schools in the North East who wish to use the North East LEP Career benchmark audit tool.
- 3.18 Schools and colleges involved in the pilot continue to make progress. Interim reviews of year 2 progress will take place with each individual institution between January and February 2017.
- 3.19 The North East hosted a very successful practice sharing event with The Edge Foundation on 22 November. The North East LEP and our 16 pilot schools and colleges hosted schools from London, Crewe, Walsall, Lincoln and Nottingham. Feedback was extremely positive and the LEP team have been approached to run several more.
- 3.20 From October to December the North East LEP team have shared learning at a series of high profile events, both within the region and nationally. This included showcasing impact at the North East Chamber of Commerce 'linking business to education' event at King Edward VI School in Morpeth, delivering the keynote speech at the National Careers Education Summit 2016 with Sir John Holman, addressing the National Careers Leaders and Advisers Conference in York with David Andrews, delivering a joint conference with the National Careers Service in the North East on Labour Market Information, delivering the keynote address at the Talentino 'Same but Different' conference in Reading, exploring how young people with special educational needs and disabilities can be supported to make progress, speaking at the independent Schools Northern Network meeting and finally being part of a panel of experts at the public policy exchange forum in London on the theme of 'helping young people to fulfil their ambitions: ensuring high quality careers guidance in schools and colleges'.
- 3.21 Additionally, the North East LEP hosted a very successful visit by the Department of Education on 29 November, where we were able to showcase the impact of the benchmarks in two schools (Excelsior Academy in Newcastle and King Edward VI in Morpeth). Allison Britton (Head of Careers at DfE) also met with Enterprise Coordinators and spoke with business leaders who have

North East Combined Authority

Leadership Board

been working with schools as enterprise advisers. We have received very positive feedback from the DfE and have sent further supporting information.
Enterprise Advisors

- 3.22 This key Government-backed initiative was initiated in September 2015. The Careers & Enterprise Company (CEC) is an employer-led organisation that has been set up to inspire and prepare young people for the fast-changing world of work. Its role is to take an umbrella view of the landscape of careers and enterprise, supporting programmes that work, filling gaps in provision and ensuring coverage across the country.
- 3.23 The North East LEP has taken the opportunity to shape and adapt the original CEC model to enhance the opportunities for school and business engagement. A dedicated coordinator was recruited in November 2015 and another in May 2016.
- 3.24 To date 69 Enterprise Advisors have signed up and they are a mixture of predominantly tier 1 (55) and some tier 2 (14) providers. 36 schools and colleges have returned their self-assessment and supporting Enterprise Adviser action plan. Of the 36 schools, 28 have been matched with an EA, and an additional 4 pending matches for early in 2017 (which means an EA has been identified and first meeting to be arranged). 16 other schools and colleges who have met with an Enterprise Coordinator are in the process of completing the self-assessment document and are being followed up.
- 3.25 The Career and Enterprise Company has allocated further funding for activity support including £1 million available for programmes in Opportunity areas (Blackpool; Derby; Norwich; Oldham; Scarborough and West Somerset). Additionally and in partnership with the Education Endowment Foundation and Bank of America the CEC has indicated that an additional £4 million would be available in England for programmes which include the following themes: Enterprise education; transition skills development; volunteering and work experience. The North East LEP is continuing to work alongside the CEC to try to ensure that North East schools and organisations are beneficiaries of these funds. Latest cold spot analysis reveals that the North East LEP region is 'in need' in 3/7 indicators.

Apprenticeships

- 3.26 The North East has a strong and active part to play in meeting the Government's target of three million apprentices by 2020. However, there is also a recognition that there is still much to be done to deliver the ambitious targets that the region has set within the Strategic Economic Plan (SEP).

North East Combined Authority

Leadership Board

- 3.27 The Apprenticeship Growth Partnership (AGP) continues to meet on a quarterly basis with a remit to support businesses, to encourage the development of apprenticeship vacancies, to promote higher level apprenticeships and to engage sector groups to develop standards and liaise and promote the development of high quality apprenticeships.
- 3.28 The latest and final rules and guidance to the apprenticeship reforms were published in October including further information for employers about the way apprenticeship funding is changing and final details about the apprenticeship levy being introduced from 2017.
- 3.29 The SFA have released a comprehensive 'apprenticeship' toolkit consisting of power point presentations on various apprenticeship topics including the employer levy, DAS and the new standards and also various up to date material and resources that can be used within a training events for employers.
- 3.30 A series of events are being planned, one within each local authority area to encourage and support businesses, especially SMEs to engage and consider apprenticeships as well as to provide clarity on funding levels and how to make use of the online resources SFA have made available. The events may stand-alone or may be part of other activities being undertaken by sub-regions.
- 3.31 Nationally the SFA are focussing, the Get In, Go Far Media Campaign towards SME businesses to encourage the development of apprenticeship opportunities. All marketing and social media material have been shared with NECA and local authorities.

Skills – capital investment

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

3.33 Following the project call in March 2016, two new skills focussed projects have been approved, both are social-enterprise led – Foundation of Light in Sunderland and Eagles Foundation in Newcastle. Both are using sport to connect and engage young people, raising their aspirations and introducing them to college courses and other providers.

North East Combined Authority

Leadership Board

3.34 Proposals for the Growth Fund Round 3 and Large Transport Scheme were submitted in mid-July 2016. The pausing of the NECA Devolution Deal had implications for the scale and nature of the NELEP submission to Government and a re-submission of a prioritised project list was made on 31 October. In the Autumn statement the Chancellor confirmed budget allocations in the Northern Powerhouse area. It is currently expected that the specific allocation for the North East LEP will be confirmed by Government early in 2017.

4 Potential Impact on Objectives

4.1 The work being taken forward is consistent with the Combined Authority's stated objectives

5 Finance and Other Resources

5.1 Financial plans will be developed and reported to the Board as appropriate.

6 Legal

6.1 The legal implications of the work will be considered as delivery progresses.

7 Other Considerations

7.1 Consultation/Community Engagement

No consultation or community engagement has been undertaken at this stage in the work programme.

7.2 Human Rights

There are no specific issues arising from this report.

7.3 Equalities and Diversity

There are no specific issues arising from this report.

7.4 Risk Management

Appropriate risk management arrangements will be put in place as delivery progresses.

7.5 Crime and Disorder

North East Combined Authority

Leadership Board

There are no specific issues arising from this report.

7.6 Environment and Sustainability

There are no specific issues arising from this report.

8 Background Documents

- Northern Powerhouse Strategy
- Northern Powerhouse Schools Challenge - independent review
- Work, health and disability green paper: improving lives

9 Links to the Local Transport Plans

- 9.1 Accessibility to employability, inclusion and skills provision is a key challenge for the North East that is appropriately reflected in the emerging Local Transport Plan.

10 Appendices

Appendix 1: Northern Powerhouse School Strategy - independent review: findings and recommendations

Appendix 2: Extract from the NECA Concessionary Travel report presented by Nexus to the Transport North East Committee on 3 November 2016

11 Contact Officers

- 11.1 Janice Rose, Policy Manager, Northumberland County Council
janice.rose@northumberland.gov.uk
01670 624747

12 Sign off

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

North East Combined Authority

Leadership Board

Appendix 1: Northern Powerhouse Schools Strategy - independent review The Findings and Recommendations

Building teaching and leadership capacity

Teacher effectiveness is the most important determinant of pupil outcomes. Raising educational standards in the North requires us to attract, train and retain high quality teachers and leaders in the region so that every child is taught by an effective teacher. In my view, the most important step we can take to address educational underperformance in the North, particularly for schools in areas of deprivation, is to meet the challenge of teacher supply.

Firstly, we need to understand teacher supply issues better, including at a local level. I recommend that:

- DfE should find additional sources to capture fluctuations in vacancy rates across the school year and to measure the degree of churn schools are experiencing after the termly resignation deadline in May each year; and
- DfE should improve its teacher supply model to take better account of local need, including by subject.

Secondly, DfE should support schools with the biggest challenge in attracting and retaining teachers and build evidence of what works. I recommend that:

- DfE should pilot a new 'Teach North' scheme to attract and retain talented newly-qualified teachers in disadvantaged schools in the North; and
- Northern Powerhouse cities should take the lead on regional marketing initiatives to attract teachers to live and work in the North and I propose that funding should be allocated to support these initiatives.

Research tells us that school leadership is second only to teaching in improving pupil performance. Having an effective pipeline of talented and skilled school leaders has become increasingly important as we move towards a school-led system. I recommend that:

- DfE should consider how it can enhance existing and new leadership initiatives and programmes in the North, which will encourage more participants to take up

North East Combined Authority

Leadership Board

the challenge of closing the disadvantage gap where it is greatest and raise the status of a career in northern 'cold spots'.

School improvement capacity

Academy sponsorship is an important school improvement mechanism, which in my experience, enables outstanding head teachers to make a difference in more than one school. MATs can also support better recruitment and retention of teachers and help share effective practice across schools.

The academies movement has progressed more slowly in the North and I believe accelerating growth of MATs is key to driving up standards. To go further faster, I believe we need to be more challenging to successful schools in the North, who should feel a moral imperative to support struggling schools through sponsorship arrangements. There should also be greater challenge to schools requesting to convert to academies.

Sustainability is key to success. Schools that convert to academy status must have strong performance to ensure successful transition. I recommend that:

- In addition to an outstanding or good judgement, standalone conversion to academy status should be restricted to schools with strong evidence of progress over three years; and
- The governing boards of standalone academy trusts (SATs) and small MATs of 1–3 academies should consider amalgamating with others to build a more sustainable MAT. The retirement or departure of the head teacher or executive head teacher might be a particularly appropriate time to do this.

Northern local authorities must also do more to support academy programmes. Northern Regional Schools Commissioners (RSCs) and their offices are key to facilitating this. I recommend that:

- National consideration should be given to RSC resourcing in areas where there are endemic issues, including issues with previous decision-making; and
- It is important that all northern local authorities accept that every Government for almost two decades has had an academy policy. They should encourage and facilitate the growth of strong and effective Multi Academy Trusts in their area because it is in the interests of local children and young people to do so.

I believe that strong MATs require strong leaders and we need to develop ways of spreading the influence of strong MATs in the North and the rest of the country. I recommend that:

North East Combined Authority

Leadership Board

- DfE should assign funding to MAT CEOs from northern ‘cold spot’ areas to attend MAT CEO training; and
- DfE should assign funding to a mentoring scheme whereby successful MAT CEOs from across the country mentor CEOs of new or expanding MATs in the North, offering support on effective school improvement models, data analysis, financial management and growth planning.

Effective governance is also crucial to MAT success. Ofsted report that the “best governing bodies are increasingly professional, with members who have the knowledge and background to effectively challenge senior leaders”. However, the evidence tells us that recruiting skilled governors is more difficult in rural, urban or deprived areas and in those schools that ‘require improvement’ or have lower than average pupil attainment. Further work is required to encourage trusts to build board capability. I recommend that:

- New academy trusts should review their governance arrangements and in many cases must recruit governors with additional skills if governing bodies are to successfully transition into their new role as a board of trustees;
- DfE should use their review of governance training activity to assess the specific development needs of MAT boards and MAT board chairs, and should fund training and development activity to meet these; and
- DfE should ensure that funded programmes to recruit people to governance roles (Academy Ambassadors and Inspiring Governance), address the particular issues faced by northern schools and MATs when planning campaigns to recruit new volunteers to governing boards.

Finally, system leaders, with experience of achieving high standards and turning schools around in challenging circumstances, are important to supporting school improvement. The Educational Excellence Everywhere White Paper identified a shortage of both National Leaders of Education (NLEs) and of Teaching School Alliances as a feature of ‘cold spots’, many of which are in the North. We need a more sophisticated mechanism to identify those schools and leaders who can best contribute to building educational capacity in our hardest to reach communities. I recommend that:

- National College for Teaching and Leadership (NCTL) should press ahead with plans to enable the best schools with good Ofsted judgements to apply to become Teaching Schools and NLEs as soon as possible. The revised designation approach should also take greater account of those heads that have a track record of transforming the schools they lead and support, and consistently achieve high levels of progress for pupils with low prior attainment.

Raising standards by closing the disadvantage gap

North East Combined Authority

Leadership Board

Large pockets of deprivation are a feature of the North, whether they are in former mining towns, coastal towns or rural areas. We need to understand why there is a large gap between children in the North and better performing areas such as London, including at the end of reception. Although this report does not attempt to cover early years education prior to Reception, I recommend that:

- DfE should commission research into the early years gap in the North as well as effective practice for closing it; and
- DfE should identify the schools that are most effective at closing the gap in Reception classes and support them to disseminate best practice to schools in the North.

We also need to bring together best practice from schools in closing the disadvantage gap and identify the most effective approaches for teaching, managing behaviour, and creating a whole school culture and ethos that supports high standards and raises aspirations for all pupils. I recommend that:

- DfE should bring together schools who have a track record in closing the disadvantage gap and raising attainment of the most disadvantaged pupils to report on what works effectively for different schools and circumstances.

Curriculum

London's success in recent years is at least in part attributable to very strong performance at primary. Northern primary schools could go even further in preparing students for success at secondary schools through outstanding evidence-based teaching of literacy and numeracy. I recommend that:

- DfE should work with the Education Endowment Foundation (EEF) to scale up the North East Literacy Campaign to other priority areas in the North; and
- DfE should work with the EEF Research Schools to further develop EEF's focus within northern schools, to identify and evaluate effective programmes and practice with children who do not meet age-related expectation or who are not secondary-ready.

A sound academic education to age 16 helps open doors and enables pupils to make genuine choices about post-16 pathways, whether academic or high-quality technical education. Many schools in the North have tended to offer a less academic curriculum and have been slower to change. Some northern schools need to be more responsive to curriculum change and offer a high-quality academic curriculum, in line with many schools serving disadvantaged communities in London. I recommend that:

- Northern schools, which have not already done so, should revise their curriculum offer. We should all ensure that the curriculum and qualifications we offer are of

North East Combined Authority

Leadership Board

sufficiently high status to open up 10 opportunities for our students, rather than so low in status as to close them down.

System conditions

A feature of the North is the large number of 'cold spots', which tend to have high levels of deprivation, low levels of attainment and few good or outstanding schools. We need to make sure that conditions in the system in which schools operate enable schools to build the capacity and capability to improve.

Firstly, we need to make sure that there is adequate funding for high-need pupils and sufficient special school provision in 'cold spot' areas. I recommend that:

- DfE should reform funding to ensure schools with high concentrations of students with special educational needs are fairly funded; and
- DfE should provide local authorities with additional support and funding (including capital) so they can ensure Special School provision is sufficient to meet demand, particularly in 'cold spot' areas.

Secondly, we need to tackle mono-cultural disadvantage which I believe is a particular problem in the North. I recommend that:

- DfE should review the Admissions Code to ensure clarity for both schools and adjudicators on how nodal points and catchments can be used to encourage greater diversity; and
- Schools with high concentrations of mono-cultural disadvantage should consider how changing their admissions policy might encourage a more diverse mix of students, for example randomised selection from a citywide or whole-town catchment.

Finally, we need a stable system in which head teachers can have confidence. Curriculum and exam changes in recent years have made it more difficult for head teachers to directly compare their schools results year on year. I recommend that:

- DfE and Ofqual should address schools' concerns about the examination system; and
- DfE and Ofqual should monitor the impact of recent changes to the examination system on disadvantaged students, and take this into account when making future refinements to the examination system.

North East Combined Authority

Leadership Board

Appendix 2:

Extract from the NECA Concessionary Travel report presented by Nexus to the Transport North East Committee on 3 November 2016

Public Transport ticketing for young people under the age of 19

The Education and Skills Act 2008 made it mandatory for young people under 18 to be in full time education, with an interim minimum leaving age of 17 set in 2013, with the full rise to 18 from 2015.

In recent times, the complexity and costs of youth fares on public transport has been highlighted as a key issue. The UK Youth Parliament 'Make your mark campaign' balloted over 28,385 people in the NECA area (excluding Gateshead) aged 11-18, and found that transport was third biggest issue with 3,944 votes, after Curriculum and the Living Wage.

The Strategic Economic Plan (SEP) outlines that whilst public transport accessibility in the North East is generally good, improvements could be made in the area of fares and ticketing. A key target includes the introduction of a single network, multi-operator ticket being established

In August 2016, Go North East introduced a new fares structure for young people aged 18 and under, including a £1 single fare on all buses across the Go North East network. The new policy simplifies the Go North East ticketing options for a young person travelling on a Go North East bus. Competing schemes are offered by Arriva North East and Stagecoach that are valid on their bus services.

For those who are 16 and under, various single tickets are on offer. Nexus offers the 'Under 16 Pop Card' (available for a £5 fee), which allows multi operator travel in Tyne and Wear for £0.60. For those under 16 who do not have an 'Under 16 Pop Card' Nexus also offers a Metro-only commercial fare for £0.80. Go North East offers its Under 18 single ticket for £1 on Go North East buses North East Combined Authority Transport North East Committee only. Arriva offers an under 18 'Teen

North East Combined Authority

Leadership Board

Card' valid on all Arriva North East bus services, which is a half fare or £1, whichever is lowest. Stagecoach offers an under 16 single fare at £0.90 for those traveling on Stagecoach bus services. This demonstrates how variable ticketing options can be, with different ages and different fares applicable to each different operator, with different validity policies depending on who provides the services.

The picture is further complicated for those aged between 16-18 and students, as no multi operator day ticket is currently offered anywhere in the area. However multi-operator weekly, monthly and annual tickets for 16-19 year olds are available in Tyne and Wear through Network One (a ticketing company comprising all of the transport operators). Metro offers a '16-18 MetroSaver' valid for 7 days for £7.50, Go North East offers a ticket priced at £15.50, Stagecoach at £8 and Arriva North East offer a number of variants of a weekly ticket ranging from £13.30 for a 1 zone ticket to £19.30 for all zone ticket.

This report has highlighted some of the complexities that under 19s are potentially facing when using public transport. This complex issue should be explored further and the following actions are proposed:

- A 'task and finish' group is proposed with the aim of better understanding the current Youth offer in more detail, and to explore what options might be available to improve the situation; and
- Nexus and the Regional Transport Team propose to commission an independent report (with input from the LEP) to understand the opportunities that an improved ticketing offer for young people could have on the North East's economy, skills base, and society.

The NECA's Overview and Scrutiny Committee has been undertaking a review to further understand the impact of transport in the Combined Authority area and, in particular, any barriers people face preventing them from getting into employment, travelling to work, school or college. The work that Overview and Scrutiny Committee has undertaken will be cross referenced with what is proposed here, and will feed into the proposed task and finish group.

North East Combined Authority

Leadership Board

DATE: 17th January 2017

SUBJECT: Transport and Digital Connectivity Thematic Lead Update Report

REPORT OF: Thematic Lead for Transport

EXECUTIVE SUMMARY

This report gives details of progress towards delivering the Transport Manifesto commitments.

A number of NECA's specific transport schemes were not awarded funding in the Autumn Budget Statement, although the area may benefit from a number of wider announcements covering road maintenance and safety enhancements, promotion of low-carbon vehicles, and digital infrastructure.

Work to secure funding for a replacement Metro fleet is progressing well, and the Buses Bill is about to enter the House of Commons stages.

RECOMMENDATIONS

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

North East Combined Authority

Leadership Board

1.	Introduction
1.1	We have a strong agenda for transport in the north east, aimed at making it easy to access employment and training opportunities, helping businesses to thrive and making the area attractive to inward investors, improving the quality of life for people who live and work here, and making sure our transport networks are reliable and environmentally friendly. This is all set out in our Transport Manifesto, and we are now working on the more detailed Transport Plan.
1.2	Over the past year we have laid some important foundations to deliver on our Transport Manifesto commitments: we have agreed a new Metro and Local Rail Strategy and decided to re-integrate Metro operations with the rest of the system; used our role in Transport for the North and Rail North to identify improvements to our rail links; developed some major highways investment schemes; invested in smart and digital technology and cycling infrastructure; and used our experience of bus regulation policy to input into the government's new buses bill.
1.3	This all puts us in a good position to move forward and deliver real and tangible improvements. We have the expertise, the experience and the ability to innovate. We also have a strong asset base – including the Tyne tunnels and the Metro – from which to build outwards. However, in order to make a major difference we also need extra funding and powers to deliver, and a good deal of these remain in the hands of the national government. The speed at which we can make improvements to our transport system is therefore dependent upon the priority the government gives to our area. I describe our progress below.
2.	Autumn Budget Statement
2.1	The Chancellor's recent Autumn Statement included a number of announcements relating to transport. Many of these have limited detail and we are expecting further information in due course from the Department for Transport and other departments such as BEIS (Business, Energy and Industrial Strategy). Details of announcements are given below, under three headings: schemes/programmes that have confirmed funding, schemes declined for funding and finally other announcements whose specifics have not yet been confirmed.
2.2	Disappointingly, specific schemes submitted by the NECA have not been successful in securing government funding. Six of the 12 large local major schemes selected for funding in the Autumn Statement are in areas developing devolution deals. The area may benefit from a number of other announcements, as set out below.
2.3	Funding confirmed:

North East Combined Authority

Leadership Board

	<ul style="list-style-type: none">• Strategic Roads and Pinch Point Fund: £220 million will be made available to improve congestion hotspots on the Strategic Road Network managed by Highways England. Further details will be announced in due course but, as part of this Fund, there will be upgrades to two A69 junctions (Bridge End roundabout at Hexham and Styford roundabout at Corbridge).• As a conclusion of the Northern Trans-Pennine Strategic Study, remaining sections of the A66 will be dualled as part of the second Roads Investment Strategy (2020 to 2025).• Highways Maintenance: There will be another round of the 'Potholes Fund', allocating £70m, including £3.2m for authorities in this region. The Government estimates that this could fix 61,500 potholes. A second tranche of the Local Highways Maintenance Challenge fund will be announced shortly and a second round of the Local Highways Maintenance Incentive/Efficiency Element Funding will be formally launched shortly;• Road safety: Funding of £175 million is to be targeted at upgrading some of the most dangerous local roads where rates of fatal accidents and serious collisions are the highest. Proposals will be sought from local highways authorities. In the NECA area, the roads identified are the A67 in Durham and the A1290 in Sunderland• Local Growth Fund: The government will provide a further £556 million to northern Local Enterprise Partnerships (LEPs) through a third round of Growth Deals. There is no detail yet on how this has been broken down, but there are 11 LEPs in the 'northern' area, including the North East LEP.
2.4	Funding declined:
	<ul style="list-style-type: none">• Large Local Major Scheme Funding: The North East submitted three schemes to this fund, these were Ashington Blyth and Tyne rail improvements, Metro Futures and Sunderland Commercial Links. Despite strong cases, these have not been selected for funding. Detailed written feedback will be sought on reasons they have not been taken forward. 18 schemes nationally are in receipt of funding to develop Business Cases. Two schemes in the Tees Valley (the new Tees crossing and Tees Valley East-West connections (improving the link between the A1(M) and A66) received funding to develop a business case and there will be some benefits to the NECA region if these are taken forward.
2.5	Other relevant announcements:
	<ul style="list-style-type: none">• Local Improvements: An additional £925 million will be allocated

North East Combined Authority

Leadership Board

	<p>for local highway and public transport improvements which meet a set of criteria including reduction of congestion at key locations and upgrading or improving the maintenance of local highways assets.</p> <ul style="list-style-type: none">• Airports: The Government is publishing a summary of consultation responses on Air Passenger Duty devolution and how to protect regional airports. The Government intends to review this again after we have exited the EU as there was no consensus on the next steps to be taken. In the short term, therefore, there will be no help for Northern airports such as Newcastle with the level of APD.• Digital Infrastructure: Over £1 billion investment in digital infrastructure by 2020-21, which includes £740 million through the National Productivity Investment Fund, targeted at supporting the market to roll out full-fibre connections and future 5G communications. This also includes £400 million for a new Digital Infrastructure Investment Fund, at least matched by private finance, to invest in new fibre networks over the next 4 years. Opportunities provided by a new 100 per cent business rates relief for new full-fibre infrastructure for a 5 year period from 1 April 2017.• Other funding: There are a number of other funding streams announced for which there are no further details as yet, these include:<ul style="list-style-type: none">- Access Fund: The NECA made a joint bid to the Access Fund, a revenue fund from 2017/8 to 2019/20 intended to encourage walking and cycling. An announcement relating to this Fund is expected in January alongside confirmation of the Government's Cycling and Walking Investment Strategy- £80m for ULEV Charging Infrastructure, £150m for Low Emission Buses and Taxis and £100m for connected/autonomous vehicles- £450m to trial digital rail signalling technology- £80m to accelerate the roll-out of smart ticketing including season tickets for commuters in the UK's major cities- £100m nationally to make roads more resilient to flooding, including roads which flooded last winter
3.	Transport for the North (TfN)
3.1	TfN is developing a Transport Strategy and Investment Plan. Our involvement in this workstream is critical to make sure that our aspirations for key strategic transport links are taken into account. The overarching Strategic Transport Plan will be supported by two daughter documents covering Rail (Integrated Rail Report) and Road (Strategic Roads Report).

North East Combined Authority

Leadership Board

3.2	'Northern Powerhouse Rail' (NPR) continues to be developed. The main focus of the work up to February / March 2017 (as it affects the North East) is now to further explore options for a significant upgrade of the East Coast Main Line to speed up journeys and assess the impacts of stopping at York, Darlington and Durham (the preferred option).
3.3	A study into ways of improving strategic road links across the Pennines is continuing and the Chancellor's Autumn Budget Statement announced plans for new investment in the A66 and A69.
3.4	Work continues on Freight and Logistics, international links through ports and airports and smart travel opportunities, to help inform the Transport Strategy and Investment Plan that will be published this spring.
4.	Rail
4.1	Northern Rail and TransPennine Express have generally performed well against the Franchise performance targets and are starting to deliver improvements as outlined in the Franchise award.
4.2	Throughout both of the Franchises, step changes in services and train fleets are planned. One of the first of these planned changes, an enhanced service from Newcastle to Manchester commenced in December 2016 with four more trains per day along this route.
4.3	Progress is also been made with the introduction of new and/or improved trains. Both TPE and Northern have placed orders for new trains and have also started on their train refurbishment programme. It will still be some time before the new and refurbished trains enter service but both companies are on track for 2019/2020, in accordance with the franchise obligations. TPE's new Hitachi trains are to be built at Newton Aycliffe and will be the ones that eventually serve the North East on a half hourly service.
5.	Metro
5.1	Following Leadership Board approval of the new Metro and Local Rail Strategy, Nexus has been holding a series of discussions with the government to discuss investment in the Metro fleet. Initial assessments suggest that there is a strong case for a new fleet. The case for investment is expected to be considered by the DFT Investment Committee, to be held in January 2017. The matter will then be referred to the Treasury.

North East Combined Authority

Leadership Board

5.2	A DfT Office of Government Commerce (OGC) Gateway Review into the project's progress has also taken place. This gave an amber/green rating meaning: 'Successful delivery of the project/programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly'. This is a very good review outcome, and a number of recommendations were made to further strengthen the position.
5.3	A public consultation into the design of future Metro trains has been well received, with almost 3,000 people taking part in three strands of research. This gives Nexus unrivalled insight into local people's aspirations for the design of the new Metro fleet when an approach to suppliers is made next year by Nexus.
5.4	Punctuality on the Metro has gone down during the autumn period when low rail adhesion is a big factor. Also passenger numbers have dipped slightly below the peak of 40 million seen at the start of 2016 primarily due to a fall in leisure travel, although the recent Snowdogs campaign has helped offset some of the decline
5.5	Works associated with the Asset Renewal Programme continue. The refurbishment of Central Station is now complete, as is site survey work at Killingworth Road Bridge, paving the way to undertake the scheme in summer 2017. Track re-railing within the central area tunnels is now completed and this was achieved during overnight works, avoiding disruption for Metro passengers. A major two year project for the system wide renewal of the overhead line is expected to get underway in March 2017. This work will be undertaken in-house by Nexus and staff training in line renewal has already commenced.
6.	Buses
6.1	A region-wide bus strategy is being prepared which, once endorsed by TNEC, will be used to guide future decisions about delivery options for buses. Bus operators that provide commercial services across the NECA area are updating the constitution of the North East Bus Operators Association (NEBOA), widening its coverage to include Northumberland and Durham. This will make it easier for NECA to engage with NEBOA in taking forward the bus strategy as NEBOA's wider geographical footprint will enable service improvements to be discussed across the whole NECA area.
6.2	Officers continue to monitor the Bus Services Bill. The Bill has completed its Lords stages and was introduced into the Commons on 24 th November 2016, although its planned Second Reading in December will now happen in the New Year. Royal Assent is still anticipated by spring 2017.

North East Combined Authority

Leadership Board

6.3	<p>The House of Lords introduced a number of amendments, some of which address NECA aspirations. Most significantly, an amendment provides all types of local authorities (not just Mayoral Combined Authorities) with bus franchising powers. Other amendments include:</p> <ul style="list-style-type: none">• Removal of a clause that would have prevented local authorities forming new companies to run bus services• Amendment to give local transport authorities the ability to enforce traffic offences• Making it mandatory for new local buses to meet standards set out by the Office for Low Emission Vehicles• Where consultations are to take place on creating a new local transport authority, an amendment adds employee representatives to a list of people who must be consulted before any new authority is created
6.4	<p>Parliamentary Under Secretary of State for Transport Andrew Jones MP has indicated that the government will seek to overturn these amendments.</p>
6.5	<p>The Commons Transport Committee has also been reviewing the Bill. They say that the Bus Services Bill is a major opportunity to transform passengers' experiences of bus services and support local authorities having the freedom to set up their own local bus operator if that is the best solution for their community.</p>
6.6	<p>The Committee is encouraged by the aspects of the Bill which give local authorities the power to introduce simplified ticketing systems and have called on the Government to bring into force existing statutory provisions which would allow local authorities to enforce moving traffic offences should they so wish.</p>
6.7	<p>A "Task and Finish" Group has been established to investigate the bus fares offered to young people across the region and to see if there are ways to improve the attractiveness of what is on offer. The Group is chaired by Councillor McCarty from TNEC and other members from across the NECA region are involved in it. A preliminary meeting has been held and the Group's first full meeting, which will include bus operators, will be held in the New Year. Early engagement with the youth community has taken place in an effort to understand the best ways to engage with young people and gain awareness of their priorities.</p>
6.8	<p>The conclusions of a policy review on transport related barriers to education, employment and training was presented to Overview and Scrutiny Committee (O&SC) on 14th December 2016. The findings of the review suggested that transport barriers are most acute for young people. The findings from this report are potentially of great value to the future work of the "Task and Finish" Group, and an invitation for an O&SC member to</p>

North East Combined Authority

Leadership Board

	sit on the Group has been accepted.
7.	Digital Connectivity Update
7.1	NECA Digital Leads are working collaboratively alongside the North East LEP to support delivery of the Strategic Economic Plan (SEP). Three sub-groups have been established to share knowledge and support development of our efforts to grow and promote Digital Skills; to ensure the region is well placed to benefit both economically and socially from Open Data; and to map and exploit 'Internet of Things' (IoT) potential. This work reaffirms that Digital Connectivity is a direct enabler of economic development and productivity uplift across our smart specialisation sectors, as well as providing the conditions for business growth and improved competitiveness.
7.2	The North East Digital Leads group are making significant progress with their work to position the region as a 5G Connectivity trailblazer and to sustain and grow the region's competitiveness in the Digital Economy. Working collaboratively to support the region to develop the Digital Skills needed to deliver the SEP, we are ensuring the north east is well positioned to support people and businesses to benefit from future devolution of employment and skills functions.
7.3	In December 2016, the joint NECA/ NELEP proposition was one of only three sub-national projects explicitly championed by the National Infrastructure Commission's report into preparedness and roll-out of 5G Technology. We are currently working with the National Centre for Excellence at Surrey University to deliver on this proposition for a nationally-significant addition to the north east's offer to people and businesses.
7.4	The group has worked with Nexus and other partners, to develop an investible proposition for an IOT test-bed. A Project Manager is in the process of being appointed to lead on development of the business case; building on positive feedback from government and partners. This is consistent with our aspiration that the North East is increasingly seen, not only nationally but globally, as a location of choice for testing, refining and rolling out Digital products and services.
8.	Next Steps
8.1	Work is continuing on: <ul style="list-style-type: none">• Development of the NECA Transport Plan• Progressing the various TfN workstreams and the Network Rail Long Term Planning Process

North East Combined Authority

Leadership Board

	<ul style="list-style-type: none">• Production of a new NECA Bus Strategy• Engagement with the Department for Transport to discuss the business case for government investment in the Metro fleet• Consultation with Network Rail and TfN to develop options for NPR and start the refining of options to be recommended for more detailed design and economic appraisal• Delivery of the joint NECA/NELEP Digital Connectivity proposition
8.2	The TNEC “Task and Finish” group will continue to meet to discuss the issues regarding young peoples’ public transport ticketing
9.	Potential Impact on Objectives
9.1	Successful delivery of the various transport and digital connectivity schemes and investment proposals outlined in this document will assist the Combined Authority in delivering its objective to maximise the area's opportunities and potential.
10.	Finance and Other Resources
10.1	The report includes information on funding and financial opportunities. There are no specific additional financial implications for NECA arising from this report.
11.	Legal
12.1	There are no specific legal implications arising from this report.
13.	Other Considerations
13.1	Human Rights
	There are no specific human rights implications arising from this report.
13.2	Equalities and Diversity
	There are no specific equalities and diversity implications arising from this report.
13.3	Consultation / community engagement

North East Combined Authority

Leadership Board

	Many of the transport programmes outlined in this report have been the subject of consultation, at either a regional or national level.
13.4	Risk Management
	This report is for information only and there are no specific risk management implications arising from it.
13.5	Crime and disorder
	There are no specific crime and disorder implications arising from this report.
13.6	Environment and Sustainability
	Delivery of the various rail and public transport measures listed in this report should assist in meeting our objectives for a more sustainable transport system and improved air quality.
14.	Background Documents
	None.
15.	Links to plans in the policy framework
	The various transport schemes and programmes listed in this report link to the forthcoming Transport Plan for the North East that is covered in section 3 of this report.
16.	Appendices
	None.
17.	Contact Officers
	<p>Tobyn Hughes, Managing Director (Transport Operations) tobyn.hughes@nexus.org.uk Tel: 0191 203 3236</p> <p>Mark Wilson, Head of Transport Policy mark.wilson@northeastca.gov.uk Tel: 0191 211 5679</p> <p>John Bourn, Senior Specialist Transport Planner John.Bourn@northeastca.gov.uk Tel: 0191 2778972</p>

North East Combined Authority

Leadership Board

18.	Sign off
	Head of Paid Service Monitoring Officer Chief Finance Officer

This page is intentionally left blank

North East Combined Authority

Leadership Board

Date: 17th January 2017

Subject: Local Growth Fund - Project Approvals

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

Executive Summary

This report provides a summary of changes to the LGF programme in 2016/17, which will be reported in more detail to the LEP board later this month. It outlines proposals to maximise the use of LGF Grant by applying the grant temporarily to other projects in the capital programme, subject to LEP Board approval. It also seeks approvals from the Leadership Board to proceed with the issuing of 'Stage 1' grant funding agreements to allow the progression of three major transport projects in the current programme, which are funded in part by the Local Growth Fund (LGF), together with a reallocation of LGF funding to one of those projects. The report includes an update on the LGF assurance framework.

Requests for approvals for the following transport projects are included in this report:-

- South Shields Transport Hub;
- 'The Arches' (A194/A185);
- A19 to North Bank of the Tyne (Swans Site & Port of Tyne).

Recommendations

The Leadership Board is recommended to -

1. Note the reasons for change to the 2016/17 LGF Programme since the last report in November;
2. Agree to the use of £5m of LGF grant to temporarily fund other projects within the capital programme, outlined in section 2.7, (subject to the approval by the LEP Board), with the displaced funding returned to the LGF programme in future years.
3. To agree to extend the '1st stage' Grant Funding Agreement for an additional £900k LGF grant (hence totalling £2.5m) for South Shields Transport Hub for further development and enabling works and in accordance with specific funding conditions as set out in paragraphs 2.1 and 2.2 of this report.

North East Combined Authority

Leadership Board

4. To agree that total LGF allocation to the 'The Arches' project is adjusted from £5.21m to £7.00m in accordance with the rationale set out in paragraphs 2.3 and 2.4 of this report, subject to subsequent approval by the LEP Board on 26th January, and to agree to proceed with a '1st stage' Grant Funding Agreement for £650k LGF for development and enabling works.
5. To agree to proceed with a '1st-stage' Grant Funding Agreement for the release of LGF for £175k for North Bank of Tyne project for design and consultancy fees, based on production of a robust outline business case.
6. Subject to the support of the LEP Board to the LGF funding changes to the transport projects referred to in recommendations 3, 4 and 5 above, to delegate authority to the Head of Paid Service in consultation with the Chief Finance Officer and the Monitoring Officer to take all appropriate steps to implement the changes to the LGF programme and to subsequently authorise the Monitoring Officer to negotiate and complete the associated funding agreements and all other relevant legal documentation.

1 Background Information

- 1.1 The latest estimate of the LGF Programme for 2016/17 is £63.836m, which is set out in the Capital Programme report on this agenda. This is lower than the available LGF grant for the year of £81.88m. The latest programme estimate is £8.794m lower than the estimated programme of £72.63m that was reported in November. The main reasons for this change are summarised in section 1.2 below. In order to maximise the use of LGF grant in year it is proposed to temporarily fund other eligible capital schemes in the NECA capital programme and these are summarised in section 2.7 below.
- 1.2 The main reasons for the change in the programme since November are summarised in the table below.

Table 1: Summary of LGF Programme Changes since November

	£m
Reprofiled spending into future years on projects with Full Business case approval	-6.310
Reprofiled spending into future years on projects without Full Business case approval	-1.723
Proposed project not agreed at Business Case stage	-0.761
Total	-8.794

North East Combined Authority

Leadership Board

- 1.3 The Local Growth Fund encompasses 21 major transport projects across the region. A 'Transport Assurance Framework' sets out the governance and approvals process for major transport projects that have been given LGF programme-entry by the Leadership Board and Local Enterprise Partnership Boards. Requests for approval to release allocated Local Growth Funding are taken to the Leadership Board following individual project business case development by project sponsors and a satisfactory independent examination. A number of major transport projects have already been fully approved by the Leadership Board during the course of 2015/16, as well as others granted 'Stage 1' funding agreements prior to business case finalisation to allow project development and enabling works. This report seeks approvals for Stage 1 grant funding agreements for three major transport projects.

2 Proposals

2.1 South Shields Transport Hub.

The Transport Hub is part of a wider regeneration scheme in South Shields Town Centre to deliver a step change in the customer offer and experience. Work to acquire the site for the Hub and develop the business case has been progressed by South Tyneside Council in conjunction with Nexus. A Stage 1 grant funding agreement for £1.6m of LGF for the project was approved by the Leadership Board in January 2016 to facilitate these works prior to the confirmation of the full business case. The finalisation of the full business case was set back whilst the Council underwent a Compulsory Purchase Order process to secure the full Transport Hub site, which is now nearing completion having been subject to a public inquiry. In order to maintain sound progress on the project, and to bridge the gap between the current phase of the project and full funding award, it is recommended that the existing Stage 1 funding agreement is extended to cover LGF funding for enabling works to develop new premises for displaced land owners and occupiers (chiefly the Royal Mail and Post Office). This would involve a further £900k of LGF being released and added to the current agreement, bringing its total to £2.5m. These funds are within the total LGF allocation to the project of £9.4m; – the approval to release the remainder of which would be sought at a future Leadership Board when a full and satisfactory business case is in place for the project (expected summer 2017).

2.2 Proposed conditions for the extended Stage 1 funding agreement include:-

- (i) That the land for the specified Transport Hub site is secured;
- (ii) That the final total project costs are in line with the estimate supplied by South Tyneside Council in November 2016 or that additional costs are met by non-LGF funding streams sourced by South Tyneside Council;

North East Combined Authority

Leadership Board

- (iii) That LGF funding release in the Stage 1 grant funding agreement that finances works associated with, but not directly part of, the Transport Hub project is replaced equivalently with other 365 Regeneration Programme funding streams to fund later phases of the Transport Hub.

2.3 'The Arches' (A194/A185).

'The Arches' is a project to improve conditions for traffic flow and reduce congestion at the junction of the A194 and A185 in South Tyneside. The original project had its Local Growth Fund allocation reduced (£5.83m to £5.21m) in 2015 via Leadership and LEP Board approval to help to fund a cost pressure with the related Lindisfarne Roundabout project. Since then, detailed traffic modelling and business case development work has been undertaken by South Tyneside Council in conjunction with their consultants, and a preferred scheme option identified. This work, which also modelled traffic flow at the Southern entrance (Portal) to the Tyne Tunnel – in itself a project that has been given LGF programme-entry status by the LEP Board – demonstrated that: (a) a partial gyratory system at the Arches junction had the best effect at alleviating current and future peak-time congestion in South Shields, (b) specific traffic scheme proposals at the Southern Portal had little effect at reducing peak-time congestion at the Tyne Tunnel as the capacity of the Tunnel itself was the main cause of congestion on this section of the A19.

2.4 Therefore, South Tyneside Council has presented a proposal to the LEP and NECA to enhance the specification of the original Arches project to deliver additional outputs whilst, in turn, potentially reducing the scope of the Southern Portal to the Tyne Tunnel project. This proposal has been discussed and scrutinised by the LGF Programme Management Group at several of their meetings and also has the support of the Tyne Tunnel Management Company. To help to fund the enhanced Arches project (provisional cost estimate of £8m), a reallocation of £1.79m of the £3.55m provisionally allocated to the Southern Portal of the Tyne Tunnel is sought, making a total LGF allocation to The Arches project of £7m – the other £1m funded by a South Tyneside Council local contribution. Any additional costs with The Arches project will be met through non-LGF South Tyneside Council funds. It is also anticipated that South Tyneside Council will bring forward a proposal in early 2017 to fund improvements to the A185/ Port of Tyne junction from the remaining Southern Portal project allocation of £1.76m. This proposal would be brought for consideration at a future meeting of the Leadership and LEP Board.

2.5 Subject to the above approvals on The Arches project, it is anticipated that a full business case for the project will be submitted in spring 2017. There are, however, significant works required to achieve timely progress on the project within 2016/17, in particular further modelling work and the progression of

North East Combined Authority

Leadership Board

essential land acquisitions. It is therefore requested that the Leadership Board agree that the NECA issues a Stage 1 funding agreement for the release of £650k LGF to the Council to allow these works to take place. This would be subject to appropriate conditions within the funding agreement concerning sound business case development and project delivery.

2.6 A19 to North Bank of Tyne.

This project delivers road, pedestrian and cycle improvements at key junctions along the A187/A193 corridor in North Tyneside, alleviating significant transport barriers to employment growth at the local Enterprise Zone and other key employment sites. The project has a provisional LGF contribution of £4.7m. An outline business case for the project was submitted by North Tyneside Council and independently reviewed in December 2016. To allow the project to proceed to its timeline and ensure that planned 2016/17 LGF spend of £175k is achieved, it is proposed to issue a 1st stage grant funding agreement to cover detailed design and fees associated with the development of a full business case, which is expected in summer 2017.

Maximising the use of LGF Grant

2.7 In order to maximise the use of LGF grant proposal to temporarily use LGF grant to fund projects in the existing approved programme will be proposed for approval by the LEP. The following funding swaps amounting to £5.069m will be reported for consideration and the Leadership Board is asked to approve this, subject to the approval of the LEP Board.

Table 2: Projects proposed to be funded Temporarily by LGF grant

Project	Amount £m	Current Funding Source
Tyne Tunnels capital works	1.743	Toll Income (revenue)
Sunderland A19 Low Carbon	1.200	Borrowing funded by EZ retained rates
Northumberland EZ site works	0.126	Borrowing funded by EZ rates
Advance Enterprise Zone Round 2 Works (programme to be reported in March for approval)	2.000	Borrowing funded by EZ rates

3 Next Steps

3.1 Subject to confirmation of the approvals detailed in this report, grant funding agreements will be developed and issued by the NECA to project promoting organisations to allow delivery of the relevant phases of specified projects in accordance with funding conditions, milestones and project business cases.

North East Combined Authority

Leadership Board

4 Potential Impact on Objectives

- 4.1 The timely delivery of major transport projects within the Local Growth Fund Programme will positively contribute to the delivery of the objectives of the regional Strategic Economic Plan for the North East and Local Transport Plans, as well as those of individual local authorities' Local Plans.

5 Finance and Other Resources

- 5.1 This reports sets out proposals which will help the delivery of the LGF programme and will help maximise the use of LGF grant. The approval of changes to the LGF programme is the responsibility of the LEP, with NECA approval as the LEP accountable body to the funding arrangements.
- 5.2 The advance approval of the funding for South Shields Transport Hub; The Arches and the A19 North Bank of the Tyne (Swans Site & Port of Tyne) is within their existing approved budgets. In additional a reallocation of £1.79m of the £3.55m provisionally allocated to the Southern Portal of the Tyne Tunnel is sought, making a total LGF allocation to The Arches project of £7m – the other £1m funded by a South Tyneside Council local contribution. This is a reallocation of part of the budget for the Southern Portal and the use of the balance including a potential saving to the overall programme will be considered in the next few months.
- 5.3 The use of LGF grant to temporarily fund Enterprise Zone projects is good value for money as it reduces borrowing costs to the Enterprise Zone account. The Tyne Tunnel funding swap also has the benefit of the return of 'revenue' funds in future years, which increases the flexibility for the funding available for LGF projects.
- 5.4 The latest National LEP Assurance Framework, which guides local decision making in regards to accountability, transparency and value for money of LGF and other funds was published in November by the Government. These latest updates largely consist of clarifications and a report to the North East LEP Board later this month will set out where the current assurance framework needs to be further developed to comply with these latest guidelines. In the LEP annual review meeting held in December between the North East LEP and Government, civil servants confirmed that the current North East LEP assurance framework was regarded as being of a high standard. To comply with the latest guidelines the LEP website will be further developed to allow Local Growth Fund supported transport project information to be published there including value for money statements.

North East Combined Authority

Leadership Board

6 Legal

- 6.1 NECA, as Accountable Body for the NELEP enters into funding agreements with the recipients of Local Growth Funding. The agreements reflect the requirements and obligations of the funding providers including the need to fully comply with provisions relating to State aid. The recipients of the funding will be required to enter into funding agreements and any associated legal documentation before the release of the proposed LGF funding.

7 Other Considerations

7.1 Consultation/Community Engagement

Stakeholders and affected frontages, tenants and landowners have been consulted as part of the development of individual project business cases.

7.2 Human Rights

There are no specific human rights implications of this report.

7.3 Equalities and Diversity

Equality matters have been considered within the consultation, design and business case development of each individual project detailed in this report.

7.4 Risk Management

Risks associated with project delivery have been considered through the development of individual project business cases. As this report seeks approvals to release Local Growth Fund to projects that have yet to finalise their full business cases, specific clauses concerning the clawback of a percentages of claimed LGF under the circumstances of non-delivery of the defined projects will be entered into each grant funding agreement.

7.5 Crime and Disorder

There are no specific crime and disorder considerations arising from the contents and recommendations of this report.

7.6 Environment and Sustainability

Environmental and sustainability considerations have been addressed on an individual project basis through the development of each project's business case, and where necessary, in project-specific Environmental Impact Assessments.

North East Combined Authority

Leadership Board

8 Background Documents

- 8.1 * South Shields Transport Hub, Business Case Development Statement;
- * 'The Arches', Strategic Outline Business Case Summary;
- * A19 to North Bank of Tyne, draft Outline Business Case.

9 Links to the Local Transport Plans

- 9.1 Each project's business case has been developed within the context of the current Local Transport Plan for the Tyne & Wear.

10 Appendices

None

11 Contact Officers

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

12 Sign off

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

North East Combined Authority Leadership Board

Date: 17 January 2017
Subject: Budget 2017/18 and Transport Levies
Report of: Chief Finance Officer and Head of Paid Service

Executive Summary

The purpose of this report is to set out the 2017/18 revenue budget and transport levies for the North East Combined Authority (NECA) for consideration and approval by the Leadership Board. This report takes into account the revenue implications of the capital programme, which is the subject of a separate report on this agenda, and takes into account comments received during consultation on the proposals that were set out as a basis for consultation in November.

This is the third formal budget process undertaken since NECA was established in April 2014. NECA is required by law to set its revenue budget and transport levies for 2017/18 before 15 February 2017, in order to enable the seven constituent councils to take the levies into account in setting their own budgets.

This report sets out the revenue resources planned to be used in 2017/18 to help deliver the objectives of NECA and the North East Strategic Economic Plan. The proposed 2017/18 net revenue budget for NECA is made up of several elements amounting to £85.5m, excluding the grant funded elements of the LEP budget. The combined budget for North East LEP and NECA capacity amounts to over £4.4m. These two budgets are complimentary and together support the ongoing delivery of the North East Strategic Economic Plan. Total Gross Revenue Expenditure before applying income and funding from external grants is expected to be in excess of £231m.

Recommendations

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

- a) Agree a transport net revenue budget for 2017/18 of £84.74m as set out in section 4 of this report;
- b) Agree the following Transport Levies for 2017/18:
 - a. Durham County Council £15,482,424
 - b. Northumberland County Council £6,221,740
 - c. Tyne and Wear Councils (detailed in table 6) £63,040,000

North East Combined Authority Leadership Board

- c) Agree a transport revenue grant to Durham County Council for the delivery of transport services of £15,477,424, as outlined in section 4.4;
- d) Agree a transport revenue grant to Northumberland County Council for the delivery of transport services of £6,216,740, as outlined in section 4.5;
- e) Agree a transport revenue grant to Nexus for the delivery of transport services in Tyne and Wear of £60,890,000 as outlined in section 4.6;
- f) Agree the continuation of funding for the regional Transport Team as set out in section 4.9;
- g) Agree the funding arrangement for the Tyne and Wear Urban Transport Management Centre (UTMC) set out in section 4.10;
- h) Agree a budget for the corporate costs of the NECA of up to £362,000, with a continuation of the contribution of £300,000 paid for by an equal contribution of £42,857 from each of the seven councils in NECA, as set out in section 5;
- i) Agree to continue a contribution to fund the North East LEP core capacity costs of £250,000 as match funding to secure a £250,000 Government grant, paid for by an equal contribution of £35,714.29 from each of the councils in the NECA, as part of an estimated budget of £2.9m, as set out in section 6;
- j) Approve the continuation of the budget contribution of £140,000 towards inward investment activity, which is paid for by an equal contribution of £20,000 from each of the seven councils in NECA, as set out in section 7, contributing to a total budget for this area of activity of £460,000;
- k) Agree a budget of £50,000, funded from interest earned, to provide support for Skills and EDRAB portfolio activity, as set out in section 8 and 9;
- l) Note that the Treasury Management and Investment Strategy and the statement on Minimum Revenue Provision for borrowed capital expenditure for 2017/18 are set out in the report on the Capital Programme on this agenda; and
- m) Agree to hold the level of reserves set out in section 10.1 and to note that the Chief Finance Officer considers this level of reserves to be satisfactory, given the information currently available about the arrangements for managing financial risks facing the NECA.

North East Combined Authority Leadership Board

1 Background Information

- 1.1 The Levying Bodies Regulations require Transport Authorities to set their budgets and levies before 15th February each year. This report sets out the transport revenue budget for the NECA area and the levies to be made for the Durham, Northumberland and Tyne and Wear areas. Although NECA is a single transport authority for the whole area, the separate designation of levies for the three areas reflects the legal and financial arrangements put in place when NECA was created, to recognise the very different funding requirements in the three areas.
- 1.2 The budget also includes corporate and other non-transport costs, including those relating to the delivery of economic regeneration and skills activity.
- 1.3 As the Accountable Body for the North East Local Enterprise Partnership (NELEP) this report also includes information about the draft budget and funds available to finance the NELEP Executive Team and the delivery of the NELEP responsibilities for 2017/18, which is subject to the approval of the LEP Board later this month.
- 1.4 The combined budget for North East LEP and NECA capacity amounts to over £4.4m, these two budgets are complimentary and together support the ongoing delivery of the North East Strategic Economic Plan.

2 Background to NECA Delivery

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

2.1 Transport

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

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

North East Combined Authority Leadership Board

NECA transport activity is focused on providing leadership and a united voice on key strategic transport issues; representing the North East on transport issues of national significance; coordinating the area's public transport network; and managing the transport investment programme. NECA has produced and consulted on the Transport Manifesto setting out the vision and objectives for transport in the area. This will feed into the Transport Plan which will be developed in 2017/18.

During 2016/17, NECA also agreed outline business cases for the replacement of the Metrocar fleet and the continuation of the programme of essential renewals across the Metro network. The funding required for these business cases will be pursued with DfT next year and Nexus' budget for 2017/18 provides the necessary provision to take the Metrocar replacement project forward through procurement.

NECA has also recently approved the Metro and Local Rail Strategy which in addition to the need for investment to replace the Metrocar fleet and continue the programme of essential renewals, sets out an ambitious vision which will potentially bring the planning of all local rail services within the region's scope for the first time; essential building blocks for route expansion plans, service enhancements and improved network capacity.

Specifically, in terms of Metro, during 2017/18, 400+ employees will transfer into Nexus from DB Regio Tyne and Wear Limited, whose concession for operating the Metro system will expire on 1 April 2017. The re-introduction of a vertically integrated model where operations, maintenance and renewals are undertaken by the same organisation is expected to help improve reliability, notwithstanding the need to replace the life expired fleet of Metrocars.

Nexus' overall budget proposal for 2017/18 will allow it to maintain frontline services despite a £1.610m reduction in the grant it receives from the NECA. This is possible because of a combination of permanent savings being achieved in the current year, further planned efficiency savings next year and the application of reserves which will be augmented this financial year-end as a result of the budget forecast for 2016/17.

NECA Transport Team activity for 2017/18 includes strategy development, the coordination of bids and regional initiatives, continuous development of the transport pipeline and programme management of the transport investment programme. The team also represents the North East at an interregional and national level including engagement with Transport for the North, liaison with Government and other national agencies and NECA representation on strategic rail partnerships. Finally, the team also provides the secretariat and policy support for the NECA transport committees and transport officer groups.

North East Combined Authority Leadership Board

2.2 Employment and Skills

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

NECA wide initiatives currently being delivered, and will continue in 2017/18, include the Mental Health Trailblazer and Generation North East. NECA has successfully developed a Mental Health Trailblazer project, which will support 1,500 ESA claimants. This was one of four projects nationally to secure support through the Cabinet Office Transformation Challenge Award in December 2014. The North East model supports Employment Support Allowance (ESA) claimants with common mental health conditions into employment through integrating employment support with psychological therapy.

Generation North East is delivering a significant part of the support offer available to young unemployed people in the NECA area. The NECA area was awarded a £4.5m grant in April 2014 under the Cabinet Office's Youth Contract for Cities initiative to test locally devolved approaches to tackling youth unemployment. The programme has now been operational for two years and to date over 2200 young people have benefited from support with over 800 moving into employment to date

NECA employment and skills activity for 2017/18 includes maintaining effective and efficient delivery of pan-NECA initiatives, supporting the development and implementation of the Area Based Review, maximising European Social Fund investment for employment and skills interventions and options development for the future implementation of a devolved Adult Education Budget.

This portfolio area is supported in part by staff from Northumberland County Council and a contribution of £25k toward this cost is proposed for 2017/18.

2.3 Economic Development and Regeneration

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

NECA sees a strong housing, employment and urban core offer as critical in securing the North East's sustained economic growth. NECA's role is to create the conditions to enable an appropriate quantity, of good quality developments

North East Combined Authority Leadership Board

in the right places to meet the North East's demands and aspirations and build on well-connected infrastructure to support economic growth.

The North East Enterprise Zone sites provide specific additional benefits to businesses and room to grow and are central to NECA's and NELEP's plans to create 'more and better jobs'. The targeted investment and benefits to businesses provided through the scheme have already supported over 27 businesses and brought in over £116m private investment which has resulted in over 1,700 jobs by enabling employers to grow. An additional round of Enterprise Zone sites (10 new sites) have also been secured, which will be available from April 2017.

NECA has also established an 'Investment Gateway' which handles and brokers incoming enquiries and promotes a key proposition for investors that has a clear focus on key sectors. The 'Investment Gateway' has added strategic capacity for enquiry handling and relationship building while playing to the strengths of the Constituent Authorities. It importantly allows for a combined and more cohesive offer and promotion of the area, using our significant assets and strengths and avoiding duplication of effort. Working together as Invest North East England, the area has attracted substantial level of investment since April 2014 leading to thousands of new jobs. 2015/16 saw 95 inward investment projects secured, bringing 3,322 jobs.

Co-operation between NELEP, NECA and its constituent authorities has secured the £120m European funded JEREMIE 2 financial support for Business fund, which will be operational in 2017. There will be continued activity next year to support the new Special Purpose Vehicle (SPV) company that has been established to deliver JEREMIE 2 and to explore options for further support for Business. It is estimated that JEREMIE 2 could provide financial support for 600 businesses; help create around 3,500 jobs over the next five years and deliver a legacy fund of up to £80m over the next decade for further financial support to businesses.

Key areas of work for the NECA Economic Development and Regeneration Theme in 2017/18, includes continuing to oversee activity relating to inward investment, providing strategic advice and intelligence relating to key drivers of and barriers to investment and growth, supporting the development of enterprise zones secured for the area and developing regional priorities for investment and maintaining a robust project pipeline to respond to funding calls.

An increase in inward investment proactive activity is proposed next year, funded by a continuation of the £140,000 contribution from constituent authorities and additional funding to be agreed by the LEP. This portfolio area is supported in part by staff from South Tyneside Council and a contribution of £25k toward this cost is proposed for 2017/18.

2.4 Funding and Investment and Accountable Body Function

North East Combined Authority

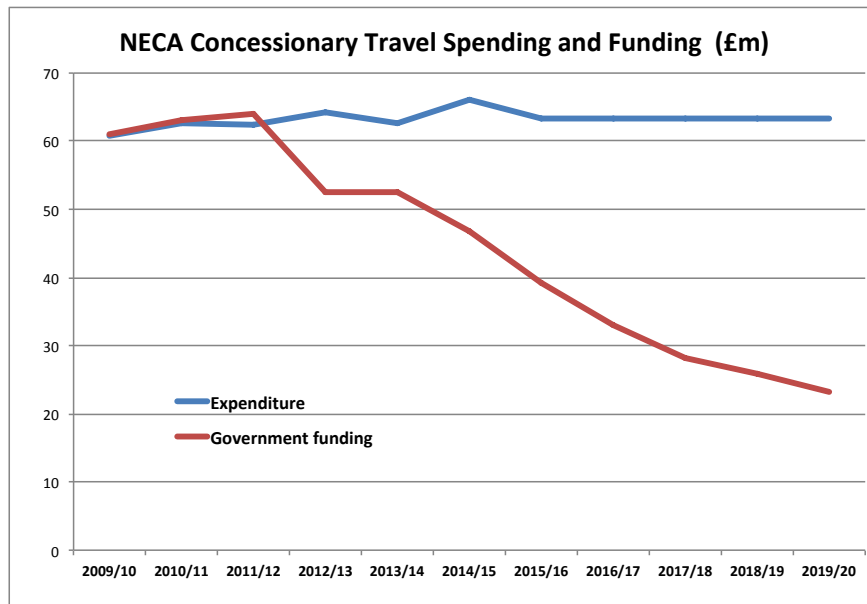
Leadership Board

NECA manages a substantial programme of investment and is the accountable body for all the NELEP investment activity. NECA and NELEP have so far negotiated one of the largest Growth Deals in the country – a total of £220m awarded over 2 rounds with an announcement on round 3 expected imminently. Sufficient capacity is proposed to enable it to meet its statutory service responsibilities.

3 Context of Austerity Measures

- 3.1 The budget is being developed in the context of significant revenue funding cuts for local government as part of the delivery of the national austerity measures. While final Government Revenue grant levels have not yet been confirmed, the Government's provisional funding allocations for 2017/18 announced on 15th December set out significant further cash cuts in the Settlement Funding Assessment (Revenue Support grant and baseline business rates) for the seven councils in the NECA area in 2017/18 of - £79m (-10.2%). This percentage reduction is slightly lower than the 10.6% national average cut and it should be noted that the figures vary for each council.
- 3.2 DCLG also published estimated spending power figures that also take account of growth in council tax and other grants including the New Homes Bonus and the social care precept. This indicated that 'spending power' in the NECA area would fall in cash terms next year by -£22m (-1.4%). This is slightly lower than the national average reduction of 1.14%, due mainly to the relative lower generation of additional council tax income compared to other wealthier parts of the country, which have higher council tax bases.
- 3.3 After excluding additional spending power relating to the special precept for social care costs and excluding the better care fund, the underlying change in spending power for all services including transport services is being cut by £55m (3.4%) next year, with further cuts in the following years. If this average cut is assumed to apply to transport services and is added to previous cuts in funding for services including transport. This further widens the gap between the costs and funding for statutory concessionary travel, as illustrated in the following chart (assuming the spending pressure on concessionary fare costs remains at its current level).

North East Combined Authority Leadership Board



- 3.4 As part of the consultation process in relation to the national grant settlement, the NECA will continue to raise concerns about the adequacy and visibility of funding to meet the costs of the national statutory concessionary travel scheme.
- 3.5 The Government has made more capital resources available nationally to help deliver improvements to infrastructure transport and economic development through Growth Deal Funding. The results of previous bids are set out in the capital programme report and the result of the latest LGF Round 3 Bid will also be included once it has been announced.

4 Transport Revenue Budget and Levies

- 4.1 This report provides a progress update in relation to the transport revenue budgets for the delivery agencies for 2016/17 of £86.9m. This includes significant progress in Tyne and Wear where Nexus has addressed the underlying deficit in their budget through a range of efficiency and other savings.
- 4.2 The overall total proposed net revenue budget for transport in 2017/18 is £84.808m, as set out in Table 1 below. This represents a net reduction of £2.086m (-2.4%) when compared to 2016/17, and this is being achieved without any significant service reductions being planned next year. This will help protect transport users bringing benefits to both residents and businesses. Reduction in the Levy help the constituent councils deal with the cuts in their government grant, which includes funding for concessionary travel.

North East Combined Authority Leadership Board

Table 1: Transport Levies

Area	Transport Levy	Change from 2016/17	Levy per person
	£	£	£/person
Durham	15,482,424	42,381	£29.79
Northumberland	6,221,740	(112,189)	£19.74
Tyne and Wear	63,040,000	(2,080,000)	£56.18
Total	84,744,164	(2,010,192)	

- 4.3 The different figures for the levy per person reflect the higher costs of concessionary travel demand in urban areas and demonstrates why three separate levies are required. The following table sets out a summary of the transport net revenue spending planned for 2017/18. Over £57m (67%) is planned to be spent on concessionary travel.

Table 2: Summary of the 2017/18 Transport Budget

	Durham	Northumb -erland	Tyne & Wear	Total
	£000	£000	£000	£000
Concessionary Travel – Statutory	11,738	4,722	35,750	52,210
Concessionary Travel – Discretionary	537	-	4,707	5,244
Subsidised Bus Services	2,313	1,304	12,614	16,231
Bus Stations/Infrastructure	163	-	1,919	2,082
Public Transport Information	89	28	1,905	2,022
Metro (inc. Discretionary Travel)	-	-	4,209	4,209
Heavy Rail	-	-	182	182
Ferry	-	-	1,215	1,215
Staffing in Northumberland/Durham	637	163	-	800
Use of Nexus Reserves	-	-	(1,610)	(1,610)
Transport Grants	15,477	6,217	60,890	82,584
NECA General Transport Costs	5	5	106	116
NECA Tyne and Wear Costs	-	-	2,044	2,044
Transport Levy	15,482	6,222	63,040	84,744

4.4 Durham

- 4.4.1 The budget and levy for public passenger transport activity in County Durham is expected to be in the region of £15.482m for 2017/18. This compares with an original budget of £15,440m for 2016/17 and a revised forecast for 2016/17 estimated at £15.399m. The budget and levy for 2017/18 are set out below.

North East Combined Authority Leadership Board

Table 3: Durham Transport Budget

	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£
Grant to Durham			
Statutory Concessionary Fares	11,746,934	(9,000)	11,737,934
Discretionary Concessionary Fares	537,000	-	537,000
Subsidised Bus Services	4,119,971	(1,806,551)	2,313,420
Bus Stations	457,791	(314,211)	143,580
Bus Shelters	31,350	(12,120)	19,230
PT Information	184,440	(95,514)	88,926
Staffing	637,334	-	637,334
Total Grant	17,714,820	(2,237,396)	15,477,424
Share of NECA Transport Costs	5,000	-	5,000
Transport Levy	17,719,820	(2,237,396)	15,482,424

- 4.4.2 The overall bus network in County Durham remains fairly stable and we are not aware of any significant commercial changes planned for 2017/18. The total number of bus passenger boardings in the County has seen a further modest decline over the past twelve months; this is considered to be generally in line with national trends.
- 4.4.3 The budget for subsidised bus services was reduced by £400,000 in 2016/17 through a combination of efficiency savings and a reduction in costs following contract retendering. Although there are no confirmed plans to make further reductions, it will be necessary to keep this area of the budget under review in line with Durham County Council's Medium Term Financial Plan requirements.
- 4.4.4 The majority of the council's subsidised service contracts are due to be retendered in July 2017. This creates a degree of budget uncertainty and we are anticipating some modest pressure on contract costs in line with the recent introduction of the National Living Wage. The focus of spend on subsidised services will continue to be on maintaining the level of accessibility in rural and semi-rural areas and supplementing the daytime commercial network with early and later journeys.
- 4.4.5 The budget for concessionary fares continues to be subject to pressure from commercial fare increases. However, these impacts are largely being mitigated by a combination of the effects of the rise in entitlement age and a stabilisation of concessionary travel journeys.
- 4.4.6 In addition to public transport services, the transport team in Durham will continue to focus on integration and efficiency in the delivery of home to school transport and adult social care transport across the County.

North East Combined Authority Leadership Board

4.5 Northumberland

4.5.1 The budget and levy for public transport activity in Northumberland is £6.222m for 2017/18. This compares with a budget of £6.334m for 2016/17. The budget and levy for 2017/18 is summarised in the table below.

Table 4: Northumberland Transport Budget

	Gross Expenditure	Gross Income	Net Expenditure
	£	£	£
Concessionary Fares	4,734,940	(12,940)	4,722,000
Subsidised Bus Services	1,999,740	(696,340)	1,303,400
PT Information	28,400	-	28,400
Staffing	162,940	-	162,940
Total Grant	6,926,020	(709,280)	6,216,740
Share of NECA Transport Costs	5,000	-	5,000
Transport Levy	6,931,020	(709,280)	6,221,740

4.5.2 The indicative budget for 2017/18 has reduced slightly compared to the levy agreed by the Leadership Board in January 2016. The budget for 2017/18 has decreased by £112,000 due to Northumberland previously including its get about scheme (£44,000) within concessionary travel and a saving of £68,000 based on an analysis of the use of concessionary travel passes on public transport. The Council is continuing to deliver its get about scheme but not through the grant it receives from the Combined Authority.

4.5.3 The budget for Bus Services is unchanged to its current level with no significant investment in the county's bus stations planned for 2017/18.

4.6 Tyne and Wear

4.6.1 The draft budget and levy for Tyne and Wear is proposed to be £63,040,000 for 2017/18, which is a reduction of £2,080,000 when compared with the budget in the current year.

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

North East Combined Authority Leadership Board

Table 5: Allocation of the Tyne and Wear Levy/Contribution for 2017/18

	2016/17	2017/18	Change
	£	£	£
Tyne and Wear Transport	2,620,000	2,150,000	(470,000)
Grant to Nexus	62,500,000	60,890,000	(1,610,000)
Total Levy	65,120,000	63,040,000	(2,080,000)

4.6.3 The allocation of the Tyne and Wear transport levy between the constituent authorities is based on population. The New levy proposed for 2017/18 is set out in the table below and outlined in more detail in Appendix B.

Table 6: Draft Tyne and Wear Transport Budget and Levy 2017/18

District	Population (2015 Mid Year Estimates)	2017/18 Proposed Levy	Saving compared to 2016/17
Gateshead	200,996	11,291,085	(380,260)
Newcastle	292,883	16,452,899	(418,323)
North Tyneside	202,494	11,375,236	(426,441)
South Tyneside	148,671	8,351,693	(306,425)
Sunderland	277,150	15,569,087	(548,551)
Total	1,122,194	63,040,000	(2,080,000)

4.6.4 This £2.08m levy reduction would bring the overall annual transport levy reduction since 2010 to £15m, which has largely been achieved through efficiency savings and use of reserves, whilst protecting service outcomes to date. This level of saving while protecting service outcomes is a significant achievement, particularly in the light of the cost pressures in respect of Concessionary Travel and outcomes in other regions around the country where there have been some significant cuts in services. With no reduction in services proposed again next year, this represents a significant improvement in value for money for Tyne and Wear residents.

North East Combined Authority Leadership Board

4.6.5 A summary of the draft Nexus budget for 2017/18 and the use of the grant from NECA is set out below, with further details given in Appendix D.

Table 7: Summary of Nexus net budget

Service Area	Gross Expenditure £m	Grants and Income £m	2017/18 Net £m
ENCTS	36.855	(1.105)	35.750
Discretionary CT	12.196	(7.490)	4.707
Metro	97.640	(93.431)	4.209
Ferry	1.862	(0.646)	1.215
Local Rail	0.455	(0.273)	0.182
Bus Services	16.434	(3.820)	12.614
Bus Infrastructure	3.389	(1.470)	1.919
Public Transport Information	2.009	(0.104)	1.905
TOTAL REQUIREMENT	170.840	(108.340)	62.500
NECA GRANT (LEVY)			(60.890)
FUNDED FROM RESERVES			1.610

4.7 NECA Retained Tyne and Wear Transport Budget

4.7.1 This budget relates primarily to activity inherited from the former Tyne and Wear ITA, as well as some costs such as external audit and the cost of servicing Transport Committees which relate to the whole NECA area. The majority of the budget (82%) relates to financing charges on historic supported borrowing debt. Additionally, there is budget provision to pay for support services, other supplies and services and a repayment to the Tyne Tunnels for use of reserves in 2013/14 to pay off the pension deficit.

4.7.2 It is proposed that this budget for 2017/18 be reduced to £2.150m, with a saving of £0.47m when compared to the original budget for 2016/17. The majority of this saving has been achieved through a change to the method for calculating Minimum Revenue Provision, which was set out in a report to the Leadership Board in November.

4.7.3 Since 2005/06 this budget has reduced by over 52%, from £4.499m to its proposed level. The indicative budget for 2017/18 is summarised in the table below with more detail in Appendix C.

North East Combined Authority Leadership Board

Table 8: Retained Tyne and Wear Transport Budget

	2016/17 Revised	2017/18 Budget
	£000	£000
Support Services/Staffing	230	230
Administration and Governance	40	43
Financing Charges	2,302	1,769
Contingency/Devolution	330	110
Total Expenditure	2,959	2,152
Use of TW Transport Reserve	(272)	(2)
Contribution from Levies	(2,630)	(2,150)

4.7.4 The Tyne and Wear (former ITA) Transport Revenue reserve is estimated to reduce from £0.563m at the start of 2016/17 to around £0.299m at the end of 2017/18 which is considered an appropriate level.

4.8 Tyne Tunnels

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

4.8.2 The budget for 2016/17 has been revised to reflect a decrease in traffic levels in recent months compared to the forecast position, which is believed to be the result of ongoing works by the Highways Agency at the Coast Road and A19 Junction, and the completion of works on the A1.

4.8.3 Lower tolls income as a result of reduced traffic flows is largely offset by lower resulting contract payments to the Tunnels operator, TT2 Ltd. Further savings have been made on financing charges for borrowing related to the Tunnels and, as a result, the forecast deficit for 2016/17 is expected to be around £160k, compared with the original budget of £289k. This deficit will be met from Tyne Tunnels reserves.

4.8.3 For 2017/18, the adverse effect on traffic levels is expected to continue which is reflected in the budgeted figure for tolls income. The overall deficit position is estimated to be around £33k, which is an improvement on the current year. Details are set out in Appendix E.

4.9 Regional Transport Team

4.9.1 The budget for 2017/18 is proposed to be £0.866m, a reduction of £0.276m (24%) compared with the current year. It is proposed to be funded by £0.2m Local Growth Fund grant for activity relating to the delivery of the Transport elements of the LGF programme, and £0.5m from the Local Transport Plan

North East Combined Authority Leadership Board

Integrated Transport block grant, for activity relating to the development and delivery of the LTP for NECA, with carry-over savings of £0.166m making up the balance of funding.

Table 9: Regional Transport Team Budget

	2016/17 budget	2017/18 budget
	£000	£000
Expenditure		
Staffing	492	519
LTP4 Development, inc. Transport Plan	131	55
Research and Grant Bid Development	511	285
Other Activity	8	7
Total Budget	1,142	866
Funded by:		
LTP Grant	(500)	(500)
LGF Grant	(385)	(200)
Carry forward from previous years	(257)	(166)
Total Funding	(1,142)	(866)

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

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

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

5 NECA Corporate Costs

5.1 In 2016/17 the Corporate budget contribution from local authorities was again set at £300k, to part-fund a budget of up to £550k. Given the reduced level of activity relating to devolution since September, the revised estimate for the year is £450k.

5.2 NECA will need to maintain sufficient capacity to meet its statutory requirements and it is proposed that the current contribution of £300k is continued for 2017/18 to help fund a total Corporate budget of £362k, with the balance funded by interest income. In the absence of significant devolution

North East Combined Authority Leadership Board

activity this is considered to be sufficient to meet the statutory requirements and responsibilities of NECA.

- 5.3 The budget includes provision for dedicated part time capacity for a Head of Paid Service a Monitoring Officer and a Chief Finance Officer. If additional capacity is required during this year this could be funded from reserves.
- 5.4 More details of the Corporate budget are set out Appendix F. It forms part of a wider NECA budget for capacity amounting to £0.7m. When combined with the capacity of the North East LEP, the Regional Transport and Inward Investment Teams this gives an investment in combined capacity of over £4.4m.

6 North East LEP

- 6.1 The NECA Leadership Board received information about the draft LEP Budget for 2016/17 of £3.115m in the Budget report in January 2016. The LEP Board subsequently agreed its Budget with a reduced communication costs and other changes resulted in a budget for the year of £3.005m. This did not include operation costs relating to the Growth Hub, which was not known at that time and the operational costs of the Gatsby initiative, which were shown separately. When both of these are included it gives an initial budget for the year of £3.389m.
- 6.2 The revised budget for 2016/17 and the draft budget for 2017/18 including the operation costs of the Gatsby and Growth Hub activities is presented at Appendix H. This will be presented to the LEP Board for agreement at their meeting on 26 January. The latest estimate of the budget for 2016/17 has fallen to £3.052m, mainly as a result of savings in staffing costs due to vacancies during the year. The proposed budget for 2017/18 is £2.936m.
- 6.3 The staffing budget for 2017/18 reflects the revised costs of the current establishment, which is lower than the base budget agreed for 2016/17. A post to help provide backfilling support for the Chief Operating Officer / Acting Head of Paid Service has been included in the budget together with a budget provision for additional 'Life Sciences' activity.
- 6.4 A staffing cost saving has been achieved in 2017/18 due to the outcome of the pension revaluation, with no employers' contributions for the LEP Team employed by NECA over the next three years.
- 6.5 It has been confirmed that the £250k grant from Government for Strategic activity will continue in 2017/18. Interest income is lower in 2017/18 due to the smaller Local Growth Fund programme.
- 6.6 In 2016/17 it is expected that a net saving on the budget of approximately £76k will be carried over to help fund activity in 2017/18 and future years. At this point the use of reserves in 2017/18 is estimated at £168k.

North East Combined Authority Leadership Board

7 Inward Investment

- 7.1 In recent years, an Inward Investment team has been established to help co-ordinate inward investment activity across the NECA area. The team increased to three FTE in 2016/17, with a gross budget of £505k funded in part from £140k contributions from Local Authorities, matched by funding from the LEP, other one-off funds and contributions from Enterprise Zone surpluses ring fenced for activity supporting and promoting Enterprise Zones. The forecast for 2016/17 has been revised in light of the activity taking place during the year and this is now estimated to be £439k at the year end.
- 7.2 For 2017/18 it is proposed that the current contribution of £140k matched by the LEP is continued and that, subject to approval to the use of the Enterprise Zone marketing budget, this is used to support an overall budget of £460k. This will enable the team to move forward to a more comprehensive, strategic and proactive approach while continuing to work closely with, and add value to, the constituent authorities' activities aimed at attracting new jobs and investment to the North East.
- 7.3 Since its establishment in April 2014, significant progress has been made in developing the regional inward investment service, Invest North East England. 2016/17 has seen the service develop considerably with the building up of a small team, a portfolio of detailed key sector information, a new web site and detailed marketing materials to help sell the North East to potential investors.
- 7.4 Currently the team is moving forward to a more comprehensive, strategic and pro-active approach while continuing to work closely with, and add value to, the constituent authorities' activities aimed at attracting new jobs and investment to the North East. This proven approach builds upon the goodwill and genuine co-operation that has been developed between the Team and the local authorities and other key partners, including the private sector. The budget proposal for 2017/18 would enable the service to develop this more comprehensive pro-active approach whilst maintaining the current local authority contribution levels.
- 7.5 Details of the budget for the current and next financial year are set out in Appendix F.

8 Economic Development and Regeneration Advisory Board

- 8.1 For 2017/18 it is proposed to make a contribution of £25k to help fund the work of the Economic Development and Regeneration Advisory Board being co-ordinated on behalf of NECA by South Tyneside Council, which will be funded by interest income.

9 Employability and Inclusion

North East Combined Authority Leadership Board

- 9.1 NECA, in partnership with NELEP, delivers against the Employability and Inclusion and Skills themes of the Strategic Economic Plan (SEP) for the North East. Key themes of work revolve around raising attainment; implementing a responsive skills system; tackling social exclusion and improving employment prospects.
- 9.2 Employment and skills activity includes maintaining effective and efficient delivery of pan-NECA initiatives, supporting the development and implementation of the Area Based Review, maximising European Social Fund investment for employment and skills interventions and options development for the implementation of a devolved Adult Education Budget.
- 9.3 For 2017/18 it is proposed to make a contribution of £25k to help fund Skills activity being undertaken on behalf of NECA by Northumberland County Council, which will be funded by interest income.

10 Risk Management, Reserves and Contingencies

- 10.1 The General Reserve of NECA (originally set at £350k on the establishment of the Authority) totalled £208k at the beginning of the 2016/17 financial year. In view of the arrangements in place to manage financial risk, the transport reserves that exist and the funding in place for 2017/18 to meet expenditure, it is considered that a General Reserve of £200k is appropriate.
- 10.2 Reserves are held relating to Tyne and Wear transport activity, which were carried over from the former Tyne and Wear Integrated Transport Authority (TWITA). It is estimated that the former TWITA reserve will total around £291k at the end of the year, after the release of £220k from this reserve to fund additional Devolution costs relating to transport activity. The budget proposed for 2017/18 would allow the reserve to be restored to a level of approximately £400k which is considered sufficient. The Tyne Tunnels reserve, which is ring fenced for the financing of the Tyne Tunnels and to meet any in-year deficits on the Tyne Tunnels revenue account, is estimated to be at a level of around £24.5m at the end of 2016/17, falling to approximately £21.2m at the end of 2017/18 as it is drawn down to fund refurbishment works on the Tyne Pedestrian and Cycle Tunnels, the remaining elements of the New Tyne Crossing capital programme and other Tunnels-related expenditure.

11 Next Steps

- 11.1 The position against the budget for 2017/18 will be reported to the Leadership Board during the year and monitored by the various delivery bodies.
- 11.2 The North East LEP will consider and agree its budget later in January.

12 Potential Impact on Objectives

North East Combined Authority

Leadership Board

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

13 Finance and Other Resources

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

14 Legal

- 14.1 NECA is required by virtue of the Transport Levying Bodies (Amendment) Regulations 2015, to issue the transport levy before 15 February preceding the commencement of the financial year in respect of which it is issued.
- 14.2 In accordance with the requirements of the Order creating NECA, certain decisions must be taken by the Leadership Board on a unanimous basis. As a result, the decision to set the transport net revenue budget for 2017/18 and the transport levies for 2017/18 as set out in recommendations a) and b) must be agreed unanimously. In addition, recommendations f), g), h), i), j) and k) which provide the annual budget for corporate and other costs are also subject to unanimous decision of the Leadership Board. The remaining matters are matters not subject to the requirement of unanimity as set out in the NECA order and therefore are subject to decision on a simple majority basis.

15 Other Considerations

North East Combined Authority Leadership Board

15.1 Consultation/Community Engagement

The NECA constitution requires that consultation on its budget proposals be undertaken at least two months prior to the budget being agreed. The 2017/18 budget proposals were reported to the Leadership Board on 15 November to start a consultation process which included consideration by the Overview and Scrutiny Committee, Governance Committee and the North East Chamber of Commerce. This report also reflects comments received from individual constituent councils and the discussions at TNEC and the Tyne and Wear Transport Sub Committee. The comments received have been taken into account in the preparation of this report and specific comments are set out in Appendix I. The North East LEP Board will be considering its budget and is due to agree its budget on 26 January 2017.

15.2 Human Rights

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

15.3 Equalities and Diversity

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

15.4 Risk Management

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

15.5 Crime and Disorder

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

15.6 Environment and Sustainability

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

16 Background Documents

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

17 Links to the Local Transport Plans

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

18 Appendices

North East Combined Authority Leadership Board

- 18.1 Appendix A – Revenue Budget Summary 2016/17 and 2017/18
- Appendix B – Transport Levy Arrangements in Tyne and Wear
- Appendix C – NECA Transport Levy Budget
- Appendix D – Nexus Budget Proposals 2017/18 Detail
- Appendix E – Tyne Tunnels 2015/16 forecast and 2016/17 Budget
- Appendix F – Corporate Budget proposals
- Appendix G – Invest North East England Budget detail
- Appendix H – Draft North East LEP Budget
- Appendix I – Consultation Comments

19 Contact Officers

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

20 Sign off

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

North East Combined Authority Leadership Board

Appendix A – Revenue Budget Summary 2017/18

	2016/17 Budget			2017/18 Budget		
	Gross Expenditure	External Income / Grants / Reserves	Net Revenue Budget	Gross Expenditure	External Income / Grants / Reserves	Net Revenue Budget
	£000	£000	£000	£000	£000	£000
Transport						
Durham	17,688	(2,248)	15,440	17,715	(2,237)	15,478
Northumberland	7,043	(709)	6,334	6,931	(709)	6,222
Tyne & Wear (Nexus)	174,114	(111,614)	62,500	170,840	(109,950)	60,890
NECA Retained Transport Budget	2,731	(111)	2,620	2,152	(2)	2,150
Tyne Tunnels	29,532	(29,532)	-	29,348	(29,348)	-
Regional Transport Team	1,142	(1,142)	-	866	(866)	-
Transport Sub-Total	232,250	(145,356)	86,894	227,852	(143,112)	84,740
Non-Transport						
NECA Corporate Budget	450	(150)	300	362	(62)	300
NELEP Core Budget	3,052	(2,802)	250	2,936	(2,686)	250
Inward Investment Team	439	(299)	140	460	(320)	140
Skills – contribution to Northumberland County Council	-	-	-	25	(25)	-
Economic Development – contribution to South Tyneside Council	-	-	-	25	(25)	-
Non-Transport Total	3,335	(2,645)	690	3,321	(2,631)	690
NECA Total	235,585	(148,001)	87,584	231,173	(145,743)	85,430

North East Combined Authority Leadership Board

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

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

For the 2017/18 levy, this is the 2015 Mid-Year estimates published by the Office for National Statistics. The population estimates for 2014 and 2015 are set out in the table below.

	2014 MYE	2015 MYE	Change	
			Number	Percentage
Gateshead	200,505	200,996	491	0.24%
Newcastle	289,835	292,883	3,048	1.05%
North Tyneside	202,744	202,494	-250	-0.12%
South Tyneside	148,740	148,671	-69	-0.05%
Sunderland	276,889	277,150	261	0.09%
Total Tyne & Wear	1,118,713	1,122,194	3,841	0.31%

Apportioning the proposed levy of £63.040m gives the following figures for Tyne and Wear:

	2016/17 Levy	2017/18 Levy	Saving compared to 2016/17	
	£	£	£	%
Gateshead	11,671,345	11,291,085	-380,260	-3.26%
Newcastle	16,871,222	16,452,899	-418,323	-2.48%
North Tyneside	11,801,677	11,375,236	-426,441	-3.61%
South Tyneside	8,658,118	8,351,693	-306,425	-3.54%
Sunderland	16,117,638	15,569,087	-548,551	-3.40%
Total Tyne & Wear	65,120,000	63,040,000	-2,080,000	-3.19%

Background to Levy Arrangements

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

North East Combined Authority Leadership Board

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

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

In Northumberland and Durham the vast majority of the Levy relates to grant paid back to the councils as the delivery agents for the operational transport activities in their areas. There is an additional charge to all three levies for cross-cutting transport activities for all parts of the NECA area. The calculation of the proposed charge for 2017/18 is set out below:

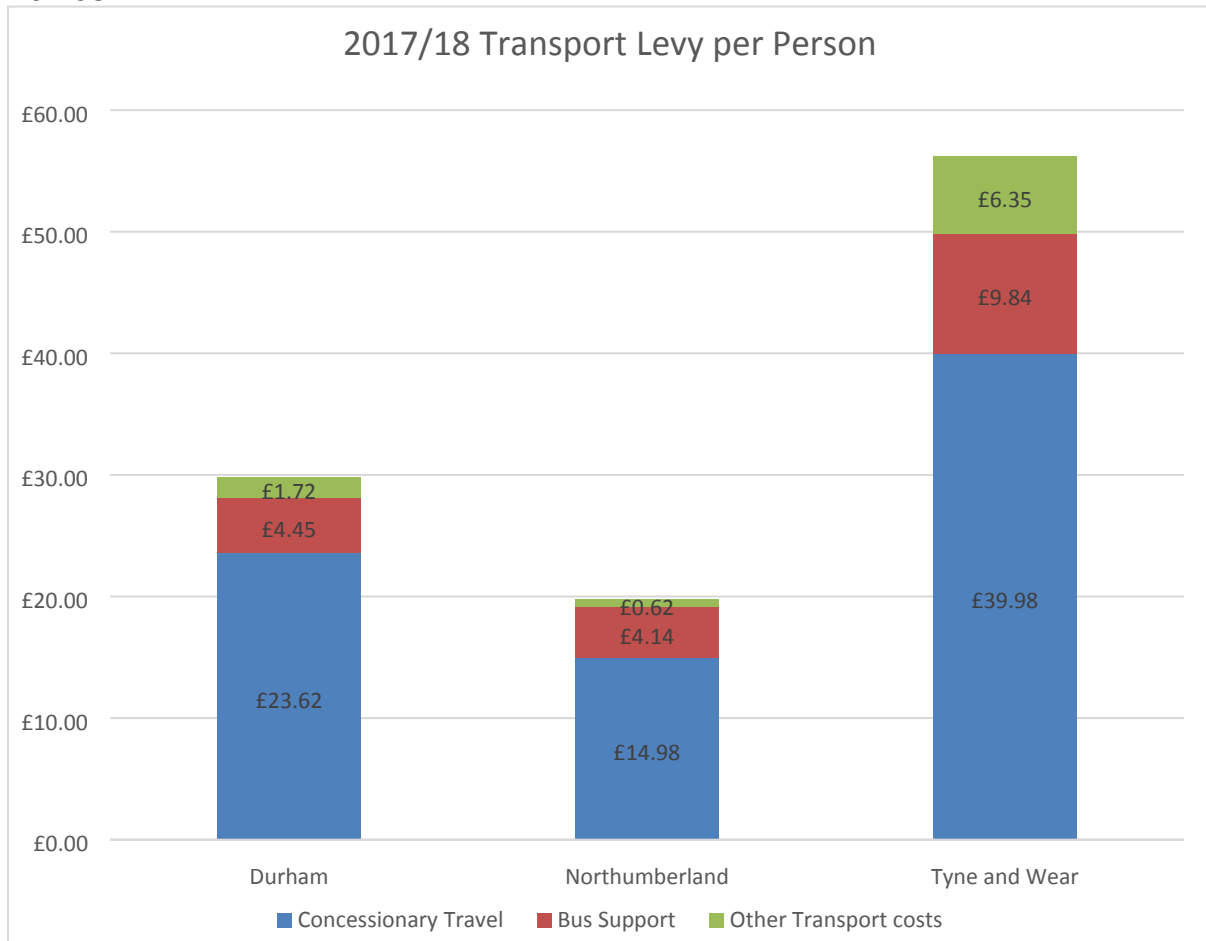
	Durham	Northumberland	Tyne & Wear	Total
	£	£	£	£
External Audit Fee (allocation for Transport)	300	300	14,400	15,000
Finance and Accounting	1,300	1,300	37,400	40,000
Democratic Services TNEC	2,300	2,300	27,500	32,100
IT Development, expenses and general costs	1,100	1,100	26,700	28,900
Total	5,000	5,000	106,000	116,000

Comparative Cost Analysis – Transport Budgets

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

North East Combined Authority Leadership Board

Chart 1: NECA Transport Levies per head of population - 2017/18 Proposed Levies



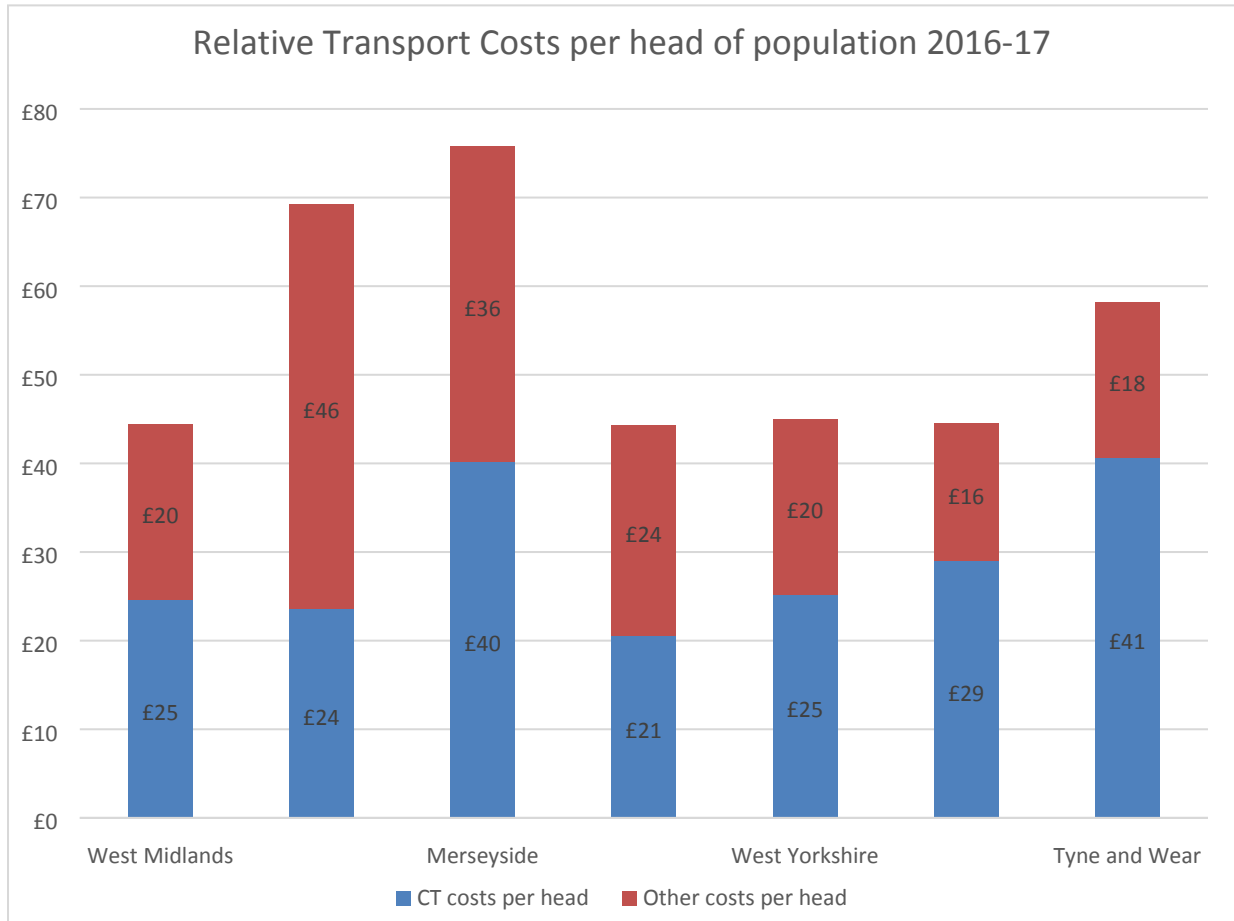
The costs per head of population in Tyne and Wear are higher because they reflect a significantly higher level of concessionary travel activity and the support for secured bus services to provide accessible transport services across the county. 'Other' also includes capital financing costs relating to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

In recent years the significant saving to districts in Tyne and Wear from reductions in the levy and retention of concessionary travel grants have resulted in total annual savings of £14.3m (18.5% in cash terms and over 22% in real terms) since 2011, with no material reduction or detrimental impact on service outcomes. At the same time population has risen slightly by 2.6%. A reduction of £14.3m is equivalent to a reduction in the levy per head of population of £14.50 per person, or 20%, which is a significant improvement.

A comparison of levy per head of population for 2016/17 (the most recent year for which data is published) shows that while Tyne and Wear had the third highest levy per person at £59, this was a direct result of the higher concessionary travel costs due to its high proportion of the population who are ENCTS pass holders, and pass holders' extensive use of the pass.

North East Combined Authority Leadership Board

Chart 2: Relative Transport costs per head of population – 2016/17 costs



North East Combined Authority Leadership Board

Appendix C – NECA Transport Levy budget detail

	2016/17 Original	2016/17 Revised	2017/18 Original
	£	£	£
Service Level Agreement	245,000	230,000	230,000
External Audit Fee (Transport element)	13,000	13,000	13,000
Members Allowances and expenses	5,000	5,000	5,000
Conferences, Travel and Subsistence	3,000	2,000	3,000
IT Development/Website	10,000	10,000	10,000
Supplies and Services	12,000	10,000	12,000
Repayment to Tyne Tunnels (for Pension Deficit payment)	240,000	240,000	240,000
Financing Charges – Interest and DME	1,060,000	1,024,600	1,010,100
Financing Charges – MRP	1,038,200	1,038,200	519,100
Interest Income	(3,000)	(1,000)	-
Devolution costs/Contingency	110,000	386,833	110,000
Net Expenditure	2,733,200	2,958,633	2,152,200
Transport Levies			
Durham	(15,440,043)	(15,440,043)	(15,482,424)
Northumberland	(6,333,929)	(6,333,929)	(6,221,740)
Tyne and Wear	(65,120,000)	(65,120,000)	(63,040,000)
Total	(86,893,972)	(86,893,972)	(84,744,164)
Transport Grants			
Durham	15,435,104	15,414,099	15,477,424
Northumberland	6,328,990	6,293,162	6,216,740
Tyne and Wear (Nexus)	62,500,000	62,500,000	60,890,000
Total	84,264,094	84,207,261	82,584,164
Contribution (to)/from Reserves	103,322	271,922	(7,800)

Tyne and Wear Transport Reserve

	2016/17 Original	2016/17 Revised	2017/18 Original
Reserves brought forward	(492,875)	(562,771)	(290,849)
Reserves contribution in year	103,322	271,922	(7,800)
Reserves carried forward	(389,553)	(290,849)	(298,649)

North East Combined Authority Leadership Board

APPENDIX D

Nexus Revenue Budget 2017/18 and Indicative Forecast to 2019/20

Nexus Budget Performance 2016/17

1. In the summer of 2016/17, the Tyne and Wear Sub-Committee instructed Nexus to carry out consultation with service users and key stakeholders, on the presumption that service reductions would be required in 2017/18. Since that time, a review of Nexus' base budget has seen the deficit budget reduced from £3.659m to £0.076m in the current year. A summary of the reasons for this is detailed below:-
 - Secured Bus Services (£1.800m): Savings are predominantly due to the rationalisation and reconfiguration of contracts, reductions in contract prices due to low inflation and a fall in operating costs (e.g. fuel) as well as the commercialisation of some previously secured contracts.
 - ENCTS (£0.552m): Due to ENCTS Bus Patronage being lower than the targets Nexus established during 2015/16, £0.552m will be deducted from ENCTS reimbursement payments due in the current year.
 - Nexus' Staffing Establishment (£0.583m): A review of Nexus' staffing establishment has led to a saving of £0.583m being identified.
 - High Voltage Power (£0.500m): A recent fall in the wholesale price of electricity, combined with lower than anticipated pass through costs, due to further delays in the governments Electricity Market Reform (EMR) programme has resulted in a saving of approximately £0.500m.
 - Information, Communication and Technology (£0.148m): A review of Nexus' Technology Refresh budget and licensing and support contract has identified savings amounting to £0.148m.

Formulation of the 2017/18 Budget and Indicative Forecast to 2019/20

2. Although Nexus' expenditure commitments 'at standstill' are such that it will need to place reliance on reserves, an approach that Nexus is looking to eradicate by 2019/20 because of the need to ensure that Nexus' reserves are instead directed towards match funding for major projects, it should be possible to set a budget for 2017/18 that will have a relatively low impact on service provision, but which will require headcount reductions.
3. This is based on a 'central case' planning assumption that recognises some big uncertainties e.g. concessionary fares expenditure, pensions costs, Metro fare revenue and the transition of Metro operations from an outsourced arrangement back in-house. The precise financial implications of all of these 'big ticket' items will remain unresolved until much later this year and/or during the course of next financial year.

North East Combined Authority Leadership Board

4. Looking further ahead, the Tyne and Wear Sub-Committee also asked that consideration is given to the establishment of a three-year budget in order to aid service planning which is in contrast to the one year levy settlements that have been a feature of the recent past.
5. To this end, the Tyne and Wear Sub-Committee considered a financial planning proposal which was based on the 'average change in core spending power' for Tyne and Wear district Councils in order to determine future levels of grant to be paid to Nexus over the period 2017/18 to 2019/20. The proposed and indicative levels of grant payable from the NECA to Nexus across the next three financial years is set out in the table below:-

NECA Grant payable to Nexus	Actual 16/17 £m	Proposed 17/18 £m	Indicative 18/19 £m	Indicative 19/20 £m
Based on change in 'Core Spending Power' for the average Tyne and Wear district	62.500	60.890	59.660	59.070

Budget 2017/18

6. In formulating its budget proposal for 2017/18, Nexus has had to accommodate a range of budgetary pressures by finding efficiency savings and/or generating additional income. However, given the planned £1.610m reduction in its grant it receives from the NECA, setting a balanced budget in 2017/18 will require the application of £1.610m of reserves i.e. an amount equivalent to the proposed reduction in the NECA grant in 2017/18.
7. The table below summarises this:-

	<u>£m</u>	<u>£m</u>
Revised Budget 16/17		0.076
Cost Pressures		
Employees	1.223	
ENCTS	0.950	
Metro HV power	0.325	
Metro - other	0.301	
Bus services	<u>0.323</u>	3.122
Income		
Farebox	(1.074)	
Grant	<u>(0.392)</u>	(1.466)
Efficiency Savings		
Employees	(0.800)	
Other	<u>(0.932)</u>	(1.732)
<u>Less: Reduction in NECA Grant</u>		<u>1.610</u>
Base Budget 17/18 before application of reserves		<u>1.610</u>

North East Combined Authority Leadership Board

8. The cost pressures are discussed in further detail below:-
 - a. Employees £1.223m – comprising pay inflation, incremental progression and provisions to accommodate legislative changes e.g. holiday pay and the apprenticeship levy.
 - b. ENCTS £0.950m – comprising a combination of ENCTS reimbursement and the bulk re-issue of bus passes.
 - c. Metro HV Power £0.325m – comprising increases in non-commodity costs (i.e. the charges and levies which are set by the Government).
 - d. Metro other £0.301 – comprising track access charges and other contractual inflation
 - e. Bus Services £0.323m – comprising contractual inflation.
9. Additional income is expected to be generated in 2017/18 as follows:-
 - a. Farebox £1.074m – The net increase in fare revenue reflects the forecast in the current year, adjusted to take into account changes to Metro fares which the Tyne and Wear Sub-Committee approved in November 2016, offset by a continuing decline in revenues from third party ticket sales.
 - b. Grant income £0.392m – Metro Rail Grant will increase by an estimated £0.362m whilst Rail Administration Grant is expected to increase by £0.030m
10. Efficiency savings will be generated as follows:-
 - a. Employees £0.800m – comprising headcount reductions following a restructure of Nexus' non-Metro establishment
 - b. Other £0.932m – comprising a £0.349m reduction in the major projects revenue funded budget, a £0.214m reduction in general contingencies and £0.369m of savings across a range of other budget heads
11. Annex 1 of this Appendix provides a breakdown of the amount of funding each of these service areas will place reliance on in respect of the NECA grant in 2017/18, having taken into account internal recharges for indirect activities and overheads, commercial revenue generated in the delivery of the service, government grant and releases from the capital grants deferred account. In regards this latter point, an unusable reserve is established when a fixed asset funded by government grant is acquired, so that in future years, the reserve is released from the balance sheet to match (offset) the depreciation charged to the revenue account reflecting the use of the asset in the provision of services. The majority (but not all) of Nexus' depreciation is offset in this way, reflecting

North East Combined Authority Leadership Board

the reliance upon government grant as a means of investing in its asset base, in particular the Tyne and Wear Metro system.

12. Whilst Annex 1 illustrates how each service area is to be funded from the NECA grant in 2016/17, it does not breakdown the Nexus budget in its entirety. This is provided in more detail at Annexes 2 and 3 which illustrates:-

- The full range of cost centres where income and expenditure is recorded in pursuit of Nexus' business plan objectives (refer to Annex 2)
- The net cost of Nexus' support services and other indirect activities for example, Legal Services, Health and Safety, Retail Sales etc which are fully allocated across the service areas included in Annex 1 (refer to Annex 3)

13. Further narrative in relation to NECA grant funded expenditure is detailed below:-

- **ENCTS** - £35.750m, comprising the net cost of the English National Concessionary Travel Scheme (ENCTS) in Tyne and Wear which is a statutory obligation placed upon Nexus as the Travel Concession Authority (TCA). Expenditure is dependent upon the numbers of passengers using the Scheme, the fare that would have been paid (to the bus operator) if the Scheme did not exist and an estimate of the additional costs of meeting the increased demand caused by the existence of the Scheme. TCA's and bus operators utilise DfT guidance in determining the value of payments due but in essence, Nexus has virtually no control over this sizeable burden on its NECA grant funded expenditure. In addition, Nexus has had to create headroom in order to fund the bulk replacement of all of its ENCTS passes which is a sizeable commitment.
- **Discretionary CT** - £4.707m, comprising the discretionary add-ons to the ENCTS (the all day disabled pass, the companion pass, post 2300 hour boardings, and pre 0930 hour boardings for the purposes of attending medical appointments), the Metro Gold Card Scheme, the Under 16 Scheme and Teen Travel.
- **Metro** - £4.209m, comprising the contribution that the NECA grant makes to the cost of Metro operations, after taking into account fare revenues and DfT grant. This also includes a budget for the development of the business cases for future investment in Metro e.g. the replacement fleet and the continuation of the programme of essential renewals, together with the procurement of the replacement fleet, should funding be confirmed.
- **Ferry** - £1.215m, comprising staffing, fuel, maintenance, cleaning and security.
- **Local Rail** - £0.182m, comprising the cost of Nexus' involvement in the franchise management arrangements of Northern Rail and Trans

North East Combined Authority Leadership Board

Pennine Express. This includes servicing the North East Rail Management Unit on behalf of the NECA.

- **Bus Services** - £12.614m, mainly comprising secured bus services which necessarily involves the following types of service provision:-
 - All day services
 - Scholars services
 - Works / Early Morning services
 - Evenings and weekend extensions
 - Route diversions
 - Taxibus and Community Transport
- **Bus Infrastructure** - £1.919m, comprising staffing, cleaning, maintenance and security of bus interchanges, stations and shelters.
- **Public Transport Information** - £1.905m, comprising website design and maintenance, printed material including Bus, Metro and Ferry timetables (including bus stop liners), call handling and the provision of electronic information for journey planning.

Nexus' Reserves

14. In agreeing Nexus' revenue budget for 2017/18, particularly bearing in mind that there will be a requirement to use £1.610m of reserves, NECA will need to pay due regard to Nexus' reserves and its overall financial standing.
15. Nexus has usable reserves which are classified as revenue and capital. The balance on Nexus' usable revenue reserve as at 31 March 2017 is forecast to be £14.001m, reducing to £12.391m following the use of £1.610m in 2017/18.
16. Should any of the uncertainties surrounding Nexus' budget proposal for 2017/18 manifest themselves to the extent that a larger call on reserves is necessary, there is an option to do so. Alternatively, should any of the uncertainties surrounding Nexus' budget proposal for 2017/18 not manifest themselves to the extent that a smaller call on reserves is necessary, this would stand Nexus in good stead across the medium term.
17. In addition to its revenue reserves, Nexus also has a separate capital reserve. Capital reserves have in the past been earmarked and used for investment in Major Projects, for example letting the Metro Concession, Ticketing and Gating, the Bus Strategy Delivery Project and contributions to other transport infrastructure projects. The balance on this reserve as at 31 March 2017 is forecast to be £25.1m. The capital reserve therefore provides some headroom in Nexus' delivery of Major Projects on behalf of the NECA.

North East Combined Authority Leadership Board

Balancing the Budget by 2019/20

18. Given both the likely reduction in the NECA grant through to 2019/20 and Nexus' future likely expenditure commitments at 'standstill', it will be necessary for Nexus to embark on a further round of consultation during 2017 when the Tyne and Wear Sub-Committee have had more time to give due consideration to the identification of service priorities and where service reductions that will have a bigger impact on services will need to be implemented in later years.
19. Therefore, it is clear that in the context of the NECA grant base continuing to reduce, further expenditure reductions are inevitable and the impact on services will be much more visible and have a higher impact than that which will be necessary in 2017/18.
20. Using the central case planning assumption, at 'standstill' Nexus' expenditure requirement will continue to grow and the NECA grant will reduce by £1.2m in 2018/19 and a further £0.6m in 2019/20 if the indicative levels set out in the table at paragraph 5 are later agreed.
21. The base budget imbalance in 2018/19 will therefore be around £3.6m, and this will increase to nearly £5m by 2019/20. This is shown in the table below with the 2017/18 base budget also shown as a comparator:-

Service Area	2017/18 Net Budget £m	2018/19 Net Budget £m	2019/20 Net Budget £m
ENCTS	35.750	36.136	36.503
Discretionary CT	4.707	4.361	4.414
Metro	4.209	4.354	4.169
Ferry	1.215	1.276	1.273
Local Rail	0.182	0.190	0.188
Bus Services	12.614	12.984	13.302
Bus Infrastructure	1.919	1.966	1.991
Public Transport Information	1.905	2.022	2.078
TOTAL REQUIREMENT	62.500	63.288	63.918

NECA GRANT	(60.890)	(59.660)	(59.070)
-------------------	-----------------	-----------------	-----------------

BUDGET DEFICIT	1.610	3.628	4.848
-----------------------	--------------	--------------	--------------

22. The reason for the growth in the net budget is largely because 'at standstill' Nexus' expenditure commitments e.g. pay inflation, ENCTS reimbursement, HV power and other contractual obligations increase at a faster rate than the growth in fare revenue and grant income.

North East Combined Authority Leadership Board

23. The overall position is clearly exacerbated should the grant receivable from the NECA reduce as well.
24. The uncertainties identified in paragraph 3 have been built into the medium term forecast using the 'central case' planning assumption. Once these become more certain, the medium term forecast will be updated.
25. It should be noted that at this stage, the assumption in 2019/20 is that Metro Rail Grant will continue at the 2018/19 level. This is far from certain and is contingent upon the current negotiations with DfT and HMT in regards the funding agreement for the new Metrocar fleet, continuation of the programme of essential renewals and operational subsidy effective from 1 April 2019.

Value for Money Assessment

26. Section 13 of the covering report highlights that NECA's accounts for the last two years, which incorporate the accounts of Nexus have been signed off with an unqualified opinion from two different external auditors, who have also given unqualified opinions in terms of value for money. The delivery of further savings in the Levy for Tyne and Wear of £1.85 per person next year and £11.88 per person since 2011, without any significant services reductions, provides improved value for money for Tyne and Wear residents. Information about the benefits received by Tyne and Wear authorities and comparison with levies in other metropolitan areas is set out in Appendix B.
27. Nexus reports its expenditure and activity at district level during the previous financial year to the Tyne and Wear Sub Committee (TWSC). The 2015/16 report was considered by the TWSC at its meeting held on 3 November 2016. That report built on previous reports since 2009/10 and the basis of the report has in the past been used to discuss Nexus' expenditure with councils.
28. The NECA Grant to Nexus has now reduced by £13.337m since 2010/11 without any reduction in services as Nexus has delivered efficiency savings from elsewhere in their budget.
29. Annex 4 to this Appendix provides the Leadership Board with details of how Nexus commits expenditure in the context of managing its budgets (both revenue and capital), including tendering arrangements and letting contracts for the supply of goods and services.

North East Combined Authority Leadership Board

Annex 1 – Nexus Summary Revenue Budget Requirement 2017/18

	Direct Costs	Income	Net Direct Costs	Indirect Costs	Grants	Loan Interest	Capital Adjust	2017/18 Net
	£m	£m	£m	£m	£m	£m	£m	£m
ENCTS	35.958	(1.094)	34.864	0.897	0.000	0.000	(0.011)	35.750
Discretionary CT	12.096	(7.488)	4.608	0.100	0.000	0.000	(0.001)	4.707
Metro	84.742	(46.472)	38.270	11.650	(25.056)	1.247	(21.903)	4.209
Ferry	1.254	(0.433)	0.822	0.554	0.000	0.053	(0.214)	1.215
Local Rail	0.161	0.000	0.161	0.267	(0.270)	0.027	(0.003)	0.182
Bus Services	14.843	(3.797)	11.046	1.564	0.000	0.027	(0.024)	12.614
Bus Infrastructure	2.416	(0.589)	1.827	0.652	0.000	0.321	(0.881)	1.919
Public Transport Information	0.777	(0.090)	0.687	1.125	0.000	0.107	(0.014)	1.905
TOTAL REQUIREMENT	152.248	(59.963)	92.285	16.810	(25.326)	1.782	(23.051)	62.500
NECA GRANT (LEVY)								(60.890)
FUNDED FROM RESERVES								1.610

North East Combined Authority Leadership Board

Annex 2 – Nexus Revenue Budget 2017/18 (Net Direct Costs)

Service Area	Direct Costs	Income	Indirect Costs	Grants	Loan Interest	Asset Financing	Net
ENCTS - Bus	35.958	(1.094)					34.864
ENCTS	35.958	(1.094)	0.000	0.000	0.000	0.000	34.864
Discretionary CT - Bus	4.968	(1.012)					3.956
Discretionary CT - Ferry	0.120	(0.120)					0.000
Discretionary CT - Metro	6.356	(6.356)					0.000
Discretionary CT – Rail	0.053						0.053
Discretionary CT - Other	0.599						0.599
Discretionary CT	12.096	(7.488)	0.000	0.000	0.000	0.000	4.608
Metro Futures	2.647						2.647
Stores	0.148						0.148
Rates	1.560						1.560
Insurance	1.327						1.327
Contingency	0.202						0.202
HV Power	6.760						6.760
Depreciation	23.619						23.619
Metro - Operations	37.729						37.729
Planning & Performance	1.150						1.150
Engineering	0.203						0.203
Metro - Farebox	0.772	(46.024)					(45.252)
Metro - Car Parks	0.003	(0.184)					(0.181)
Ticketing & Gating	2.146	(0.082)					1.298
Civil Engineering	3.291	(0.002)					3.289
Rail Management & Administration	0.106						0.106
Permanent Way	1.438	(0.146)					1.292
Power Supplies	0.593	(0.033)					0.560
Signalling	1.044						1.044
Renewals	0.005						0.005
Metro	84.742	(46.472)	0.000	0.000	0.000	0.000	38.270
Ferry	1.254	(0.433)					0.822
Ferry	1.254	(0.433)	0.000	0.000	0.000	0.000	0.822
Local Rail	0.161						0.161
Local Rail	0.161	0.000	0.000	0.000	0.000	0.000	0.161
Contract Management	0.229						0.229
Network Management	0.308						0.308
TaxiCard	0.403	(0.078)					0.325
Secured Bus Services	13.903	(3.718)					10.184
Bus Services	14.843	(3.797)	0.000	0.000	0.000	0.000	11.046

North East Combined Authority Leadership Board

Service Area	Direct Costs	External Income	Indirect Costs	Grants	Loan Interest	Asset Financing	Net
Bus Infrastructure	1.975	(0.589)					1.386
Bus Interchanges	0.052						0.052
Bus Information	0.389						0.389
Bus Infrastructure	2.416	(0.589)	0.000	0.000	0.000	0.000	1.827
Information	0.777	(0.090)					0.687
Public Transport Info	0.777	(0.090)	0.000	0.000	0.000	0.000	0.687
Pensions & Contingencies			5.506				5.506
Investment Income			(0.330)				(0.330)
Democratic Services & Executive			0.626				0.626
Media & Communications			0.457				0.457
Print Unit			0.045				0.045
Marketing			0.412				0.412
Customer Services			0.901				0.901
Retail Sales			0.174				0.174
Administration & Secretarial			0.153				0.153
Health, Safety & Training			1.242				1.242
Legal Services			0.293				0.293
Finance and Audit			1.010				1.010
Procurement			0.169				0.169
Estates			1.044				1.044
Human Resources			0.313				0.313
Corporate Planning			1.368				1.368
ICT			3.427				3.427
Indirect Costs	0.000	0.000	16.810	0.000	0.000	0.000	16.810
Metro Rail Grant	0.000			(25.056)			(25.056)
Local Rail Grant	0.000			(0.270)			(0.270)
Grants	0.000	0.000	0.000	(25.326)	0.000	0.000	(25.326)
Loan Interest	0.000				1.782		1.782
Loan Interest	0.000	0.000	0.000	0.000	1.782	0.000	1.782
Released from Capital Reserves	0.000					(1.640)	(1.640)
Released from Capital Grants	0.000					(21.410)	(21.410)
Asset Financing	0.000	0.000	0.000	0.000	0.000	(23.051)	(23.051)
TOTAL REQUIREMENT	152.248	(59.963)	16.810	(25.326)	1.782	(23.051)	62.500
NECA Grant				(60.890)			(60.890)
FUNDED FROM RESERVES	152.248	(59.963)	16.810	(86.216)	1.782	(23.051)	1.610

North East Combined Authority Leadership Board

Annex 3 – Overhead Allocation 2017/18

Indirect Cost Centre	£m	Service Area	£m
Pensions ¹ & Contingencies	5.506	ENCTS	0.897
Investment Income	(0.330)	Discretionary CT	0.100
Democratic Services & Executive	0.626	Metro	11.650
Media & Communications	0.457	Ferry	0.554
Print Unit	0.045	Local Rail	0.267
Marketing	0.412	Bus Services	1.564
Customer Services	0.901	Bus Infrastructure	0.652
Retail Sales	0.174	Public Transport Information	1.125
Administration & Secretarial	0.153		
Health and Safety	1.242		
Legal Services	0.293		
Finance and Audit	1.010		
Procurement	0.169		
Estates	1.044		
Human Resources	0.313		
Corporate Planning	1.368		
ICT	3.427		
Rates (Nexus Rail)	0.736		
Total Indirect Costs	16.810	Total Indirect Costs	16.810

¹ Pensions costs are still subject to the finalisation of the March 2016 valuation, together with other valuations associated with the transition of DB Regio staff to Nexus wef 1 April 2017

North East Combined Authority

Leadership Board

Annex 4

Nexus Tendering Arrangements

1. Nexus governance arrangements are documented within its Standing Orders which include as appendices the Corporate Procurement Manual and Financial Regulations.
2. The Corporate Procurement Manual details the tendering process from inception to post award and is a step by step guide for staff to ensure all tender activity undertaken by Nexus is open, fair, and transparent.
1. In order to ensure Value for Money all tender exercises where the total value of the tender exceeds £25,000 are processed by Nexus' Corporate Procurement Section and require a minimum of three written tenders. Where the value exceeds £50,000 a minimum of five written tenders are required. Where the value is under £25,000 the following requirements apply.
 - Up to £1,000 - 1 verbal quotation
 - Between £1,000 and £5,000 - 2 written quotations
 - Between £5,000 and £25,000 - 3 written quotations
 - Between £25,000 and £50,000 - 3 written tenders
 - Over £50,000 - 5 written tenders
3. Notwithstanding the above requirements, in addition approval of Nexus' Corporate Management Team is required in relation to any contract award over £150,000 (capital) and £25,000 (revenue).
4. All tender approvals and contract awards in relation to capital expenditure between £25,000 and £150,000 dealt with in accordance with Standing Orders also require completion of a Capital Approval Form which must be signed off by relevant Departmental Heads including both the Head of Finance and also the Director of Rail and Infrastructure.
5. Any waiver from this process requires Nexus' Corporate Management Team approval. A waiver has to be properly justified and can only be approved if specific circumstances pertain, as outlined in Nexus' Standing Orders.
6. In addition to its own internal requirements, Nexus are also bound by statutory tendering requirements contained in the 'The Utilities Contracts Regulations 2016, being a named body in Schedule 1. This Regulation covers tenders applicable over a certain value, currently £328,352 in relation to supplies and services and £4,104,394 in relation to Works.
7. The largest contract that Nexus has is with DB Regio (Tyne and Wear) Ltd for the provision of train operating services. This is a £37m per annum contract and was competitively tendered under the aforesaid Utility regulations between 2009 and 2010; the concession agreement commenced on 1st April 2010 and is for an initial period of seven years. Within the payment Nexus makes to DB Regio, the contractor is responsible for procuring its own employees (who

North East Combined Authority Leadership Board

initially TUPE transferred from Nexus in 2010) and its own goods and services (some contracts were novated at the time, others have been established and/or renewed by DB Regio over time. Some activities are sub-contracted by DB Regio – for example the cleaning of trains and stations or marketing the Metro under an arrangement that Nexus oversees via its approval of DB Regio's annual marketing plan.

8. However, the contract will not be extended beyond the 31st March 2017 which means that the responsibility for train operations will revert to Nexus from the 1st April 2017.
9. The tendering of Secured Bus Services is also undertaken following this process, save for what is known as 'De Minimis' services whereby in accordance with the Service Subsidy Agreements (Tendering) Regulations 2004, a Local Transport Authority is exempted from the tendering process to a maximum value of 25% of its annual Secured Bus Service budget. Currently Nexus spends around 18% of its annual secured service budget on 'De Minimis' services².
10. Concessionary fares reimbursement is not subject to competitive tendering arrangements which given the scale of this financial commitment appears at first glance to be odd. However, as with all Travel Concession Authorities (which would include County Durham and Northumberland), Nexus is compelled statutorily under the Concessionary Bus Travel Act 2007 to reimburse bus operators for the carriage of elderly and disabled passengers and has regard to DfT guidance and formulae in order to inform these payments. The Tyne and Wear sub-committee were apprised of the arrangements that are in place for 2015/16 and 2016/17 financial years at its September 2015 meeting. Negotiations have commenced with the bus operators in respect of the reimbursement due in 2017/18.

² The reasons for this are consistent with being able to provide an efficient secured bus network where often elements of commercial services are de-registered and instead funded up by the LTA. It is not unusual for a commercial bus operator to 'cherry pick' parts of a route or service and/or the times at which it operates leaving the LTA with an inability to tender the 'socially necessary' elements of the route or service in a meaningful way because of the clear financial advantage that the incumbent operator has. This feature of the de-regulated bus environment leads to 'De Minimis' arrangements being put in place in certain circumstances

North East Combined Authority Leadership Board

Appendix E – Tyne Tunnels Revenue Account Estimates detail

	2016/17 Original	2016/17 Revised	2017/18 Original
	£000	£000	£000
Tolls Income	(29,243)	(28,775)	(28,000)
Contract payments to TT2	22,277	22,049	21,400
Employees	37	37	32
Pensions	58	52	53
Support Services	90	90	90
Supplies & Services	35	35	35
Community Fund	10	10	10
Financing Charges	7,465	7,002	6,778
Interest/Other income	(200)	(100)	(75)
Repayment from ITA for use of reserves	(240)	(240)	(240)
Deficit on Tyne Tunnels revenue account met from reserves	289	160	83

Tyne Tunnels Reserves b/f	(27,366)	(27,397)	(24,563)
Deficit on Tyne Tunnels revenue account met from reserves	289	160	83
Capital Expenditure funded from Reserves	1,199	1,743	2,375
NESTI Expenditure funded from Reserves	931	931	905
Tyne Tunnels Reserves c/f	(24,947)	(24,563)	(21,250)

North East Combined Authority Leadership Board

Appendix F – Corporate Budget detail

	2016/17 Original £000	2016/17 Revised £000	2017/18 Original £000
Head of Paid Service	90,000	85,000	60,000
Chief Finance Officer	50,000	39,500	34,000
Monitoring Officer	53,000	45,000	45,000
Policy and Coordination	105,000	82,000	66,000
Finance and Accounting	25,000	26,300	25,000
Internal and External Audit	23,160	23,160	23,160
HR Support	40,000	36,200	10,000
IT Capacity	15,000	8,500	5,000
Democratic Services	34,000	33,000	33,000
Communications	50,000	28,000	15,000
Scrutiny	11,500	11,500	11,500
Procurement	20,000	2,000	1,000
General	18,340	11,000	8,000
Recruitment	-	-	12,000
PA/Administration	15,000	18,700	14,000
Total Expenditure	550,000	449,860	362,660
Funded by:			
Council Contributions	(300,000)	(300,000)	(300,000)
Additional Interest/Treasury Management	(250,000)	(149,860)	(62,660)
Total Funding	(550,000)	(449,860)	(362,660)

NECA Support 2017/18 Budget

	Corporate Costs £	Transport £	LEP/EZ £	Skills/ EDRAB £	Total £
Head of Paid Service	60,000	2,400	-		62,400
Chief Finance Officer	34,000	28,000	28,000		90,000
Monitoring Officer	45,000	5,000	10,000		60,000
Policy and Coordination	66,000	5,000	5,000	50,000	126,000
Finance and Accounting	25,000	97,000	6,000		128,000
Internal and External Audit	23,160	16,720	8,120		48,000
HR Support	10,000	2,000	10,000		22,000
IT Capacity	5,000	10,000	-		15,000
Democratic Services	33,000	28,000	3,000		64,000
Communications	15,000	10,000	-		25,000
Scrutiny	11,500	-	-		11,500
Procurement	1,000	2,000	1,000		4,000
General	8,000	8,000	3,000		19,000
Recruitment	12,000	-	-		12,000
PA/Administration	14,000	-	-		14,000
Total Expenditure	362,660	214,120	74,120	50,000	700,900
Funded by:					
Council Contributions	(300,000)				(300,000)
Other Budgets	-	(214,120)	(74,120)		288,240
Additional Interest/Treasury Management	(62,660)	-	-	50,000	112,660
Total Funding	(362,660)	(214,120)	(74,120)	50,000	(700,900)

North East Combined Authority Leadership Board

Appendix G – Invest North East England Budget detail

	2016/17 Original	2016/17 Revised	2017/18 Original
	£000	£000	£000
Salaries	165,000	155,000	145,000
Staff training	2,000	2,000	2,000
National travel and subsistence	10,000	7,000	10,000
Overseas travel	10,000	-	5,000
Web, telecoms, computers	15,000	5,000	15,000
Marketing/Comms/Events	133,000	133,000	100,000
Membership Fees (e.g. Sector bodies)	5,000	5,000	3,000
Visit hospitality costs	15,000	10,000	15,000
Professional consultancy	30,000	30,000	20,000
Lead generation/representation (overseas)	40,000	-	50,000
Lead generation/representation (London)	45,000	60,000	60,000
Research resource licenses	25,000	22,000	25,000
Propositions refresh	10,000	10,000	10,000
Total Expenditure	505,000	439,000	460,000
Funded by:			
Local Authority Contributions	(140,000)	(140,000)	(140,000)
LEP (Interest)	(140,000)	(140,000)	(140,000)
LEP One-off	(20,000)	(20,000)	-
LEP EZ (Marketing)	(72,000)	(6,000)	(148,000)
Balance c/f	(123,000)	(123,000)	(22,000)
Private sector Contributions	(10,000)	(10,000)	(10,000)
Total Funding	(505,000)	(439,000)	(460,000)

North East Combined Authority Leadership Board

Appendix H – North East LEP Budget detail

	2016/17 Original Budget*	2016/17 Latest Estimate	2017/18 Draft Budget
<u>Expenditure</u>	£000	£000	£000
Employees	1,488	1,254	1,395
Premises	95	95	95
Communications	247	251	247
Transport LGF Activity	400	385	200
Other LGF Costs - Legal / Finance	-	50	50
Gatsby and Growth Hub Operational Costs	384	377	249
Other Operational Costs	615	520	560
Inward Investment Contribution	160	140	140
Gross Expenditure	3,389	3,052	2,936
<u>Income</u>			
LEP Core Grant from DCLG	250	250	250
Local Authority Match Funding	250	250	250
LEP Strategy Grant from DCLG	-	250	250
Local Growth Funding - Management Costs	1,885	1,250	1,200
NEIF/EZ Account contributions	50	100	100
Gatsby and Growth Hub Grants	446	606	504
Other grants	213	31	31
Contribution from NECA for HoPS	0	36	60
Interest on LGF and other funds	295	305	140
Gross Income	3,389	3,078	2,785
Net Budget / Funded from Carry Over Balances	-	(26)	151
Brought Forward Balance	(436)	(436)	(462)
Carried Forward Balance	(436)	(462)	(311)

*2016/17 base budget has been adjusted to include Gatsby and Growth Hub figures for consistency.

North East Combined Authority Leadership Board

Appendix I – Consultation Comments

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

North East Chamber of Commerce

Following a meeting with the Chair on 13 December 2016, the attached letter was received from the Chamber of Commerce. Key points from the letter are summarised in the table below and a formal response will be prepared to be agreed at the meeting on 17th January. Several of the issues in the letter were also discussed at a recent meeting with business representatives.

Comment	Response
NECC members still wish to see devolution pursued in the NECA area. Following the vote against the devolution deal in September, NECA and its constituent authorities must demonstrate how the outcomes proposed in the SEP will now be achieved through other means.	NECA and its constituent authorities support Devolution as an important principle. The report sets out actions being undertaken to help deliver the SEP
The budget should re-state the ambitions set out in the SEP and demonstrate how NECA will contribute to realising this ambition in the next year.	The budget report now sets out key initiatives to be undertaken next year in support of the SEP, including the JERREMIE 2 support for business fund and the launch of 10 new Enterprise Zones.
The NECC welcomes the proposal to continue contribution to an inward investment team, and would welcome clear communication of what has been achieved to date and the strategy being pursued. However the Chamber believes that substantially greater and more cohesive resources are needed to proactively sell the many great reasons to do business in North East England to potential investors.	The NECA proposal, involving extending proactive activity, with funding support from the LEP is now set in section 7.

Governance Committee

The Governance Committee met on 6 December 2016 and issues raised at the meeting are outlined below.

Comment	Response
A member questioned whether the tolls income estimates for the Tyne Tunnels were realistic given the impact of current highway works in North Tyneside.	The revised budget for 2016/17 and original budget for 2017/18 have been revised taking into account the most recent traffic data. This has led to the tolls income budget being revised downwards, although this is largely offset by a lower payment to the concessionaire.
Members observed that the role of the LEP in helping to grow business rates would	The LEP and constituent authorities are supporting new business growth initiatives

North East Combined Authority Leadership Board

become increasingly crucial due to the phasing out of Revenue Support Grant by 2020 and resulting reliance on business rates by authorities to be able to fund services.	a(e.g. JEREMIE 2 finance for business activity); inward investment opportunities; investment in infrastructure and the development of 10 new enterprise zones next year
The Committee raised the importance of being able to explain contributions to NECA to residents, particularly in an environment of Councils cutting services – being able to explain ‘why’ as well as ‘how much’.	Information about the role of NECA will be provided to the constituent authorities’ communications teams.

Overview and Scrutiny Committee

The Overview and Scrutiny Committee met on 14 December 2016 and considered the draft budget proposals. The Committee was inquorate at this point in the meeting so the following comment is made informally, to be endorsed at a future meeting.

Comment	Response
The Committee noted the impact of the Local Government funding settlement on the North East and supported the Leadership Board’s efforts in making clear the consequences for the NECA area of an unfair funding settlement.	NECA will respond to the funding consultation raising concerns about the reduction in funding for Transport activity and the wider impact of continuing funding cuts.

North East Combined Authority

Leadership Board

Date: 17 January 2017

Subject: Capital Programme 2017/18 and Treasury Management and Investment Strategy

Report of: Chief Finance Officer

Executive Summary

The purpose of this report is to update the Leadership Board on the forecast capital outturn position for 2016/17 of £123.5m and to present the initial 2017/18 capital programme of £148.9m for approval. After taking account of over-programming, the estimated level of actual capital expenditure in 2017/18 is £128m. The report also sets out the Treasury Management and Investment Policy and Strategy for 2017/18 and the Minimum Revenue Provision Statement for 2017/18, also for approval by the Leadership Board.

Recommendations

The Leadership Board is recommended to:

- (i) Note the latest position in respect of the 2016/17 capital programme, set out in section 2;
- (ii) Agreed the proposed approach to maximising LGF capital spending in 2016/17, set out in section 2.5 of this report which will be subject to approval by the North East Local Enterprise Partnership (NELEP) Board;
- (iii) Approve the proposed initial capital programme for 2017/18 which amounts to £148.9m, as set out in section 3;
- (iv) Approve the Treasury Management Strategy for 2017/18 (including the Borrowing and Investment Strategies) and the Prudential Indicators as set out in Appendix C; and
- (v) Approve the Minimum Revenue Provision Statement for 2017/18 as set out in Appendix D.

North East Combined Authority

Leadership Board

1 Background Information

- 1.1 This report outlines the capital programme proposals for 2017/18 and the funding sources identified to deliver the programme, which covers a wide range of transport improvements and economic and regeneration initiatives. This represents the latest information about the capital programme, which will be updated as new information becomes available and will be subject to monitoring reports during the year.

2 2016/17 Capital Programme Update

- 2.1 The latest estimate of the capital outturn position for 2016/17 is £123.510m, which is summarised in Table 1 below. This is lower than the latest approved programme for the year of £147.651m, largely due to slippage of some of the Local Growth Fund projects. Further options including funding swaps are being explored to maximise the use of Local Growth Fund grant this year. Further information about the LGF programme is set out in section 2.2 below and in a separate report on this agenda dealing with LGF Project Approvals. The balance of any unspent grant in 2016/17 can be carried over to be spent in 2017/18 and the programme for 2017/18 and future years has been updated to reflect the latest forecasts.

Table 1: Capital Programme 2016/17 Forecast

	Original Approved Programme	Latest Approved Programme	Forecast 2016/17
	£m	£m	£m
Local Growth Fund	76.830	86.658	63.836
North East Investment Fund (RGF/GPF)*	2.022	2.022	2.022
Other Transport Programmes:			
Metro Asset Renewal	41.192	44.314	42.455
Nexus Non-Metro**	0.650	0.842	0.838
Tyne Tunnels	0.000	1.199	1.743
Other Transport Grants**	12.240	12.616	12.616
Total Capital Programme	132.934	147.651	123.510

* Latest approved programme shows current contracted schemes.

** Less grant funding shown in other programme lines.

North East Combined Authority

Leadership Board

Local Growth Fund Programme for 2016/17

- 2.2 NECA received LGF grant of £79.4m in April 2016 to fund the 2016/17 LGF programme and when added to the grant of £2.44m carried over from 2015/16, a total LGF grant of £81.88m is available to be used to fund spending in 2016/17.
- 2.3 Given the complexity of the schemes in the programme, there was the potential for slippage of activity and spending into future years. In June the North East LEP and the Leadership Board agreed to include a significant level of over-programming and agreed additional projects to be included in the programme as well as agreeing to bring forward spending on approved projects that had originally been scheduled to take place in future years. This resulted in a programme of projects amounting to £94.8m in order to achieve a level of spending close to the available grant of £81.88m.
- 2.4 The programme reported in November reduced the forecast spend to £72.63m. A higher level of slippage is now being reported on these complex projects is now being reported by the organisations responsible for their delivery and the latest programme has now reduced to £63.8m. Actual expenditure would be lower than this programme estimate, and if the potential level of actual expenditure in year is around £60m, this would be £21.88m less than the grant available this year. The unspent grant can be carried over to fund the slippage of expenditure into 2017/18 and future years.
- 2.5 Feedback from Government to the LEP at the annual review meeting in December encouraged the achievement of a higher level of spend in 2016/17 and the LEP Board in January will be asked to approve the LGF funding swaps of similar to those approved last year and which are set out in the separate report on LGF project approvals. This would involve the temporary funding of Enterprise Zone and Tyne Tunnels capital expenditure by LGF grant in 2016/17, which would be returned to fund LGF projects in future years. This would potentially increase LGF spending in year by around £5m to £65m once approved by the LEP Board. This would result in the unspent LGF grant estimated at £16.88m being carried over to fund the 2017/18 LGF programme. Other options to maximise the use of LGF grant will continue to be sought and an update will be reported to the March LEP and Leadership boards.

3 2017/18 Capital Programme

- 3.1 This report sets out an initial capital programme of £148.9m for 2017/18 and indicative figures for 2018/19 and 2019/20, which is summarised below in Table 2 and set out in more detail in the following sections.

North East Combined Authority

Leadership Board

Table 2: Proposed Capital Programme 2017/18 and indicative totals for future years

	2017/18	2018/19	2019/20
	£m	£m	£m
Local Growth Fund (Round 1 & 2)	77.969	30.179	7.194
North East Investment Fund	1.695	-	-
Enterprise Zone Interventions	15.560	12.650	8.480
Metro Asset Renewal Programme (ARP)	41.686	28.514	15.927
Tyne Tunnels Capital Programme	2.425	0.331	0.100
LTP Integrated Transport Block (less ARP local contribution)	11.309	11.309 (indicative)	11.309 (indicative)
Total Programme	148.949	82.983	43.010
Less Over-Programming	20.897		
Estimated Expenditure	128.052		

4 Local Growth Fund Capital Programme

- 4.1 2017/18 will represent the third year of the Local Growth Fund Programme. At this time the programmed spending in 2016/17 is £63.836. As a result, the initial programme for 2017/18 has now been increased to reflect the slippage from 2016/17 and now totals £77.969m.
- 4.2 Projects within the programme cover the thematic areas of Economic Assets, Innovation, Transport and Skills. Details of the full current programme are set out in Appendix A, with some schemes still subject to detailed business case approval.
- 4.3 NECA is expected to receive a new LGF grant for 2017/18 of £31.82m and when combined with an estimated carry over of grant of £16.88m from 2016/17 the LGF grant available to fund the 2017/18 LGF programme would be £48.7m, which should be fully spent in 2017/18. This could be supplemented by reversing the temporary funding swaps entered into in 2015/16 and 2016/17 of up to £15.6m, which would give a maximum resource availability of £64.3m. This would mean that the programme total of £77.969m would include over-programming of £13.7m (21%), which is considered acceptable. If there continues to be significant slippage into future years, a realistic spend level is likely to be between £50m and £55m.
- 4.4 The level of over-programming on the total LGF programme has reduced from the £15m agreed in June to around £2m, due to cost savings on some projects and other changes to the approved programme. The LEP has also received a few requests for funding changes and transfers, which will be considered in the next few months when the outcome of the LGF round 3 bid can also be taken into account.

North East Combined Authority

Leadership Board

- 4.5 An announcement on the allocation to the NECA from the LGF Round 3 bid is expected in January 2017. The Department has previously indicated that the majority of this grant will be paid in 2019/20 and 2020/21, with relatively small new allocations in 2017/18 and 2018/19. Once the allocation is announced and the LEP Board agree the allocation of the grant to particular projects/programmes this will be included in the next capital programme report to the NECA Leadership Board.

5 North East Investment Fund (NEIF)

- 5.1 The North East Investment Fund (NEIF) was originally funded by £25m Growing Places Fund grant and £30m Regional Growth Fund grant, which was fully allocated. As loans are repaid and funds become available again then new projects can be supported, forming a rolling programme. Suitable projects are considered and approved by the LEP as they come forward during the year. Current commitments are included in the 2017/18 programme figures, with additional schemes likely to be approved during the year.
- 5.2 In 2016, approval was given by the Leadership Board for up to £4m underwriting of the Let's Grow Fund, which will provide grant aid to businesses in the NECA area. It had been agreed that this would be funded by £2m of LEP funds, with the potential for a further £2m from Devolution funding. It is now proposed that the full £4m underwriting is met by LEP NEIF resources.

6 Enterprise Zone Capital Investment

- 6.1 The estimated capital investment in respect of the Round 1 Enterprise zones in 2017/18 is currently estimated to be £15.56m and is subject to the approval of individual business cases by the LEP Board. A review of the Round 1 and Round 2 Enterprise zones is currently being carried out and will be reported to the LEP and Leadership Boards. The projects are funded by a mix of loans from the NEIF and borrowing, with financing cost funded from retained business rate income. In the case of non-transport related spending any borrowing needs to be undertaken by the appropriate local authority/organisation, as NECA only has the power to borrow for non-transport expenditure. The indicative programme for 2017/18 and previous and future years is set out in the table below.

North East Combined Authority

Leadership Board

Table 3 : Estimated Capital Expenditure Round 1 Enterprise Zones

Enterprise Zone Sites	Prior Years	2017/18	Future Years	Total
	£m	£m	£m	£m
Newcastle – North Bank of Tyne	1.65	2.65	2.65	6.95
North Tyneside – North Bank of Tyne	7.80	2.00	3.00	12.80
North Tyneside – Port of Tyne*		3.00	7.00	10.00
Northumberland	3.20	1.20	8.48	12.88
Sunderland	10.46	6.71		17.17
Wet Dock Facility	4.68			4.68
Total	27.79	15.56	21.13	64.48

* Not yet approved by LEP

- 6.2 Capital investment relating to the Round 2 Enterprise Zones will be included in the programme during the year once the proposals have been agreed by the LEP. At this stage in the assessment process the indicative capital investment requirement appear to be up to £119m, with a potential programme next year of up to £50m, although it is likely that actual expenditure would be significantly lower than this, with only the transport element potentially funded by borrowing by NECA.
- 6.3 At this stage an indicative capital financing requirement for NECA of £20m is included in the Treasury Management statement for 2017/18. It is anticipated that any financing requirement in 2017/18 will be more likely to be through the use of internal funds as opposed to external borrowing. The figures will be updated at the mid year review.

7 Metro Asset Renewal Programme (ARP)

- 7.1 Nexus is now in Year 7 of its current eleven year renewal programme to upgrade and replace many of the assets across the Tyne and Wear Metro system. It has so far spent over £242m in pursuing this objective in accordance with the criteria set out in the Department for Transport (DfT) grant offer letter of February 2010.
- 7.2 ARP Metro Rail Grant (MRG) capital funding is provided in four key tranches through to 2021; Years 1 to 3, Years 3 to 6 and Years 7 to 9, followed by a final two years (years 10 and 11). This is shown in the table below:-

North East Combined Authority

Leadership Board

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

With a 10% local contribution, total funding for the programme is therefore £352.2m. As such, developing the business case for an investment plan covering the period up to 2035 is now a priority for Nexus.

- 7.3 The maximum ARP funding available in 2017/18 totals £36.7m. The proposed programme, including over programming of 25.1% totals £41.7m and is earmarked in order to carry out a number of major Metro system engineering requirements including progressing design work to ensure effective prioritisation and efficient delivery in future years.
- 7.4 The proposed programme for 2017/18 to 2019/20 is detailed at Appendix B. This includes a number of significant projects in 2017/18 which are worthy of particular mention and these are detailed below.
- 7.4.1 Civils
Work will focus on bridges with the installation of a new bridge at Killingworth Road (for which Nexus is also drawing down external funding from the Highways Challenge Fund) during the Summer of 2017. Bridge structural assessments and designs will continue to be progressed for prioritisation and delivery of works in later years.
- 7.4.2 Permanent Way
Major track works (including earthworks, drainage and Switches and Crossings works) are proposed from Northumberland Park to South Gosforth during the Summer of 2017 and works from Gateshead Stadium to South Shields commencing early 2018.
- 7.4.3 Overhead Line
Works to replace the overhead line will continue following delivery of the specialist vehicles procured in 2016, together with delivery of the specialist training programme for Nexus' in-house labour unit (the Capital Delivery Team) with commencement of the works in early 2017. This is expected to take around four years to complete and is an example of works that can progress now that surety of funding from DfT is firmly committed through to 2021.

North East Combined Authority

Leadership Board

7.4.4 Stations

Expressions of Interest were submitted for a number of station packages within the original programme for Local Growth Funding (LGF), but Nexus has been informed that the LGF for future years (round 3) is likely to be substantially less than the amount originally bid for and that as a consequence, Regent Centre, Gateshead Interchange and Monument have not reached the priority level required for them to progress at this time.

The projections within this three year programme report continue to assume limited MRG funding for stations for the remainder of the ARP programme. Following the refurbishment of Central Station which was part funded by the LGF, Nexus will continue working with South Tyneside Council and their development partner on a new Bus/Metro interchange in South Shields town centre where land assembly has entered a critical phase with the Council participating in a CPO planning inquiry towards the end of calendar year 2016.

Design work will also be progressed for a number of interchange and city centre stations for prioritisation and delivery in future years if complementary funding should become available and work to a number of halt stations will progress during 2017/18, including West Monkseaton, Cullercoats, Monkseaton, Shiremoor, Palmersville, Benton, Longbenton, Tyne Dock, Whitley Bay and Northumberland Park.

Nexus is also working with Sunderland City Council in order to secure additional funding to progress the redevelopment of the above ground part of Sunderland Station, having already made £3.5m available to the project. The progress of the project has been slower than anticipated because it is subject to reaching agreement with Network Rail who as owners of the station are responsible for delivering the works, do not yet have a confirmed programme.

7.4.5 Communications

During 2017/18 the project to install a new radio system across the network will continue and is due to be completed. This is a safety critical system and whilst not obvious to the travelling public is a fundamental part of Metro operations. The project involves fitting equipment to the metro cars as well as installing new transmission masts and antennae around the system and also new equipment at the Metro control centre in South Gosforth as well as Network Rail's Tyneside Integrated Electronic Control Centre in Gateshead.

7.4.6 Signalling

Another essential system which is not obvious to the passenger is the RTMS (Rail Traffic Management System). This system uses a variety of technologies to route trains around the system, automatically set signals and measure train

North East Combined Authority

Leadership Board

performance. A project to replace the current obsolete system is underway and will continue with completion anticipated in 2017.

- 7.5 In summary, the 2017/18 Programme is focused primarily on delivering critical projects on the basis of asset condition (Bridges, Permanent Way, Overhead Line, Radio and RTMS). Additionally, the programme will allow progression of the assessment, scoping and design of bridge and station refurbishments with the aim of ensuring that the limited available funding is prioritised in the most effective way possible and based on robust asset knowledge and reliable costing information.
- 7.6 The proposed programme for 2018/19 and 2019/20 includes the following significant projects worthy of particular mention as follows:-
- 7.6.1 Civils
Work will focus on bridge works at Burnside Road and Beach Road where full steel deck replacements works are required, together with refurbishment works at Crossgate viaduct including replacement of concrete fascia boards.
- 7.6.2 Permanent Way
Major track works from Gateshead Stadium to South Shields will continue following proposed commencement in early 2018. Priority Switches and Crossings works will also be carried out at Pelaw to South Shields and Depot East.
- 7.6.3 Overhead Line
Following overhead line replacement at Chillingham Road to Tynemouth during 2017/18, works will continue to replace the overhead line at Tynemouth to Northumberland Park and South Gosforth to Jesmond during 2018/19, followed by Northumberland Park to South Gosforth, Jesmond to Gateshead Stadium and Chillingham Road to St. James in 2019/20.
- 7.6.4 Stations
South Tyneside Council will be building a new Bus/Metro Interchange in South Shields town centre during 2018/19. Design work will be progressed for a number of interchange and city centre stations together with works to a number of halt stations including Kingston Park, Fawdon, Wansbeck Road and Tynemouth.
- 7.6.5 Communications
Works will continue to upgrade the CCTV system and the associated computerised storage requirements (V-Block).

North East Combined Authority

Leadership Board

7.6.6 Signalling

System wide signalling works based on a priority assessment will continue within this period. Works include track circuits replacement, point motor replacement, rewiring of location cases and replacement of treadle switches.

7.7 The programme for 2017/18 is being established at a level that is in excess of the 2017/18 maximum available funding (including the 10% local contribution) of £36.7m. Experience shows that effective management of the programme requires a degree of re-profiling and re-phasing of planned works in order to respond to both risks and opportunities whilst remaining within prescribed funding levels. It should also be noted that, subject to agreement with DfT, increased flexibility around the grant virement rules may be possible.

7.8 The proposed Metro ARP Capital Programme and funding for 2017/18 to 2019/20 detailed at Appendix B can be summarised at asset category level for 2017/18 as follows:-

Capital Scheme	Indicative Programme 2017/18 £m
Civils	1.213
Permanent Way	21.415
Overhead Line	3.655
Stations	3.281
Communications (mainly Radio)	2.745
Signalling (mainly RTMS)	6.001
Mechanical and Electrical	0.400
Capital Maintenance	2.445
Miscellaneous	0.530
Total Metro Programme	41.686

Funding	
DfT Grant	30,000
10% Nexus Contribution	3,333
Over-programming	8,352
Total ARP Funding	41,686
Over-programming (%)	25.1%

Minimum/Maximum Spend (assuming no b/f or c/f)	
Minimum Spend	30,000
Maximum Spend	36,667

Target Spend	33,333
---------------------	---------------

North East Combined Authority

Leadership Board

8 Local Transport Plan Integrated Transport Block

- 8.1 Core Local Transport Plan (LTP) funding is made available by the Department for Transport (DfT). Changes have been made to the funding formula for the Integrated Transport block for the 2015/16 to 2020/21 period (with a “break point” after three years at 2017/18, where the formula will be recalculated across the authorities using updated data).
- 8.2 The Maintenance Block will continue to be paid directly to NECA constituent authorities by the DfT. The DfT has sent out settlement letters to local authorities, notifying them of individual allocations for 2016/17 and beyond.
- 8.3 The Integrated Transport Block grant was awarded by DfT to the whole NECA area, with the total confirmed allocation across the period as follows.

Table 5: LTP IT Block Allocations 2015/16-2017/18

	2015/16	2016/17	2017/18
	£m	£m	£m
Total	13.949	13.949	13.949

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

	Allocation	UTMC	Regional	Net
--	------------	------	----------	-----

North East Combined Authority

Leadership Board

		Contribution	Transport Team Contribution	Allocation
	£m	£m	£m	£m
Durham	2.789	-	(0.0625)	2.727
Gateshead	1.329	(0.067)	(0.0625)	1.199
Newcastle	1.650	(0.098)	(0.0625)	1.489
North Tyneside	1.088	(0.068)	(0.0625)	0.958
Northumberland	1.695	-	(0.0625)	1.633
South Tyneside	0.843	(0.050)	(0.0625)	0.730
Sunderland	1.606	(0.093)	(0.0625)	1.451
Metro ARP Local Contribution/Public Transport Schemes	2.950	-	(0.0625)	2.887
Total	13.949	(0.376)	(0.500)	13.073

9 Tyne Tunnels Capital Programme

- 9.1 The majority of the Tyne Tunnels capital programme relates to the refurbishment of the Tyne Pedestrian and Cycle Tunnels (Phase 3 Improvement Works).
- 9.2 In September, the Tyne and Wear Sub-Committee (TWSC) received a detailed report on a full review of the project budget and costs. This identified that a budget increase was required as a result of additional costs relating to the original main contractor entering administration in February 2015 and the discovery of asbestos containing material which had not been dealt with by the main contractor, and costs arising from the subsequent delay to the project which has resulted from this.
- 9.3 TWSC agreed that a budget increase of £2.594m be included within the capital programme for approval by the Leadership Board. The Phase 3 works will continue to be overseen by the New Tyne Crossing team based in TT2 Ltd's offices. The contract management of the refurbishment works are being undertaken by NECA. Once the asbestos containing material identified have been removed/encapsulated, specialist sub-contractors will recommence the works to complete the project which is scheduled to complete during 2018.
- 9.4 A small budget provision has been made for the costs of remaining issues on the New Tyne Crossing project, primarily relating to legal and other professional fees relating to outstanding legal and land issues which must be resolved to complete NECA's obligations under the construction phase of the project agreement.

North East Combined Authority

Leadership Board

- 9.5 All of the costs of the Tyne Tunnels capital programme will be met from the Tyne Tunnels reserves which are ringfenced for expenditure on the Tunnels.

10 Funding the Capital Programme

- 10.1 The proposed funding sources for the programme for 2017/18 will be funded as set out in the table below.

Financing	2017/18 Total (£m)
Grants from Central Government	109.373
Reserves	3.119
Borrowing (EZ - external borrowing or temporary use of internal funds)	15.560
Over-programming (LGF and Metro ARP)	20.897
Total	148.949

11 Treasury Management

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

11.2 Enterprise Zones

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

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

North East Combined Authority

Leadership Board

12 Minimum Revenue Provision

- 12.1 The proposed method for calculation of the Minimum Revenue Provision for 2017/18 is set out in Appendix D. If agreed, this would result in a MRP charge relating to borrowing taken out in previous years of £3.33m, which has been included within the revenue budget proposals for 2017/18. All borrowings relate to Tyne and Wear transport activity undertaken by the former Tyne and Wear Integrated Transport Authority and are met from the Tyne and Wear levy and the Tyne Tunnels revenue account.

13 Next Steps

- 13.1 Progress against the 2017/18 capital programme will be reported regularly throughout the year and monitored carefully by officers at the various delivery bodies.

14 Potential Impact on Objectives

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

15 Finance and Other Resources

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

16 Legal

- 16.1 The Authority has a statutory obligation to present a Treasury Management Policy and Strategy and a Minimum Revenue Provision statement.
- 16.2 The approval of the matters set out in (i) and (ii) in the Recommendations section on the first page of this report can be agreed by a simple majority of the Leadership Board in accordance with the provisions of Paragraph 3(1) of Schedule 1 of the Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority Order 2014.

North East Combined Authority

Leadership Board

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

17 Other Considerations

17.1 Consultation/Community Engagement

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

17.2 Human Rights

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

17.3 Equalities and Diversity

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

17.4 Risk Management

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

17.5 Crime and Disorder

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

17.6 Environment and Sustainability

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

18 Background Documents

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

- Capital Programme 2016/17 and Treasury Management Policy and Strategy 2016/17 – January 2016.
- Local Growth Fund Update – June 2016
- NECA 2016/17 Financial Update report – July 2016.
- NECA 2016/17 Financial Update report – November 2016.

North East Combined Authority

Leadership Board

19 Links to the Local Transport Plans

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

20 Appendices

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

21 Contact Officers

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

Eleanor Goodman, Principal Accountant,
eleanor.goodman@northeastca.gov.uk, 0191 277 7518

22 Sign off

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

North East Combined Authority

Leadership Board

Appendix A – Local Growth Fund Capital Programme 2016/17 to 2020/21

The figures below relate to the LGF Round 1 and Round 2 projects. The outcome of the LGF Round 3 Bid will be incorporated when it is announced.

Project Title	SEP Theme	Approval Status	LGF Current Allocation (£000)				
			2016/17	2017/18	2018/19	2019/20	2020/21
Infrastructure for Forrest Park	Economic Assets	Approved	2,500	4,295	-	-	-
North East Rural Growth Network**	Economic Assets	Approved	1,220	2,415	783	-	-
Swans Wet Berth Infilling	Economic Assets	Under Review	1,000	4,837	2,000	-	-
Sunderland Central Business District	Economic Assets	Approved	1,700	8,012	-	-	-
River Tyne Economic Development	Economic Assets	Approved	1,191	2,125	1,085	-	-
Centre for Innovation in Formulation	Innovation	Approved	2,709	5,251	120	-	-
Newcastle Laboratory and Life Science Incubation Hub	Innovation	Approved	1,638	6,300	102	-	-
Sunderland Enterprise & Innovation Hub	Innovation	Approved	2,749	-	-	-	-
Low Carbon Energy Centre and Heat Network Newcastle Science Centre	Innovation	Approved	384	2,010	-	-	-
Netpark Infrastructure Phase 3	Innovation	Approved	1,357	3,788	-	-	-
National Centre for Healthcare Photonics - Stage 2	Innovation	Pipeline	-	2,500	4,160	1,500	-
National Centre for Healthcare Photonics - Stage 1	Innovation	Approved	340	-	-	-	-
Rural Skills Development (East College Durham)	Skills	Approved	2,500	-	-	-	-
Development of a STEM Specialist Skills Centre (Northumberland College)	Skills	Approved	1,080	1,092	-	-	-
Lindisfarne Roundabout	Transport	Approved	3,800	1,507	-	-	-
Northern Access Corridor Phase 3 - Osborne Road to Haddrick's Mill – Stage 2	Transport	Business Case	1,654	2,140	-	-	-
Northern Access Corridor Phase 3 -	Transport	Approved	346	-	-	-	-

North East Combined Authority

Leadership Board

Osborne Road to Haddrick's Mill – Stage 1								
Local Sustainable Transport Fund Package**	Transport	Approved	3,822	1,000	-	-	-	-
A19 employment corridor access improvements (North Tyne)	Transport	Approved	1,750	2,764	-	-	-	-
A191 junctions including Coach Lane and Tyne View Park	Transport	Approved	1,333	-	-	-	-	-
Newcastle Central Station to Stephenson Quarter – Stage 2	Transport	Pipeline	-	600	4,550	-	-	-
Newcastle Central Station to Stephenson Quarter – Stage 1	Transport	Approved	190	-	-	-	-	-
A1056-A189 Weetslade roundabout improvements and A1-A19 link (A1056)	Transport	Approved	3,031	860	-	-	-	-
Scotswood Bridgehead – Stage 2	Transport	Business Case	611	2,589	-	-	-	-
Scotswood Bridgehead – Stage 1	Transport	Approved	139	-	-	-	-	-
Six Majors - South Shields Transport Hub - Stage 2	Transport	Business Case	897	3,903	3,000	-	-	-
Six Majors - South Shields Transport Hub - Stage 1	Transport	Approved	873	-	-	-	-	-
Six Majors - Sunderland Low Carbon Zone	Transport	Approved	4,583	-	-	-	-	-
Six Majors - A1058 Coast Road	Transport	Approved	3,730	1,605	-	-	-	-
Six Majors - A167 Park and Ride corridor	Transport	Pipeline	-	4,000	999	-	-	-
Six Majors - Northern Access Corridor Phase 2 (Cowgate to Osborne Rd) – Stage 2	Transport	Business Case	410	-	-	-	-	-
Six Majors - Northern Access Corridor Phase 2 (Cowgate to Osborne Rd) – Stage 2	Transport	Approved	68	-	-	-	-	-
Six Majors - Horden Rail Station	Transport	Pipeline	300	560	420	2,060	-	-
Traffic movements along A185/A194/A19 (The Arches)	Transport	Under review	720	1,950	2,540	-	-	-
Metro Enhancements	Transport	Pipeline	-	3,500	3,500	-	-	-

North East Combined Authority

Leadership Board

Southern Portal Tyne Tunnel	Transport	Under review	-	1,000	2,550	-	-
A19 North Bank Tyne (Swans)	Transport	Pipeline	180	1,750	2,770	-	-
A1-A690 junction	Transport	Pipeline	-	-	500	1,000	-
A19/A189 Seaham Murton interchange	Transport	Pipeline	-	-	-	2,000	2,200
Beacon of Light - World of Work	Skills	Approved	1,793	-	-	-	-
Northern Centre for Emerging Technologies	Innovation	Approved	969	-	-	-	-
East Sleekburn Site Reclamation & Dock Works	Economic Assets	Approved	4,441	-	-	-	-
Eagles Community Arena	Skills	Approved	486	614	-	-	-
Medicine Manufacturing & Medical Technology Innovation Infrastructure	Innovation	Business case	50	50	-	-	-
Explorer - NetPark	Economic Assets	Approved	1,239	1,961	-	-	-
Blyth Cowpen Road	Transport	Approved	600	-	-	-	-
Auckland Castle Welcome	Economic Assets	Approved	2,020	144	-	-	-
Phase II, Intersect 19, Tyne Tunnel Trading Estate	Economic Assets	Approved	680	679	-	-	-
Monkton South	Economic Assets	Approved	253	1,018	-	-	-
Durham City Incubator	Economic Assets	Business case	1,250	-	-	-	-
Programme Management	Prog Mgmt	Approved	1,250	1,150	1,100	634	190
Totals			63,836	77,969	30,719	7,194	2,390

North East Combined Authority

Leadership Board

Appendix B – Metro Capital Programme 2017/18 to 2019/20

Capital Scheme	2017/18 (Year 8) £	2018/19 (Year 9) £	2019/20 (Year 10) £	Total £
Civils				
Retaining Walls	9	0	0	9
Bridges Gateshead to South Shields (Network Rail)	0	0	500	500
King Street Underbridge	50	200	0	250
Crossgate Viaduct, Pelaw Interchange (Sunderland), Pelaw Interchange (Leamside)	70	0	900	970
Killingworth Road Underbridge	375	32	0	407
Burnside Road Underbridge, Beach Road, Tanners Bank Underbridge	0	0	1,800	1,800
Byker viaduct	55	0	0	55
Howdon viaduct- Walkway works	4	0	0	4
Stephensons Underbridge	400	0	0	400
System wide retaining walls	150	150	150	450
Asbestos revisited works- Central area tunnels	100	0	440	540
Total Civils	1,213	382	3,790	5,385
Permanent Way				
Package A Tynemouth to Northumberland Park	160	0	0	160
Package B Chillingham Road to St James	142	0	0	142
Package C Northumberland Park to South Gosforth	13,999	8	0	14,007
Package D Pelaw to South Shields	6,369	5,944	0	12,312
Package E Gateshead Stadium to Pelaw	746	5,771	1,651	8,168
Switches & Crossings	0	1,500	1,000	2,500
Total Permanent Way	21,415	13,222	2,651	37,289
Overhead Line				
OLE - System Development	3,348	3,366	3,384	10,098
Multi-Functional Relays	307	0	0	307
Total Overhead Line	3,655	3,366	3,384	10,405
Stations				
Central Station	80	0	0	80
South Shields Interchange	0	1,930	0	1,930

North East Combined Authority

Leadership Board

Halt Station Package (West Monkseaton, Cullercoats and Monkseaton)	727	0	0	727
Manors (Design)	0	189	0	189
Gateshead (Design)	0	353	0	353
St James (Design)	0	0	249	249
Monument (Design)	0	500	0	500
Jesmond	150	0	0	150
Kingston Park	0	80	0	80
Fawdon	0	103	0	103
Wansbeck Road	0	89	0	89
Halt Station Package (Shiremoor, Palmersville, Benton, Longbenton)	1,049	0	0	1,049
Tyne Dock	197	0	0	197
Tynemouth	0	60	0	60
Whitley Bay	50	0	0	50
Northumberland Park	140	0	0	140
Rail Vehicle Accessibility Regulations (RVAR) Design	888	705	0	1,593
Total Stations	3,281	4,010	249	7,540
Communications				
Radio	1,579	48	15	1,642
IP Network	65	0	0	65
CCTV / PA Access	801	370	0	1,172
V Block Storage	0	1,600	0	1,600
PA	300	0	0	300
Total Communications	2,745	2,018	15	4,779
Signalling				
Signalling - RTMS	3,420	65	0	3,485
Reed track circuits	200	400	400	1,000
Location rewire	550	300	300	1,150
Level crossing upgrade	390	0	0	390
Cable replacement	0	0	300	300
Treadle replacement	0	200	0	200
Future Signalling System- Development	125	0	0	125
Signalling- Replacement point motors (critical locations)	1,316	0	0	1,316
Total Signalling	6,001	965	1,000	7,966
Mechanical and Electrical				
DC Feeder Cable	200	0	0	200
Northumberland Park	200	0	0	200

North East Combined Authority

Leadership Board

Total Mechanical and Electrical	400	0	0	400
Capital Maintenance				
Rail Grinding	200	0	200	400
Vehicle Replacement Programme	140	140	140	420
Lifts Refurbishment/Major Items	40	40	40	120
Plain Line Renewal	375	375	375	1,125
OHL Capital Maintenance	0	0	100	100
Capital Maintenance Concession - Part A	733	752	800	2,285
Capital Maintenance Concession - Part B	417	411	0	828
Capital Maintenance - Other	500	500	500	1,500
Stations Refurb - Esc Imps/Major Items	40	40	40	120
Total Capital Maintenance	2,445	2,258	2,195	6,898
Miscellaneous				
Asset Knowledge	50	50	50	150
Digital (Omnicom) Survey of Rail Infrastructure	80	0	0	80
Metro Service	250	250	250	750
Bus costs	0	0	42	42
Dayworks	0	0	300	300
Total Miscellaneous	380	300	642	1,322
PM Costs				
PM Costs	150	1,993	2,001	4,144
Total PM Costs	150	1,993	2,001	4,144
Total ARP Programme Funding	41,686	28,514	15,927	86,127

Funding				
DfT Grant	30,000	23,000	18,000	71,000
10% Nexus Contribution	3,333	2,556	2,000	7,889
Over-programming	8,352	2,958	-4,073	7,238
Total ARP Funding	41,686	28,514	15,927	86,127

Over-programming (%) 25.1% 11.6% -20.4% 9.2%

Minimum/Maximum Spend (assuming no b/f or c/f)				
Minimum Spend	30,000	23,000	18,000	
Maximum Spend	36,667	28,111	22,000	

Target Spend	33,333	25,556	20,000	
---------------------	---------------	---------------	---------------	--

North East Combined Authority

Leadership Board

Appendix C – Treasury Management Policy and Strategy

Introduction

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

Current and Expected Treasury Portfolios

The Authority's treasury portfolio at 31 December 2016 was as follows:

	Actual Borrowing	Authorised Borrowing Limit
	£m	£m
Level of external loans at April 2016	170.000	240.000
New loans taken out in first 9 months of year	-	n/a
Loans repaid in first 9 months of year	(1.333)	n/a
Level of external loans as at 31 December 2016	168.667	n/a
Net increase / (decrease) in external loans	(0.334)	n/a
Forecast level of external loans at 31 March 2017	168.333	240.000

The Authority currently holds £168.667m of long-term loans. The balance at 31 March 2017 is forecast to be £168.333m after principal repayments on loans.

The budget for debt interest in 2017/18 is £8.046m with an average interest rate of 4.28%. This includes borrowing undertaken on behalf of Nexus, borrowing charged to the Tyne Tunnels revenue account and interest on the Authority's historic capital financing debt. All historic borrowing relates to Tyne and Wear only. Any historic borrowing for transport purposes in Durham and Northumberland remains the responsibility of those authorities and was not transferred to NECA.

North East Combined Authority

Leadership Board

Borrowing Strategy 2017/18

The Authority's capital financing requirement (CFR, or underlying need to borrow to finance capital expenditure) as at 31 March 2017 is expected to be £198.3m, and is currently forecast to decrease to £194.5m by March 2018 as funds are set aside to meet principal repayments and grants and internal resources are used to fund capital investment. This borrowing requirement will be further reviewed in the light of work on the proposed Devolution Agreement and the new Enterprise Zones infrastructure requirement and reports brought back to the Leadership Board should a change be required.

Sources of borrowing

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

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

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

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

Debt Rescheduling

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

North East Combined Authority

Leadership Board

opportunities for refinancing or early repayment present themselves during 2017/18, they will be considered by the Chief Finance Officer.

Investment / Lending Strategy

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

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

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

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

Money Market Funds

Money market funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide

North East Combined Authority

Leadership Board

diversification of investment risk, coupled with the services of a professional fund manager. Fees of between 0.1% and 0.2% per annum are deducted from the interest payable to the Authority. The Authority uses funds that offer same-day liquidity as an alternative to instant access bank accounts.

Credit Ratings

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

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

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

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

North East Combined Authority

Leadership Board

Specified / Non-Specified Investments

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

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

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

Liquidity Management

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

Other Matters:

Policy on Use of Financial Derivatives

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

Treasury Management Advisers

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

North East Combined Authority

Leadership Board

The services received include:

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

Training

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

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

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

Investment of money borrowed in advance of need

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

The total amount borrowed will not exceed the authorised borrowing limit of £240m. The maximum period between borrowing and expenditure is expected to be two years, although the Authority does not link particular loans with particular items of expenditure.

North East Combined Authority

Leadership Board

Prudential Indicators

	2016/17 estimate	2017/18 estimate	2018/19 estimate	2019/20 estimate
	£m	£m	£m	£m
Capital expenditure (Transport capital programme) ¹	85.898	75.000	70.000	70.000
Financing costs to Net Revenue Stream				
Tyne & Wear Transport levy	65.120	63.040	61.800	61.220
Tyne & Wear Transport financing costs	2.063	1.539	1.516	1.494
%	3.2	2.4	2.5	2.4
Nexus grant plus direct grants and external income	147.797	146.179	144.660	144.070
Nexus interest and principal repayments to NECA	3.623	3.481	3.346	3.215
%	2.5	2.4	2.3	2.2
Tunnels tolls income	28.775	28.000	30.809	32.007
Tunnels financing costs	7.002	6.778	6.860	6.913
%	24.3	24.2	22.3	21.6
CFR at end of year				
Tyne Tunnels and Tyne & Wear Transport	156.685	154.574	152.471	150.373
Nexus	41.637	39.938	38.302	36.726
Enterprise Zones transport infrastructure	-	20.000	20.000	20.000
Total	198.322	214.512	210.773	207.099
Incremental impact of CF decisions (impact on Transport levy)	(0.028)	(0.524)	(0.023)	(0.022)
Operational Boundary for External Debt	235	235	235	235
Authorised Limit for External Debt	240	240	240	240
Actual External Borrowing	168	168	167	186

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

North East Combined Authority

Leadership Board

Appendix D – Minimum Revenue Provision Statement 2017/18

Background

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

Options available

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

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

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

2017/18 Recommendation

Having considered the guidance, it is recommended to agree the adoption for MRP arrangements in 2017/18 as follows:

North East Combined Authority

Leadership Board

- Supported capital borrowing (pre-2008) debt – minimum revenue provision to be made on a 2% straight line basis. This was set out in more detail in a report to the Leadership Board in November 2016 when it agreed to the recommendation to apply this option for 2017/18 onwards.
- Option 1 for supported capital borrowing undertaken on behalf of Nexus, being a 4% minimum revenue provision – this relates to historic debt (prior to 1 April 2008) only.
- Option 3 for unsupported capital borrowing (Prudential Borrowing), making provision for the debt in equal annual instalments over the estimated life of the asset.
- Option 3 for unsupported capital borrowing for the New Tyne Crossing, making provision for the debt over the life of the asset on an annuity basis. This basis is suitable for use on this particular project as it is consistent with the financial model which reflects an increase in traffic and tolls over the life of the concession contract.

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

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

This page is intentionally left blank

North East Combined Authority

North East Leadership Board (NELB)

DATE: 17 January 2017

SUBJECT: Economic Development and Regeneration Advisory Board-
Appointment of Second Vice Chair

REPORT OF: Monitoring Officer

EXECUTIVE SUMMARY

The purpose of this report is to invite the Leadership Board to agree to the introduction of a second Vice Chair for the Economic Development and Regeneration Advisory Board with such a role specifically held by a business member of the Committee. The report also provides relevant amendments to the Constitution for the implementation of the proposal.

RECOMMENDATIONS

It is recommended that the Leadership Board:

- (i) Agree to the introduction of a second Vice Chair appointed from the business representative co-optees on the Economic Development and Regeneration Advisory Board; and
- (ii) Agree to the amendment of the Constitution as set out in the report at paragraph 1.3; and
- (iii) Agree to delegate the appointment of the second Vice Chair for the remainder of the current municipal year to the Economic Development and Regeneration Advisory Board

1 Background Information

1.1 At the Leadership Board meeting of 21 April 2015 it was agreed to establish an Advisory Board for Economic Development and Regeneration (EDRAB). The current arrangements for the Board provide in principle that:-

- The Advisory Board will be chaired by the Thematic Lead for Economic Regeneration and Development, in addition an elected member representative is appointed from each of the other Constituent Authorities;
- Additional non-voting members are co-opted to the Board as agreed by the Leadership Board when EDRAB was established;
- The Advisory Board is supported by the Economic Directors Group who provide appropriate officer support;

North East Combined Authority

North East Leadership Board (NELB)

- The Board’s role is to advise the Leadership Board on economic strategy, project pipelines and funding, future priorities, and to monitor and oversee collaborative initiatives to promote Inward Investment.
- 1.2 The current arrangements include provision of non-voting co-opted members from the North East Chamber of Commerce, Confederation of British Industry, Federation of Small Businesses and Trade Union Congress as well as a co-opted member of the NELEP. The involvement of representatives of the business community on the Board is considered to provide an invaluable business dimension to the work of the Board. To further recognise the business role and strengthen the input from the private sector the Committee has requested that a second Vice Chair role be established in addition to the current single Vice Chair arrangement and that this additional role be reserved for a business representative. This proposal mirrors the current NELEP Board arrangement where a Vice chair is provided from both the business Board representatives and also the local authority Leaders and Elected Mayor.
- 1.3 If the Leadership Board is agreeable to this proposed change the Constitution will be adjusted to reflect the additional role. At Part 4, paragraph 4.1.1 Chair and Vice Chairs, the following will be included at the end of the first paragraph:

“In relation to the Economic Development and Regeneration Advisory Board two Vice Chairs may be appointed, one of whom will be a co-opted representative of the business community appointed to the Advisory Board by the Leadership Board.”

If the principle of the appointment of a second Vice chair is agreed by the Leadership Board the provision of the additional Vice Chair role will also be referred to in Part 3 of the Constitution which sets out the Terms of Reference of EDRAB.

2 Proposals

- 2.1 It is recommended that the Leadership Board:
- (i) Agree to the introduction of a second Vice Chair appointed from the business representatives co-optees on the Economic Development and Regeneration Advisory Board; and
 - (ii) Agree to the amendment of the Constitution as set out in the report at paragraph 1.3.
 - (iii) Agree to delegate the appointment of the second Vice Chair for the remainder of the current municipal year to the Economic Development and Regeneration Advisory Board

North East Combined Authority

North East Leadership Board (NELB)

Next Steps

- 3.1 If the Leadership Board agrees to the proposals as set out in the report then the necessary arrangements will be made to appoint the second Vice Chair from the Business representative members of EDRAB. The next meeting of EDRAB is due to take place on 15 February 2017.

4 Potential Impact on Objectives

- 4.1 The economic development and regeneration functions are functions that are shared between the NECA and the Constituent Authorities. The Advisory Board has representatives from the Constituent Authorities and the Thematic Lead as well as representatives from the wider business community. The Board supports and promotes NECA's ambition to bring about economic regeneration and growth throughout the combined area and the second Vice Chair role will strengthen the input from the business community to the Advisory Board in fulfilling this responsibility.

5 Finance and Other Resources

- 5.1 There are no direct financial or resource implications arising from this report.

6 Legal

- 6.1 The legal implications arising from this report are set out in the main body of the report.

7 Other Considerations

7.1 Consultation/Community Engagement

The Leaders and Elected Mayor of the Constituent Authorities have been consulted on the proposals.

7.2 Human Rights

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

7.3 Equalities and Diversity

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

7.4 Risk Management

There are no specific risk management implications arising from this report.

North East Combined Authority

North East Leadership Board (NELB)

7.5 Crime and Disorder

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

7.6 Environment and Sustainability

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

8 Background Documents

The reports to the Leadership Board of 20 January 2015, 17 February 2015 and 21 April 2015.

9 Links to the Local Transport Plans

9.1 None.

10 Appendices

10.1 none

11 Contact Officers

11.1 Vivienne Geary Viv.Geary@northtyneside.gov.uk Tel: 0191 643 5466

12 Sign off

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