

Cabinet

Tuesday, 26 January 2021 at 2.00 pm

This meeting will be held virtually and live streamed.

Information on how to join the meeting will be circulated to all participants.

Please use this link to view the live stream: <https://youtu.be/Whe1Uxj-Ph0>

Committee papers are available at www.northoftyne-ca.gov.uk

AGENDA

Page No

1. **Apologies for Absence**

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 submitted to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

Note: The Audit and Standards Committee has granted dispensations to Cabinet members so that they may participate in decisions which relate to the constituent authority which appointed them.

3. **Minutes of the Previous Meeting**

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4. **Announcements from the Mayor and/or the Head of Paid Service (if any)**

5. **Employability and Inclusion Portfolio update - In their own words**

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6.	Investment Fund Update and Funding Approvals	25 - 32
7.	2021-2025 Budget Proposals	
	(a) 2021-2025 NTCA Budget Proposals	33 - 58
	(b) The Overview and Scrutiny Committee Report to Cabinet: North of Tyne Combined Authority 2021-2025 Budget Proposals	59 - 62
	(c) 2021/22 North East Local Enterprise Partnership Budget	
	Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985.	
8.	NTCA Q.3 Budget Monitoring Report	63 - 72
9.	Appointments	73 - 74
10.	North East LEP – Funding Decisions Update	75 - 78
11.	Date and Time of the Next Meeting	
	Tuesday, 23 March 2021 at 2pm.	
12.	Exclusion of Press and Public	
	Under section 100A and Schedule 12A Local Government Act 1972 because exempt information is likely to be disclosed and the public interest test against disclosure is satisfied.	
13.	North East LEP - Funding Decisions Update - Appendices	79 - 106

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North of Tyne Combined Authority, Cabinet

24 November 2020

(2.03 - 3.24 pm)

Meeting held: This meeting was held virtually and live streamed.

Draft Minutes for Approval

Present:

Chair: Mayor J Driscoll

Councillors G Bell, R Dodd, C Johnson, J McCarty, B Pickard and G Sanderson and Ms L Winskell

Also: Mr R Fry (Observer)

110 WELCOME AND INTRODUCTIONS

The Mayor welcomed everyone to the meeting and introductions were made.

111 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor N Forbes and Mayor N Redfearn.

112 ANNOUNCEMENTS FROM THE MAYOR AND/OR THE HEAD OF PAID SERVICE

None.

113 DECLARATIONS OF INTEREST

There were no declarations of interest

114 MINUTES OF PREVIOUS MEETING

The minutes of the previous meeting held on 29 September 2020 were approved as a correct record and signed by the Mayor.

115 **IMPACT OF CORONAVIRUS (COVID-19) - PRESENTATION**

R Hamilton, Chief Economist delivered a presentation for Cabinet on the economic impact of COVID-19 in the North of Tyne Combined Authority's area.

The presentation highlighted key trends across different sectors and provided comparison with the national position. It also showed a national forecast.

Following the presentation, comments were made about the Combined Authority's proactive approach in preparing to support and grow the local economy, including through rapid deployment of the Investment Fund to projects.

116 **BREXIT UPDATE, NOVEMBER 2020**

Submitted: A report of the Director of Economic Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on issues that were facing the North of Tyne Combined Authority's area as a result of Brexit. The report was introduced jointly by Councillor J McCarty and R Hamilton.

As an update, it was noted that the Government had announced the opening of the bidding process for at least seven areas to benefit from Freeport status.

Amongst the comments made during the ensuing discussion were the following:

- the importance of a Freeport for the North of Tyne Combined Authority's economy; and the need for regular reporting on the progress of this matter.
- concern over the readiness of small business for Brexit.
- the importance of continuous joint working with partners and stakeholders.
-

Cabinet RESOLVED:

- i. To continue close working with businesses, to understand and monitor any potential negative impacts of Brexit alongside any opportunities. The Cabinet Members would lead discussions with business representative groups to discuss the evolving situation;
- ii. To continue to highlight relevant issues with Government and make the case for a significant COVID-19/Brexit economic stimulus package, comprising both one-off resources and longer-term replacement for EU funding;
- iii. Further development of the NE Freeport proposal;
- iv. To use the NTCA website to signpost businesses to Brexit-preparedness information and support, replicating the approach taken with COVID-19; and
- v. To receive further Brexit update reports.

117 **INTRODUCTION OF THE CHAIR OF THE INCLUSIVE ECONOMY BOARD - THE RIGHT REVEREND CHRISTINE HARDMAN, BISHOP OF NEWCASTLE**

The Cabinet welcomed the Right Reverend Christine Hardman, the Bishop of Newcastle and the Chair of the Combined Authority's Inclusive Economy Board.

The Right Reverend Christine Hardman introduced herself and spoke about the work of the Board, which was currently focused on the Good Work Pledge and Youth Employability, whilst also preparing to work on the North of Tyne Poverty Truth Commission and tackle Child Poverty. Priority was given to using realistic and practical interventions.

Councillor J McCarty commended and thanked the Right Reverend Hardman for her approach and her willingness to undertake, and lead on, this important and valuable work; and for promoting this work at Government level.

Comments were also made about the importance of a more equal and prosperous society and the additional challenges presented by the current economic environment.

118 **POVERTY TRUTH COMMISSION**

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

The Cabinet considered the report which provided an update on progress with the development of a Poverty Truth Commission for the North of Tyne and sought approval for next steps. The report was introduced by the Portfolio Holder for Employability and Inclusion, Councillor J McCarty.

The Cabinet welcomed this work. Comments were made about the value of wide-ranging engagement, including with the Voluntary, Community and Social Enterprise Sector and organisations that could amplify less prominent voices.

Cabinet RESOLVED:

- i. To note the progress in relation to the development of a Poverty Truth Commission for the North of Tyne; and
- ii. To authorise the Director of Policy and Performance, in consultation with the Portfolio Holder, to finalise next steps in taking forward the Commission, including securing appropriate funding.

119 **INVESTMENT FUND UPDATE AND FUNDING APPROVALS**

Submitted: A report of the Director of Economic Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on the progress that had been made on the North of Tyne Investment Fund and sought agreement of

funding approvals. The report was introduced by the Portfolio Holder for Economic Growth, Councillor B Pickard.

The Cabinet welcomed the report. Comments were made about the good progress achieved, including about safeguarding local jobs and supporting the local economy as part of the Combined Authority's plans for post-COVID-19 recovery. The Mayor commended the wise spending of the valuable resources by the Combined Authority, whilst achieving effective results.

Cabinet RESOLVED:

- i. To note progress to date on the Investment Fund, achievement of key milestones and ongoing development work, particularly in respect of defrayed expenditure and achievements in terms of tangible jobs for residents as a direct result of NTCA's investment;
- ii. To note progress in relation to the Culture and Creative Recovery Fund, including the outcome of the recent call;
- iii. To note progress to date of the Offshore Infrastructure Investments and the launch of our Offshore Innovation Programme;
- iv. To note recent progress to operationalise the North of Tyne Brownfield Housing Fund;
- v. To agree the allocation of £10m from the Investment Fund for the Recovery Innovation Deal; and
- vi. To delegate authority to the Interim Head of Paid Service, in consultation with the Mayor and Investment Panel, to agree the final delivery arrangements for the Recovery Innovation Deal and to make subsequent Investment decisions.

120 **2019-20 NTCA ANNUAL STATEMENT OF ACCOUNTS**

(a) Audit Completion Report, year ending 31 March 2020

Submitted: Audit Completion Report, year ending 31 March 2020 (previously circulated and copy attached to Official Minutes).

The report was introduced by Mr C Waddell of Mazars, who gave an overview of the status of the audit work. He highlighted key recommendations, explained the position regarding the work that was still underway and gave information on the timescales for the audit completion.

It was confirmed that there had been no questions or objections received from the public.

It was noted that the Government was changing legislation and future years would not require an unqualified opinion of external auditors to be issued regarding value for money. The Audit and Standards Committee would be briefed on the changes.

J Gillespie, the Chief Finance Officer gave assurances that the Combined Authority was aware of the improvements required regarding quality assurance, and this had been built into the planning process. She gave the reasoning for some of the impact arising, including staff capacity, effects of the COVID-19 pandemic and the Combined Authority becoming the accountable body for the North East Local Enterprise Partnership.

The Chief Finance Officer and the team were thanked for their work.

The Cabinet received the report.

(b) 2019/20 Annual Governance Statement

Submitted: 2019/20 Annual Governance Statement (previously circulated and copy attached to Official Minutes).

The report was introduced by J Gillespie, who confirmed that the Annual Governance Statement had been considered and approved by the Audit and Standards Committee.

Cabinet RESOLVED to approve the Annual Governance Statement for inclusion in the Authority's 2019/20 Annual Accounts; and recommended it for signature by the Mayor and the Interim Head of Paid Service.

(c) NTCA Audited Statement of Accounts for the year ended 31 March 2020

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

The Cabinet considered the report which presented the Audited Statement of Accounts for the year ended 31 March 2020. The Cabinet noted the complexity of the document which included Group Accounts of its partners.

The report was introduced by J Gillespie, Chief Finance Officer, who explained the progress of the work to complete the Annual Accounts. It was confirmed that all material adjustments required had now been applied.

Whilst the audit was substantially completed, because there were some matters yet to be finalised, delegated authority was sought for the Chief Finance Officer in consultation with the Mayor to agree the final Annual Accounts 2019/20 on the satisfactory completion of the audit matters.

Cabinet RESOLVED:

- i. To approve the Audited Statement of Accounts 2019/20, including the Narrative Report in line with the Accounts and Audit Regulations 2015, taking account of the views of the Audit and Standards Committee;
- ii. To approve the Annual Governance Statement for signature by the Mayor and Interim Head of Paid Service; and

- iii. To delegate authority to the Chief Finance Officer, in consultation with the Mayor/Deputy Mayor, to agree the final Annual Accounts 2019/20 on the satisfactory completion of all the audit issues.

121 **NTCA SECOND QUARTER BUDGET MONITORING REPORT**

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

The Cabinet considered the report which presented the financial position for the second quarter 2020/21. The report also presented the Treasury Management Mid-Year Review up to and including 30 September 2020. The report was introduced by J Gillespie, Chief Finance Officer.

The Mayor, on behalf of Cabinet, thanked J Gillespie and all staff for the remarkable achievement of ensuring that the programmes were on target despite all the challenges and the staff working from home.

Cabinet RESOLVED:

- i. To note the forecast budget monitoring position for the Combined Authority, as set out in paragraphs 1.2 through to 1.7;
- ii. To agree the distribution of the 75% Business Rates Retention Pilot surplus, as set out in paragraph 1.3;
- iii. To note the Treasury Management Mid-Year update position, as set out in paragraph 1.8; and
- iv. To note the Capital Monitoring position, as set out in paragraph 1.9.

122 **2021-2025 NTCA BUDGET PROPOSALS**

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

The Cabinet considered the report which proposed, for consideration, the initial draft budget for the North of Tyne Combined Authority for 2021/22 and the medium-term financial plan for the period 2022/23 to 2024/25.

The report outlined the draft budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget and the new Brownfield Housing Fund.

The report also outlined the context within which the budget proposals had been prepared in relation to COVID-19 and the delay of the Comprehensive Spending Review.

As the North of Tyne Combined Authority was the accountable body for the North East Local Enterprise Partnership (LEP), the report also included proposals for the North East LEP accountable body budget.

The report was introduced by J Gillespie, Chief Finance Officer.

The Mayor, on behalf of Cabinet, thanked J Gillespie and the team for their work.

Cabinet RESOLVED:

- i. To agree the draft Corporate Budget for 2021/22 as set out in paragraph 1.1 of the report, which would then be subject to consultation with the Overview and Scrutiny Committee;
- ii. To agree the draft Investment Fund as set out in paragraph 1.2 of the report, which would then be subject to consultation with the Overview and Scrutiny Committee;
- iii. To agree the draft Adult Education Budget as set out in paragraph 1.3 of the report, which would then be subject to consultation with the Overview and Scrutiny Committee;
- iv. To agree the Brownfield Land Programme Budget as set out in paragraph 1.4 of the report, which would then be subject to consultation with the Overview and Scrutiny Committee;
- v. To note that the Tyne and Wear levies would be issued on the 15th February 2021;
- vi. To agree to hold the reserves set out in paragraph 1.5 of the report; and noted that the Chief Finance Officer would continue to keep the level of resources under review as the Authority continued to develop and new information became available about the financial risks facing the Authority's arrangements for managing risks; and
- vii. To note the North East LEP Accountable Body Budget, as in paragraph 1.6 of the report.

123 **APPOINTMENTS**

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

The Cabinet considered the report which invited it to confirm several member appointments. The report was introduced by J Softly, the Monitoring Officer.

Cabinet RESOLVED – That the following changes be confirmed:

- i. Joint Transport Committee – Cllr Sanderson as member and Cllr Dodd as substitute;
- ii. Housing and Land Board – Cllr Renner-Thompson as the rural area representative;

- iii. North East LEP – Cllr Sanderson as NTCA’s observer at the North East LEP Board and Cllr McCarty as NTCA’s representative on the North East LEP’s Skills Advisory Panel;
- iv. Transport for the North – Cllr Sanderson as NTCA’s substitute member; and
- v. The designation of Paul Hanson as the Head of Paid Service be extended until the 2021 Annual Meeting.

124 **DATE AND TIME OF NEXT MEETING**

Tuesday, 26 January 2021 at 2pm.



Subject: Employability and Inclusion Portfolio update – *In their own words*
Report of: Head of Inclusive Growth
Portfolio: Employability and Inclusion

Report Summary

Our region has many challenges to overcome. The COVID-19 pandemic has led to an economic shock that is unprecedented in its size and speed and we are starting to see the economic effects of the crisis escalate. The pandemic has made existing high youth unemployment and high adult worklessness more acute in our region. Ninety-seven percent of our businesses have been impacted by the crisis and a significant proportion of our residents are reliant on employment in sectors most impacted such as retail, culture, leisure and tourism.

It is too early to be able to accurately predict the ultimate impact but the need to ensure our residents have the right skills and support to get a good job and progress in work, and that employers have access to an adaptable, resilient and skilled local workforce has never been greater.

The North of Tyne Combined Authority believes in opportunity for all and the Employability and Inclusion Portfolio is focussed on removing the barriers which make it difficult for people to take up employment and training opportunities. We want to empower our people with the skills and resources they need to take ownership of their futures and secure good jobs with fair living wages.

This report provides an update on the Employability and Inclusion portfolio projects which have launched during 2020, detailing the positive impact they are making to the lives of our residents, through quotes, case studies and videos – *in their own words*.

Ongoing dialogue with residents, partners and stakeholders forms a fundamental part of how we respond to the needs of our area. Co-creation is at the heart of our planning and we will continue to learn and adapt to ensure everyone has a stake in our region's future.

Recommendations

The Cabinet is recommended to note the progress and positive impact which the projects in the Employability and Inclusion portfolio are making to the lives of our residents.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 A key element of an inclusive economy is ensuring that our residents have access to work, but also to 'Good Work' that provides amongst other things security, skills, progression opportunities, a decent standard of living, promotes health and well-being and helps to ensure that the North of Tyne area is productive and thriving.

The NTCA has been working with employers and other key stakeholders to understand what Good Work looks like and how we as a Combined Authority can promote and reward employers that are offering the main elements of Good Work.

1.2 Good Work Pledge

- 1.2.1 NTCA has co-developed the Good Work Pledge, which enables employers to understand the key elements of Good Work, what they can do to achieve this for their employees and what support is available to help them get there. It is not a formal accreditation or award, but it instead represents a set of five pledges that businesses can work towards, support and receive recognition for.

The Five Pillars of Practice



Promoting Health and Wellbeing

You provide a safe working environment, and provide opportunities for your people to develop healthy lifestyles, especially positive mental health.



Developing a Balanced Workforce

You invest in training and progression for employees – planning for now and for the future. Inclusiveness and equity are central to your work.



Valuing and Rewarding your Workforce

You pay a fair wage, offer extra benefits and provide security and job fulfilment for your people wherever possible.



Effective Communications & Representation

You promote trust and fairness by valuing and listening to your employees, and involving them throughout the organisation.



Demonstrate a Social Responsibility

You contribute to our area by buying locally, thinking green and supporting your people to 'give back' through volunteering or community action.

- 1.2.2 A Good Work Pledge launch event took place in November 2020 with 97 participants. A number of applications are either approved or in development and **Appendix 1** provides details of some of the organisations who have joined us so far and here is a video of some early adopters <https://www.youtube.com/watch?v=A2ZRMQHZESg>

“We want people who work for us to have the opportunity to reach their potential, so signing up to an initiative which recognises this was a step in the right direction,” Unisus.

1.3 Inclusive Economy Board

- 1.3.1 The NTCA Inclusive Economy Board (IE Board) was launched in March 2020 and advises the NTCA Cabinet on inclusive economy interventions across the North of Tyne area, championing the NTCA Vision and supporting the area to become a national exemplar in inclusive growth.

- 1.3.2 Independently chaired by the Right Reverend Christine Hardman, Bishop of Newcastle and including membership at senior level from business, local government, central government, civil society and experts in inclusive and economic growth, the IE Board provides robust governance for a strategic approach to better integrate and strengthen education, skills and employment interventions in order to improve local education and employment outcomes for North of Tyne residents.

- 1.3.3 The IE Board provides oversight of the jointly developed Employment Framework Agreement between NTCA and the Department for Work and Pensions (DWP). Approved in October 2020, the Framework will make a significant contribution to creating an inclusive economy, focussed on coordinating employment, skills and health services to move more people into good work.

“In March, I was made chair of the North of Tyne Inclusive Economy board. It’s a role I was proud to adopt. The North of Tyne Combined Authority created the Inclusive Economy Board to find new ways to raise opportunity through work and training for people in Newcastle, Northumberland, and North Tyneside, whatever their circumstances.

By doing this, and by working together across the public, private and voluntary sectors, we will help create the more fair – and green – economy that we want to see flourish in our region. Crucially, the board is about doing not discussing: it’s about driving forward real change to move us further, faster towards our goal of creating a fairer and more inclusive economy here.”

The Right Reverend Christine Hardman, Bishop of Newcastle and independent chair of The North of Tyne Inclusive Economy Board

1.4 Adult Education Budget devolution

- 1.4.1 A significant contribution to this ambition has been in the successful devolution of the Adult Education Budget (AEB) which went live in August 2020. This has allowed us to ensure that over £23million every year is being invested in the skills development of our residents to move them closer to, into and progress in work, matching skills to the jobs in our area. We have developed the North of Tyne AEB Skills Plan to provide the area with a strategic approach to skills development, and we are also maximising the benefits of a devolved fund, responding swiftly to the COVID-19 crisis. Providers are working in extremely challenging circumstances and we are providing stability and flexibilities where possible to ensure that delivery is maintained throughout and beyond the current crisis.
- 1.4.2 Providers have implemented innovative plans to ensure delivery of the devolved AEB continues during the COVID-19 crisis. This has included transferring provision on-line, supporting vulnerable learners through one to one video calls and where classrooms have been able to open, delivering to groups of learners with effective safety measures in place.
- 1.4.3 Up to the beginning of November 2020, AEB has supported 8545 enrolment opportunities undertaken by North of Tyne residents aged 19 and above. We have already received much feedback on how this funding is making a positive impact to people's lives and we have case studies from a number of residents providing us with 'their story' on how the courses they are taking are building their confidence and skills, and supporting them on their next steps.
- 1.4.4 **Appendix 2** provides a case study of how a local skills provider has supported a North of Tyne resident to overcome complex barriers and gain the right skills to secure a job.
- 1.4.5 Additional video case studies from residents on AEB funded courses from across the area are also available in the 'news' section of the NTCA website, describing how, in their own words, the course has supported them to gain the skills and confidence to flourish. <https://www.northoftyne-ca.gov.uk/news/business-guru-puts-adult-learners-on-the-path-to-success/>
- 1.4.6 Further details of how NTCA have re-positioned AEB to support the area during the crisis and into recovery can be found in the AEB Cabinet reports tabled over the last few months. A paper will also be brought to Cabinet early in the new year providing a detailed update on the devolved AEB investment and impact to date.

1.5 Inclusive Economy Innovation Fund

- 1.5.1 In April 2019 Cabinet agreed that up to £12 million could be allocated from the NTCA Investment Fund to prioritise innovative inclusive economy investment activities. In October 2019 Cabinet approved the Inclusive Economy Innovation Fund (IEIF) priorities for investment, as part of suite of measures to support the delivery of an inclusive economy. This included prioritising people and groups which traditionally experience social disadvantage and economic exclusion, primarily:
- residents who are out of employment;
 - in-work, low-earning individuals;
 - individuals with low skills;
 - young people not in education, employment or training (NEET).
- 1.5.2 The £12 million allocation approved by Cabinet will be used to attract co-investment with an ambition of achieving a ratio of 3:1 leverage on the NTCA commitment. The principles of the Fund are agreed as
- impact at scale: creating a Fund which can go further, faster
 - innovation: in both structure and delivery
 - citizen engagement: co-developing the fund with our residents and their representative groups

- business engagement: creating a natural place for conversations about new economic and investment models to take place.

1.5.3 NTCA has already signalled its intent with early investments in, and support for a number of projects, which are already making a positive impact to the lives of our residents and act as demonstrators to how the NTCA inclusive economy ambitions will be realised over time. Some of these projects, and the positive impact they are making, are described below.

1.6 Return to Work - Carers

1.6.1 NTCA is working in partnership with 3 charities - Newcastle Carers, Carers Northumberland and North Tyneside Carers Centre - to support 450 carers in their journey to paid employment over the course of a 2-and-a-half-year 'Return to Work – Carers' pilot. This innovative pilot launched in April 2020 just as the COVID-19 pandemic began to take hold across the UK. Early days of project delivery included developing virtual methods of communication and establishing the project against the backdrop of extreme changes in the economy and in the lives of carers.

1.6.2 To date this programme has supported 43 residents with current or recent experience of unpaid caring responsibilities with 9 moving into employment and a further 5 securing a place in education or training.

1.6.3 Although engagement with residents has been slower than anticipated due to the impacts of COVID-19 such as lockdowns and social distancing, the project is already making a positive difference to those individuals involved.

1.6.4 A case study has been provided in **Appendix 3** which details one of our young carers who, following the support offered by this programme over the last few months has secured a Traineeship placement through a local training provider.

1.6.5 In December 2020, North Tyneside Carers Centre held a focus group to hear feedback on project experiences to date. Whilst the remote support was felt to be strange at first there were reports that the lack of travel for appointments was good, it saved time and stress. Although it was also recognised that face to face support is important for people who can feel isolated. What carers really appreciate about the project was the non-judgemental and flexible approach.

“We can take as much or as little as we want from the project and it is great that there is no pressure.” Participant on the NTCA Return to Work – Carers pilot.

The focus group identified that carers have a lot to bring to the workplace from their experience of caring, including resilience. However, it was also recognised that many employers would benefit from information about the challenges carers face and how best to support them in the workplace.

The carers highlighted that before practical support and skills building can be useful or effective there is a need to help people rediscover their confidence and self-esteem which can be eroded by the multiple demands of being a carer.

“The project has given me the support to access online education and I’m now doing English and IAG qualifications. It is free and my adviser helped me get a grant for the laptop. My confidence has really improved and it is good to know the adviser is always there and regularly checking in with me. Just knowing people are there makes all the difference. I’ve come such a long way and benefited from having this time for myself.”

Participant on the NTCA Return to Work – Carers pilot

1.7 North of Tyne Digital Inclusion Scheme

1.7.1 The Digital Inclusion scheme is designed to prioritise support for residents who are deemed most in need of support, because of the impacts of COVID-19. The pandemic has significantly disrupted face-to-face delivery services. Residents without access to a suitable device and internet connection are locked out and facing further disadvantage.

1.7.2 The scheme aims to support 4 specific cohorts:

- school children, initially from school years 6 and 9, to enable them to continue their education;
- adults in education funded by the NTCA devolved Adult Education Budget;
- unemployed adults who were previously accessing employability provision but are now unable to access the services and;
- care homes, to enable their residents to connect with family and services and to maintain their mental wellbeing. Staff in care homes can also benefit from this connectivity while at work, supporting their residents and keeping their own digital skills up to date.

1.7.3 Delivered through our three constituent local authorities, the North of Tyne Digital Inclusion Scheme aims to support 2675 residents by the time of its conclusion in June 2021.

1.7.4 At the time of writing this report (early December 2020) it is known to NTCA that 429 residents have benefitted from the scheme with many more expected to access devices throughout December and January.

1.7.5 Feedback from wider stakeholders has confirmed this Scheme is a valuable intervention as the issue of digital exclusion continues to be exacerbated by the impacts of COVID-19.

1.7.6 Our project partners have released several press releases about the importance and impact of the project, two of which are attached in **Appendix 4 and Appendix 5**.

“We are thrilled to be giving our young participants the tools they need to stay connected and engaged at a time when jobs fairs, training opportunities and job applications are hosted online.” Dawn Barber, Newcastle United Foundation’s Business Network Manager

1.8 North of Tyne Working Homes

1.8.1 Using an innovative partnership between housing providers, housing associations, learning providers and local authorities, and part funded by the European Social Fund (ESF), this large-scale employment support pilot programme will help 1650 residents move closer to work.

1.8.2 The North of Tyne Working Homes project integrates employment coaches and other support workers as part of housing management teams to help residents find work, build their resilience and gain the skills they need to maintain successful tenancies.

1.8.3 Launched in April 2019, the programme has already supported 847 residents. Many of the residents supported face additional barriers to employment, including 370 residents with a disability, 207 aged over 50, and 121 of an ethnic minority. Despite the challenging economic conditions due to COVID-19 and having to suspend face-to-face support, the programme has, to date, enabled 194 residents to progress into education, employment or training.

1.8.4 Video case studies of the impact the North of Tyne Working Homes programme has had on residents are available through the NTCA website and provided below are quotes from two residents accessing support from the programme.

“With my adviser’s knowledge of the local business support on offer, I learned all about self-employment and how to set up and market my business and how to attract customers.”
Working Homes programme participant

“The adviser has supported me lots with accessing food, medication, citizens advice, bills and lots more. This support made a huge difference in our lives because I'm self-isolating

which means I can't go out, so it really helps me and I am so grateful and feel happy and cared for." Working Homes programme participant

"I would like to thank 'North of Tyne Working Homes' for their encouragement and belief in me. After redundancy I was put forward for several IT courses. I didn't know the first thing about IT and at 62 years old was a little worried! However, I felt really encouraged when I completed them and received certificates – something I never believed I was capable of."
Working Homes programme participant

"By running through a mock interview on Zoom with Evie I felt prepared and more confident for the real interview. I am over the moon I was offered the job!! I would recommend anyone in my position speaking to Working Homes. I would not have been able to do it without her. Thank you." Working Homes programme participant

1.9 Next steps

- 1.9.1 The activity mentioned throughout this report, and the ongoing evaluation and feedback we are gathering from participants, partners and stakeholders enables us to learn what's working well and acknowledge what isn't working so well and why. We are using this learning and insight to continue to co-create with residents, doing with and not doing to. Creating new opportunities to support and to ensure everyone has a stake in our region's future. The NTCA COVID-19 recovery plan is bold, building on the strong foundations we already have in place, and maximising our potential for growth.
- 1.9.2 In Summer/Autumn 2020 NTCA published a survey to seek the views of our young people (aged 16-25) in relation to the impact of COVID-19 on their current learning and work, and on their future aspirations.
- 1.9.3 A common thread across the survey results is a clear loss of confidence and increased anxiety caused by the economic instability.
- Those who aspired to enter apprenticeships or work this autumn revised their expectations to either return to education or to continue job-searching
 - Respondents identified a range of different interventions they felt would help them move towards a positive destination
 - The most frequently requested interventions were help with CVs and selection processes, and access to work experience
- "You need to help us. This GCSE mess isn't fair. It's not OK, I'm so worried about my future, feel like I've wasted 3 years of my life"**. Comment from NTCA Young People Survey
- "Please be careful. Futures are balanced, including mine"**. Comment from NTCA Young People Survey
- 1.9.4 NTCA are taking this valuable insight to inform the programmes we are putting in place to support our young people through this crisis and into recovery. Targeted support such as an Apprenticeship Hub, Youth Employment Partnership and acting as a Gateway for the Kickstart programme will all be launched in 2021, in addition to the targeted skills interventions ongoing from the Adult Education Budget.
- 1.9.5 We are committed to ensuring our residents have a voice in our future plans and will launch a Poverty Truth Commission in 2021. The North of Tyne Poverty Truth Commission will bring together community, civic and business representatives with people with experience of living in poverty. It will aim to better understand the specific effects of the COVID-19 pandemic for people living in Newcastle, North Tyneside, and Northumberland and come up with practical solutions.
- 1.9.6 The impact of the coronavirus crisis on people already struggling and the steps needed for economic recovery will be a central theme of the Commission's work.

“We want to better understand all the impacts of this crisis on people experiencing poverty so that our recovery as a region is for everyone” Cllr Joyce McCarty, Deputy Leader Newcastle City Council and NTCA Cabinet member for Employability and Inclusion

“Understanding the truth about the barriers and difficulties people face helps us develop lasting solutions. It’s about fixing the causes of poverty in the long-term.” Jamie Driscoll, Mayor of the North of Tyne Combined Authority

2. Potential Impact on Objectives

The activities set out above are underpinned by the NTCA Inclusive Economy policy statement and contribute to the NTCA Vision. In a time where residents are facing various and multiple challenges, the investments made by the Combined Authority are providing high quality and innovative provision that enables residents to navigate the difficult economic conditions and connect with the opportunities for learning and employment available in the North of Tyne.

3. Key Risks

No risks are attributed to the content of this cabinet paper

4. Financial and Other Resources Implications

Financial updates are included in the Financial Monitoring report on the same Cabinet agenda.

5. Legal Implications

None

6. Equalities Implications

For all the activities and investments above, NTCA has undertaken an appraisal of the implications for Equality at the time of decision. Each appraisal has been conducted in line with the expectations of the Equality Act (2010) and has been determined to positively contribute to furthering of equality in North of Tyne. As part of our programme management and performance management structures, we will continue to monitor the impact of our investments against these expectations and ensure that performance does not adversely impact our duties. No further decision is required for the purpose of this report.

7. Inclusive Economy Implications

As can be seen in the report, we have heard directly from residents about the ways in which they have benefitted from our investments. The current activities positively enhance economic inclusion for residents in North of Tyne. Each project has a purpose and focus which aligns with the Inclusive Economy Policy Statement and enables residents to meaningfully engage with, and benefit from economic growth. Specifically, the activities positively support:

1. Participation: many of the activities described remove barriers to learning and employment for residents who face disadvantage or wider challenges which have limited their opportunities for economic participation. Further, all our projects are delivered in community or residential settings, including in rural areas, intended to increase accessibility and engage residents in a space they feel safe.
2. Equity: our investments remove barriers for residents with multiple or complex barriers to participation, addressing inequalities for our most disadvantaged residents and closing the gaps between our highest and lowest areas. NTCA projects monitor the implications against equalities characteristics to improve our understanding of impact and ensure our programmes are accessible, inclusive and equitable.

3. **Stability:** by working partnership, NTCA ensure that our investments are made in areas where we add value to the current provision or seek to address gaps so that we do not displace or destabilise services for our residents. Further, our investments are made over a number of years to ensure that residents are provided opportunities which offer stability and continued support which gets to the heart of the issues identified.
4. **Sustainability:** whilst removing barriers to participation, our investments equip residents with the skills and resilience to better navigate future challenges which may exclude them from participating in our economy. In addition, NTCA are delivering our inclusive economy ambitions through our stakeholders and partners ensuring sharing of best practice and more coordinated, lasting change to services truly making North of Tyne the home of ambition.

8. **Climate Change Implications**

This report requires no further consideration in relation to Climate Change as projects are already live and implications were considered and embedded during development. Each activity has been individually appraised in relation to the implications towards climate change and no actions are outstanding.

9. **Consultation and Engagement**

Details of consultation and engagement have been provided throughout the content of the report

10. **Appendices**

Appendix 1. NTCA Good Work Pledge adopters

Appendix 2. The Cedarwood Trust Adult Education Budget case study

Appendix 3. NTCA Return to Work – Carers case study

Appendix 4. Newcastle City Council and Newcastle United Foundation Digital Inclusion press release

Appendix 5. Northumberland County Council Digital Inclusion press release

11. **Background Papers**

None

12. **Contact Officers**

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Head of Inclusive Growth

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13. **Glossary**

AEB	Adult Education Budget
DWP	Department for Work and Pensions
ESF	European Social Fund
IE Board	Inclusive Economy Board
IEIF	Inclusive Economy Innovation Fund
NEET	Not in Education, Employment or Training
NTCA	North of Tyne Combined Authority

Appendix 1: NTCA Good Work Pledge adopters

GOOD WORK PLEDGE LAUNCH

These are just some of the organisations joining us so far...

Logos included:

- North East England Chamber of Commerce
- Meadow Well Connected: The centre for our community
- citizens advice Newcastle
- inclusive growth network: Hosted by CPP
- VONNE: voluntary organisations' network north east
- acas: working for everyone
- Unisus
- 50 future
- RISE.
- BERNICIA
- TUC: Changing the world of work for good
- GOOD WORK PLEDGE
- Newcastle City Council
- North Tyneside Council
- Northumberland County Council
- #GoodWorkPledge
- NORTH OF TYNE COMBINED AUTHORITY

CEDARWOOD TRUST

Fighting Poverty, Supporting Community

Step Up Into Care Case Study

Lyndsey Newton's Journey



Lyndsey Newton is a local resident who resides within one of the poorest wards in North Tyneside and has experienced issues around getting a job due to complex barriers back into employment. Lyndsey is also a single mum to two young children aged 12 & 2.5 years.

Prior to her youngest child, Lyndsey worked as a care coordinator specialising in dementia, palliative care and much more. This was a career she worked from the age of 17.

When she fell pregnant with her daughter, due to her mental health conditions (Bi-Polar and anxiety) it was recommended she come off her medication due to the impact this could have on her pregnancy and because of this, Lyndsey stayed in the home throughout her pregnancy only attending hospital appointments which was fine for her, however, when she gave birth she struggled to go back outdoors as it caused her panic attacks and separation anxiety for both herself and child.

To overcome this difficult time, after seeing an advert for a cookery course at Cedarwood she built up the courage to call and ask for support in doing this course. She was overwhelmed by the support of the staff and her confidence and self-esteem started to increase which enabled her to join the mother and toddler group, which was another great achievement for her, mixing with a larger group.





In Her Words

"Cedarwood, I would say, has saved my life and totally helped me turn my life around and due to participating in this learning, this has enabled a fresh start in a new career for me.

Without Cedarwood and these courses, I would not like to think where I would be now with my mental health conditions and lockdown – I have really enjoyed doing the courses, and they have certainly helped me achieve my new employment position and I look forwards to continuing with the remaining modules – thank you very much".

Lyndsey Newton - September 2020

Back in her home, trying to manage as best she could with this, Lyndsey however faced a crisis not being able to purchase nappies and fresh fruit for her child and in her words had a 'melt down'.

She reached out to Cedarwood again who immediately helped her with these items and reached out to her on a weekly basis with support as Lyndsey did not have any family who lived locally.

As lockdown relaxed Lyndsey was encouraged to come back to Cedarwood, and she decided to participate in the 'Step up into Care' scheme.

Already successfully completing 3 of the course modules which were Challenging Behaviour, Care Planning and Well Being as part of the Parents plus early years child development programme.

Lyndsey's confidence and self-esteem increased through doing these courses that were taking her into a totally new direction for learning and potential career change.

From doing the courses Lyndsey has recently successfully started a 16-hour post at Cedarwood Trust this month (September 2020) working with young children and it is going very well.



For more information on the Nurture Nature Nourish scheme and 'Step Up Into Care' please visit:

<https://bit.ly/cedarwood-nurture-nourish-thrive>

**NORTH
OF TYNE**
~~~~~  
**COMBINED  
AUTHORITY**

## Appendix 3: NTCA Return to Work – Carers case study



## Case study: Return to Work – Carers

The Return to Work Carers Project has been designed specifically to support unpaid carers who wish to move closer to their employment goals. At just 18 years old Danny had been a carer for his younger brother since the age of nine. This had impacted on his education and although he secured a place at college, they were unaware of his caring responsibilities. Danny struggled to engage and his confidence and self-esteem were at an all-time low.

Upon referral to the project Danny's adviser spent a lot of time building a relationship of trust and exploring what support he needed and what would work better for him in terms of his academic experience. The adviser liaised with College to make them aware of Danny's high level of caring responsibilities, the negative impact this had on his well-being throughout his teenage years and requested additional support in college. The adviser then worked with Danny to explore a range of pathways including further study, traineeships, apprenticeships and employment.

Danny has since taken up a traineeship with Proactive Training which he is enjoying, and the tutors are very pleased with the quality of his work. In addition, his mother is coping much better with the care of his brother, which has reduced the impact of his caring responsibilities.

The support from Return to Work Carers has made a huge difference for Danny, he reports feeling happy in himself and has increased confidence and self-esteem. While the project provided Danny with practical support and skills building, what has been equally as important is that Danny knows his adviser believes in him and wants him to succeed in having the education and future employment opportunities he deserves.

(The young carers name has been changed for the purposes of this case study)

## Appendix 4: Newcastle City Council and Newcastle United Foundation Digital Inclusion press release



### **Newcastle United Foundation hand laptops to disadvantaged young adults struggling to stay connected without digital equipment**

**December 2020**

**Disadvantaged young adults keen to enter the world of work with support from Newcastle United Foundation are being given the IT equipment they need to explore employment, training and educational opportunities in the North East.**

Ten young people engaging with the Foundation's NE1 Works employability programme struggled to continue building on key skills or complete job applications without access to a computer at home during lockdown. Today, Foundation staff met with the group of 18 to 29-year-olds at St. James' Park to hand out laptops provided by Newcastle City Council and the North of Tyne Combined Authority's (NTCA) Digital Inclusion Fund.

The distribution of IT equipment comes as the Foundation prepares for construction work to begin on NUCASTLE – its new, state-of-the-art community facility championing excellence in education, employment, and physical and mental wellbeing.

Newcastle United Foundation received a £2.6 million grant from the NTCA last year to transform the way young people transition from education to employment through the charity's NU Futures initiative.

Once complete, thousands of schoolchildren and hundreds of young people can freely access high-tech digital hubs and innovative classrooms and meeting spaces, equipping them with the opportunities to become the next generation of skilled workers in the region.

Dawn Barber, Newcastle United Foundation's Business Network Manager, said: "We are thrilled to be giving our young participants the tools they need to stay connected and engaged at a time when jobs fairs, training opportunities and job applications are hosted online.

"Thanks to Newcastle City Council and the NTCA, this group will now be able to access our regular NE1 Works sessions online where we continue to support young adults into work at an incredibly challenging time for young people."

**Cllr Joyce McCarty, Cabinet Member for Employability and Inclusion at the North of Tyne Combined Authority and Deputy Leader at Newcastle City Council said:**

"Giving young people the tools and support to gain new skills has never been so important. Initiatives like this will make such a difference to young people and we were delighted to be able to provide laptops and connectivity, which for some will be life-changing.

"Through the North of Tyne Combined Authority's Digital Inclusion Fund, we aim to support 1,200 digitally disadvantaged people in Newcastle alone, who because of COVID-19 have been unable to access skills or training, due to buildings being closed and the lack of face-to-face provision. Our work with the Newcastle United Foundation is one example how we are reaching these people and helping them to move closer to the world of work.

“As well as this initiative the SkillsHub matches local people to job opportunities and training, with many of their partners making referrals into the Digital Inclusion Fund for job seekers who are digitally excluded. As a SkillsHub partner the Newcastle United Foundation are just one of several SkillsHub employability partners who have received this much-needed IT equipment.

“The success of these schemes like this, would not be possible without partners and providers coming together. The NE1 Works employability programme will create a better future for young people and help us to shape a more skilled and inclusive economy.”

NE1 Works is a project part-funded by the European Union Social Fund, supporting young people who are not currently in education, employment or training.

Participants develop personal and social skills on the programme through one-to-one support, targeted employer events, personal development workshops, job search and CV writing, as well as work placements and volunteering.

## Appendix 5: Northumberland County Council Digital Inclusion Press Release



Much-needed digital equipment is being rolled out across the county thanks to funding secured through the North of Tyne Combined Authority.

Over £200,000 has been secured to ensure around 800 people in care homes, those in employment support programmes, further or higher education and school children who have been disadvantaged due to COVID-19 will receive a digital device to help them connect with friends and family, learn or to simply get online.

Councillor Veronica Jones, Cabinet Member with responsibility for Adult Wellbeing said: "This funding will make a difference to a lot of people's social and emotional wellbeing and lives in general. Many of our care home residents have been disconnected from their family and friends and this will help them to reconnect and see those loved ones they have longed to see. But it will also support those adults who have found themselves in employment programmes due to the pandemic, or those trying to further themselves in education.

"I am so pleased that we are able to help residents in this way. We as a council are committed to providing what support we can during this difficult time, and this is another way in which we are able to do that."

Devices have been rolled out to 155 children and people in employment support programmes to date with the additional devices being delivered to those in need over the coming months.

One of Northumberland's young carers said: "The chance to loan a Chromebook would benefit me lots! It would be great for me to do my homework on and contact my friends.'

This year has encouraged more people to move online and to use digital devices in order to stay connected, learn, shop, work and even attend appointments. The more people who have access to these opportunities the better – both emotionally and mentally.

Councillor Guy Renner-Thompson, Cabinet Member with responsibility for Children's Services said: "We saw our youngest residents receive digital devices earlier in the year thanks to Department for Education funding, and that has made a huge difference to those children – the way they learn and connect. But this additional funding will mean so many more children and young people have access to devices – and that is our aim, to support as many children and young people through their learning journey as possible!"

The North of Tyne Combined Authority partners Northumberland, North Tyneside and Newcastle together to help narrow inequalities, create vibrant communities and provide a higher quality of life for all

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**Subject: Investment Fund Update**  
**Report of: Director of Economic Growth**  
**Portfolio: Economic Growth**

## Report Summary

The purpose of this report is to update Cabinet on progress made on the North of Tyne Investment Fund. This includes over £40 million of committed projects, which are expected to create 2732 jobs and draw in more than £100 million of private sector leverage. In addition, there are advanced plans to bring forward at least another £20million of activity in the next few months, which will create hundreds more jobs.

The report highlights progress on several of our significant programmes of investment. These include the £5 million COVID-19 Capacity Fund, which has already provided support, advice and guidance to 263 businesses, and employment and skills support to 349 residents – and continues to do so through the current national lockdown. Development work continues on proposals intended to support the subsequent COVID-19 economic recovery phase, with a focus on helping our businesses, social enterprises and Local Authorities to proactively innovate their business models and sustain jobs in sectors that have been hit by the crisis.

Since the last meeting of Cabinet, we have made two awards from our Brownfield Housing Programme. £2,948,000 of funding has been awarded to Scotswood Phase 2 to complete site development works to enable the construction of 243 homes in the next phase of delivery, while £500,000 has been awarded to Newbiggin Hall to enable the construction of 43 new homes.

Further progress has been made on the NTCA's Offshore Infrastructure and Digital Innovation programmes. Following a successful call for 'Expressions of Interest', several projects have been invited to develop full business cases to apply for NTCA funding.

Cabinet is recommended to approve £150,000 of funding to increase the number of apprenticeships for young people. This will complement our ambitious programme of support for young people, which the NTCA is co-developing with the Department for Work and Pensions.

The report highlights to Cabinet that partners across the region are developing a bid to Government's Freeports competition.

## Recommendations

The Cabinet is recommended to:

1. Note progress to date on the Investment Fund, achievement of key milestones and ongoing development work, particularly in respect of defrayed expenditure and achievements in terms of tangible jobs for residents as a direct result of our investment.
2. Note progress in relation to the Digital Ecosystem and Offshore Infrastructure programmes, with a number of projects asked to develop full business cases for NTCA funding.
3. Note progress to operationalise the North of Tyne Brownfield Housing Fund, including funding having been awarded to the first two schemes.
4. Agree an allocation of £150,000 from the Inclusive Economy Innovation Fund for the creation of the North of Tyne Apprenticeship Hub, and delegate authority to the Director of Economic Growth, in consultation with Investment Panel, for subsequent decisions regarding procurement of services.

## 1. Background Information, Proposals and Timetable for Implementation

### 1.1 Background

1.1.1 The North of Tyne Investment programme was established to support growth and job outcomes as outlined in the Devolution Deal. It is shaped by the Economic Vision agreed by Cabinet and includes a growing portfolio of investments designed to benefit people, places, businesses and the economy across Northumberland, North Tyneside and Newcastle.

1.1.2 In the past year, Cabinet has made significant headline allocations to support key sectors, including around clean growth, digital and culture and creative. The impact of the pandemic has further increased the need for this investment; this report includes an update on how we have accelerated delivery across several of our programmes with a focus on recovery. It also provides an overview of progress to date and a forward look at upcoming priorities for the fund.

### 1.2 Investment Fund progress to date

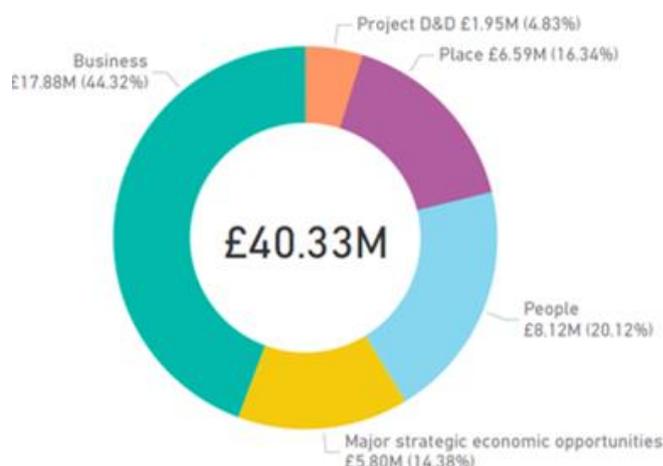
1.2.1 The Investment Fund programme is firmly under way. £40m of projects covering a broad range of projects across all portfolio areas have been 'legally committed', meaning that contracts have been agreed with delivery underway (figure 1). There are also advanced plans to bring forward at least another £20 million of activity in the next few months, including projects which will support growth of the digital and offshore sectors, together with broader programmes of support to businesses and residents through this challenging time.

1.2.2 In recent months, we have seen a significant increase in defrayed expenditure, and more importantly in the outcomes projects are reporting. This includes the recruitment of people into new employment opportunities created as a direct result of our investment, including into new businesses which have been attracted to the area.

To date the Combined Authority has achieved:

- A commitment of £40.33 million against 48 projects – out of a total programme value of £90 million to March 2023
- Defrayal of £2.3 million of expenditure
- These projects will attract £104.56 million of private sector investment and are forecast to deliver 2732 jobs and 1782 safeguarded.
- 70 new jobs have already been secured at our first major inward investment project while other projects have safeguarded 415 jobs.

**Figure 1: Investment Fund, committed projects which are under way**

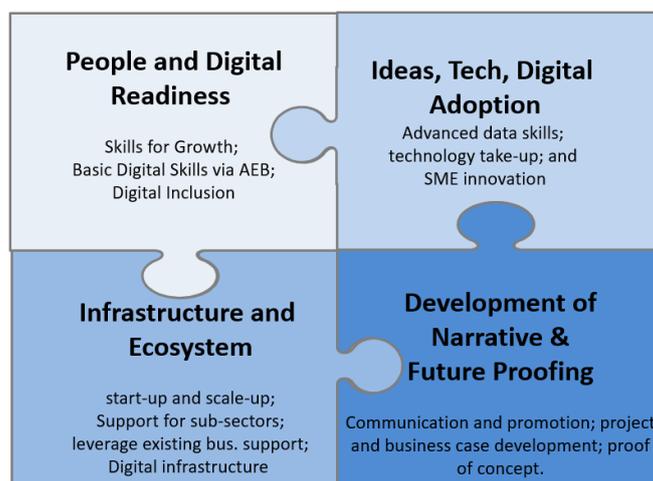


- 1.2.3 Continued progress is being made across our programmes, including in our response to COVID-19. The £5m North of Tyne COVID-19 Capacity Fund was agreed in March 2020, with the objective to support businesses, VCS organisations and residents in their response to the COVID-19 pandemic – aligned to national Government support but helping to fill gaps in provision. So far, 263 businesses have received support, advice and guidance, safeguarding 416 jobs. In addition, 349 residents have received intensive employment-support and skills, helping them on their journey back into work. The programme is also providing assistance to the Voluntary and Community Sector, including helping a number of venues to remain operational, while 461 residents have been supported into volunteering.
- 1.2.4 In November, Cabinet approved £10 million of funding to support post-COVID-19 economic recovery – for innovations that will make a difference now, and that will leave a legacy that lasts beyond the immediate crisis. Cabinet delegated authority to the Interim Head of Paid Service, in consultation with the Mayor and Investment Panel, to agree the delivery arrangements for our *Recovery Innovation Deal* and to make subsequent Investment decisions. Since then, the NTCA has been undertaking detailed co-design on this programme with our constituent local authorities, VCS and business representative organisations on how best to support the recovery phase – with the intention to have a programme in place to support the period when COVID-19 restrictions have eased.
- 1.2.5 These projects are complementing existing initiatives, including our £10 million Inward Investment Fund which is helping us to attract new firms to the North of Tyne area and allow them to grow and thrive. This Fund is aimed at creating new jobs which otherwise wouldn't exist in the area. The first successful project, the Global security firm Verisure, is now firmly up and running at Quorum with an ambition to ultimately create 1000 jobs. The NTCA is also currently in advanced discussions with several other potential inward investors; although the details remain confidential, these have the potential to create well over 1000 new jobs. These projects will follow on from commitment by Britishvolt, which has chosen Blyth to be the site of the UK's first battery 'gigaplant', which will ultimately have the capacity to produce 300,000 batteries each year, employing 3000 people directly and up to a further 5000 in their supply chain.
- 1.2.6 This report also includes an update on the results of our Digital Ecosystem and Offshore Infrastructure calls, where a number of projects have been invited to submit full business cases following submission of 'Expressions of Interest', together with the first project approvals from our Brownfield Housing Fund.

### **1.3. Digital Ecosystem**

- 1.3.1 In January 2020, Cabinet approved an approach to driving growth, skills and connectivity within the North of Tyne's digital economy. This set out the role of the NTCA as convening, enabling collaboration, unlocking collective potential and investing in areas where we can realise whole-region benefits. The key themes of our Digital Innovation and Growth Programme are set out in Figure 2 overleaf.

Figure 2: the NTCA Digital Innovation and Growth Programme



1.3.2 We have made good progress in delivering against these themes, including:

*People and Digital Readiness:*

- Helping to reducing the digital divide through digital inclusion, by investing £600,000 in the provision of over 1200 devices and paying for broadband connectivity. This will support continued education, work and work search and social connection for digitally excluded residents.
- Providing basic digital skills through the devolved Adult Education Budget, creating over 4000 enrolment opportunities for digital skills this academic year.

*Infrastructure:*

- We have already secured £12 million from Government to support fibre internet connections to over 300 local authority and wider public buildings across the region, drastically improving the speed and reliability of digital connections across the entire area.

*Ideas, Tech and Digital Adoption:*

- Supporting small businesses to improve their digital presence and aid SME innovation using emerging and advanced digital technologies; an initial investment has been agreed, supporting over 230 SMEs.
- Unlocking the power of data for businesses and the wider public sector through investment in National Innovation Centre for Data to support companies to make better use of their data.

1.3.3 The next phase of this programme is about supporting the sector's wider ecosystem and strengthening promotion of the sector. The NTCA launched a call for 'Expressions of Interest' (EOI), with a value of up to £5 million to help meet this gap. The proposals received have been considered by Investment Panel and eight have been selected to proceed to full business case, including projects which will support inward investment; attract talent to meet skill gaps; encourage the development of start-up and early-stage digital/tech businesses; support the growth of digital clusters and sub-sectors; and encourage mission-driven innovation and growth. Together, the projects will provide a coherent system of support for companies seeking to get established and grow in the area and build on investment by national Government and through the NE Growth Hub.

## 1.4 Offshore infrastructure

1.4.1 Energy is a major sectoral strength of the North of Tyne area, with companies based on offshore energy, subsea and marine technologies currently supporting thousands of jobs. The majority of these companies are located in an 'arc' stretching from Newcastle along the Tyne and up the coast to Blyth and are part of a strong North East wide cluster. The strength of this cluster has been built on nationally significant quayside and port infrastructure, complemented by a deep skills base together with increasingly strong R&D and innovation capabilities.

- 1.4.2 The offshore wind sector provides a game-changing economic opportunity for the area. Given the scale of opportunity, but also the scale of investment needed to realise it, NTCA has agreed a headline investment fund allocation of £25 million up to 2028 for the entire programme (including the innovation and infrastructure components), approving the initial £12 million until 2022/23. The intention is that this funding will help catalyse both private sector investment and national Government resources.
- 1.4.3 In July, the £3.4 million Offshore and Subsea Technology Innovation programme was agreed, to be delivered in partnership with ORE Catapult. The programme is now live, with support available to assist with market entry, technology transfer and supply chain advice, accelerate new products and services. This is an exciting time for the sector in the region, with the offer firmly focused on putting our companies ahead of the curve.
- 1.4.4 Running in parallel to the Technology Innovation Programme is the Offshore & Subsea Infrastructure Programme. In total, £6.5 million remains available for investments up to March 2023. This programme is intended to support the development of a robust pipeline of investable propositions with a focus on improving infrastructure, in ports and quays, and in demonstration and research opportunities, together meeting the needs of the offshore wind and subsea supply chain.
- 1.4.5 An 'Expressions of Interest' Call for projects was opened for Offshore & Subsea Infrastructure projects, with a closing date of 2 November, with 3 projects selected to proceed to full business case. Once complete, these projects will help unlock strategic sites through interventions including: quayside works, land remediation and development of heavy load route access. Together, they will strengthen the region's ability to secure further investment from the Offshore Wind supply chain, helping drive business growth and the creation hundreds of jobs. Overall, the aim of the Expressions of interest call, and the subsequent strengthening of proposals, is to build a much more robust pipeline for offshore & subsea infrastructure investment, which will in turn help make the case for and secure additional investment into the region. NTCA is approaching this as an iterative process to collectively develop the pipeline of proposals - some of which can be supported with NTCA funding. The proposals not selected to progress to full business case for NTCA funding at this point will receive detailed feedback and have the opportunity to refine and amend their proposals in advance of the next Expression of Interest Call, scheduled to take place in Spring 2021.

## **1.5 Brownfield Housing Fund**

- 1.5.1 The North of Tyne Devolution Deal set out ambitions to accelerate the delivery of new housing and to work collectively to maximise the potential of new infrastructure to support innovative models of delivery. The Housing and Land Board – chaired by Mayor Norma Redfearn in close partnership with Homes England and a range of local and national stakeholders – has overseen early progress towards these outcomes over the last 12 months.
- 1.5.2 In April 2020, NTCA Cabinet agreed a forward plan - 'Unlocking Sustainable Future Homes Through Collaboration' – which set out the approach to housing and land with co-collaboration and co-design at its heart. While in July 2020, the NTCA secured £23.85 million from Government's £400 million national Brownfield Housing Fund. The funding is intended to support the development of at least 1,500 new homes, by remediating and revitalising brownfield sites across the North of Tyne area. In addition, NTCA secured £550,999 in revenue funding to support the acceleration of delivery in the earlier years of the programme. The Brownfield Fund is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach. Different funding streams and partnership arrangements will be used to best meet priorities across the area, allowing the Combined Authority and the wider partnership to take a long-term strategic approach to supporting housing and economic recovery.
- 1.5.3 The first 14 schemes have now been accepted onto our Brownfield Housing Fund Programme, meaning that they have been invited to develop full business cases. These schemes had been considered by the Housing and Land Board in October, agreed by the NTCA Investment Panel and subsequently approved by the Interim Head of Paid Service. This followed a process of evaluation of a long-list of proposals brought forward by the Local Authorities.

1.5.4 The first two schemes from the Brownfield Housing Programme – Scotswood Phase 2 and Newbiggin Hall – have now submitted their businesses cases, which have been externally appraised and considered by NTCA in line with the Assurance Framework. Since the last Cabinet Meeting, the Head of Paid Service has approved both projects:

- £2,948,000 of funding has been approved for Scotswood Phase 2, to complete a number of site development works to enable the next phase of housing delivery to come forward. This scheme will unlock 243 homes. Overall, the programme of works will cost £3,184,000 and includes pedestrian links and crossings, highways works, drainage and the construction of retaining structures to overcome the site's topographical challenges. Without funding to deliver these works, this housebuilding will be unviable, also putting the objectives of the masterplan, including the delivery of a further circa 1,300 homes in the remaining 4 phases, at risk.
- £500,000 of funding has been awarded to Newbiggin Hall, to enable the construction of 43 new homes with wider benefits for the Newbiggin Hall neighbourhood. The homes will be available through a range of affordable housing options including shared ownership and rent to buy. The scheme will also ensure that local residents, particularly those living in Trevelyan Court and the new Karbon Homes units, have suitable pedestrian connections for access to the retail and the new doctor's surgery, with improved public realm. The NTCA funding will be used for the demolition and clearance of the existing neighbourhood centre at Newbiggin Hall, along with ground remediation, infrastructure works and landscaping.

## 1.6 Apprenticeship Hub

1.6.1 The NTCA's vision is to create a more inclusive and dynamic economy where every resident owns their own future. The NTCA aims to achieve this vision through a range of evidence-based, strategic investments combined with additional devolved powers. The COVID-19 pandemic has fundamentally changed what education and employment opportunities look like, and how people engage in work and learning. Young people have been hit harder by the economic downturn than other age groups, with more losing their work and significant reductions in the number of apprenticeship starts and other new opportunities.

1.6.2 In September, the NTCA agreed to play a leading role in supporting young people through the development and co-delivery of the national Youth Hubs and Kickstart programmes. These are intended to help young people build their skills in and out of the workplace and to allow them gain experience that will improve their chances of going on to find long-term sustainable work. The NTCA has agreed to become a Representative/Intermediary for the Kickstart scheme, helping smaller employers to create new 6-month job placements for young people who are currently on Universal Credit and at risk of long-term; unemployment. Subject to business case, the NTCA has also agreed to co-invest with DWP in Youth Hubs, which will provide both a physical presence and a digitally co-ordinated system of 'end to end' support for all young people in the area.

1.6.3 Apprenticeships are also an important part of the skills, education and employment landscape, providing routeways for people to gain valuable qualifications alongside work experience. Apprenticeship starts have continued to decline with changes to national policy and funding. The COVID-19 pandemic has only worsened these figures and many employers and residents are missing opportunities for learning and growth.

1.6.4 The NTCA is developing proposals for an online apprenticeship hub, which will connect residents, employers, parents, carers and careers advices. Although the initial focus will be on young people, if successful, the hub could be rolled out to support residents of all ages. Through the creation of an online apprenticeship hub, the NTCA can ensure equal access to apprenticeship advice and guidance, and access to vacancy information enabling all residents to make informed decisions about their futures. In addition, the platform will enable businesses to better understand and access national apprenticeship funding information to support business growth.

1.6.5 Cabinet is asked to delegate authority to the Director of Economic Growth – working in consultation with the appropriate Cabinet Member, Mayor and Investment Panel – to develop the business case and subsequently commission the creation of a digital platform which will better connect young

people and employers, to make apprenticeships more accessible. Cabinet is asked to approve funding of up to £150,000 for this platform. This would position the NTCA as the first combined authority with an end-to-end digital solution that enables young people to connect with employers. In the future, we expect this platform to have value beyond the scope of apprenticeships and to also help young people and employers connect to inform career opportunities.

## **1.7 Freeports**

1.7.1 On 16<sup>th</sup> November, Government announced a competition to select 7 Freeports across England, setting the objectives to:

- a. establish Freeports as national hubs for global trade and investment across the UK
- b. promote regeneration and job creation – our lead policy objective
- c. create hotbeds for innovation

1.7.2 The UK's model of Freeports includes both 'customs' and 'tax' sites. Under this model, goods that enter the region through a participating port could be registered and moved along a predetermined transport corridor to a customs site in the region, with businesses only paying import duties on goods which leave the customs site for the rest of the UK. Businesses located on tax sites experience financial benefits in an approach similar to Enterprise Zones, but in this case employers pay reduced National Insurance Contributions, as well as reduced business rates. A NE Freeport has the potential to create thousands of jobs, by reducing costs and thereby helping attract globally mobile inward investors – while some existing businesses could benefit from the knock-on impact of reduced supply chain costs.

1.7.3 Partners across the region – including the local and combined authorities, the NELEP, universities, innovation organisations, CBI, local entrepreneurs, North East ports and Newcastle Airport are developing proposals, based on key assets in the region. These proposals remain in development, ahead of submission to Government on 5<sup>th</sup> February, and a verbal update on progress will be provided at the Cabinet meeting.

## **2. Potential Impact on Objectives**

Programme delivery as described in the report is consistent with the priorities set out in NTCA's vision.

## **3. Key Risks**

Programme risks are managed in line with agreed processes and Individual project risks have been considered as part of the application and appraisal process.

## **4. Financial and Other Resources Implications**

A total allocation of £150,000 is requested from the Investment Fund; a financial profile will be agreed as part of the delivery arrangements which will subsequently be considered by Investment Panel. Like other funding which has been approved by the Combined Authority, project spend will be validated and reported to Cabinet as part of the regular quarterly monitoring report.

## **5. Legal Implications**

The Interim Monitoring Officer's comments have been included in this report.

## **6. Equalities Implications**

Equality impact assessments are undertaken for all funding requests in accordance with the agreed process.

**7. Inclusive Economy Implications**

The inclusive economy case is assessed on an individual project basis as part of the assessment process and is embedded within the Investment Fund criteria.

**8. Climate Change Implications**

Climate change implications are assessed on an individual project basis as part of the assessment process. The activity described within this report is considered to positively support the climate change priorities of the Combined Authority, particularly by supporting the development of the Offshore Wind sector.

**9. Consultation and Engagement**

Stakeholders have been fully engaged in the development of the project proposals and as far as possible wider engagement has been sought in the development and market testing of open calls

**10. Appendices**

None

**11. Background Papers**

None

**12. Contact Officers**

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**13. Glossary**

|      |                                  |
|------|----------------------------------|
| NTCA | North of Tyne Combined Authority |
| SME  | Small to Medium Enterprise       |



**Subject: 2021-2025 NTCA Budget Proposals**  
**Report of: Interim Chief Finance Officer**  
**Portfolio: All**

## Report Summary

The purpose of this report is for Cabinet to approve the budget for the North of Tyne Combined Authority (NTCA) for 2021/22, and the medium-term financial plan for the period 2022/23 to 2024/25. The report will present the budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget and the new Brownfield Housing Fund. The report also outlines the context within which the budget proposals have been prepared in relation to COVID-19 and the delay of the Comprehensive Spending Review (CSR). The draft budget proposals were brought to 24 November Cabinet, the only substantial change to the budget since this date is the Mayoral Capacity Funding for 2021/22 (£1.000m) announced as part of the provisional Local Government Finance Settlement. There continues to be no additional cost to local taxpayers or local authorities in the current budget proposals.

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

## Recommendations

The Cabinet is recommended to:

1. Agree the Corporate Budget for 2021/22 as set out in paragraph 1.2 taking into account comments made by Overview and Scrutiny Committee.
2. Agree the Investment Fund as set out in paragraph 1.3 taking into account comments made by Overview and Scrutiny Committee.
3. Agree the Adult Education Budget as set out in paragraph 1.4 taking into account comments made by Overview and Scrutiny Committee.
4. Agree the Brownfield Land Programme Budget as set out in paragraph 1.5 taking into account consultation with Overview and Scrutiny Committee
5. Agree the Tyne and Wear levies approved that will be issued on the 15<sup>th</sup> February 2021
6. Agree to hold the reserves set out in paragraph 1.6 and note the Chief Finance Officer continues to keep the level of resources under review as the Combined Authority develops and new information becomes available about the financial risks facing the Combined Authority arrangements for managing risks.
7. Note the North East LEP Accountable Body Budget, paragraph 1.7
8. Agree the Treasury Management Strategy as set out in paragraph 1.8 and Appendix B

## **1. Background Information, Proposals and Timetable for Implementation**

### **1.1. Introduction**

- 1.1.1. The budget and medium-term financial plan has been developed within the context of the strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the Combined Authority's strategic plans can be delivered within the financial resources available.
- 1.1.2. In developing these budget proposals, the Mayor and Cabinet have been clear in their approach to ensuring the North of Tyne Combined Authority is a lean organisation. The budget proposals include the anticipated capacity required to deliver the ambition of the Combined Authority. In the light of increasing numbers of projects and programmes, this has included recruitment, capacity management and retention of a competent, productive and collegiate workforce with the aim of creating a long-term staffing plan. The organisation may grow in the future and that will be based on a set of consistent set of agreed principles appropriate for the Combined Authority.
- 1.1.3. The 2021/22 Budget has been prepared in exceptional circumstances. Nationally, the Comprehensive Spending Review (CSR), which sets out the Government's spending plans over the next three years, was delayed, a one-year spending round was announced by the Chancellor on 25 November 2020. The Combined Authority's request for further devolution was clearly set out in the submission to the CSR however, there was no firm response on this matter.
- 1.1.4. When the 2020/21 Budget and MTFP were agreed in February, nobody could have predicted the financial impact of the COVID-19 pandemic both nationally and locally. Reports published by both the Office for National Statistics and the Office for Budget Responsibility describe the significant economic impact that COVID-19 has had on public sector finances; this impact has also been felt locally.
- 1.1.5. Throughout the response to the pandemic, the Combined Authority has worked with regional colleagues to support the submission for Recovery Support and Finance for the North East In addition the Combined Authority has taken a proactive approach to support for particular sectors impact by the Pandemic, some examples of this include the continuation of the support to enhance short-term skills, jobs and inclusive economy interventions – Kickstart, Youth Hubs, Good Work Pledge, Culture and Tourism Recovery, Climate innovation and Growth of the Digital Sector. Included in the Investment Fund update to Cabinet today is the proposed allocation of £10.000m of Investment Funds to proceed with a North of Tyne Recovery Innovation Deal to supporting our businesses, social enterprises and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis
- 1.1.6. It is important the Cabinet note these budgets are based on current information and trajectory of delivery of programmes and projects. As demonstrated in the Combined Authority's response to COVID-19 the need to remain flexible continues and as such the budgets will continue to be reviewed and changes recommended as appropriate.

### **1.2. Corporate Budget**

- 1.2.1. On 28 January 2020 Cabinet agreed the NTCA 2020/21 budget and medium-term financial plan for three years hence 2020/21 to 2024/25.
- 1.2.2. As NTCA continues to grow consideration has been given to the flexibility required of the Combined Authority. Table 1 overleaf identifies the proposed core budget that is required to operate the Combined Authority and how it is to be funded.

**Table 1: 2021 Budget and 2022-25 Financial Plan**

|                               | 4 Yr. Corp Budget – Summary |                 |                 |                 |                  |
|-------------------------------|-----------------------------|-----------------|-----------------|-----------------|------------------|
|                               | 2021/22                     | 2022/23         | 2023/24         | 2024/25         | Total            |
|                               | £000                        | £000            | £000            | £000            | £000             |
| <b>Expenditure</b>            |                             |                 |                 |                 |                  |
| Staffing                      | 2,302                       | 2,380           | 2,444           | 2,495           | 9,883            |
| Mayor’s Office                | 262                         | 268             | 273             | 279             | 1,082            |
| Other Costs                   | 1,699                       | 988             | 988             | 988             | 4,663            |
| Transport Levy                | 26,801                      | 27,074          | 27,074          | 27,074          | 108,023          |
| SLAs                          | 276                         | 276             | 276             | 276             | 1,281            |
| <b>Total Expenditure</b>      | <b>31,340</b>               | <b>30,986</b>   | <b>31,055</b>   | <b>31,112</b>   | <b>124,210</b>   |
|                               |                             |                 |                 |                 |                  |
| <b>Income</b>                 |                             |                 |                 |                 |                  |
| Grant Income                  | (4,539)                     | (3,912)         | (3,981)         | (4,038)         | (16,470)         |
| Transport Levy                | (26,801)                    | (27,074)        | (27,074)        | (27,074)        | (108,023)        |
| <b>Total Income</b>           | <b>(31,340)</b>             | <b>(30,986)</b> | <b>(31,055)</b> | <b>(31,112)</b> | <b>(124,493)</b> |
|                               |                             |                 |                 |                 |                  |
| <b>Net Position (Inc)/Exp</b> | <b>0</b>                    | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>         |

1.2.3. As the North of Tyne Combined Authority develops the Mayor and Cabinet has continued to work with officers to maximise the opportunities of the three constituent authorities working together efficiently and effectively with the North of Tyne Combined Authority.

1.2.4. The bulk of expenditure is funded through devolved funding secured through the devolution deal, and contributions from constituent authorities of £37,000 each and will be regularly reviewed as the delivery of key priorities and actions progress. The provisional Local Government Finance Settlement published on the 17 December indicated a further £1.000m Mayoral Capacity Fund for the financial year 2021/22 only. This will be used to support one-off activity as part of the authority’s response to recovery and to provide capacity where needed as the implications of the recovery deal are realised – such as we have seen with the Brownfield Housing Fund . The proposal would be to create a Recovery Contingency fund with Cabinet approval required for its use.

**1.2.5 Transport Levies**

As for 2020/21 the Combined Authority is required to raise the levies on the constituent authorities, this must be done before the 15 February 2021 to enable the constituent councils to take the levies and other contributions into account in setting their own budgets. The Joint Transport Committee (JTC) met on the 19<sup>th</sup> January 2021, to approve the 2021/22 Transport levies. Due to the exceptional circumstances surrounding the COVID-19 pandemic and in recognition of exceptional financial pressures faced by the five Tyne and Wear Councils, the JTC has also provided a one off £1.200m rebate (the equivalent of a 2.0% levy reduction), to the five Tyne and Wear Councils in 2021/22. The 2021/22 Levy is reflected in Table 1 above, with indicative levy budgets going forward.

### **1.3. Investment Fund Budget**

- 1.3.1. The Investment Fund sets out costs associated with the development, management of and delivery of projects to be funded through the Investment Fund.
- 1.3.2. Delivery on the programme is now in full swing, a healthy pipeline has been established and includes a broad range of funding proposals which will deliver across the Combined Authority's priorities. Project proposals continue to progress through the assurance framework with pace remaining an important focus. Work has continued with portfolio holders to progress work around the key sectors identified for investment and to provide support to businesses and residents through this challenging time.
- 1.3.3. During this current financial year there has been a rapid increase of committed and defrayed expenditure, and more importantly in the outcome's projects are reporting. This includes the recruitment of people into new employment opportunities created as a direct result of our investment.
- 1.3.4. To date the Investment Fund has achieved the following outcomes:

#### **Projects**

- The total Investment Fund commitment stands at £40.330m against 48 live contracts.

#### **Jobs**

- The number of forecast jobs to be created has increased from 2657 to 2732 (based on current commitments)
- The number of forecast jobs safeguarded stands at 1782.

#### **Private Sector Leverage**

- Forecast private sector leverage has risen to £104.560m (circa 5% of the £2.1bn target) representing a £460,000 increase since the last report to Investment Panel in October.

#### **Claimed Funding**

- Expenditure claimed to date stands at £1.150m with £0.363m paid out to projects in August.
- Q3 claim returns due at the end of January, currently forecast circa £4.000m.

#### **Project & Programme Risk**

- The impact of the COVID-19 Pandemic is recognised as a risk to delivery and but continues to be closely monitored as infection rates and restrictions increase and change.

- 1.3.5. Based on the Mayor and Cabinet's current plans to deliver of the Vision the updated Investment Plan Budget is set out in Table 2 overleaf. The Table sets out clearly the expected date of the 5-year Gateway review with an indication of cumulative spend at that stage. It is important to note that whilst the review will be in year 5 the Combined Authority was launched late in 2018/19 so the Table shows indicative spend for a period of just over 4 years.

**Table 2: NTCA Investment Fund Budget 2021/22 – 2024/25**

| TCA Investment Fund Budget 2021/22 - 2024/25  | Previous Years 2018-2021 | 21/22           | 22/23           | Total at 5-Yr Gateway Review £000 | 23/24           | 24/25           |
|-----------------------------------------------|--------------------------|-----------------|-----------------|-----------------------------------|-----------------|-----------------|
|                                               | £'000                    | £'000           | £'000           | £'000                             | £'000           | £'000           |
| <b>Expenditure</b>                            |                          |                 |                 |                                   |                 |                 |
| Business Case Development Fund                | 1,773                    | 1,000           | 500             | 3,273                             | 200             | 200             |
| Investment Projects                           | 13,720                   | 26,757          | 25,000          | 65,520                            | 20,000          | 10,000          |
| Technical Support                             | 500                      | 250             | 250             | 1,000                             | 200             | 100             |
| Contribution to Corporate Costs 10% top slice | 3,760                    | 2,231           | 2,206           | 8,154                             | 2,203           | 2,200           |
| <b>Total Expenditure</b>                      | <b>19,753</b>            | <b>30,238</b>   | <b>27,956</b>   | <b>77,947</b>                     | <b>22,603</b>   | <b>12,500</b>   |
| <b>Income</b>                                 |                          |                 |                 |                                   |                 |                 |
| Funding Sources                               | (60,000)                 | (20,000)        | (20,000)        | (100,000)                         | (20,000)        | (20,000)        |
| <b>Total Income</b>                           | <b>(60,000)</b>          | <b>(20,000)</b> | <b>(20,000)</b> | <b>(100,000)</b>                  | <b>(20,000)</b> | <b>(20,000)</b> |
| <b>Net Position (Inc)/Exp</b>                 | <b>(40,247)</b>          | <b>10,238</b>   | <b>7,956</b>    | <b>(22,053)</b>                   | <b>2,603</b>    | <b>(7,500)</b>  |
| <b>Cumulative Position</b>                    | <b>(40,247)</b>          | <b>(30,009)</b> | <b>(22,053)</b> |                                   | <b>(19,450)</b> | <b>(26,950)</b> |

1.3.6. Included in the budget is provision for Technical Support, this is a requirement of the Assurance Framework that Investment Fund proposals are subject to external independent testing. Any unspent Investment Fund will be held and transferred to a specific reserve at the year end to support the delivery of the programme of work in future years.

1.3.7. Table 3 reflects the capital expenditure included within the Investment Fund programme to date. This will continue to be updated in the usual Financial Management Reports to Cabinet .

**Table 3: Capital Funding included within the Investment Fund**

|                        | 2019/20        | 2020/21          | 2021/22          | 2022/23        | 2023/24  | Total            |
|------------------------|----------------|------------------|------------------|----------------|----------|------------------|
|                        | £              | £                | £                | £              | £        | £                |
| <b>NTCA IF Capital</b> | 31,498         | 1,014,950        | 924,419          | 29,133         | -        | 2,000,000        |
| <b>Capital Match</b>   | 95,167         | 3,081,066        | 2,806,240        | 88,439         | -        | 6,071,362        |
| <b>Total Capital</b>   | <b>127,115</b> | <b>4,096,016</b> | <b>3,730,659</b> | <b>117,572</b> | <b>-</b> | <b>8,071,362</b> |

#### 1.4. Adult Education Budget (AEB)

1.4.1. As part of the devolution deal the Adult Education Budget was devolved to the North of Tyne Combined Authority with an effective start date of July 2020. This provides the Combined Authority with significant new powers and responsibilities in delivering both Mayoral and Cabinet priorities alongside the national skills agenda and priorities.

1.4.2. The geographical spread of provision for the devolved AEB aligns with travel to learn patterns in NTCA and that residents in rural parts of Northumberland and North Tyneside have access to local provision.

- 1.4.3. All NTCA funded AEB providers have submitted a detailed delivery plan and payment profile for the funding year, which will provide the vehicle upon which the provider's performance will be monitored. Providers will be paid monthly, in arrears, against that profile, with reconciliation points throughout the year.
- 1.4.4. All 'in year' funding allocations are guided by the commissioning principles set out in the AEB Strategic Skills Plan, working closely with providers to ensure a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local skills needs, helping residents to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.
- 1.4.5. Funding allocations as a result of performance management and demand will not exceed the overall devolved AEB funding and will be guided by the commissioning principles set out in the AEB Strategic Skills plan.
- 1.4.6. NTCA will review the performance of the devolved AEB at quarterly monitoring points, the first of which was in November 2020, this included performance management reviews to inform allocations with an update to be taken to March Cabinet. This will enable NTCA to have a more informed picture of delivery in the first quarter of 2020 (academic year basis) and enable any gaps to be addressed and any growth to be supported. This ongoing monitoring will enable NTCA to respond to any 'Economic Shocks', unexpected fluctuations in the skills sector, and potential increases in digital entitlement.
- 1.4.7. AEB operational costs are collected within the Corporate budget with a contribution of 3% of overall AEB income made towards Corporate support costs.
- 1.4.8. Table 4 below reflects a high-level balanced Budget with funding awarded to grant providers and other procured deliveries. The split between grant and procured service is detailed, based on historic delivery. This profile may change as the review of delivery changes develop as detailed above.

**Table 4: Adult Education Budget 2021/22 -2024/25**

|                                           | AEB 5-Yr Financial Profile |                 |                 |                 |                  |
|-------------------------------------------|----------------------------|-----------------|-----------------|-----------------|------------------|
|                                           | 21/22                      | 22/23           | 23/24           | 24/25           | Total            |
|                                           | £'000                      | £'000           | £'000           | £'000           | £'000            |
| <b>Expenditure</b>                        |                            |                 |                 |                 |                  |
| Grant Awards                              | 15,369                     | 15,369          | 15,369          | 15,369          | 70,441           |
| Procured Services                         | 6,659                      | 6,659           | 6,659           | 6,659           | 30,520           |
| Admin Costs and contribution to Corporate | 678                        | 678             | 678             | 678             | 3,108            |
| <b>Total Expenditure</b>                  | <b>22,706</b>              | <b>22,706</b>   | <b>22,706</b>   | <b>22,706</b>   | <b>104,069</b>   |
| <b>Income</b>                             |                            |                 |                 |                 |                  |
| Funding Sources                           | (22,706)                   | (22,706)        | (22,706)        | (22,706)        | (104,069)        |
| <b>Total Income</b>                       | <b>(22,706)</b>            | <b>(22,706)</b> | <b>(22,706)</b> | <b>(22,706)</b> | <b>(104,069)</b> |
| <b>Net Position (Inc)/Exp</b>             | <b>0</b>                   | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>         |
| <b>Cumulative Position</b>                | <b>0</b>                   | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>         |

## 1.5. Brownfield Housing Fund

- 1.5.1. The Brownfield Housing Fund was first announced in the March 2020 National Budget to support Mayoral Combined Authorities and their local areas to develop housing on brownfield land. Overall, £276m has been allocated to the six Northern city regions, North of Tyne Combined Authority has been awarded £24m over a 5-year period with a £0.550m revenue capacity support grant (for 2020-21 only).
- 1.5.2. Brownfield Housing Fund specifically supports sites with an identified market failure due to site conditions. The programme is part of a broader housing programme the Housing and Land Board

have in development that aims to bring forward a pipeline of sites shaping a longer-term strategic delivery approach. Different funding streams and partnership arrangements will be used to best meet priorities across the area.

- 1.5.3. Table 5 below shows the profile of both the capital and linked revenue support grant over the life of the project.

**Table 5: Brownfield Housing Fund**

| <b>Year</b>                  | <b>2020/21</b> | <b>2021/22</b> | <b>2022/23</b> | <b>2023/24</b> | <b>2024/25</b> | <b>Total</b>  |
|------------------------------|----------------|----------------|----------------|----------------|----------------|---------------|
|                              | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>      | <b>£m</b>     |
| <b>BHF Revenue/ Reserves</b> | 0.471          | 0.079          |                |                |                | <b>0.550</b>  |
| <b>BHF Capital</b>           | 5.000          | 8.100          | 6.700          | 3.100          | 1.100          | <b>24.000</b> |

- 1.5.4. The revenue support grant is required to be spent in the first year of the project, with a marginal carry over into 2021/22.

## 1.6. Reserves

As set out in the budget report to Cabinet on 4<sup>th</sup> December 2018, a Corporate reserve of £200k was created. The level of reserve will remain under review as the Combined Authority develops and new information becomes available about the financial risks facing NTCA and the arrangements in place for managing those risks.

## 1.7. LEP Accountable Body Budget Proposals

- 1.7.1. NTCA is the accountable body for the North East Local Enterprise Partnership (North East LEP) and this report therefore includes proposals for the budget for providing corporate support as its accountable body.
- 1.7.2. All seven local authorities (LA7) in the North East area currently contribute £10,000 to meet the costs of the North East LEP Accountable Body role.
- 1.7.3. The budget for the North East LEP Accountable Body role (£116,400) primarily covers Service Level Agreement (SLA) charges (£91,600) and external costs (£24,640) funded from estimated interest on investment income on the NEIF and the LA7 contributions. The budget will need to be kept under review for any new areas of work that are identified over and above the budget that is agreed, the 2021/22 North East LEP Accountable Body Budget is proposed to be maintained at the same level as the current year which results in a net balanced budget position. Table 6 shows the 2021/22 North East LEP Accountable Body Budget.

**Table 6: 2021/22 North East LEP Accountable Body Budget**

|                                    | <b>North East LEP Accountable Body Budget 2021/22</b> |
|------------------------------------|-------------------------------------------------------|
| <b>Expenditure</b>                 | <b>£</b>                                              |
| Service Level Agreements           | 91,600                                                |
| External Support                   | 24,640                                                |
| <b>Total Expenditure</b>           | <b>116,240</b>                                        |
| <b>Income</b>                      |                                                       |
| LEP Accountable Body Contributions | (70,000)                                              |
| Interest Income (NEIF)             | (46,240)                                              |
| <b>Total Income</b>                | <b>(116,240)</b>                                      |

1.7.4. Service Level Agreements are in the process of being standardised in relation to the North East LEP on transition across to the new accountable body, it was agreed 2020/21 SLA charges were kept at the same level, at this stage however, SLA's for 2021/22 are under review but is not expected that the overall budget will change and that the Local Authority contributions will remain at the current level.

## **1.8. NTCA Treasury Management Strategy**

1.8.1. The Combined Authority is required to approve a Treasury Management Strategy before the start of each financial year, this is attached as Appendix B for approval. The Combined Authority defines its treasury management activities as: "The management of the Combined Authority's borrowing, investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.8.2. Borrowing - at this current time the Combined Authority does not have powers to borrow other than for Transport responsibilities. A proportion of the outstanding balance of the loans and investments in relation to Transport (based on the share of Tyne and Wear population in each Combined Authority area) is shown in the balance sheets of the two Combined Authorities as part of their year-end accounts. A summary therefore of the actual loans outstanding and authorised borrowing limit in relation to Transport is reflected in the Treasury Management Strategy of the NTCA. NTCA are pursuing borrowing powers in addition to the Transport borrowing powers and is requesting Cabinet to authorise an authorised borrowing limit of £20.000m in advance of obtaining their own borrowing powers. At this point the Combined Authority will also come back to Cabinet with a Minimum Revenue Provision Strategy for the NTCA.

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

## **2. Potential Impact on Objectives**

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

## **3. Key Risks**

There are no specific risks relating to this report.

## **4. Financial and Other Resources Implications**

4.1 The financial implications arising from the outcomes of this report will be appraised as part of the decisions made as to what will be included in the Combined Authority's 2021-2025 Financial Plan, incorporating the 2021/22 Budget-Setting process.

4.2 The Mayor and Cabinet need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year Financial Plan for 2021-2025 in accordance with the Combined Authority's Reserves and Balances Policy.

## **5. Legal Implications**

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

## **6. Equalities Implications**

- 6.1 The Combined Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equality's legislation are considered prior to any decision being made.
- 6.2 The Combined Authority will continually monitor the effect of our Budget-setting process and decision-making by using equality impact assessments.
- 6.3 Full impact Equality Impact Assessments (EIA) have been included in all proposals for inclusion with the initial Budget proposals in November 2020 in order to be available to the Mayor and Cabinet when it further considers the Financial Plan and Budget proposals on 26 January 2021.

## **7. Inclusive Economy Implications**

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

## **8. Climate Change Implications**

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

## **9. Consultation and Engagement**

- 9.1 The creation of the North of Tyne Combined Authority has been subject to significant regional and national engagement. The 2020/21 Budget was based on the devolution deal and the Parliamentary Order which created the Combined Authority and the Authority's Vision which has been agreed by Cabinet and is being shared with stakeholders in a range of events.
- 9.2 Consultation with the Business Community and the Community and Voluntary Sector has continued through 2020/21 as part of the overall approach to engagement undertaken with these sectors. In addition, the attendance at Cabinet of both the Ambassador for business and the Ambassador for the Community and Voluntary sector will add to the opportunity for engagement. Consultation with the providers of the AEB has been undertaken since 2018/19 and have continued as the proposals for delivery of the AEB have developed. The Mayor and Cabinet will be updated and respond to recommendations made by Overview and Scrutiny Committee at the Cabinet Meeting on 26 January 2021.

## **10. Appendices**

Appendix A Budget Timetable  
Appendix B Treasury Management Strategy

## **11. Background Papers**

NTCA Economic Vision

## **12. Contact Officers**

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### 13. Glossary

|                |                                         |
|----------------|-----------------------------------------|
| MTFS           | Medium Term Financial Strategy          |
| AEB            | Adult Education Budget                  |
| MCA            | Mayoral Combined Authority              |
| IF             | Investment Fund                         |
| MRP            | Minimum Revenue Provision               |
| CFR            | Capital Financing Requirement           |
| NTCA           | North of Tyne Combined Authority        |
| North East LEP | North East Local Enterprise Partnership |

## Appendix A Budget Setting Timetable

| DATE                                                                                                                                      | EVENT/MEETING                                         | ACTION                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 29 September 2020                                                                                                                         | Cabinet Meeting                                       | To consider and agree 2021/22 budget process/timetable for <b>both</b> the Combined Authority and Mayoral budgets.                                                                                                                                                               |
| 13 October 2020                                                                                                                           | NTCA Overview and Scrutiny Committee                  | Update on the Budget process and timetable for <b>both</b> the Combined Authority and Mayoral budget                                                                                                                                                                             |
| 24 November 2020                                                                                                                          | Cabinet Meeting                                       | Consider and agree the draft budget proposals in respect of the Combined Authority                                                                                                                                                                                               |
| 8 December 2020                                                                                                                           | NTCA Overview and Scrutiny Committee                  | Receive the Combined Authority's draft Budget proposals                                                                                                                                                                                                                          |
| 12 January 2021                                                                                                                           | NTCA Overview and Scrutiny Committee Workshop         | Workshop to consider in detail the Combined Authority's draft budget proposals and recommendations to Cabinet.                                                                                                                                                                   |
| 19 January 2021                                                                                                                           | Joint Transport Committee                             | Consider and agree draft transport budget/levy for consultation.                                                                                                                                                                                                                 |
| 26 January 2021<br><br>Note: The Mayor's draft Budget must be presented before 1 February in any financial year.                          | Cabinet Meeting                                       | To consider outcomes of consultation and recommendations from Overview and scrutiny and agree final proposals for the Combined Authority's Budget<br><br>Receive the Mayors draft budget proposals<br><br>Formally agree to issue the Transport Levy to constituent authorities. |
| 2 February 2021<br><br>15 February 2021 - Date by which Transport levies must be issued in line with Transport Levying Bodies Regulations | Joint Transport Committee/Tyne and Wear Sub-Committee | Consider and agree Transport budget and levy proposals.                                                                                                                                                                                                                          |
| Before 8 February 2021 (additional meeting needed)                                                                                        | Cabinet                                               | Cabinet meet to agree recommendation to the Mayor in respect of the draft Mayoral budget.                                                                                                                                                                                        |
| 09 February 2021                                                                                                                          | Overview and Scrutiny Committee                       | Consideration of Combined Authority's and Mayor's final budget proposals                                                                                                                                                                                                         |
| 23 February 2021                                                                                                                          | Cabinet                                               | Cabinet consider O&S Final Recommendations and approve the Authority's and Mayor's Budget.                                                                                                                                                                                       |

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## **North of Tyne Combined Authority**

### **Treasury Management Policy Statement & Strategy 2021-22**

#### **Background**

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

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

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

#### **Statutory Requirements**

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

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

In addition, the MHCLG guidance requires the Combined Authority to approve an investment strategy before the start of each financial year.

The CIPFA Treasury Management Code and the Prudential Code are closely linked. The Combined Authority is required to have regard to the Prudential Code when setting limits to the level of its affordable borrowing. The 2017 update to the Prudential Code drew together the reporting requirements of the Prudential Code and the Treasury Management Code resulting in the requirement for the Combined Authority to produce a capital strategy that includes specific requirements in respect of debt and borrowing and treasury management. An investment strategy will be produced when the Combined Authority has determined potential borrowing limits through dialogue with the Treasury.

### **Effective Treasury Management**

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

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

### **Reporting**

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

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

### **Responsibilities**

The Combined Authority delegates responsibility for the implementation and regular review of its treasury management policies and practices and for the execution and administration

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

Responsibility for ensuring effective scrutiny of the treasury management strategy and policies is delegated to Overview and Scrutiny Committee.

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

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

## **Training**

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

## **Treasury Management Policy Statement 2021-22**

The Combined Authority defines its treasury management activities as:

"The management of the Combined Authority's borrowing, investments and cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

## **Risk Management**

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

## **Value for Money**

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

## **Borrowing Policy**

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

## **Investment policy**

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

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

## **Treasury Management Strategy for 2021-22**

The proposed strategy for 2021-22 in respect of the following aspects of the treasury management function is based upon the treasury management officers' view on interest rates, supplemented with market forecasts provided by to North of Tyne Combined Authority's treasury advisor, Link Group. This strategy covers:

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

### **Treasury Management Consultants**

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

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

### **Current Treasury Portfolio Position**

The Combined Authority's Investment position as at December 2020 is set out in Table 1 below:

**Table 1: Current Treasury Portfolio as at 31<sup>st</sup> December 2020**

| Investments       | Average level of Investment | Average Rate Interest earned |
|-------------------|-----------------------------|------------------------------|
|                   | £m                          | %                            |
| Local Authorities | 125                         | 0.59                         |
| <b>Total</b>      | <b>125</b>                  |                              |

The Combined Authority became the accountable body for the North East LEP (LEP) from the 1<sup>st</sup> April 2020, as such NTCA is responsible for managing the cashflow of the LEP in addition to its own. This has increased the level of funds available to invest to £125m as at December 2020. This is currently invested with other local authorities this being considered a low risk counterparty/instrument commensurate with the Combined Authority's low risk policy, providing adequate security and liquidity before considering investment return.

### Prospects for Interest Rates

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

**Table 2: Link Group forecast interest rates – (November 2020)**

| Link Group Interest Rate View                                                                  |        | 9.11.20 |        |        |        |        |        |        |        |        |        |        |        |
|------------------------------------------------------------------------------------------------|--------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20 |        |         |        |        |        |        |        |        |        |        |        |        |        |
|                                                                                                | Mar-21 | Jun-21  | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 |
| <b>BANK RATE</b>                                                                               | 0.10   | 0.10    | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   |
| 3 month ave earnings                                                                           | 0.10   | 0.10    | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   |
| 6 month ave earnings                                                                           | 0.10   | 0.10    | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   | 0.10   |
| 12 month ave earnings                                                                          | 0.20   | 0.20    | 0.20   | 0.20   | 0.20   | 0.20   | 0.20   | 0.20   | 0.20   | 0.20   | 0.20   | 0.20   | 0.20   |
| 5 yr PWLB                                                                                      | 0.80   | 0.80    | 0.80   | 0.80   | 0.90   | 0.90   | 0.90   | 0.90   | 0.90   | 1.00   | 1.00   | 1.00   | 1.00   |
| 10 yr PWLB                                                                                     | 1.10   | 1.10    | 1.10   | 1.10   | 1.20   | 1.20   | 1.20   | 1.20   | 1.20   | 1.30   | 1.30   | 1.30   | 1.30   |
| 25 yr PWLB                                                                                     | 1.50   | 1.60    | 1.60   | 1.60   | 1.60   | 1.70   | 1.70   | 1.70   | 1.70   | 1.80   | 1.80   | 1.80   | 1.80   |
| 50 yr PWLB                                                                                     | 1.30   | 1.40    | 1.40   | 1.40   | 1.40   | 1.50   | 1.50   | 1.50   | 1.50   | 1.60   | 1.60   | 1.60   | 1.60   |

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

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, and MPC decisions, will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geographical developments, especially in the EU, could also

have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be dependent on economic and political developments.

### Investment and Borrowing Rates

Investment returns are likely to remain low during 2021-22 and, as noted in the table above, are forecast to remain at current low levels over the next few years to support the economic recovery from the Covid-19 pandemic.

Borrowing interest rates are currently near record low levels and little change is expected over the next few years, as the low interest rate environment is expected to remain in place, as noted above.

### Borrowing Strategy

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

**Table 3: Transport Loans Outstanding and Authorised Borrowing limit as at December 2020**

|                               | Principal | Interest Due | Total   | NECA Share | NTCA Share |
|-------------------------------|-----------|--------------|---------|------------|------------|
|                               | £000      | £000         | £000    | £000       | £000       |
| Capital Financing Requirement | 195,895   |              | 195,895 | 108,636    | 87,259     |
| Actual External Debt          | 171,000   | 2,330        | 173,330 | 96,123     | 77,207     |
| Authorised Borrowing Limit    |           |              | 210,000 | 116,458    | 93,452     |

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

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

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

## **Prudential Indicators and Minimum Revenue Provision.**

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

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

## **Annual Investment Strategy**

### **Investment policy**

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

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

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

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

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

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

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

## **Financial Investments**

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

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

## **Specified Investments**

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

## **Loans**

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

- Total financial exposure to these types of loans is proportionate;
- That an allowed "expected credit loss" model for loans and receivables as set out in IFRS 9 Financial Instruments has been adopted to measure the credit risk of a portfolio;
- That appropriate credit control arrangements to recover overdue repayments is in place; and

- The Combined Authority has formally agreed the total level of loans by type that it is willing to make, and their total loan book is within their self-assessed limit.

### Non-specified Financial Investments

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

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

**Table 3: Specified Investment Instruments**

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

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

**Table 4: Non-specified Investment Instruments**

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

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

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

All investments will be denominated in sterling.

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

### **Creditworthiness Policy**

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

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

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

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness

of counterparties and are used by the Authority to determine the suggested duration of investments.

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

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

If a downgrade results in the counterparty no longer meeting the Combined Authority's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings the Combined Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website. Extreme market movements may result in downgrade of an institution or removal from the Combined Authority's lending list. Sole reliance will not be placed on the use of this external service. In addition, this Combined Authority will also use market data and market information on any external support for banks to help support its decision-making process.

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

## **Liquidity Management**

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

## **UK Banks – Ring Fencing**

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

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

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

### **Non-Financial Investments**

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

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

The Combined Authority will ensure that all the organisation's investments are covered in the investment strategy and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will be recognised that the risk appetite for these activities may differ from that for treasury management.

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

### **Policy on the use of Financial Derivatives**

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

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# Overview and Scrutiny Committee Report to Cabinet

26 January 2021

**Subject:** North of Tyne Combined Authority 2021-2025 Budget Proposals

**Report of:** Overview and Scrutiny Committee

**Portfolio:** All

## Report Summary

This report presents to Cabinet the response of the Overview and Scrutiny Committee to its proposals for 2020-24 Budget for the North of Tyne Combined Authority. It provides information on the role of the committee in the budget setting process, what information it has received and its comments and recommendations to Cabinet.

## Recommendations

The Overview and Scrutiny Committee recommends Cabinet accepts this report as the response from the Overview and Scrutiny Committee to the 2021-25 Budget proposals for the North of Tyne Combined Authority and takes its comments and observations into account when agreeing the Budget at its meeting on 26 January 2021.

### 1. Background Information, Proposals and Timetable for Implementation

#### 1.1 Introduction

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

#### 1.2 Process

- 1.2.1 At its 13 October 2020 meeting the Overview and Scrutiny Committee received a report on the 2021-2025 Financial Planning and Budget Process which provided information in relation to the proposed 2021-25 Financial Planning and Budget process, including the development of a Medium-Term Financial Strategy (MTFS), the development of the detailed budgets for 2021-22 and the timetable for key decision milestones and dates for the setting of the budget.
- 1.2.2 Cabinet met on 24 November 2020 to consider the initial draft budget for NTCA for 2021/22 and the medium-term financial plan for the period 2022/23 to 2024/25 which included a draft budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget and the Brownfield Housing Fund. NTCA are the accountable body for the North East Local Enterprise Partnership (North East LEP) and the report included proposals for the North East LEP accountable body budget. The Overview and Scrutiny Committee received these proposals on 8 December 2020.
- 1.2.3 At its meeting on 8 December 2020 the committee sought clarification on the assumptions made with regards to growth for the next 4 years and the engagement process with the business and voluntary and community sectors and the public in general.

### 1.3 Budget Workshop

- 1.3.1 The committee also held a workshop on 12 January 2021 to discuss and scrutinise the proposals and provide a formal response to Cabinet. The Chief Finance Officer (Interim Section 73 Officer) attended the workshop to present information on what had changed since the draft proposals were considered by the committee in December and to answer any questions.
- 1.3.2 The committee were reminded of the key aspects of the initial proposals report and then informed that the NTCA had been awarded a £1m Mayoral Capacity fund grant for 2021/22 only as part of the provisional local government financial settlement. It was anticipated that this funding would be used to fund coronavirus recovery work. This was the only material change, the transport levies had been confirmed, which included a one-off rebate, and there was more detail on the investment fund to show what was capital and revenue funding, this more accurately reflected the activity rather than a change to the funding.
- 1.3.3 Members asked questions relating to the Adult Education Budget (AEB) and the monitoring of the impact of COVID-19 on the delivery of the programme; the details of what lay behind the figures committed in the last 12 months and what projects had been earmarked as this would help to understand the whole picture across the NTCA; how the NTCA anticipated ensuring the team had capacity to successfully deliver its projects whilst remaining a lean organisation; and the different requirements of capital grants, which the authority will begin to receive.
- 1.3.4 In relation to engagement, the committee was informed that the Chief Finance Officer had consulted with the business community and the voluntary and community sector since the initial proposals had been published. A page on the NTCA website had been created to allow members of the public to submit any questions or comments, which was highlighted through a number of posts on social media. This consultation exercise was open from 2 December 2020 until 12 January 2021. By Monday 11 January the social media posts had been seen by a total of 1,849 people and engaged with 43 times. No questions or comments had been received.
- 1.3.5 It was acknowledged that engaging with the budget of the NTCA during the coronavirus pandemic was probably not at the forefront of people's minds and a combined authority budget was very different from a local authority budget with fewer lines and options. The engagement exercise was welcomed as a first step and part of the wider work of the authority to engage the residents of the North of Tyne region with its work and purpose and the committee looked forward to seeing how this would develop for next year.

### 1.4 Conclusions

- 1.4.1 The Overview and Scrutiny Committee noted the proposals and considered that Cabinet should agree the recommendations as set out in the budget proposals and had no specific recommendations to make on the individual elements which make up the budget.
- 1.4.2 The committee welcomed the beginnings of a process for engaging with the public on the budget proposals and supported the inclusion of similar exercises in future budget setting processes. To assist the process of increasing the awareness of the work of the NTCA, it was suggested that Cabinet be reminded of an earlier recommendation from the committee regarding publishing decisions on the Forward Plan in advance of the statutory minimum of 28 days where possible to give more notice of what decisions might be taken when.
- 1.4.3 The committee thanked the officers involved in drafting the report and making the presentations to the committee and answering their questions throughout the process.
- 1.4.4 The committee agreed as part of its budget monitoring work to receive more detailed information on the unallocated funds and the delivery of the projects and would amend its work programme accordingly.

1.4.5 The committee supports the Combined Authority's work to attract new funding and considered that the North of Tyne region with its geography and diverse population was an ideal place to pilot national initiatives and would welcome any opportunity to do so.

## **2. Potential Impact on Objectives**

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

## **3. Key Risks**

There are no specific risks relating to this report.

## **4. Financial and Other Resources Implications**

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

## **5. Legal Implications**

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

## **6. Equalities Implications**

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

## **7. Inclusive Economy Implications**

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

## **8. Climate Change Implications**

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

## **9. Consultation and Engagement**

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

## **10. Appendices**

None

**11. Background Papers**

[2021-25 Financial Planning and Budget Process Report to Cabinet, 29 September 2020](#)

[NTCA Budget Proposals 2021-2025 Report to Cabinet, 24 November 2020](#)

[Minutes of NTCA Overview and Scrutiny Committee meetings held on 13 October and 8 December 2020](#)

[North of Tyne Constitution](#)

**12. Contact Officers**

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**Subject: NTCA Q.3 Budget Monitoring Report**

**Report of: Chief Finance Officer**

**Portfolio: All**

## Report Summary

This report is the third quarter monitoring report to Cabinet on the 2020/21 North of Tyne Combined Authority (NTCA) financial position. The report brings together financial and performance information with the intention of explaining the current financial position in the context of the strategic priorities and policy decisions made by the Mayor and Cabinet. It provides the latest indication of the forecast financial position at 31 March 2021, on the Corporate Budget, the Investment Fund, the Adult Education Budget (AEB) and, the Brownfield Housing Fund in addition to the potential position on reserves at the year end.

The report reflects the response of the Combined Authority to COVID-19, which has continued to have a major impact on the region. Throughout the response to the pandemic, NTCA has worked with regional colleagues to support the submission for Recovery Support and Finance for the North East. The Combined Authority has taken a proactive approach to support for particular sectors impacted by the Pandemic, including the continuation of support to enhance short-term skills, jobs and inclusive economy interventions such as Kickstart, Youth Hubs, Good Work Pledge, Culture and Tourism Recovery, Climate innovation and Growth of the Digital Sector. In addition to this is the approved allocation of £10.000m of Investment funds to proceed with a North of Tyne Recovery Innovation Deal supporting businesses, social enterprises and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis which was approved by Cabinet in November. Progress has been made during this quarter against these interventions and this is reflected within the Investment Fund budget monitor update (section 1.5). Delivery of elements of the Adult Education Budget has come become strained due to the COVID-19 pandemic, this report highlights the steps proposed to mitigate against the impact (section 1.7).

## Recommendations

The Cabinet is recommended to note the forecast budget monitoring position as set out in paragraphs 1.2 -1.8.

### 1. Background Information, Proposals and Timetable for Implementation

#### 1.1. Background

- 1.1.1. Cabinet approved the 2020/21 budget on the 28<sup>th</sup> January 2020. Included in the budget was the estimated expenditure across the year for the Corporate Budget, Investment Fund and Adult Education Budget.
- 1.1.2. The budgets were set reflecting the continued development of the Combined Authority and were based on a range of estimates in terms of the establishment of the authority's staffing structure, and the systems required to support the delivery and monitoring of projects and programmes aligned with its vision.

#### 1.2. Corporate Budget

- 1.2.1. The Corporate Budget for 2020/21 approved at January 2020 Cabinet, set a zero-net income/expenditure position.

1.2.2. Table 1 below sets out the forecast outturn position as at quarter two across the key income and expenditure heads. The forecast position for the year end, at this stage, continues to show a net balanced forecast position where additional income streams have allowed for a reduction in the in-year contribution from the Investment fund.

**Table 1: Q3 Budget Monitoring 2020/21 Corporate Budget**

|                                         | Budget          | Forecast        | Variance<br>Over/(Under) |
|-----------------------------------------|-----------------|-----------------|--------------------------|
|                                         | £'000           | £'000           | £'000                    |
| <b>Expenditure</b>                      |                 |                 |                          |
| Staffing                                | 2,400           | 2,244           | (156)                    |
| Advisors External                       | 70              | 362             | 292                      |
| Other costs                             | 540             | 751             | 211                      |
| SLA's                                   | 403             | 286             | (117)                    |
| Joint Transport Levy                    | 27,074          | 27,074          | 0                        |
| <b>Total Expenditure</b>                | <b>30,487</b>   | <b>30,717</b>   | <b>230</b>               |
|                                         |                 |                 |                          |
| <b>Income</b>                           |                 |                 |                          |
| Mayoral Capacity Fund                   | (750)           | (1,000)         | (250)                    |
| Contributions from CAs                  | (111)           | (111)           | 0                        |
| Investment Fund                         | (1,649)         | (1,245)         | 404                      |
| Investment Fund workstream funded posts | (207)           | (241)           | (34)                     |
| AEB Implementation Fund                 | (130)           | (130)           | 0                        |
| AEB contribution                        | (396)           | (396)           | 0                        |
| Brownfield Housing Fund Revenue         | 0               | (195)           | (195)                    |
| Interest Receivable                     | (170)           | (325)           | (155)                    |
| Joint Transport Levy                    | (27,074)        | (27,074)        | 0                        |
| <b>Total Income</b>                     | <b>(30,487)</b> | <b>(30,717)</b> | <b>(230)</b>             |
| <b>Net (Income)/Expenditure</b>         | <b>0</b>        | <b>0</b>        | <b>0</b>                 |

### 1.3 Corporate Expenditure Variances

#### 1.3.1 Staffing

Work has been undertaken in relation to workforce planning to explore the capacity of NTCA in the light of increasing numbers of projects and programmes, this covered recruitment, capacity management and the retention of a competent, productive and collegiate workforce with the aim of creating a long-term staffing plan. Progress has continued into quarter 3 with an additional 3 new Tourism Policy Officers recruited in addition to the Appraisal and Monitoring Officers, a Programme Manager and the Good Work Pledge Officer which were recruited in quarter 2. These posts are all funded from available programme funds. There are now 47 staff directly employed by the North of Tyne Combined Authority (NTCA).

Staffing estimates reflect a lower rate of employer superannuation (5.2%) from the introductory rate applied and budgeted for (25.2%). This is a contributory factor in the underspend on staffing expenditure.

#### 1.3.2 Advisors External

The increase reflected in the Advisors External forecast position is primarily in relation to the sector commissioning work which had originally been commissioned in 2019/20 as part of establishing the pipeline delivery in relation to the Investment Fund and the Adult Education Work (AEB). The delivery of this work will be completed in 2020/21 with the approval given at July Cabinet to carry

forward the funding from 2019/20 to cover this (£0.200m). Also included in the expenditure forecast position is the one-off cost for the design of the new website (£0.030m) which is now up and running, and also the cost for year one of the new Management Information System to support project delivery (£0.057m).

### 1.3.3 Other Costs

This category forecasts an overspend (£0.211m). The anticipated uplift is in relation to recruitment and training costs (£0.050m), the assumed increase in accommodation costs for the Lumen for last two months of the year (£0.020m), due to the ongoing COVID-19 pandemic there is a strong likelihood this will be delayed, however, it is yet to be confirmed absolutely. The contribution in relation to employee pension costs as part of the LEP transition (£0.140m), which is funded by the authority's saving on Pension contributions as planned is also a contributory factor to the overspend in this area.

### 1.3.4 Service Level Agreements

The Service Level Agreements (SLAs) cover IT, data protection and risk, procurement, Finance, health and safety, communications, legal services, payroll, governance, internal audit and HR and occupational health. The approach to Service Level Agreements (SLA's), is to maintain a cost effective, efficient and collegiate approach. Work has been undertaken in respect of the review of the SLAs for 2020/21 with the aim to renegotiate those which require adjustment, this has resulted in a decrease in forecast expenditure against the budget of £0.117m to date.

### 1.3.5 Joint Transport Committee levies

These will remain as per budget.

## 1.4 Corporate Income Variances

1.4.1 The key source of income supporting the Corporate expenditure budget is the annual contribution from the Investment Fund, including income for posts funded from specific workstreams (£0.241m) within the Fund such as the Digital, Education Challenge and Returnship posts and Tourism Policy Officers. In addition to this there is the £0.037m contribution received from each of the three constituent authorities (£0.111m in total).

1.4.2 The Mayoral Capacity Fund has been confirmed at an additional £0.250m for 2020/21 against the original expected allocation of £0.750m. This additional funding has helped towards the reduction in the level of Investment Fund contribution towards the Corporate budget. Mayoral Capacity Funding has been received from the year of inception in 2018/19 to 2020/21 for the purpose of supporting the establishment of the Combined Authority.

1.4.3 Pending the devolution of AEB in July 2020, the Department of Education (DfE) supported the set up and operating costs through a one-off grant (AEB Implementation Fund) up to a maximum of £0.537m, subject to equal match funding. This was to support transition costs including contracting and commissioning. The remaining balance (£0.130m) is due to be paid in 2020/21. The first tranche of AEB devolution funding was received in July 2020 (£14.198m), for the part academic year to March 2021. There is no separate administration budget from DfE, NTCA, like other Combined Authorities, are expected to resource strategic management, administration and assurance functions, including the funding of a small team through the Adult Education Budget. The costs for which represent approximately 3% of the AEB budget (£0.396m) in 2020/21.

1.4.4 Brownfield Housing Fund, NTCA secured a capital allocation of £24.000m over 5 years, in addition to this NTCA secured £0.550m in revenue funding to support the acceleration of delivery in the

earlier years of the programme. Table 1 reflects the recovery of the corporate costs (£0.195m) incurred in delivering the project in 2020/21.

- 1.4.5 Interest on investment income budget was set at a prudent level of £0.175m. The NTCA became the accountable body for the North East LEP on 1<sup>st</sup> April 2020 and therefore is responsible for managing their cashflow. The additional cash balances available to invest has widened the opportunity to invest longer term (up to 12 months), thereby achieving marginally higher interest rates. The anticipated level of interest income due to NTCA in respect of their investments alone is £0.324m.

## **1.5 Investment Fund**

- 1.5.1 The Investment Fund programme is firmly under way, with £40.330m of projects committed to 31 March 24 and advanced plans to bring forward a further £20.000m in the next few months. This includes a broad range of funding proposals across all Cabinet portfolio areas, in addition to interventions designed to unlock growth opportunities amongst our key sectors.
- 1.5.2 This quarter has seen progress on support for the key sectors; calls have been issued for project proposals to support offshore infrastructure investments; expansion of the digital offer, progress on the delivery of a £10.000m Green New Deal Fund in addition to establishing a £3.250m Culture and Creative Recovery Fund focusing on the restart and recovery phases for the sector. In the coming months these submissions will be progressing into delivery, providing support to businesses and residents during this challenging time.
- 1.5.3 The impact of the investment made is evidenced in the increase of committed and defrayed expenditure, in addition to the project outcomes reported. Including SME business growth, inward investment to the area, new employment opportunities and sustaining existing jobs as a direct result of our investment.

### **Projects**

- The total Investment Fund commitment stands at £40.330m to 2023/24 against 48 live contracts. Although this is at the same level reported at quarter 2, this is expected to increase significantly in the coming months as projects move into a delivery phase, particularly in respect of our key sectors investments as described above.

### **Jobs**

- The number of forecast jobs to be created stands at 2732 (based on current commitments)
- The number of forecast jobs safeguarded remains 1782.

### **Private Sector Leverage**

- Forecast private sector leverage is £104.560m (circa 5% of the £2.1bn target) , this is also expected to increase in line with commitments as a number of large investment programmes come on stream.

### **Claimed Funding**

- Expenditure claimed to date totals £3.090m with £1.900m paid out to projects in respect of the Q2 claim period.
- Q3 claim returns due at the end of January, is currently forecasting circa £4.000m expenditure.

## **1.5.4 Project & Programme Risk**

The impact of the COVID-19 pandemic on delivery has reduced slightly but continues to be closely monitored as infection rates and restrictions increase. During periods of lockdown there has been a reduction in enquiries from businesses looking to expand operations. It is anticipated that interest will increase in Spring when restrictions are hopefully lifted, as was experienced in the Summer

period. Although, a number of existing projects have adapted to the current situation by shifting from physical to virtual models to ensure outcomes continue to be met.

**Table 2: Commitment against Investment Fund Thematic Area**

|                                                   | <b>Current<br/>2018/19-<br/>2023/24<br/>Committed</b> | <b>2018/19-<br/>2023/24<br/>Allocation</b> | <b>% Allocated</b> |
|---------------------------------------------------|-------------------------------------------------------|--------------------------------------------|--------------------|
|                                                   | <b>£m</b>                                             | <b>£m</b>                                  |                    |
| <b>Business</b>                                   | <b>17.88</b>                                          | <b>38.00</b>                               | <b>47%</b>         |
| <b>People</b>                                     | <b>8.12</b>                                           | <b>16.30</b>                               | <b>50%</b>         |
| <b>Place</b>                                      | <b>6.59</b>                                           | <b>13.70</b>                               | <b>48%</b>         |
| <b>Major Strategic Economic<br/>Opportunities</b> | <b>5.80</b>                                           | <b>17.50</b>                               | <b>33%</b>         |
| <b>Business Case Development Fund</b>             | <b>1.95</b>                                           | <b>4.50</b>                                | <b>43%</b>         |
|                                                   | <b>40.34</b>                                          | <b>90.00</b>                               | <b>45%</b>         |

- 1.5.5 In November, Cabinet approved the £10.000m Innovation Recovery Deal, to support post-COVID-19 business recovery for innovations that will make a difference now and leave a legacy that lasts beyond the immediate crisis. Since then, the Combined Authority has been undertaking detailed design on this programme with the constituent Local Authorities, Voluntary Community Sector (VCS) and business representative organisations on how best to support the recovery phase, with the intention to have a programme in place to support the period when lockdown restrictions begin to ease.
- 1.5.6 In September, the NTCA agreed to play a leading role in supporting young people through the development and co-delivery of the national Youth Hubs and Kickstart programmes. The NTCA has agreed to become a Representative/Intermediary for the Kickstart scheme, helping smaller employers to create new 6-month job placements for young people who are currently on Universal Credit and at risk of long-term; unemployment. Subject to business case, the NTCA has also agreed to co-invest with DWP in Youth Hubs, which will provide both a physical and a digitally co-ordination system of 'end to end' support for all young people in the area.
- 1.5.7 Elsewhere on the agenda is the Investment Fund Update Report which will provide updates against the above allocations approved, future budget monitor reports will reflect spend and delivery as it occurs within the allocations.

Table 3 shows the forecast spend on the Investment Fund end of financial year 2020/21.

**Table 3: Budget Monitoring Investment Fund**

| Investment Fund                                    | Budget 2020/21  | Forecast 2020/21 | Variance     |
|----------------------------------------------------|-----------------|------------------|--------------|
|                                                    | Budget          | Forecast         | Variance     |
| <b>Expenditure</b>                                 | <b>£'000</b>    | <b>£'000</b>     | <b>£'000</b> |
| Work streams                                       | 13,773          | 14,100           | 327          |
| Technical Support                                  | 250             | 500              | 250          |
| Contribution to Corporate Costs                    | 1,400           | 1,245            | (155)        |
| <b>Total Expenditure</b>                           | <b>15,423</b>   | <b>15,845</b>    | <b>422</b>   |
| <b>Income</b>                                      |                 |                  |              |
| Investment fund                                    | (20,000)        | (20,000)         | 0            |
| <b>Total Income</b>                                | <b>(20,000)</b> | <b>(20,000)</b>  | <b>0</b>     |
|                                                    |                 |                  |              |
| <b>Net (Income)/Expenditure</b>                    | <b>(4,577)</b>  | <b>(4,155)</b>   | <b>422</b>   |
| <b>Investment Reserve brought forward</b>          | <b>(36,840)</b> | <b>(36,840)</b>  | <b>0</b>     |
| <b>Net Investment Fund Reserve carried forward</b> | <b>(41,417)</b> | <b>(40,995)</b>  | <b>422</b>   |

**1.6 Brownfield Housing Fund**

- 1.6.1 NTCA secured £23.850m from Government's £400.000m national Brownfield Housing Fund. The funding is intended to support the development of at least 1,500 new homes, by remediating and revitalising brownfield sites across the North of Tyne area. In addition, NTCA secured £0.550m in revenue funding to support the acceleration of delivery in the earlier years of the programme. The Brownfield fund is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach to supporting housing and economic recovery.
- 1.6.2 The Brownfield Housing Fund specifically supports sites with an identified market failure and the pipeline of proposals. The first 14 schemes have now been accepted onto the Programme with a funding requirement of £21.200m. It is usual with programmes like this that some schemes do not progress, so the NTCA will be seeking additional schemes in subsequent phases of the Programme, with a further requirement of about £10.000m.
- 1.6.3 The first two projects to be approved from the Brownfield Housing Programme are Scotswood Phase 2 (£2.948m) unlocking 243 homes, and Newbiggin Hall (£0.500m) to enable construction of 43 new dwellings through funding of the demolition and clearance of the existing neighbourhood centre at Newbiggin Hall.
- 1.6.4 Table 4 shows the spend profile of both the revenue and capital items. The revenue allocation and the first tranche of capital funding for 2020/21 have now been received from MHCLG.

**Table 4: Brownfield Housing Revenue and Capital Funding Profile**

| Year               | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total         |
|--------------------|---------|---------|---------|---------|---------|---------------|
|                    | £m      | £m      | £m      | £m      | £m      | £m            |
| <b>BFH Revenue</b> | 0.471   | 0.079   |         |         |         | <b>0.550</b>  |
| <b>BFH Capital</b> | 5.000   | 8.100   | 6.700   | 3.100   | 1.100   | <b>24.000</b> |

1.6.5 The profile of the revenue capacity funding includes allocations to the three constituent authorities to support development of business cases and commission any feasibility work (£0.276m in total). The remaining balance of funding is to support in-house capacity and appraisal development.

## 1.7 Adult Education Budget (AEB)

1.7.1 In August 2020 the NTCA took control of a £23.145million Adult Education Budget (AEB), secured as part of the devolution deal. With Cabinet approval the devolved AEB was allocated to 29 education providers across 10 Grant Agreements and 21 Contracts for Services (via the establishment of a procurement framework).

1.7.2 Delivery of the AEB commenced on the 1<sup>st</sup> August 2020 and the impact of COVID-19 is being closely monitored, both in terms of learner engagement during the pandemic and providers performance against delivery plans and payment profiles that were set out at the beginning of the academic year. Performance against delivery is reviewed at quarterly monitoring points the first of which was in November 2020.

1.7.3 All NTCA funded AEB providers submitted a detailed delivery plan and payment profile for the academic year 2020/21. Providers are paid monthly, in arrears, against their payment profile, with reconciliation points throughout the year.

Table 5 below reflects spend against the provider payment profiles at the review point in November.

**Table 5: Adult Education Budget 2020-21 Financial Yr. Profile**

|                                             | 2020-21         | 2020-21<br>Q3 Spend | Forecast<br>2020-21 |
|---------------------------------------------|-----------------|---------------------|---------------------|
|                                             | £'000           | £'000               | £'000               |
| <b>Expenditure</b>                          |                 |                     |                     |
| Grant Awards                                | 9,687           | 4,911               | 9,687               |
| Procured Services                           | 4,115           | 2,355               | 4,115               |
| Corporate Contribution                      | 396             | 396                 | 396                 |
| <b>Total Expenditure</b>                    | <b>14,198</b>   | <b>7,662</b>        | <b>14,198</b>       |
|                                             |                 |                     |                     |
| <b>Income</b>                               |                 |                     |                     |
| <b>Funding Sources and<br/>Total Income</b> | <b>(14,198)</b> | <b>(7,662)</b>      | <b>(14,198)</b>     |
|                                             |                 |                     |                     |
| <b>Net Position (Inc)/Exp</b>               | <b>0</b>        | <b>0</b>            | <b>0</b>            |

1.7.4 The purpose of the quarterly performance review in November 2020 was to monitor individual providers performance against their delivery and financial profiles as well as gather intelligence on the impact of COVID-19 on delivery during the first 3 months of the academic year.

1.7.5 All providers reported disruption to delivery as a result of the pandemic and outlined actions they have taken. Six of the Contract for Service providers requested a re-profile at the review and to receive payments on 'actual' delivery from January 2021 rather than profiled delivery to avoid any 'over payment' in this academic year.

1.7.6 As a result of the COVID-19 disruption many learners will start programmes later than planned and will be carried in to the 2021/22 academic year. Providers were concerned that if allocations were not maintained or were reduced this would impact on delivery and staffing levels in 2021/22.

- 1.7.7 As a result of NTCA consultation in November on the impact of COVID-19 two additional funding flexibilities are to be introduced in January 2021. These flexibilities include the 'non-regulated' formula funded learning designed to re-engage learners in provision. Providers fed back that this would be particularly welcome for learners who have low confidence and wellbeing issues. The fully funded offer for employed residents was also welcomed as an opportunity to re-engage those residents in work and with employers.
- 1.7.8 Curriculum planning for 2021/22 is already underway so indicative allocations for 2021/22 is essential.
- 1.7.9 A full performance review will take place between 8th February and 19<sup>th</sup> February which will inform any recommendations regarding funding flexibilities, reconciliation or clawback and will be provided in a Delegated Decision report with a Cabinet report submitted to March 2021 providing a full progress update on devolved AEB for the first 6-month period. AEB Officers are continuing to monitor delivery on a monthly basis.

#### 1.7.10 Academic Year 2020-21 COVID-19 Response allocation

A one year only amount of £959,064 was awarded in 2020-21 to invest in High Value Courses and sector-based work academy programmes as part of the Chancellor's announcement on the Plan for Jobs to support Young People during the COVID-19 crisis. Table 6 provides the breakdown of commitment against the £959,064. At the point of Quarter 3 £0.172m has been committed against High Value Courses.

**Table 6: Additional Devolved AEB Allocation**

|                                                   |                 |
|---------------------------------------------------|-----------------|
| <b>NTCA Additional Devolved AEB Allocation</b>    | <b>£959,064</b> |
| 3% Administration Costs                           | £28,772         |
| Grant Allocations for High Value Course Offer     | £419,932        |
| Grant Allocations for Sector-based Work Academies | £476,006        |
| <b>Total Additional AEB allocated</b>             | <b>£924,710</b> |
|                                                   |                 |
| Amount Remaining to allocate                      | £34,354         |

## 1.8 Reserves

Based on the current assumed forecast outturns set out above in paragraphs 1.2 and 1.4 an update on the reserves position is shown in Table 7 below.

**Table 7: Movement in Reserves**

| <b>Reserves Statement</b>               | <b>Opening Balance<br/>1 April<br/>2020</b> | <b>Transfer<br/>In/(Out)<br/>during<br/>2020/21</b> | <b>Closing<br/>Balance<br/>31 March<br/>2021</b> |
|-----------------------------------------|---------------------------------------------|-----------------------------------------------------|--------------------------------------------------|
|                                         | <b>£'000</b>                                | <b>£'000</b>                                        | <b>£'000</b>                                     |
| Homeless Veteran Grant Reserve          | 91                                          | (91)                                                | -                                                |
| Preparing to Exit Europe Grant          | 272                                         | (91)                                                | 181                                              |
| Business Rates Pilot 2019/20            | 4,877                                       | (4,877)                                             | -                                                |
| Strategic Reserve                       | 200                                         | -                                                   | 200                                              |
| Investment Fund Reserves                | 36,840                                      | 4,155                                               | 40,955                                           |
| <b>Total General (Useable) Reserves</b> | <b>42,280</b>                               | <b>(904)</b>                                        | <b>41,376</b>                                    |

- 1.8.1 The Homeless Veteran Grant (£0.091m) is being allocated equally across the three constituent authorities with each project being awarded £0.030m. To date Newcastle City Council and Northumberland County Council have submitted proposals for the use of their share of the funding.
- 1.8.2 For Newcastle City Council's project, the funding will be used to provide support to veterans to access and sustain a tenancy through help with a deposit and home set up costs. Veterans will be referred through the Council's existing Homelessness Services and Armed Forces Outreach Service.
- 1.8.3 Northumberland County Council has identified that veterans are often referred to Armed Forces Outreach Officers at the point of crisis with little time available to prevent the veteran becoming homeless. To complement this service provision it has therefore been identified that there is a need for the development of closer links to the Discharge Teams that sit across the Armed Forces, for example at Albemarle Barracks and Catterick Garrison, that will support service personnel in the lead up to their discharge for the service at an earlier point to ensure a more planned, proactive move to a civilian home, rather than being a reactive response at a challenging time. The proposal is that the grant allocation would be used to fund a 1-year fixed term post to develop proposals for, and help the co-ordination of the implementation of, earlier contact with service personnel who are soon to be discharged.

Both of these projects are very much in keeping with the aims and objectives of the programme.

- 1.8.4 North Tyneside Council's proposal is to follow.
- 1.8.5 Cabinet are aware that late in 2018/19 the Combined Authority was awarded a £0.091m grant to support the preparations for the exit from the European Union and further to this Cabinet agreed a proposed approach to BREXIT at its meeting on 5 February 2019. Officers have worked with the LEP and have committed £0.091m to support additional capacity to assist in the delivery of a Brexit work programme over the North of Tyne and North East Combined Authority area. An additional £0.181m grant was awarded in 2019/20 in respect of preparations for the exit from the European Union, no commitments have been identified against this award and therefore the monies have been transferred into reserves pending a plan being agreed.

## **2. Potential Impact on Objectives**

The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Combined Authority, detailing the key priorities and the steps in the journey around the six key pillars. The Treasury Management Strategy will support and enable the budget process so that the Combined Authority can properly discharge its functions and assist in delivering the Combined Authority's vision, policies and priorities.

## **3. Key Risks**

As highlighted in the report there is a key risk to programme delivery to the Investment Programme and Adult Education Budget as a result of COVID-19, the mitigations for this is detailed in the report and reported through the Investment Fund update report to Cabinet. No other risks identified at this time.

## **4. Financial and Other Resources Implications**

This is a financial report with any financial or resource implications set out in the report.

## **5. Legal Implications**

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

## 6. Equalities Implications

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

## 7. Inclusive Economy Implications

There are no direct inclusive economy implications arising out of the recommendations in this report.

## 8. Climate Change Implications

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

## 9. Consultation and Engagement

The Treasury Management Policy and Strategy was included with the 2020/21 Budget which was subject to consultation with NTCA constituent authorities, NTCA Cabinet in addition to key officer groups. The 2020/21 Budget is based on the devolution deal and the Parliamentary Order which created the Combined Authority and the Combined Authority's Vision which has been agreed by Cabinet and is being shared with stakeholders in a range of events.

## 10. Appendices

None

## 11. Background Papers

January 28, 2020 – 2024 Budget Report  
Quarter 2 Budget Monitoring Report November 24, 2020 Cabinet

## 12. Contact Officers

Janice Gillespie, Chief Finance Officer,  
Janice.gillespie@northoftyne-ca.gov.uk 0191 643 5701

## 13. Glossary

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

**Subject: Appointments**  
**Report of: Interim Monitoring Officer**  
**Portfolio: All**

### Report Summary

This report asks Cabinet to confirm two member appointments.

### Recommendations

Cabinet is recommended to agree the appointments set out in section 1 below.

#### 1. Proposals

- 1.1 It is proposed that Cllr Glen Sanderson be appointed as the Authority's representative on the North East LEP's Business Growth Advisory Board.
- 1.2 The Authority's representation on the North East LEP's boards and panels will then be:

| Board/Panel                        | NTCA Representative                                                                                             |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| North East LEP Board               | Mayor Norma Redfearn (Vice Chair)<br>Mayor Jamie Driscoll<br>Cllr Nick Forbes<br>Cllr Glen Sanderson (Observer) |
| Investment Board                   | Cllr Bruce Pickard                                                                                              |
| Innovation Delivery Advisory Board | Cllr Nick Forbes                                                                                                |
| Business Growth Advisory Board     | Cllr Glen Sanderson                                                                                             |
| Skills Advisory Panel              | Cllr Joyce McCarty                                                                                              |

- 1.3 Newcastle City Council has proposed that Councillor Rob Higgins be appointed as a substitute member on the NTCA Overview and Scrutiny Committee, filling an existing vacancy.

#### 2. Potential Impact on Objectives

- 2.1 The appointment is in line with the Authority's decision-making arrangements.

#### 3. Key Risks

- 3.1 None.

#### 4. Financial and Other Resources Implications

- 4.1 There are no direct financial implications arising from this report.

**5. Legal Implications**

5.1 The Interim Monitoring Officer is the author of this report.

**6. Equalities Implications**

6.1 There are no direct equalities implications arising from this report.

**7. Inclusive Economy Implications**

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

**8. Climate Change Implications**

8.1 There are no direct climate change implications arising from this report.

**9. Consultation and Engagement**

10.1 The changes reflect the appointments made by the relevant bodies.

**10. Appendices**

None

**11. Background Papers**

None

**12. Contact Officer**

John Softly, Interim Monitoring Officer  
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Subject: North East LEP – Funding Decisions Update  
 Report of: North East LEP Chief Executive  
 Portfolio: All

## Report Summary

The purpose of this report is to update Cabinet on the work and decisions of the North East LEP over the last three months with a focus on project funding decisions related to the programmes managed by the North East LEP, for which NTCA is the accountable body since 1 April 2020. It provides summary information about the LGF, GBF, EZ, and NEIF programmes including decisions related to the £5m COVID-19 rapid response fund established using uncommitted LEP resources. In addition, it provides information about new appointments to the North East LEP advisory boards and substitute arrangements.

## Recommendations

Cabinet is recommended to

1. Note the report which provides information on the work and decisions of the North East LEP over the last three months.

### 1. Background Information, Proposals and Timetable for Implementation

- 1.1 The report provides an update on the North East LEP project funding decisions made since September 2020. The North East LEP manages the Local Growth Funding (LGF), North East Investment Fund (NEIF) and the Enterprise Zone (EZ) programmes. More recently it was tasked by the government to manage the Getting Building Fund (GBF) programme for which the North East was allocated £47m.
- 1.2 Project funding decisions are made in line with the North East LEP Constitution and scheme of delegation. Decisions can be made by the North East LEP Board, the Investment Board or through delegated decision.
- 1.3 NTCA, as the LEP accountable body, is the legal entity which issues the grant and loan agreements to project applicants and as such must satisfy itself of the legal and financial probity of any decisions it implements on behalf of the North East LEP. This means that LEP project funding decisions also need to be authorised through NTCA decision-making.
- 1.4 Project funding decisions made and implemented between 1 September 2020 and 30 November 2020 are as follows:
  - £500,000 of NEIF loan to Stephenson Quarter Developments Ltd for the Boiler Shop project
  - £1,750,000 GBF grant and an additional EZ capital loan award of up to £500,000 to Northumberland County Council to support the Northumberland Energy Park project;
  - £800,000 LGF grant to Newcastle City Council to support the Pattern Shop project, on the Stephenson Quarter;
  - £455,859 LGF revenue grant to the North East LEP to deliver the North East Ambition phase 2 project;
  - £1,450,000 EZ capital loan award to the Port of Tyne and South Tyneside Council for the Holborn 2 Enterprise Zones site phase 1 remediation works;

- 2,500,000 GBF grant to Sunderland City Council to support the Hillthorn Business Park project;
- £4,500,000 GBF grant to Sunderland City Council to support the Next Generation Digital Connectivity and Riverside Sunderland Strategic Infrastructure Works project;
- £2,000,000 GBF grant to Gateshead Council to develop a Multi Storey Car Park as part of the Newcastle Gateshead Quays project;
- £2,000,000 GBF grant and re-allocate £200,000 of NEIF capital grant to the North East LEP to deliver the North East Commercial Property Investment Fund Pilot Project.
- £5,685,000 GBF grant to NEXUS to support the Tyne Ferry Landing project;
- £2,100,000 GBF grant and an additional EZ funding of £1,900,000 to Port of Tyne to support the Holborn 2 Enterprise Zone (Phase 2) project;
- £1,396,493 LGF (subject to agreed project funding conditions being fulfilled) to North East Property Partnership to support the Kingsway North, Team Valley Industrial Units project;
- £3,240,000 NEIF loan to Sunderland City Council to support the Skills Academy for Sustainable Manufacturing and Innovation Acquisition and Retrofit project;
- 14 LGF capital grant awards ranging from £49,935 to £150,000 from the COVID 19 Response Fund – VCSE Mini-funding Programme (total value: £1,250,925) - to 14 individual Voluntary, Community and Social Enterprise (VCSE) led projects (see Appendix B)

1.5 In addition to the VCSE mini-funding programmes, the following grants were awarded through delegated authority by the North East LEP Chief Executive, as one of the NTCA Designated Officers for LEP matters only:

- 12 grants ranging from £15,000 to £25,000 under the Cluster development Programme (please see Appendix A)
- 6 grants ranging from £29,084 to £50,000 under the Health and Life Sciences Development Programme (please see Appendix A)
- 12 grants ranging from £2,822 to £25,000 under the Health and Life Sciences Patent Protection Scheme (please see Appendix B)

1.6 In addition, 8 High Potential Business Start-up grants were also allocated and reported to the North East LEP Board (please see Appendix B)

1.7 Going forward, a number of project funding decisions, approved by the North East LEP Investment Board at the December 2020 meeting, are currently going through NTCA decision-making. These include:

- £5,951,000 GBF grant to Newcastle City Council for the Newcastle City Council Transformation project
- £5,000,000 GBF grant to Gateshead Council for the Gateshead Quays Link Road project
- £1,115,000 Grant funding (including £225,000 LGF revenue grant) to the North East LEP Strategy Team to deliver the Green Energy Accelerator programme

1.8 In addition, it is expected that approximately 10 to 13 new project funding decisions will be considered by the North East LEP before going through the NTCA delegated decision process by the end of the 2020/21 financial year. These will include the 8 remaining GBF grant funding applications.

1.9 Appendices A and B provide additional information about the position of all programmes and details on the specific projects set out in this report. Please note the next North East LEP Board will be held on 28 January 2021.

- 1.10 New NTCA appointments have been made to the North East LEP Board and North East LEP advisory boards since the last update with formal confirmation of Cllr Sanderson's appointment to the North East LEP Business Growth Advisory Board expected at Cabinet on 26 January 2021. The Authority's representation on the North East LEP's boards and panels will then be:

| <b>Board/Panel</b>                 | <b>NTCA Representative</b>                                                                                      |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| North East LEP Board               | Mayor Norma Redfearn (Vice Chair)<br>Mayor Jamie Driscoll<br>Cllr Nick Forbes<br>Cllr Glen Sanderson (Observer) |
| Investment Board                   | Cllr Bruce Pickard                                                                                              |
| Innovation Delivery Advisory Board | Cllr Nick Forbes                                                                                                |
| Business Growth Advisory Board     | Cllr Glen Sanderson                                                                                             |
| Skills Advisory Panel              | Cllr Joyce McCarty                                                                                              |

## **2. Potential Impact on Objectives**

- 2.1 The decisions support the vision and objectives of the North East LEP Strategic Economic Plan and the North East Recovery and Renewal Deal.

## **3. Key Risks**

- 3.1 The North East LEP is managing financial, regulatory and reputational risks at both project level and programme level. Individual project level risks are assessed prior to funding approval as part of the project appraisal process and in accordance with the recently updated North East LEP Assurance Framework.
- 3.2 NTCA's finance and legal officers are considering all related grant and loan funding agreements including state aid matters to ensure legal and financial probity.
- 3.3 Given the unprecedented number of applications coming forward since June 2020 and project funding decisions, two additional North East LEP Investment Board meetings were held in September and November 2020 and an additional meeting has been scheduled in February 2021.

## **4. Financial and Other Resources Implications**

- 4.1 The Section 73 Officer is consulted on all funding decisions going through the NTCA decision-making process to ensure budget provision is available.

## **5. Legal Implications**

- 5.1 The comments of the Interim Monitoring Officer have been included within this report.

## **6. Equalities Implications**

- 6.1 All North East LEP funded projects are required to be delivered in accordance with the objectives set out under s149 of the Equalities Act 2010.

## **7. Inclusive Economy Implications**

- 7.1 The North East LEP follows the policies set out in its North East Strategic Economic Plan that promote sustainable economic growth across the region. The core objective of the North East SEP is to support the creation of 100,000 'more and better' jobs in the region by 2024/25.

7.2 Several of the projects brought forward through the GBF and LGF, support a more inclusive economy for the North East.

## **8. Climate Change Implications**

8.1 Several of the projects brought forward through the GBF and LGF, support a greener economy for the North East.

## **9. Consultation and Engagement**

9.1 Proposals have been developed through normal LEP Board and Investment Board processes..

## **10. Appendices**

Please note that the two appendices below are exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Appendix A: Extract from item 6 from the North East LEP Board meeting held on 1 October 2020

Appendix B: Extract from item 6a from the North East LEP Board meeting held on 3 December 2020

## **11. Background Papers**

None

## **12. Contact Officers**

12.1 Helen Golightly, Chief Executive  
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## **13. Glossary**

- 13.1 LEP – Local Enterprise Partnership
- 13.2 LGF – Local Growth Fund
- 13.3 EZ – Enterprise Zone
- 13.4 NEIF – North East Investment Fund
- 13.5 GBF – Getting Building Fund

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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