

## Cabinet

Tuesday, 26 January 2021 at 2.00 pm

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# SUPPLEMENTAL AGENDA

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<b>6. Investment Fund Update and Funding Approvals</b>	
(a) <b>Exclusion of Press and Public</b>	
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.	
(b) <b>Supplemental Report: Investment Fund Update - Inward Investment Opportunity</b>	1 - 4
(c) <b>End of Exclusion of Press and Public</b>	
<b>7. 2021-2025 Budget Proposals</b>	
(a) <b>2021-2025 NTCA Budget Proposals</b>	
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(c) <b>2021/22 North East Local Enterprise Partnership Budget</b>	
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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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

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## 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	9,621
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	1,104
<b>Total Expenditure</b>	<b>31,340</b>	<b>30,986</b>	<b>31,055</b>	<b>31,112</b>	<b>124,493</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	65,477	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	8,197	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>	95,617	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	61,476
Procured Services	6,659	6,659	6,659	6,659	26,636
Admin Costs and contribution to Corporate	678	678	678	678	2,712
<b>Total Expenditure</b>	<b>22,706</b>	<b>22,706</b>	<b>22,706</b>	<b>22,706</b>	<b>90,824</b>
<b>Income</b>					
Funding Sources	(22,706)	(22,706)	(22,706)	(22,706)	(90,824)
<b>Total Income</b>	<b>(22,706)</b>	<b>(22,706)</b>	<b>(22,706)</b>	<b>(22,706)</b>	<b>(90,824)</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**

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
<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**

	North East LEP Accountable Body Budget 2021/22
<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>

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

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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Tel: 0191 6435701

### 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  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  Receive the Mayors draft budget proposals  Formally agree to issue the Transport Levy to constituent authorities.
2 February 2021  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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**Subject: 2021/22 North East Local Enterprise Partnership and  
2021/22 Invest North East England**  
**Report of: Janice Gillespie**  
**Portfolio: All**

## Report Summary

The purpose of this report is to apprise Members of the North East Local Enterprise Partnership (LEP) indicative Outturn position for 2020/21 and indicative Revenue Budget for 2021/22 which are to be reported to the LEP Board on the 28 January 2021. This report will also provide an update on the Invest North East England (INEE) 2020/21 Outturn position and indicative Revenue Budget for 2021/22. The North of Tyne Combined Authority became the Accountable Body for both the LEP and INEE on 1<sup>st</sup> April 2020. This report will provide a brief background of the principles agreed in relation to the Accountable Body role and a brief overview of the budget and funding of both the North East LEP and INEE with the LEP Revenue Budget report presented in Appendix A to the report and INEE Revenue Budget as Appendix B.

The NTCA 2021-2025 Budget report is being re-attached as there have been some errors picked up in the tables. These errors do not affect the working of the report, or the budget proposed for 2021/22 and the recommendations remain unchanged. The report is attached as Appendix C.

## Recommendations

The Cabinet is recommended to note the contents of this report and in doing so note the update on the 2020/21 North East LEP Revenue Budget and the 2020/21 Invest North East England Revenue Budget and note the provisional estimate for the 2021/22 Revenue Budget for both the North East LEP and Invest North East England.

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

- 1.1 The Combined Authority became the Accountable Body for the North East LEP and Invest North East England as of 1<sup>st</sup> April 2020.
- 1.2 As the accountable body for the North East LEP, at the time when decisions relating to the 2021/22 Budget must be taken, the North of Tyne Combined Authority Budget report will include information about the funds available to the North East LEP and its proposed budget for 2021/22, which will be agreed by the North East LEP Board. The budget will need to reflect decisions about the level of government grant available to support the North East LEP costs as well as the guidance and resource requirements needed to meet grant conditions.
- 1.3 **North East LEP Budget**
  - 1.3.1 The North East LEP core team activity is part funded from a Government Grant of £0.500m, which is required to be matched by £0.250m local authority contributions. It is proposed the current level of match funding contributions continue to be provided in 2021/22 by the seven North East Councils contributing £35,714.29 each.
  - 1.3.2 As detailed in the NTCA 2021-25 Budget report as Accountable Body for the North East LEP, NTCA will receive £10,000 from each of the North East Councils to support this role.
  - 1.3.3 In addition to the LEP core funding, the LEP have also secured £6.257m of external funding, to help support the delivery of the of the North East Strategic Economic Plan.

1.3.4 The original net budget for the current financial year approved in May LEP Board was a deficit of £0.157m. The forecast net outturn is for a surplus of £0.010m, representing a significant improvement on the budget which reflects confirmation of external funding which was not confirmed at the time of setting the original budget.

1.3.5 The net budget position for 2021/22 is a deficit of £0.285m, which will be met from contributions from the Enterprise Zone account (as previously approved from the LEP Board) unless further funding is approved. A copy of the North East LEP Budget report is attached at Appendix A.

#### **1.4 Invest North East England Budget**

1.4.1 The Invest North East England (INEE) team coordinates inward investment activity across the North East, including responding to investor opportunities for investment to the region. The gross budget for INEE is £0.460m funded in part from a contribution of £20,000 from each of the seven local authorities within the North East LEP area, matched by £0.140m funding from the North East LEP. The forecast outturn is £0.395m an in-year underspend due to reductions on lead regeneration as a result of COVID-19.

1.4.2 At this stage it is recommended that the budget for 2021/22 is set at £0.460m with the contribution of £20,000 per local authority being retained, and funding of £0.140m from the LEP and a further contribution from the LEP of £0.170m from the Enterprise Zone account. A copy of the North East LEP Budget report is attached at Appendix B.

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

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

### **3. Key Risks**

There are no key risks at this time.

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

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

### **5. Legal Implications**

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

### **6. Equalities Implications**

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

### **7. Inclusive Economy Implications**

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

### **8. Climate Change Implications**

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

### **9. Consultation and Engagement**

- 9.1 The LEP Budget Report presenting the provisional budget for 2021/22 will be taken to LEP Board in January 2021.
- 9.2 The NTCA Budget 2021-25 report, attached to this report as an appendix, details the consultation undertaken as part of the NTCA Budget process.

## 10. Appendices

Appendix A North East Local Enterprise Partnership indicative outturn and 2021/22 Budget  
Appendix B Invest North East England indicative outturn and 2021/22 Budget  
Appendix C NTCA 2021-2025 Budget Report.

## 11. Background Papers

As detailed on the individual reports within the Appendices.

## 12. Contact Officers

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## 13. Glossary

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

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## North East Local Enterprise Partnership Board



28<sup>th</sup> January 2021

### **ITEM X: Update on 2020/21 Revenue Budget; and a Provisional Estimate for the Revenue Budget for 2021/22**

#### **1. Introduction**

- 1.1 The purpose of this report is to provide an update to the Board on the North East Local Enterprise Partnership (North East LEP) Revenue Budget position for the current financial year (2020/21), and to provide an indicative Budget for next financial year (2021/22). This report also provides an updated Budget position in relation to the Enterprise Zone account, and an update on the Local Growth Fund (LGF), the new Getting Building Fund (GBF), and the North East Investment Fund (NEIF).
- 1.2 As in previous years it is intended to provide an outturn report for 2020/21 and an updated indicative Budget for 2021/22 with latest information about funding and a three-year Budget projection at the May Board.
- 1.3 As of 1<sup>st</sup> April 2020, the North of Tyne Combined Authority became the new accountable body for the North East LEP, the 2020/21 indicative outturn and 2021/22 indicative Budget position reflects this.

#### **2. North East LEP 2020/21 Revenue Budget**

- 2.1 During 2020/21 there has been a significant increase in funding on specific programmes, in particular Government funding, which has resulted in additional activity in the year, resulting mainly in increases in operational cost (including the costs of short-term secondments) and an increase to the staffing budget.
- 2.2 The North East LEP (LEP) core Budget covers LEP operational activity and also management of the Local Growth Fund, NEIF and Enterprise Zone programmes. Table 1 provides a summary of the Revised Revenue Budget for the year compared with the Revenue Budget reported in January 2020, and the subsequent updated Revenue Budget reported in May 2020, with supporting notes provided below.
- 2.3 The North East LEP Board agreed a provisional Revenue Budget for 2020/21 of £4.909m in January 2020 and an updated Revenue Budget of £5.368m in May 2020. With a higher Gross Income estimate of £5.211m in May, the projected drawdown from the LEP reserve had reduced from £0.327m in January to £0.157m, leaving an estimated reserve of £0.500m at the end of the year, in May.

- 2.4 Total revenue expenditure in 2020/21 is now estimated to be £7.097m, which is £1.729m higher than estimated in the May. However, this increase is funded by matched income streams of £1.796m increasing the Gross Income Budget to £7.107m. The additional funding streams relate primarily to the Getting Building Fund, supplementary Growth Hub funding, Skills and Business advice and Brexit preparation activity. The net effect was a reduction in a net cost for the year from £0.157m in May to (£0.010m) net income position.
- 2.5 This follows the pattern in previous years, where a cautious view on income and a prudent provision for costs, results in an estimated call on reserves at the start of the year, and additional income or lower costs in the year reduces the call on reserves at the year end. The estimated level of North East LEP Reserve to be carried into 2021/22 is estimated to be £0.613m.
- 2.6 In terms of grant income, many of the specific grants are subject to claims for actual expenditure in the year. If eligible expenditure is lower in the year, then the amount of grant receivable for the year will also reduce to reflect the actual level of eligible expenditure that has been incurred.
- 2.7 The main budget variations are summarised below.

### **Employee Costs**

- 2.7.1 In relation to employee costs there is an estimated increase of £0.136m when compared with May 2020 Budget Update. This is due in the main to the extension of fixed term contracts and recruitment in relation to continuation of existing as well new funding streams. There was also a 2.75% national pay award agreed for 2020/21, this increased the overall staffing budget by approximately £0.030m. A budget for staff allowances is also included in the budget total of £0.020m.

### **Other Costs**

- 2.7.2 Other operational cost budgets reflected in the 2020/21 Revised Budget relate to new grant income streams, including the Innovation Challenge COVID (£0.464m), Peer Networks (£0.510m), Skills funding, DfE (£0.158m) and EY Foundation (£0.135m). Getting Building Fund was awarded in 2020/21 providing £47.000m funding over two years to deliver 'shovel ready' capital projects to support the economic recovery from the impact of COVID-19 pandemic. A percentage of the grant can be used to fund programme management costs (£0.205m), this includes the requirement for Legal and Financial advice.

**Table 1: North East LEP 2020/21 Revenue Budget**

	2020/21 TOTALS			
	Original Budget 2020/21 (January '20)	Updated Budget 2020/21 (May '20)	Revised Budget 2020/21	Variance
	£'000	£'000	£'000	£'000
Employees	2,624	3,084	3,220	136
LEP Chair Renummeration	-	20	20	-
Premises	190	190	207	17
Communications	252	250	250	-
Transport LGF Monitoring	72	20	26	6
Growth Hub Operational Costs	93	74	74	-
Growth Hub Supplementary Funding (COVID-19)	-	290	309	19
Invite (Horizon 2020) Operational Costs	23	60	72	12
Innovation Challenge - Covid	-	-	464	464
Other Operational Costs	626	600	636	36
North East Ambition Operational Costs (ESF)	312	165	144	(21)
Peer Networks	-	-	510	510
Covid Intelligence	-	-	40	40
LGF High Potential Operational	319	189	164	(25)
Brexit Policy Work Programme	110	109	73	(36)
Energy Programme Operational Costs	23	23	23	-
Skills Operational Costs (DfE/CITE /EY)	-	109	364	255
Inward Investment Contribution	140	140	140	-
LGF Programme Management Costs	125	45	78	33
Getting Building Fund Project Management	-	-	205	205
<b>GROSS EXPENDITURE</b>	<b>4,909</b>	<b>5,368</b>	<b>7,097</b>	<b>1,729</b>
LEP Core & Strategy Grant from DCLG	(500)	(500)	(500)	-
GBF Capacity Funding	-	-	(100)	(100)
Local Authority Match Contributions	(250)	(250)	(250)	-
<b>CORE FUNDING</b>	<b>(750)</b>	<b>(750)</b>	<b>(850)</b>	<b>(100)</b>
Local Growth Fund (Programme Mgmt )	(850)	(768)	(747)	21
Getting Building Fund (Programme Mgmt)	-	-	(357)	(357)
Interest Generated on Funds to fund INEE	(80)	(140)	(140)	-
Growth Hub	(410)	(410)	(410)	-
Growth Hub Supplementary Funding (COVID-19)	-	(370)	(370)	-
Peer Networks	-	-	(510)	(510)
Enterprise Adviser grant - CEC	(150)	(239)	(279)	(40)
Education Challenge	(97)	(144)	(144)	-
European Social Fund North East Ambition	(620)	(618)	(547)	71
LGF match North East Ambition	(472)	(389)	(314)	75
Skills Funding (DfE/CITE/EY)	(65)	(162)	(577)	(415)
Invite (Horizon 20/20)	(63)	(74)	(74)	-
Innovation Challenge Covid	-	-	(464)	(464)
Innovation Development funding (LGF)	-	-	(79)	(79)
Academic Health Science/Digital/ERDF	(75)	(80)	(80)	-
NEIF Contribution to cover activity costs	(125)	(124)	(124)	-
EZ Contribution to cover activity costs	(160)	(139)	(139)	-
LA Contributions re ESIF Co-ordinator	-	(20)	(20)	-
LGF High Potential	(336)	(237)	(211)	26
Brexit Policy Work Programme	(121)	(146)	(146)	-
Energy Programme BEIS/TVCA/RCEF/Misc. Contributions	(129)	(251)	(277)	(26)
Contribution Pension - NTCA	-	(140)	(147)	(7)
Other Income	(79)	(10)	(23)	(13)
<b>EXTERNAL FUNDING</b>	<b>(3,832)</b>	<b>(4,461)</b>	<b>(6,257)</b>	<b>(1,796)</b>
<b>GROSS INCOME</b>	<b>(4,582)</b>	<b>(5,211)</b>	<b>(7,107)</b>	<b>(1,896)</b>
<b>NET BUDGET</b>	<b>327</b>	<b>157</b>	<b>(10)</b>	<b>(167)</b>
Increase in LEP Reserves/(Contribution from Reserve)	(18)	(103)	10	
EZ Reserve (Contribution)	(309)	(54)	-	
<b>RESERVES INCREASE/(DECREASE)</b>	<b>(327)</b>	<b>(157)</b>	<b>10</b>	
<b>FUNDING GAP</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>B/F LEP RESERVE</b>	<b>(550)</b>	<b>(603)</b>	<b>(603)</b>	
<b>C/F LEP RESERVE</b>	<b>(532)</b>	<b>(500)</b>	<b>(613)</b>	

### **3. LEP 2021/22 Revenue Budget**

- 3.1 The indicative revenue Budget for 2021/22 reflects the latest known information of income for 2021/22 with the employee and operational costs required to meet the delivery associated with the individual income streams.
- 3.2 The estimates in this report are an indicative estimate, which will be refined in March and it is intended that a three-year Medium Term Budget is again presented in May, when the outturn position for 2020/21 is clear and more information about grant income available for 2021/22 should be known.
- 3.3 A summary of the indicative Budget for 2021/22 is set out in the table below. The indicative figures show a 23% decrease in Gross Expenditure from £7.097m to £5.462m matched with a 27% decrease in Gross Income from £7.107m to £5.177m. The overall effect is an indicative net cost of £0.285m. This is less than the original net cost of £0.327m illustrated for the 2020/21 Budget in the January 2020 Budget Report and less than the net cost estimate of £0.554m for 2021/22 that was illustrated in May 2020 Budget Report.
- 3.4 In terms of employee costs there is an increase of £0.293m (9.1%) when compared with the Revised Budget for 2020/21. The estimate takes into account the full year effect of new posts appointed at the end of 2020/21 and incremental increases through the pay scales, however, does not reflect any inflationary increase due to the announcement of a pay freeze in the spending review. This assumes the continuation of a 0% employers' contribution that the LEP would have received had it remained with the North East Combined Authority (NECA) this is reflected as an income contribution from the North of Tyne Combined Authority (£0.147m and £0.156m in 2020/21 and 2021/22 respectively).
- 3.5 The main changes in income reflect reduced short-term grant income from BEIS, DfE and Brexit Grant income; and a reduced contribution for LGF Programme management as we near the end of the programme. The North East LEP is bidding for additional grants and any grants secured will be included in the Budget as they are announced.
- 3.6 Other significant changes in the estimates are summarised overleaf:



**Table 2: North East LEP 2021/22 Revenue Budget**

	Revised Budget 2020/21	2021/22 Indicative Budget	Variance
	£'000	£'000	£'000
Employees	3,220	3,513	293
LEP Chair Renumeration	20	20	-
Premises	207	207	-
Communications	250	250	-
Transport LGF Monitoring	26	-	(26)
Growth Hub Operational Costs	74	60	(14)
Growth Hub Supplementary Funding (COVID-19)	309	222	(87)
Invite (Horizon 2020) Operational Costs	72	-	(72)
Innovation Challenge - Covid	464	-	(464)
Other Operational Costs	636	600	(36)
North East Ambition Operational Costs (ESF)	144	192	48
Peer Networks	510	-	(510)
Covid Intelligence	40	-	(40)
LGF High Potential Operational	164	99	(65)
Brexit Policy Work Programme	73	-	(73)
Energy Programme Operational Costs	23	-	(23)
Skills Operational Costs (DfE/CITE /EY)	364	10	(354)
Inward Investment Contribution	140	140	-
LGF Programme Management Costs	78	55	(23)
Getting Building Fund Project Management	205	94	(111)
<b>GROSS EXPENDITURE</b>	<b>7,097</b>	<b>5,462</b>	<b>(1,635)</b>
LEP Core & Strategy Grant from DCLG	(500)	(500)	-
GBF Capacity Funding	(100)	-	100
Local Authority Match Contributions	(250)	(250)	-
<b>CORE FUNDING</b>	<b>(850)</b>	<b>(750)</b>	<b>100</b>
Local Growth Fund (Programme Mgmt )	(747)	(447)	300
Getting Building Fund (Programme Mgmt)	(357)	(298)	59
Interest Generated on Funds to fund INEE	(140)	(140)	-
Growth Hub	(410)	(410)	-
Growth Hub Supplementary Funding (COVID-19)	(370)	(370)	-
Peer Networks	(510)	(100)	410
Enterprise Adviser grant - CEC	(279)	(279)	-
Education Challenge	(144)	-	144
European Social Fund North East Ambition	(547)	(1,310)	(763)
LGF match North East Ambition	(314)	(43)	271
Skills Funding (DfE/CITE/EY)	(577)	(121)	456
Invite (Horizon 20/20)	(74)	-	74
Innovation Challenge Covid	(464)	-	464
Innovation Development funding (LGF)	(79)	-	79
Academic Health Science/Digital/ERDF	(80)	(76)	4
NEIF Contribution to cover activity costs	(124)	(110)	14
EZ Contribution to cover activity costs	(139)	(110)	29
LA Contributions re ESIF Co-ordinator	(20)	(20)	-
LGF High Potential	(211)	(148)	63
Brexit Policy Work Programme	(146)	-	146
Energy Programme BEIS/TVCA/RCEF/Misc. Contributions	(277)	(189)	88
Contribution Pension - NTCA	(147)	(156)	(9)
Other Income	(23)	(100)	(77)
<b>EXTERNAL FUNDING</b>	<b>(6,257)</b>	<b>(4,427)</b>	<b>1,830</b>
<b>GROSS INCOME</b>	<b>(7,107)</b>	<b>(5,177)</b>	<b>1,930</b>
<b>NET BUDGET</b>	<b>(10)</b>	<b>285</b>	<b>295</b>
Increase in LEP Reserves/(Contribution from Reserve)	10	(113)	
EZ Reserve (Contribution)	-	(172)	
<b>RESERVES INCREASE/(DECREASE)</b>	<b>10</b>	<b>(285)</b>	
<b>FUNDING GAP</b>	<b>-</b>	<b>-</b>	
<b>B/F LEP RESERVE</b>	<b>(603)</b>	<b>(613)</b>	<b>(10)</b>
<b>C/F LEP RESERVE</b>	<b>(613)</b>	<b>(500)</b>	<b>113</b>

### **LGF Funding**

3.6.1 This remains a significant funding stream (£270.1m over six years) but is declining due to completion in March 2021. Swap funding will be available beyond this to cover necessary continued monitoring and evaluation. This has enabled local project priorities to be supported over the longer-term, including revenue projects, and also helped to attract matched funds. Consequently, there will be a tail of funds to support existing project funding agreements and necessary ongoing monitoring and evaluation plans through to 2024.

### **Getting Building Fund**

3.6.2 A revenue stream to fund programme management costs on Getting Building Fund is reflected in 2020/21 (£0.357m) and reducing in 2021/22 (£0.298m), in line with delivery on the programme.

### **BEIS Funding**

3.6.2 BEIS has provided funding in respect of Peer Networks (£0.510m) in 2020/21 which is assumed to reduce to £0.100m in 2021/22. Growth Hub Supplemental funding in relation to COVID-19 has been received from BEIS of £0.370m in both 2020/21 and 2021/22. New posts have been appointed in January 2021 in relation to this funding although the full year cost of these posts in 2021/22 is met by a reduction in operational costs on the programme.

### **Brexit Funding**

3.6.3 This is one off funding included in the 2020/21 forecast but not confirmed to be available in 2021/22.

### **LGF High Potential**

3.6.4 The reduced income stream (£0.148m) is matched with a reduction in operational costs.

### **LGF Innovation Pipeline**

3.6.5 This is a one-off project grant for 2020/21.

### **North East Ambition (ESF)**

3.6.6 An extension to North East Ambition (NEA) 1 has been applied for and is waiting to be confirmed, however, NEA 2 funding has been confirmed

which will allow existing fixed-term posts to be extended through to August 2022.

#### **4. North East LEP Revenue Balances**

- 4.1 The estimate for 2020/21 and 2021/22 shows that the North East LEP revenue balance as at 1 April 2020 was £0.603m and this is shown as increasing slightly to £0.613m at 31 March 2021. It is important to maintain a reasonable balance to deal with future uncertainties.
- 4.2 The balancing figure of £0.172m in the indicative 2021/22 Revenue Budget is a call on the Enterprise Zone surplus from the previously agreed £0.5m per annum budget.
- 4.3 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income surplus of up to £0.5m per annum could be utilised to support the Revenue Budget if required. To date there has not been a requirement to use this facility and therefore in effect saving £2.0m of potential spend from the EZ account. The intention is to reduce the call on the EZ account by the year end though additional income and cost savings.
- 4.4 The balance on the Enterprise Zone account is estimated to grow from £3.047m to £3.347m this year and £3.779m next year, as illustrated in section 5 below.

#### **5. North East Enterprise Zones**

- 5.1 Ten Round 1 Enterprise Zones are located across four local authority areas: Newcastle, North Tyneside, Northumberland and Sunderland. In April 2017 these were joined by a further ten Round 2 sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside and Sunderland with the International Advanced Manufacturing Park (IAMP) site launched on the 1<sup>st</sup> April 2018 to complete the coverage of our 21 Enterprise Zones.
- 5.2 Business rates growth generated on Enterprise Zones accrues to the North East LEP for a 25-year period, in accordance with national regulations. This income is used to fund the capital financing costs of approved Enterprise Zone capital infrastructure, revenue administration costs, and a contribution towards Inward Investment activity. The financial administration of Enterprise Zones is managed in accordance with the local Enterprise Zone Business Rates Income Pooling Agreement. This agreement helps to pool and manage risk relating to borrowing undertaken by councils to fund Enterprise Zone capital works; helps to minimise costs and to helps to avoid additional revenue costs for council. The administration of the agreement has succeeded in achieving a positive cash flow on the Enterprise Zone account, which has

enabled a cumulative surplus to be generated. This acts as a contingency to help mitigate the risk of income shortfalls.

- 5.3 Table 3, below, provides a summary of the Enterprise Zone account income and costs for 2019/20 (actual) and the estimated income and expenditure figures for 2020/21 and 2021/22. The Business Rate Income figures includes an element of contributions from the Section 31 grant provided by MHCLG to compensate for the under-indexation of the business rate multiplier, which should have been increased by the Retail Price Index. This grant has been confirmed as 20/499<sup>th</sup> of rates in 2020/21 and 26/499<sup>th</sup> in 2021/22.

**Table 3: Enterprise Zone Account**

<b><u>Enterprise Zone Account</u></b>	<b><u>2019/20</u></b>	<b><u>2020/21</u></b>		<b><u>2021/22</u></b>
	<b>Actual</b>	<b>July 2020 Estimate</b>	<b>Latest Estimate</b>	<b>Estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Business Rate Income</u></b>				
<b><u>Round 1 Sites</u></b>				
Newcastle (Neptune)	508	463	483	489
North Tyneside (Swans)	160	188	138	161
Northumberland (Blyth)	308	282	309	308
Sunderland (A19)	752	724	754	763
<b><u>Round 2 Sites</u></b>				
Northumberland	40	37	38	63
Sunderland (Port)	0	0	0	0
Gateshead (Follingsby)	242	221	217	346
IAMP	0	561	667	674
Durham (Jade)	0	0	46	108
Newcastle (Airport)	0	0	51	126
Business Rate Income	2,010	2,521	2,703	3,038
Interest of Account Balance	20	20	15	17
<b>Total Income</b>	<b>2,030</b>	<b>2,541</b>	<b>2,718</b>	<b>3,055</b>
<b><u>Expenditure</u></b>				
Capital Financing Costs	1,696	2,101	2,101	2,300
INEE Team Contribution	66	170	170	170
EZ Account Operation	128	144	150	150
<b>Total Costs</b>	<b>1,890</b>	<b>2,415</b>	<b>2,421</b>	<b>2,620</b>
<b>Annual Surplus</b>	<b>140</b>	<b>126</b>	<b>297</b>	<b>435</b>
<b>Cumulative Surplus</b>	<b>3,047</b>	<b>3,173</b>	<b>3,344</b>	<b>3,779</b>

- 5.4 The increase in income in 2020/21 is mainly due to the completion and occupation of 3 buildings on the IAMP site and income from the Durham (Jade) and Newcastle Airport EZ sites being received earlier than planned. Forecast income increases for 2021/22 primarily come from full year rates being payable for occupiers on Durham (Jade) and Newcastle Airport and the Gateshead (Follingsby) Enterprise Zone sites.
- 5.5 While income in 2020/21 is expected to be slightly higher than the prudent estimate made in July 2020, it is still significantly lower than the projections made in May 2018, when income was estimated at £6.9m for 2020/21 and £8.4m in 2021/22. The lower estimates of income were

reported in July 2020 and it is currently estimated that income will grow significantly from 2022/23 onwards as new buildings are constructed and occupied on the Follingsby and other Enterprise Zone sites.

- 5.6 The costs mainly relate to capital financing costs including borrowing costs (which includes interest) and the repayment of previous interest free loans from the LEP's North East Investment Fund (NEIF) and the repayment of LGF funding swaps. Capital financing costs are lower than previously estimated in 2021/22 due to the potential impact of Getting Building Fund swaps, which will reduce interest costs on borrowing that will now be undertaken later than previously planned.
- 5.7 The cumulative surplus is expected to increase both this year and next, with increasing surpluses in future years. In July 2020 the lifetime surplus was estimated to be £270m, which after performance incentive reward payments was estimated to be £232m. The growing likelihood of a significant annual surplus from 2023/24 gave some confidence that the LEP could allocate £8.000m of its North East Investment fund to expand the Getting Building Fund programme from £47m to £55m. The £8m initial allocation from the NEIF is intended to be repaid from annual EZ surpluses generated from 2024/25 onwards. This use of £8m of the potential future years EZ surplus was agreed by the LEP and the seven councils that are party to the EZ BRGI pooling agreement in July 2020. This early boost to the Getting Building Fund activity was considered to have significant regional economic benefits.
- 5.8 One of the agreed uses of the Enterprise Zone surplus is to underwrite the costs of the LEP Team budget of up to £0.500m each year. The original 2020/21 LEP Team budget, agreed in January 2020, envisaged a potential call on the EZ surplus of £0.309m. This was reduced in May 2020 to £0.054m and the latest estimate is that no contribution will be required in 2020/21. This follows a similar pattern to previous years, where the use of the EZ surplus was not called on at the year end. In the latest draft 2021/22 Revenue Budget, a potential contribution of Enterprise Zone Surplus of £0.172m is required. It is envisaged that this contribution will fall as additional income or cost savings are identified during 2021/22. In the event of a contribution actually being required, this will reduce the Enterprise zone cumulative surplus, estimated to be £3.979m by the end of 2021/22. More information will be reported in March and a detailed report on the projected lifetime surplus on the account, which is still estimated to be over £200m will be presented to the May Investment Board and the full Board.

## **6. North East Investment Fund (NEIF)**

- 6.1 The North East Investment Fund (NEIF) was set up using £25m Growing Places Fund (GPF) and Regional Growth Fund (RGF) £30m. It is used to fund Enterprise Zone projects as noted above in paragraph 5.6. There have been £78.m loans made to date with reinvestment of repayments. No write offs have been made to date. The current available balance on

the NEIF is approximately £20m plus future repayments. The intention is to use NEIF balances to launch the Commercial Property Investment Fund. A full update on the NEIF position will be brought to the May LEP Board as part of the 2020/21 Outturn position and 2021/22 Budget and 3-year Medium Term Report.

## **7. Recommendations**

7.1 The Board is requested to:

- i. Note the positive Budget outturn position for 2020/21.
- ii. Note the indicative Budget for 2021/22, with an update on the 2021/22 Budget being reported to the LEP Board in May along with a three-year estimate.
- iii. Note the estimated end of year position of the Enterprise Zone account.

## **Invest North East England 2020-21 Indicative Outturn and 2021-22 Budget.**

### **Overview**

Invest North East England (INEE) acts as the strategic inward investment service in the North East. It works collaboratively with its seven local authority partners, two combined authorities, and other key stakeholders such as the North East LEP, Department of International Trade, and Universities to increase the levels of inward investment flowing into the region from both UK-owned and foreign-owned businesses.

Operationally, INEE's work has a few key guiding principles:

- INEE's primary function is to focus on attracting new inward investment to the NE (rather than seeking to secure re-investment in existing companies).
- INEE works closely with, and on behalf of, all seven constituent authorities, its aim being to maximise levels of inward investment regardless of location in North East (a 'North East First' principle).
- INEE activity aims not to duplicate but add value to activities undertaken by the constituent local authorities.
- INEE engages in proactive lead generation activity which is sector-based, focussed on: Digital Technology; Energy; Life Sciences; Advanced Manufacturing; Financial, Professional and Business Services.
- INEE focus of activity will be on strategic inward investment projects which require regional-level promotion, coordination, and collaboration in the first instance, before a focus on a specific site.
- As far as possible, INEE will aim to attract investment opportunities which will lead to significant numbers of high-quality jobs (more and better Jobs).

### **Performance**

After a very challenging year, dealing with the negative impact on inward investment of the COVID-19 pandemic and Brexit, the INEE Team is confident that 2021/22 will bring increased activity. The Team is involved in several very significant projects and is developing new approaches with partners in a number of areas including developing strategies to attract new north shoring and electrification projects, as well as significant offshore wind supply chain activity.

The Outturn for 20-21 and the proposed budget for 2021-22 is set out in Table 1 overleaf.

**Table 1: Invest North East England 2020-21 Indicative Outturn and 2021-22 Budget**

	<b>2020-21 Original Budget</b>	<b>2020-21 Indicative Outturn</b>	<b>Variance from Original Budget</b>	<b>2021-22 Proposed Budget</b>
<b>Expenditure</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Salaries	166,000	165,000	(1,000)	166,000
Staff training	2,000	10,000	8,000	2,000
Travel and subsistence (include international travel)	9,000	2,000	(7,000)	9,000
Web, telecoms, computers	8,000	15,000	7,000	8,000
Marketing/Comms/Events	100,000	70,000	(30,000)	100,000
Membership Fees (e.g. Sector bodies)	3,000	4,000	1,000	3,000
Visit hospitality costs	7,000	2,000	(5,000)	7,000
Professional consultancy	20,000	15,000	(5,000)	20,000
Lead generation/representation (London)	110,000	70,000	(40,000)	110,000
Research resource licenses	25,000	25,000	0	25,000
Propositions refresh	10,000	17,500	7,500	10,000
<b>Total</b>	<b>460,000</b>	<b>395,500</b>	<b>(64,500)</b>	<b>460,000</b>
<b>Income</b>				
Budget source				
Local Authority Contributions (£20,000 per Authority)	(140,000)	(140,000)	0	(140,000)
Department for International Trade (DIT)/Private Sector (contributions to events)	(10,000)	(6,306)	3,694	(10,000)
North East LEP	(310,000)	(249,194)	60,806	(310,000)
<b>Total</b>	<b>(460,000)</b>	<b>(395,500)</b>	<b>64,500</b>	<b>(460,000)</b>





**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	9,621
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	1,104
<b>Total Expenditure</b>	<b>31,340</b>	<b>30,986</b>	<b>31,055</b>	<b>31,112</b>	<b>124,493</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	65,477	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	8,197	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>	95,617	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	61,476
Procured Services	6,659	6,659	6,659	6,659	26,636
Admin Costs and contribution to Corporate	678	678	678	678	2,712
<b>Total Expenditure</b>	<b>22,706</b>	<b>22,706</b>	<b>22,706</b>	<b>22,706</b>	<b>90,824</b>
<b>Income</b>					
Funding Sources	(22,706)	(22,706)	(22,706)	(22,706)	(90,824)
<b>Total Income</b>	<b>(22,706)</b>	<b>(22,706)</b>	<b>(22,706)</b>	<b>(22,706)</b>	<b>(90,824)</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**

Year	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£m	£m	£m	£m	£m	£m
<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**

	North East LEP Accountable Body Budget 2021/22
<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>

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

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 change 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  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  Receive the Mayors draft budget proposals  Formally agree to issue the Transport Levy to constituent authorities.
2 February 2021  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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**Subject: Appointments (Updated Report)**  
**Report of: Interim Monitoring Officer**  
**Portfolio: All**

### Report Summary

This report asks Cabinet to confirm four member appointments.

### Recommendations

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

#### 1. Proposals

- 1.1 It is proposed that Councillor 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) Mayor Jamie Driscoll Cllr Nick Forbes 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.
- 1.4 Northumberland County Council have proposed that Councillor Catherine Seymour be appointed as a member of the Audit and Standards Committee, replacing Councillor Jeff Watson, with Councillor Barry Flux to replace Councillor Seymour as a substitute member.

#### 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**

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