

Leadership Board

Tuesday 18th July 2017 at 2.00 pm

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

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AGENDA

	Page No
1. Apologies for Absence (Members)	
2. Declarations of Interest	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
3. Minutes of the Previous Meeting	1 - 6
For approval as a correct record.	
4. Updates from Thematic Leads	
(a) Economic Development and Regeneration	7 - 16
(b) Employability and Inclusion	17 - 28
(c) Transport and Digital Connectivity	29 - 34
5. Transport for the North (TfN) - Incorporation as a Sub-national Transport Body	35 - 54
6. Finance Update - 2016/17 Outturn and 2017/18 Update	55 - 70
7. Project Approvals - Local Growth Fund	71 - 76

8. **Date and Time of Next Meeting**

Tuesday, 19 September 2017 at 2pm at Gateshead Civic Centre.

9. **Exclusion of Press and Public**

Under section 100A and Schedule 12A Local Government Act 1972 because exempt information is likely to be disclosed and the public interest test against disclosure is satisfied.

10. **Transport for the North (TfN) - Incorporation as a Sub-national Transport Body - Background Information** **77 - 84**

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

To All Members

20 June 2017

Meeting held: Committee Room, North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

Present:

Councillor: P Watson (Chair)

Councillors M Gannon, S Henig, P Jackson, I Malcolm, J McCarty and Mayor N Redfearn

WELCOME AND INTRODUCTIONS

The Chair, on behalf of the Leadership Board, welcomed Councillor P Jackson to the Leadership Board.

1 APOLOGIES FOR ABSENCE (MEMBERS)

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

2 MEMBERSHIP OF THE LEADERSHIP BOARD

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

RESOLVED – That:

- i. The membership of the Leadership Board for the municipal year 2017/18 be confirmed as set out in Appendix A of the report;
- ii. Councillor Paul Watson be appointed as Chair of the Leadership Board for the municipal year 2017/18, and Councillor Simon Henig and Mayor Norma Redfearn be appointed as Vice-Chairs of the Leadership Board for the municipal year 2017/18;
- iii. Mr Andrew Hodgson be re-appointed as the non-voting Member of the Leadership Board representing the North East Local Enterprise Partnership during the municipal year 2017/18;
- iv. Ms Gillian Hall be re-appointed as the Substitute Member for the Member of the Leadership Board who would represent the North East Local Enterprise Partnership during the municipal year 2017/18; and
- v. The Thematic Leads for the Thematic Lead Areas for the municipal year 2017/18 be appointed as follows: (i) Economic Development and

Regeneration – Councillor Iain Malcolm, (ii) Employability and Inclusion – Councillor Peter Jackson and (iii) Transport and Digital Connectivity – Councillor Nick Forbes.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

4 **MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 21 March 2017 subject to a minor amendment to replace the reference to “advisable options” with “available options” in paragraph three of Minute 103 (Combined Authority (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2016) were approved as a correct record and signed by the Chair.

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

The Chair referred to the fact that although the seven local authorities supported devolution in principle but were unable to make progress on a devolution deal, it was still hoped that devolution could be achieved in future.

The Chair also referred to the positive developments achieved to dates on inward investment, transport projects and the refresh of the Strategic Economic Plan.

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

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

Members considered the report which sought their agreement to the continued establishment of the committees of the North East Combined Authority (NECA), addition of the Overview and Scrutiny Call-In Sub-Committee and appointment of Members, Chairs and Vice-Chairs, including appointment of Members to an outside body. The report also provided information on the appointment of the External Auditor.

RESOLVED – That:

- i. The committees as set out in Appendix A be appointed;
- ii. The Overview and Scrutiny Call-In Sub-Committee, as set out in Appendix A, be established;
- iii. The nominations for the membership of the committees and sub-committees that had been received from the constituent local authorities, as set out in Appendix A, be accepted;

- iv. An independent person Mr David Taylor-Gooby be appointed as Chair of the Overview and Scrutiny Committee, with an annual remuneration of £2,000 paid in monthly instalments for the role;
- v. Chairs and Vice-Chairs of the committees for the municipal year 2017/18 be appointed as follows:
 - (a) Transport North East Committee
 - Councillor Nick Forbes be appointed as Chair;
 - Councillors Carl Marshall and Glen Sanderson be appointed as Vice-Chairs; and
 - The appointment of Vice-Chair from the Tyne and Wear constituent local authorities, a portfolio holder for Transport, be delegated to the Transport North East Committee. That Vice-Chair would chair the Transport North East (Tyne and Wear) Sub-Committee.
 - (b) Transport North East (Tyne and Wear) Sub-Committee
 - The appointment of Chair be delegated to the Transport North East Committee. This Member would be the Vice-Chair of the Transport North East Committee from the Tyne and Wear constituent local authorities and portfolio holder for Transport.
 - The appointment of Vice-Chair of the Sub-Committee be delegated to the Transport North East Committee.
 - (c) Economic Development and Regeneration Advisory Board
 - Councillor Iain Malcolm be appointed as Chair;
 - The appointment of Vice-Chair from the constituent local authorities be delegated to the Advisory Board; and
 - The appointment of the second Vice-Chair, which would be from amongst the non-voting business representative Co-opted Members, be delegated to the Advisory Board.
 - (d) Governance Committee
 - An Independent Co-opted Member Mr Mark Scrimshaw be confirmed as Chair; and
 - An Independent Co-opted Member Mr George John Clark be confirmed as Vice-Chair.
- vi. Councillor Carl Marshall be designated as an Alternate Member to represent the Combined Authority on Rail North whenever the Member is unable to attend; and

- vii. The position in relation to the appointment of the External Auditor for 2017/18 be noted.

7 **PROGRAMME OF COMMITTEE MEETINGS, MUNICIPAL YEAR 2017/18**

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

Members considered the report which sought their agreement to the programme of meetings for the municipal year 2017/18.

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

8 **REVIEW OF THE CONSTITUTION OF THE NORTH EAST COMBINED AUTHORITY**

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

Members considered the report which sought their agreement to relevant changes to the North East Combined Authority Constitution following the required annual review.

RESOLVED – That the changes to the Constitution as set out in the Appendix to the report be agreed.

9 **UPDATES FROM THEMATIC LEADS**

(a) **Economic Development and Regeneration**

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

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

RESOLVED – That the report be noted.

(b) **Employability and Inclusion**

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

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

RESOLVED – That the report be noted.

(c) Transport (and Digital Connectivity)

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

Members considered the report which provided an update on progress on activities that were helping to deliver the key principles of the Transport Manifesto.

RESOLVED – That the report be noted.

10 PROJECT APPROVALS - LOCAL GROWTH FUND

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

Members considered the report which sought approvals with regard to the Local Growth Fund (LGF) programme.

As an update, an approval was also sought for the 5G Test Bed development project due to its progress stage.

RESOLVED – That:

- i. The 2016/17 Outturn position for the Local Growth Fund be noted and the funding changes set out in the report be agreed;
- ii. Agreement be given to the inclusion of the following new projects into the Local Growth Fund Programme, as set out in more detail in section 2.2 and Appendix A:
 - International Advanced Manufacturing Park (IAMP) – £41.15m;
 - Incubator Support Fund (programme) – £2.035m;
 - Innovation Project Development Fund (programme) – £0.95m;
 - 5G Test Bed development project – £0.25m;
 - Scale-up North East (programme) – £1.5m;
 - Institute of Technology bid – £1.25m;
 - East Pilgrim Street, Southern Access, Newcastle – £4.35m;
 - Integra 61, Bowburn, County Durham – £1.5m; and
 - Gateshead Quays project – £5.0m.
- iii. Agreement be given to the following changes to the Local Growth Fund (LGF) programme, as set out in more detail in section 2.2 and Table 1:
 - Scotswood Bridgehead, Newcastle – £3.2m removed from programme to part fund East Pilgrim Street;
 - A1-A690 junction improvement, County Durham – £1.5m removed from programme to fund Integra 61, Bowburn;

- Park and Ride Corridor, Gateshead – £5m removed from programme to fund Gateshead Quays; and
 - Central Station to Stephenson Quarter – Project revised and reduced to £4m, with a saving of £1.15m used to fund the East Pilgrim Street project.
- iv. The revised Local Growth Funding Programme for 2017/18 and future years as set out in section 2.5 of the report and attached as Appendix B be approved;
- v. The Monitoring Officer be authorised to finalise and enter into any legal and Grant Funding documentation required to enable the approved Local Growth Funding programme to proceed;
- vi. Subject to formal approval by the Local Enterprise Partnership (LEP) Board, agreement be given to a revenue grant of £212,375 to the Centre for Process Industry to undertake a study into the development of Medicines Smart Packaging and drug-delivery innovation project in the North East with the conditions set out in section 2.13 of the report; and
- vii. Delegated authority be given to the Chair and the Head of Paid Service, in consultation with the Chief Finance Officer and Monitoring Officer, to sign off the grant for the 5G Test Bed development project.

11 DATE AND TIME OF NEXT MEETING

Tuesday, 18 July 2017 at 2pm at South Tyneside Council.

Leadership Board

Date: 18th July 2017

Subject: Economic Development and Regeneration Theme Update

Report of: Economic Development and Regeneration Thematic Lead

Executive Summary

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

Recommendations

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

Leadership Board

1. Background Information

1.1 This report provides an update on activity and progress under the Economic Development and regeneration theme of the Combined Authority, including:

- Inward Investment
- Strategic Economic Plan Update
- North East Response to Industrial Strategy
- Enterprise Zone Update

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

2. Inward Investment

2.1 Inward Investment 2016/17 Full Year Successes

In the financial year 2016/17, in total there were 84 inward investments into the NECA area which will lead to the creation of 6,126 jobs. A total of 20 investments were secured from UK owned businesses from outside of the region resulting in 1,869 jobs.

This contrasts with 2015/16 of 107 inward investments leading to 3,368 jobs.

The North East has seen a number of very large job-creating investments this year in comparison to more, smaller investments last year.

2.2 Foreign Direct Investment (FDI)

There were 64 FDI investments leading to the creation of 4,257 new jobs, and many thousands safeguarded (these safeguarded being mainly from Nissan as a result of the Qashqai and X-Trail announcement).

The Foreign Direct Investment were from; USA, Japan, France, Germany and Ireland.

2.3 Overall Successes by Sector

Sectors	Jobs	Projects
Advanced Manufacturing	255	26
Automotive	838	10
FPBS	3,250	21
Creative / IT	895	13
Energy	722	10
Life Sciences	166	4
	6,126	84

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2.4 Enquiries

Enquiry levels have been more encouraging from the beginning of the new year with enquiries coming through to the Invest North East England (INEE) team through the new website, key local private sector partners and by an increasing number of Department for International Trade (DIT) leads. This comes on the back of a very quiet period spanning a number of months, due in part to the effect of Brexit. Recent figures provided by DIT show that this pattern of new enquiries dipping dramatically last year matched the national picture.

Current enquiries on the INEE pipeline include both UK and foreign owned enquiries in a number of sectors from life sciences, software, contact centres, automotive and other advanced manufacturing including offshore energy. Recent visits to the region hosted by INEE have included companies engaged in digital media, agritech, financial and professional business services, and manufacturing.

2.5 Invest North East England Website/proactive work

The INEE team continues to increase the size and quality of the investment enquiry pipeline through a more proactive approach to generating new investment enquiries. A key element of this new approach was the launch of the new INEE website in October 2016. To complement the website launch, an associated social media campaign is taking place, aimed at generating enquiries from key sectors.

The web site has been recently enhanced with an improved regional land and property database and a new regional 'Soft Landing' package incorporating professional services, business networks and accommodation partners.

To back up the website, a number of promotional brochures have been produced to provide printed and electronic copies for investors/events etc., as well as regular newsletters and blogs, and a series of press releases and targeted press coverage.

As previously reported to the Leadership Board INEE appointed OCO Global as a lead generation contractor. The contract was for an initial period of six months with a possible extension of a further year. The contractor is providing in-market representation for Invest North East England in London and the South East. The focus of the contract is twofold:

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

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The team has visited London to meet some key early contacts generated by OCO and two further trips are scheduled.

2.6 Events

The INEE team have attended/are investigating attending a number of events in 2017 which align with some of the key priority sectors which are being targeted for investment. These include:

MIPIM London 2017

After a successful event in 2016, we have confirmed attendance at MIPIM, London 2017 in order to showcase the key investment opportunities and sites in the NECA area. The event is at Olympia, London on 18th and 19th October. As in previous years, the INEE team will represent the region with support from individual local authorities and private sector sponsors.

TIGA Awards, November 2017

INEE propose to sponsor this key games industry awards in London to raise the profile of the digital gaming sector in the NE. It is anticipated that a separate event will be arranged in association with TIGA around the actual awards ceremony showcasing the sector and opportunities in the region.

Offshore Wind Week, November 2017

For the past two years in November, the offshore wind industry has come together to create Offshore Wind Week to promote the capabilities of the UK offshore wind supply chain and present the UK as an attractive inward investment proposition. Working with NOF Energy, INEE and Tees Valley Unlimited propose to sponsor a three day series of events in the North East of England. The primary objective is to get a number of inward investors to visit the region, meet key players in the sector and to visit the sites and support assets (e.g. the Offshore Renewable Energy Catapult in Blyth).

2.7 Northern Powerhouse

INEE continues to work closely with the DIT Northern Powerhouse team. There are now sector specialists in place covering:

- Life Sciences;
- Advanced Manufacturing;
- Digital and Creative;
- Financial, Professional and Business Services; and,
- Energy

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These specialists provide coverage on all INEE's key sector priorities. INEE has arranged for each sector specialist to visit the region regularly to ensure that they understand properly the North East's offer and opportunities for foreign owned companies. The team is also feeding information into the Northern Powerhouse proposition documents that are being prepared.

The INEE also hosts regular visits by DIT overseas staff and Investment Service Team HQ staff to ensure they are aware of the North East's offer.

3. Strategic Economic Plan Update

3.1 The North East Local Enterprise Partnership has worked with the local authorities, the business community and partners across the region to refresh the Strategic Economic Plan (SEP) for 2017, to better reflect a changing business and political landscape dominated by Brexit and the challenges of globalisation.

The focus now is on the delivery of the two key targets of the SEP; to add 100,000 more jobs to the North East economy by 2024 and ensure that 70% of the jobs growth is in better jobs.

The SEP is ambitious for the North East. There is significant headroom for growth and employment with the right support to the economy and continuing levels of investment.

There are six programmes detailing how the SEP will be delivered in a partnership approach.

- Innovation
- Business Growth and access to finance
- Skills
- Employability & Inclusion
- Connectivity
- Economic Assets and Infrastructure

The Economic Asset and Infrastructure programme links to the project pipeline activity that is overseen by EDRAB. The Local Authorities and private sector partners must continue to supply the right land and develop our critical infrastructure and sites to support the growth of our industrial strengths and clusters, accommodate the changing structure of the economy, foster innovation and deliver the housing required for our changing population. We will make this happen by:

- Delivering growth focused local plans in our local authority areas
- Agreeing a pipeline of key projects for investment
- Developing the regional spatial planning framework

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- Delivering business growth through our Enterprise Zones.

4. Industrial Strategy

4.1 The Government's consultation on its green paper, 'Building our Industrial Strategy' ran from January 23rd to April 17th 2017. Built around 10 proposed pillars, the document aims to identify where proactive Government intervention can:

- Build on UK economic strengths and extend excellence into the future in order to secure investment and develop markets for UK goods and services.
- Close identified performance gaps between sectors, companies and areas.
- Ensure that the UK is the most competitive place to start and build a business.

A North East response to the paper was collated by the North East LEP; drawing from the views of North East partners and in pursuit of the aims set out in the Strategic Economic Plan.

Following June's General Election, the 21st June 2017 saw the State opening of Parliament and the Queen's speech, which set out the new Government's legislative programme for the coming Parliamentary period. Unusually this Parliamentary session will be 2 years, allowing the Government to bring forward the necessary legislation to manage the UK's exit from the EU. The programme contains eight 'Brexit' Bills, including the great Repeal Bill which will repeal the 1972 European Communities Act and convert EU law into UK law, as well as a Customs Bill, and a Trade Bill, in addition to Bills covering immigration, fisheries, agriculture, nuclear safeguards and international sanctions.

The North East response to the Industrial Strategy green paper can be found on the NELEP website here:

<http://www.nelep.co.uk/building-industrial-strategy/>

5. Enterprise Zone Update

5.1 Background

In the previous report on the Enterprise Zone sites, the Leadership Board was updated on the progress made with the refresh of the financial model, the development of the legal and delivery arrangements for the sites and update on progress in delivery, including the annual performance for 2016/7. Since the meeting of the 20th June, the move to delivery of both the Round 1 and Round 2 sites has continued, putting in place the required elements to enable accelerated and enhanced delivery to underpin the achievement of the financial model.

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5.2 Commercial Support and financial model update

As has been reported to the previous meeting Cushman and Wakefield have been commissioned to undertake an evaluation and assessment of the market assumptions included within the financial model; specifically the demand for similar properties, and the resulting impact on timing for development, and the rateable value for the properties. This has been funded through a grant from the Department of Communities and Local Government specifically for Enterprise Zone development which was successfully bid for in 2016. A response to the additional request submitted in May is expected before Parliamentary recess. If successful this will provide additional support to address issues of land ownership and State Aid.

Cushman and Wakefield have confirmed a broadly positive picture for the market in the North East with demand increasing and increasingly limited current supply of properties:

- There is a shortage of high-quality manufacturing and industrial premises due to expected high demand linked to long-term and sizable commitments from the likes of Hitachi, Nissan and Caterpillar. There is also an increasing challenge around logistics and warehousing in well-connected locations due to greater activity in the sector. The oil and gas/offshore sector however remains more mixed with on-going uncertainty over policy direction.
- There has been a long-term growth in market demand for high-quality office space in both central and out of town locations, as currently available developments have become occupied and there has been limited activity since the financial crash with very limited speculative build. This is particularly acute in city and town centre locations.

Cushman and Wakefield are currently engaging partners in each local authority to finalise a shared understanding of the impact of market trends on the local position; however there is likely to be a reduction in the expected rateable value resulting in a lower, but still robust surplus in the model. The findings of the final report will be shared with partners to inform the finalisation of the model and underpin the investment decisions taken for each site. An update report will be presented to the NELEP Board in July on the results of the update to the financial model.

There will be a report to the NECA Leadership Board in September setting out progress with regard to the overarching legal agreement between the NELEP and the seven constituent authorities, which will set out how the EZ funding arrangements and the performance reward grant will operate. Detailed business cases for the infrastructure investment on each site are being prepared and will be submitted for approval by the NELEP over the next six months.

The second element of the Commercial Support funding is being used for the development of a fuller legal agreement between the constituent partners to provide additional detail to the Memorandum of Understanding signed by the North

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East LEP, North East Combined Authority and the six local authorities with Round 2 sites alongside the Department of Communities and Local Government. The Legal Agreement will provide a more wide-ranging and detailed framework for the Enterprise Zone delivery and will address both Round 1 and Round 2 sites for consistency. This is being led by the North East Combined Authority legal officers engaging with local authority colleagues and will be reported through the Economic Directors Group.

5.3

Enterprise Zone Development Fund

The Enterprise Zone Development Fund was agreed at the Leadership Board meeting of 21st March 2017. This is designed to accelerate delivery for the sites and reduce financial risks through the award of up to £250,000 per site of feasibility and initial works. The first application for this funding has now been approved by the Head of Paid Service in consultation with the Chief Financial Officer and Monitoring Officer as set out in the delegation. This will provide £75,000 for preliminary work relating to the Follingsby Enterprise Zone site in Gateshead. Further applications are expected over the next eighteen months in line with the approval.

6. Potential Impact on Objectives

6.1 The report sets out issues that will support the Authority in meeting its objectives, particularly in relation to those set out in the Strategic Economic Plan.

7. Financial and Other Resources Implications

7.1 Financial implications of Enterprise Zone activity is set out within section 5 of this report.

8. Legal Implications

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

9. Key Risks

9.1 The financial risk to NECA as the accountable body for Enterprise Zone activity is limited, however it should be highlighted that risks do exist if the sites are not developed out and occupied which could have an impact on the final amount of retained Business Rates income. Local authorities will bear the borrowing risk against the forecasted retained Business Rates income for each site.

Financial modelling has been carried out to identify the point at which a deficit would exist; this scenario is considered to be unlikely.

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10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

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

13. Other Impact of the Proposals

13.1 There will be no other impacts arising from this report.

14. Contact Officers

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

17. Sign off

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

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Leadership Board

Date: 18 July 2017

Subject: Employability and Inclusion Update

Report of: Thematic Lead for Employment and Inclusion

Executive Summary

The purpose of this report is to provide an update as to the latest progress being made in delivering the Employability and Inclusion, and Skills themes of the Strategic Economic Plan (SEP) for the North East.

Recommendations

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

Leadership Board

1. Background Information

- 1.1 This report provides an update on the employability, inclusion and skills programmes and projects that the Combined Authority and the LEP are delivering within the context of the SEP for the North East.

Labour Market Intelligence (LMI)

- 1.2 Labour Market Intelligence (LMI) for the North East continues to be developed. Discussions about future developments are taking place with the North East LEP and a number of digital partners who are designing some innovative tools to present data and information to various audiences.
- 1.3 The work to produce a number of Careers Videos to promote our key priority sectors was completed in February 2017. Its purpose is to help teachers communicate the many exciting careers available in the North East, and the paths young people can take to get them. The videos and toolkit have now been requested by over 150 educational establishments.
- 1.4 The toolkit includes four videos, all showcasing young people and the jobs and training they're participating in, in our region. Feedback has been extremely positive.
- "The videos are fresh - they don't look old and stuffy. They are current and importantly they use young people who students can identify with"
 - "In contrast to the commonly held view that the north east is an area of dying industry and limited opportunity, the video portrays the region as a thriving and vibrant place to live and work"
 - "In some cases the powerpoints were seen as more useful for staff as they enabled teachers to understand more about the labour market in order to be able to teach it."
- 1.5 Each of the four videos is accompanied by a teachers toolkit, including powerpoint presentations and lesson plans. Anyone can sign up to receive the resources from the North East LEP website.
- 1.6 Work is ongoing to support various initiatives with their LMI needs including the Good Career Guidance Benchmarks, development of Devolution proposals and support to ensure that ESF proposals meet our strategic priorities.

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DWP European Social Fund Opt-In for the North East

- 1.7 The DWP 'Opt-In' programme for the North East is utilising £6m European Social Fund (ESF) to test a local approach to support 2,500 long term unemployed residents with health conditions to find work over 2017-19.
- 1.8 The successful contractor, Working Links, has been delivering the programme since early January through a mix of direct delivery (46% of the contract) and local supply chain partners (54% - as named in the previous report). The programme is delivering physical and mental health support from in-house health professionals and referring to existing commissioned health and wellbeing services. Effectiveness of integration and impacts on health services will be monitored.
- 1.9 Local authority representatives, through the NECA EIS employment support group, are in regular contact with Working Links to facilitate a joined-up approach with other services in respective LA areas. A good relationship with the provider has been established and allows for open discussion of performance issues.
- 1.10 The programme is still at a relatively early stage of delivery (the first referrals began in January). There were initial time delays due to DWP processes but Working Links have advised that performance is improving and moving towards achieving profile. Performance by mid-May shows:
 - 210 participants are being supported by the programme
 - 12 people to date have moved into work.
- 1.11 Participants are typically long-term unemployed and displaying a range of barriers to work, including health conditions. More detailed performance data provided by the contractor, with breakdown by local authority area, will be included in future reports to leadership board.

North East Mental Health Trailblazer

- 1.12 The North East Mental Health Trailblazer is piloting integration of employment and mental health services, with employment coaches working in Increasing Access to Psychological Therapies (IAPT) teams in coordination with clinical staff. The programme began to take referrals in mid-January, and aims to support 1,500 unemployed people with mental health conditions by the end of 2018.
- 1.13 Referral volumes from Job centres continue to demonstrate a high level of demand for the service. Performance to end of May shows 430 referrals from Job centres. 99 people are currently being supported, and 13 participants have moved into work. Almost half the total referrals are from County

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Durham, but other areas are starting to show improved performance.

- 1.14 Latest data show 46,150 Employment Support Claimants with mental health conditions in the NECA area (Nov 2016). The overall trend in the last two years is upward. Significantly, the majority of referrals to the Trailblazer to date are from groups of other claimants (Jobseekers Allowance and Universal Credit), indicating a high level of undiagnosed conditions and people with mental health support needs in mainstream programmes. A test of the Trailblazer will be the extent to which it is reaching unemployed people who would not otherwise be referred to mental health support services.
- 1.15 The trial has a focus on integration with IAPT services and, along with Jobcentre Plus referrals, the project has established a pathway for existing IAPT participants to enter the trial. However, it is becoming clear that other mental health services (such as the Early Intervention in Psychosis service and community mental health teams) have an interest in working with it. Opportunities for expansion, in the current trial lifetime and as a legacy, are being explored with services. The full intention is that the Trailblazer has a significant and lasting effect on services beyond the scope of the trial.
- 1.16 The Trailblazer is working with other initiatives, particularly Generation North East / Durham Works and Working Links, to ensure alignment and raise awareness of IAPT referral routes from other programmes. A multi-agency steering group including CCG, DWP, NHS and local authority representatives began quarterly meetings in early April, with representatives from DCLG in attendance. National steering group teleconferences, including the Trailblazers in West London and Blackpool, are being run by DCLG. A key focus of meetings will be opportunities for expansion and legacy.

Generation NE

- 1.17 Generation NE has been operational since July 2014 and the programme has supported 3520 young people, of which 1600 have moved into employment to date; 914 of those gaining employment have now sustained employment for 6 months or more.
- 1.18 Delivery of Generation NE has now extended to cover the full NECA geography and the service is being received positively by Jobcentre Plus in Sunderland and South Tyneside with over 423 young people referred to date.
- 1.19 A Digital Service has been launched to complement the support available through Generation NE on a face to face basis; this service is testing innovative approaches to engaging and supporting young people which accommodates their changing attitudes, particularly a desire to engage with

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services in nontraditional ways. Digital services for Generation NE participants currently being tested include mock interviews via Skype and support to create CV's and complete application forms given by an advisor remotely through Google Docs.

- 1.20 Application for any suitable future calls for projects under the European Social Fund will be considered as a means to extend the Generation NE programme.

Durham Youth Employment Initiative (DurhamWorks)

- 1.21 At the end of April 2017, 2584 young people had registered with DurhamWorks and 2179 had had their eligibility verified, above target by 262. There are now very few issues in relation to eligibility evidence collection; however the programme needs to ensure that new sub-contractors and Delivery Partners understand the process in order to maintain the strong recruitment which is taking place. 928 participants have progressed into a positive destination; 629 progressing into employment or training and 218 into education.
- 1.22 One Delivery Partner, Social Enterprise Acumen, made the decision to withdraw from the programme in February.
- 1.23 DWP has offered Durham County Council an additional £1.26m of YEI/ESF funding for the DurhamWorks programme. The additional match will be confirmed by the end of May and will come from the expansion of several existing Delivery Partners' provision within DurhamWorks and new Delivery Partners being brought into the programme, strengthening the offer to participants further.
- 1.24 The DurhamWorks Achievement Awards will take place on 24 May. 170 people have been invited with more than 60% being DurhamWorks participants. There are five award categories and there will be one Winner and two Highly Commended:
- Achieving Through Work
 - Employer Award
 - Inspirational Individual
 - Inspirational Mentor
 - Making an Impact – group award.
- 1.25 The Evaluation of DurhamWorks began in April and will be wide ranging, covering the programme as a whole, alongside each strand:
- Strand 1 will focus on inputs and interventions, specifically transitional arrangements
 - Strand 2 will focus on interventions, outputs and early outcomes

Leadership Board

- Strand 3 will focus on outputs, early outcomes and long-term change.
- 1.26 The consultants have already met the Delivery Partners, the three Wrap Around Support teams and the Strategic Group. Their next phase of activity will be with DurhamWorks participants and the first report is due in July.

Good Career Guidance Benchmarks

- 1.27 From June 2015 and in partnership with The Gatsby Foundation, North East LEP has been supporting the application of the Good Career Guidance benchmarks. This provides the opportunity to test the benchmarks in action; lead the development of practice which will have local impact and national profile; and improve the quality of provision and opportunity for young people.
- 1.28 The pilot has been subject to on-going review, with schools and colleges submitting regular reports and case studies, and analysis against each benchmark to track progress. Year 2 progress data will be reported in September 2017.
- 1.29 Reports now evidence impact in a number of key areas:-
- One clear finding from the pilot in the North East is the usefulness of the benchmarks as an auditing tool for users to report on their own career guidance provision and to 'action plan' specific, measurable improvements
 - The rate of progress in year one (+2) is accelerated in year 2 (+4)
 - Every school and college now fully achieves at least four benchmarks (previously 50% of the schools / colleges fully achieved zero benchmarks). All schools and colleges now partially achieve every benchmark.
 - 75% of schools and colleges now fully achieve 6-8 benchmarks (previous national surveys showed that no school had achieved more than 5 of the benchmarks)
 - The results demonstrate that it is possible to make significant and rapid progress – using the benchmarks as a framework – to carefully target improvements in schools / colleges of every type, size, location and structure. These improvements are documented in focussed actions plans with measurable targets.
 - New strategic relationships with employers now existing and schools / colleges have clear plans for engagement and systems in place to measure quality and impact. This includes an increase in the number of 'careers' or 'business' governors.
 - New strategic delivery structures have also emerged in schools and colleges maximising the impact of the benchmarks, including the reallocation of existing resource towards careers provision.
 - Curriculum integration – joint CPD, teacher / career leader placement in

Leadership Board

- industry.
- The pilot has inspired collaboration and pioneering thinking in the approach to delivering good career guidance
 - Schools and college participating in the pilot are significantly closer to providing 'good career guidance' for 'each and every' young person than they were at the outset.
- 1.30 Analysis of evidence, emerging data and observations within the school and college visits over the duration of the pilot also suggests that progress against the benchmarks is greater and more rapid when the careers leader is either a member of the senior leadership team or when they have a dedicated and active SLT link responsible for the strategic leadership and quality of careers provision.
- 1.31 The career benchmarks are central to the skills element of the Strategic Economic Plan. From 2017 / 2018 all schools and colleges in the North East LEP area will have access to the benchmarks and on 14th July every school and college has been invited to the North East Ambition event and they will have the opportunity to take part in the next phase of the roll-out of the benchmarks across the LEP region. Gatsby are supportive of this approach and have made some funding available for the benchmark 'champions' – careers leads and heads from the pilot schools to be trained as facilitators.
- 1.32 In March, the North East LEP and AoC facilitated a round table discussion with the 10 colleges in the region, sharing good practice from both the career benchmarks national pilot and the enterprise advisor initiative. Good practice examples were shared by Sunderland College, Bishop Auckland College and East Durham College
- 1.33 All North East colleges agreed that they would be interested in using the benchmarks and arranged to participate in a further workshop in June led by the LEP. This workshop was focussed on how the language and emphasis of some of the key characteristics can be 're-flavoured' so they are wholly appropriate and useful for colleges and Gatsby are utilising this work to create further guidance for colleges nationally.
- 1.34 This is a key part of the SEP and fed directly into the work being initiated by DfE in relation to Technical education. This work will inform the DfE and the National Careers Strategy. There is also on-going work with the DfE Technical Education Implementation Team to identify good practice in embedding good career guidance into the development of the 15 new technical and professional routes.
- 1.35 Collectively the North East LEP and Gatsby are working with DfE to ensure

Leadership Board

the benchmarks – when released as part of the National Careers Strategy and applicable and appropriate for colleges and schools. To mark the transition from pilot phase to full regional expansion, the heads, principals and careers leads from each of the pilot schools and the team from the LEP attended a celebration event in London. At this event, Lord Sainsbury, Gatsby directors, senior officials from DfE and the Careers and Enterprise Company affirmed the transformative impact of the benchmarks.

- 1.36 The North East LEP is preparing to expand the career benchmarks, designed originally for secondary schools and colleges, for use in primary schools. We continue to seek funding to allow us to map the benchmarks for delivery in a primary setting, engage 10% of primary schools across the region (approx. 70 schools) in a pilot that seeks to test the implementation of the benchmarks and facilitate support for primary schools to achieve the benchmarks. Evidence of the impact will be through an action research approach. The proposal has the support of the members of the Careers IAG Advisory Group, chaired by the CBI.

Enterprise Advisors

- 1.37 This key Government-backed initiative was initiated in September 2015. The Careers & Enterprise Company (CEC) is an employer-led organisation that has been set up to inspire and prepare young people for the fast-changing world of work. Its role is to take an umbrella view of the landscape of careers and enterprise, supporting programmes that work, filling gaps in provision and ensuring coverage across the country.
- 1.38 The North East LEP has taken the opportunity to shape and adapt the original CEC model to enhance the opportunities for school and business engagement. The Enterprise Advisor network is active in 38 or 39 LEP areas. A dedicated coordinator was recruited in November 2015 and another in May 2016, a third was recruited in March 2017.
- 1.39 To date over 120 Enterprise Advisers have signed up. 75 schools and colleges have returned their self-assessment and supporting Enterprise Adviser action plan. Of the 75 schools, 67 have been matched with an EA, 22 other schools and colleges who have met with an Enterprise Coordinator are in the process of completing the self-assessment document and are being followed up.
- 1.40 Further business development continues with support of the communications team to grow the numbers of business leaders becoming Enterprise Advisors in the North East network.

Leadership Board

Apprenticeships

- 1.41 The North East has a strong and active part to play in meeting the Government's target of three million apprentices by 2020. However, there is also a recognition that there is still much to be done to deliver the ambitious targets that the region has set within the Strategic Economic Plan (SEP).
- 1.42 In light of the apprenticeship reforms this year, the Apprenticeship Growth Partnership (AGP) will review its work plan and membership at its next meeting in July 2017; and in particular review their role in supporting the following:-
- Maximise employer engagement and the take-up of apprenticeships
 - Encourage and support greater collaboration across and within sectors to share good practice
 - Consider the impact of the apprenticeship reforms on employers as they are implemented – ensuring examples of good practice are promoted, lessons learned and potential 'unintended consequences' are carefully monitored to inform future policy and strategy.
- 1.43 The North East LEP is currently developing a section of the Growth Hub to provide information to employers regarding apprenticeships and this will go live over the summer. This will provide market intelligence, a Q & A, details of the new standards, important relevant web links and useful presentations from local and national partners to assist the understanding of the reforms and the opportunities and challenges.

Skills – capital investment

- 1.44 Four from five original LGF Skills Projects are now physically completed and the remaining project at Northumberland College in Ashington commenced on site in early December 2016 and is planned to open in September 2017.
- 1.45 Following the project call in March 2016, two new skills focussed projects have been approved, both are social-enterprise led – Foundation of Light in Sunderland, which is underway and Eagles Foundation in Newcastle where construction is due to commence in summer 2017.
- 1.46 In January 2017 the North East LEP received confirmation from Government of its funding award from Round 3 of the Local Growth Fund. A total of £49.7m has been awarded over the period 2017-21 to support the development of the 'International Advanced Manufacturing Park', north of the Nissan factory and the introduction of an 'Innovation, Skills and High Growth business' mini programme. The focus of the mini programme is still under development

Leadership Board

2 Proposals

2.1 There are no proposals as this is an information item.

3 Reasons for the Proposals

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

4 Alternative Options Available

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

5 Next Steps and Timetable for Implementation

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

6 Potential Impact on Objectives

6.1 The work being taken forward is consistent with the Combined Authority's stated objectives and SEP for the North East.

7 Financial and Other Resources Implications

7.1 There are no financial implications arising from this report.

8 Legal Implications

8.1 There are no legal implications arising from this report.

9 Key Risks

9.1 There are no key risks arising from this report.

10 Equality and Diversity

10.1 There are no equality and diversity issues arising from this report.

11 Crime and Disorder

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

Leadership Board

12 Consultation/Engagement

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

13 Other Impact of the Proposals

13.1 There are no other impacts arising from this report.

14. Appendices

14.1 This report has no appendices

15. Background Papers

15.1 There are no background papers for this report

16. Contact Officers

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17. Sign off

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

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Leadership Board

Date: 18 July 2017

Subject: Transport and Digital Connectivity Thematic Lead Update Report

Report of: Thematic Lead for Transport and Digital Connectivity

Executive Summary

This report provides an update to the Committee on progress in our region regarding activities that are helping to deliver the key principles of the Transport Manifesto.

A ten year Cycling and Walking strategy is being developed, with the aim to have schemes developed ready for implementation when Government funding becomes available. The new strategy will help to promote more sustainable modes of travel, which in turn will support initiatives to improve air quality in the NECA area.

Work on positioning the region as a 5G 'test-bed' and securing funding for new rolling stock on the Metro continues. The Department for Transport (DfT) has acknowledged the need to replace the Metro fleet, but further work on financing is required before a formal proposal can be brought to Leadership Board.

The NECA Transport Plan continues to be developed and a number of updates will be brought to various Member and officer forums over the summer period to gather feedback. Leadership Board approval of a consultation draft of the plan will be sought before public consultation takes place.

Recommendations

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

Leadership Board

1.0 Background Information

1.01 In order to unlock the NECA region's economic potential, the region requires a transport network that meets the modern needs of passengers and businesses. The NECA Transport Plan will help lay future foundations to facilitate investment and deliver a stronger transport network for the future.

1.02 This report provides a commentary on recent activities in the transport sector.

1.1 NECA Transport Plan

1.11 Key to the success of the region's transport network is the development of the NECA Transport Plan which will allow the foundations laid out in the Transport Manifesto to be put into practice. Next steps are proposed to be:

- A report to Overview and Scrutiny Committee on 11th July and a workshop for Committee Members on a date to be arranged.
- A Transport North East Committee Members' workshop also on 11th July and a report to Transport North East Committee on 13th July.
- Briefings for Leaders and Elected Mayors, Chief Executives and Economic Directors between now and September.
- The Transport Plan to be included in the Transport Thematic Lead's update report to the December meeting of Overview and Scrutiny Committee.
- Incorporation of comments from all the above into the draft Plan.
- Member approval will be sought in due course for a full public consultation.

1.2 NECA Cycling and Walking Strategy and Implementation Plan

1.21 Officers are in the process of developing a ten year Cycling and Walking Strategy and a five year Implementation Plan for the area, which would become a 'daughter' document to the Transport Plan. This is in response to the Government launch of a new Cycling and Walking Investment Strategy intended to help make cycling and walking the natural choices for shorter journeys, or as part of a longer journey.

1.22 This strategy will advise on a recommended prioritisation process for strategic level cycling and walking infrastructure schemes. When future funding opportunities become available for walking and cycling schemes it will help justify to Government the strength of NECA schemes and improve the chances of securing funding.

Leadership Board

1.3 National Productivity Investment Fund (NPIF)

- 1.31 NECA has coordinated the overall bidding process for the National Productivity Investment Fund, with each authority putting in a bid. These bids were submitted on the 30th June 2017. Any funding awarded to the NECA area will contribute towards reducing congestion, unlocking economic and job creation opportunities or enabling the delivery of new housing developments.

1.4 Digital Connectivity Update

- 1.41 Progress continues to be made through the North East Digital Leads Group to position the region as a 5G 'test-bed'.
- 1.42 Recent activities included a Digital Skills Summit, held at Sunderland Software City in June, which brought together the North East LEP, young people and key private sector partners. This was followed up by a further event that brought together senior industry figures and Transport colleagues to plan for future 5G test-bed trials. Collaborative working will continue to help ensure that the North East is well positioned to take advantage of future developments.

1.5 Metro

- 1.51 The DfT considered a proposal from Nexus on the 19th June at a meeting of its 'Board Investment and Commercial Committee' ('BICC') regarding the Nexus rolling stock replacement project. The DfT recognised the urgent need for investment in a replacement Metro fleet and that Nexus has put together a strong investment case. However, further work on the means by which the investment required is financed is needed and Nexus is continuing to work with DfT officials on this matter.
- 1.52 Once discussions have progressed further, Leadership Board approval for the proposed financial and contracting arrangements will be sought before procurement can begin.
- 1.53 Work to renew the Metro infrastructure continues. A major £20m programme of modernisation work will commence on 31st July with the replacement of the Killingworth Road Metro bridge in South Gosforth over 34 days. This will require a Major Line Closure between South Gosforth and Four Lane Ends initially, and then extended to Shiremoor. Bus replacement services will be in operation for the duration of work and frequent trains will operate across the rest of the network. Metro services will return to normal on Sunday 3 September.

1.6 Transport for the North (TfN)

- 1.61 A report providing an update on TfN, including NECA's future participation in TfN, is presented elsewhere on this agenda

Leadership Board

2. Proposals

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

3. Reasons for the Proposals

- 3.1 This report is for information purposes only.

4. Alternative Options Available

- 4.1 Not applicable to this report.

5. Next Steps and Timetable for Implementation

- 5.1 Work will continue over the summer period to develop the Transport Plan and NECA Cycling and Walking Strategy and Implementation Plan. In addition, Nexus will continue to work closely with the DfT to identify a financing proposal to fund a new Metro fleet. Progress will be reported back in the next Thematic Lead Update at September Leadership Board.

6. Potential Impact on Objectives

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

7. Financial and Other Resources Implications

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

8. Legal Implications

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

9. Key Risks

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

Leadership Board

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

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

13. Other Impact of the Proposals

13.1 No specific impacts

14. Appendices

14.1 None

15. Background Papers

15.1 Not applicable

16. Contact Officers

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17. Sign off

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

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Leadership Board

Date: 18 July 2017

Subject: Transport for the North (TfN) – Incorporation as a Sub-national Transport Body

Report of: Thematic Lead for Transport and Digital Connectivity

Executive Summary

The purpose of this report is to seek the Leadership Board's consent to the making of Regulations by the Secretary of State to allow Transport for the North (TfN) to become a Sub-national Transport Body (STB).

In July 2016 the Leadership Board agreed in principle that, subject to further development of TfN's Proposal to become an STB with central government, the NECA should become a full member of the proposed statutory body. This report moves that decision forward in light of the Secretary of State's positive response to the Proposal put to him by NECA and other Constituent Authorities.

Leadership Board

Recommendations

The Leadership Board is recommended to provisionally consent to:

- i. The making by the Secretary of State of Regulations under section 102E of the Local Transport Act 2008 to establish Transport for the North as a Sub-National Transport Body;
- ii. The transfer of Rail North Limited to Transport for the North so that it can be subsumed within Transport for the North;
- iii. The signing of a new Rail Franchise Management Agreement with Transport for the North replicating as far as possible the current Rail North Limited Members Agreement; and
- iv. Continuation of the payment of the current funding for Rail North Limited to Transport for the North after its inauguration.

The Leadership Board is further recommended to agree that:

- v. Delegated authority is given to the Head of Paid Service to fully consent to items (i) to (iv) on the Leadership Board's behalf, provided that she is satisfied, in consultation with the Chair of the Leadership Board and the Monitoring Officer, that the final draft Regulations serve only to give Transport for the North the statutory powers to carry out the functions set out in paragraph 1.3; and
- vi. That the Thematic Lead for Transport be designated as NECA's main representative, and that Cllr Carl Marshall be designated as NECA's alternate representative, on Transport for the North.

Leadership Board

1. Background Information

- 1.1 The purpose of this report is to update the Leadership Board on the progress of Transport for the North (TfN) in its proposal to become a Sub-national Transport Body (STB); to outline the process by which TfN is intended to become an STB and the part that NECA may play in it; and to seek the Leadership Board's consent to the making of Regulations by the Secretary of State to allow TfN to become an STB.

Further background information regarding the proposals set out in this report, along with a description of TfN's role and purpose, can be found in **Appendix 1**.

- 1.2 At its meeting on the 19th July 2016, the Leadership Board considered a report concerning TfN's proposal to become a statutory body. The Board resolved that:
- i. The Leadership Board supports Transport for the North's proposal to become a statutory body with devolved powers and agrees that the proposal would be submitted to central government;
 - ii. The Leadership Board agrees, in principle, that, subject to further development of the proposal with central government, the North East Combined Authority should become a full member of the proposed statutory body; and
 - iii. The Chief Executive Officer for Transport be authorised, in consultation with the Thematic Lead for Transport, to progress the proposal with a view to a further report being brought to the Leadership Board before NECA makes a final decision to become a full member of the statutory body.

- 1.3 Subsequent to this resolution and similar resolutions from TfN's other Constituent Authorities a Proposal was submitted to the Secretary of State for Transport.

The Secretary of State has now formally responded to the Proposal and has indicated that he is minded to make Regulations creating TfN as the first Sub-national Transport Body with the following functions:

- a) The preparation of a Northern Transport Strategy;
- b) The provision of advice on the North's priorities, as a Statutory Partner in the Department's investment processes;
- c) The coordination of regional transport activities, (such as smart ticketing), and the co-management of the TransPennine Express and Northern rail franchises through the acquisition of Rail North Ltd.

A complete list of the powers and functions that are expected to be granted to TfN through the Regulations is available in **section 6.5 of Appendix 1**.

Leadership Board

- 1.4 A core aspect of the powers and functions of TfN is that Rail North Limited will be subsumed by TfN. The additional level of local involvement with the local rail network that has been achieved by the creation of the 'North East Rail Management Unit' (NERMU) will be preserved through the creation of a Rail North (North East) Area Sub Committee.
- 1.5 At the time of writing this report the legislative Regulations are currently being drafted which reflect the terms of the Proposal in so far as they have been agreed by the Secretary of State and will give TfN the statutory powers to carry out these functions. It is expected that the drafting of the Regulations will be concluded in July or August. The NECA Heads of Legal Services (or their representatives) have had meetings with TfN and the Department for Transport (DfT) regarding the proposed regulations. The initial draft is attached at **Appendix 2**.
- 1.6 It is anticipated that the Secretary of State will send a letter to each of the Constituent Authorities requesting formal consent to the making of the Regulations to be provided by early September 2017.
- 1.7 A draft Constitution for TfN has also been drawn up which includes provisions which reflect and implement the Submission Proposal. It is proposed that the constitution is approved at the inaugural meeting of TfN when it is formally created as a Sub-national Transport Body during 2018. An outline of the draft Constitution is included in **section 6 of Appendix 1**.
- 1.8 It is anticipated that the first formal meeting of TfN will take place following the making of the Regulations, and that that meeting will formally approve the Constitution.
- 1.9 The Proposal noted that all Constituent Authorities will be entitled to appoint a representative to TfN, such representative to normally be the Elected Mayor, Leader or Member with delegated responsibility for transport. In addition, the NECA will need to nominate an alternate member. The NECA representative and their alternate would represent NECA on:
- TfN Partnership Board;
 - Rail North Committee (which will effectively replace the previous 'Association of Rail North Authorities')
 - Rail North Sub Committee (which will effectively replace the previous 'Rail North Limited Board')
 - Rail North (North East) Area Sub Committee (which will effectively replace the 'North East Rail Management Unit (NERMU) Board').

2. Proposals

- 2.1 Leaders are asked to provisionally consent to the making by the Secretary of State of Regulations under section 102E of the Local Transport Act 2008 to establish TfN as a Sub-National Transport Body.

Leadership Board

- 2.2 TfN are carrying out further work to develop the Regulations, but the final version of the Draft Regulations is not expected to be available before the next meeting of the Leadership Board. Therefore Leaders are also being asked to give delegated authority to the Head of Paid Service to provide full consent to the Regulations on the Leadership Board's behalf when the final draft Regulations are available. In determining whether to do so she will consult with the Chair of the Leadership Board and the Monitoring Officer, and satisfy herself that the final draft Regulations serve only to give Transport for the North the statutory powers to carry out the functions intended for it, and that they do not prejudice the NECA's interests.
- 2.3 The Leadership Board is also asked to consent to transfer the functions and powers of Rail North to TfN. At present the Constituent Authorities and the Rail North Authorities make the Rail North Support Payment, and the Authorities in receipt of Rail Administrative Grant make the Rail North Supplemental Payment, to support Rail North Limited. Upon TfN assuming the responsibilities and functions of Rail North Limited it is proposed that these payments will continue to be made to TfN to enable it to continue to support rail franchise management.
- 2.4 Finally it is proposed that the Thematic Lead for Transport be designated as NECA's main representative, and that Cllr Carl Marshall be designated as NECA's alternate representative, on TfN.

3. Reasons for the Proposals

- 3.1 The proposals are being put forward to enable TfN to become a Sub-national Transport Body so as to improve transport in the North of England. Further information is provided in **Appendix 1**.

The main benefit to NECA of being a part of TfN is the added influence a Sub-national Transport Body can have with the DfT and the national delivery agencies of Network Rail and Highways England when setting and allocating national infrastructure delivery spending.

- 3.2 In July 2016 the Leadership Board agreed in principle that, subject to further development of the proposal with central government, the NECA should become a full member of the proposed statutory body. These proposals move that decision forward in light of the Secretary of State's positive response to the Proposal put to him by NECA and other Constituent Authorities.

4. Alternative Options Available

- 4.1 Option 1 – The Leadership Board may accept the recommendation set out in paragraphs (i) - (vi) above.
- 4.2 Option 2 – The Leadership Board may not accept the recommendations set out in paragraphs (i) - (vi) above.

Leadership Board

- 4.3 Option 1 is the recommended option. If NECA were to decide not to become part of TfN, TfN would have no remit to work to improve the economy of the North East. Its Strategic Transport Plan would assume that the North East was a neighbouring area (much as it currently does for Scotland and the Midlands) and would therefore not propose or advocate investment in the NECA's transport assets to DfT, Highways England or Network Rail. TfN projects such as Northern Powerhouse Rail and Smart ticketing would not include the North East in their scope, and studies to consider ways to promote economic growth through transport would not consider benefits to the North East.

Whilst clearly the NECA would have the same opportunities open to it as today to make the case itself for investment in its transport links and assets, it would be doing so in competition with TfN and other Sub-national Transport Bodies which would be much larger than NECA and far better resourced.

5. Next Steps and Timetable for Implementation

- 5.1 If the Leadership Board agrees to the recommendations set out in this report, the next steps are expected to be as follows:
- TfN will produce final draft Regulations, expected to be in July or August;
 - Subject to the final draft Regulations being satisfactory to the Head of Paid Service as set out in paragraph 2.2, TfN will be notified that NECA is content to consent to the Regulations;
 - It is anticipated that the Secretary of State will send a letter to each of the Constituent Authorities requesting formal consent to the making of the Regulations to be provided by early September 2017;
 - It is anticipated that the first formal meeting of TfN will take place following the making of the Regulations, and that that meeting will formally approve the Constitution.

6. Potential Impact on Objectives

- 6.1 As a member of the Sub-national Transport Body, NECA would have access to additional resources to develop strategic infrastructure projects with the purpose of facilitating economic growth in line with the Strategic Economic Plan and the Local Transport Plan. As a Statutory Partner in the Department's investment processes, TfN will be able to provide advice on the North's priorities and influence the investment plans of Highways England and Network Rail.

Leadership Board

7. Financial and Other Resources Implications

- 7.1 TfN is funded through government grant and although future funding decisions will remain the responsibility of the government at the time, establishing TfN in statute ensures it has the stability and permanence to be confident of long term central Government support.
- 7.2 At present the Transport for the North Constituent Authorities (i.e. NECA for the North East) and the Rail North Authorities (i.e. Non TfN authorities e.g. Nottingham City Council) make the Rail North Support Payment and those Authorities in receipt of Rail Administration Grant make the Rail North Supplemental Payment to support Rail North Limited. Upon TfN assuming the responsibilities and functions of Rail North Limited these payments will continue to be made to TfN to enable it to continue to support rail franchise management. For clarity, Nexus currently receives Rail Administration Grant and an element of this is used to cover both payments to Rail North, although it should be noted that Rail Administration Grant is only confirmed on an annual basis and the use of this funding will be subject to ongoing review.
- 7.3 The Submission Proposal provides that the Constituent Authorities may all agree to contribute to the costs of TfN in the future. However, a decision to raise such contributions and the amount would require a unanimous decision of the Constituent Authorities and could only be taken after written consent to the proposal has been received from each of the Constituent Authorities.
- 7.4 Unless unanimously agreed otherwise, the apportionment of any financial contributions would be determined on the basis of the Resident Populations of each of the Constituent Authorities. TfN would be entitled to accept voluntary contributions towards its costs from any of the Constituent Authorities. In this regard, it should be noted there is no budget provision to cover any costs associated with NECA's membership of TfN if there was unanimous agreement to such a proposal

8. Legal Implications

- 8.1 This report outlines the legal procedures and implications if NECA wish to play its part as a full member of Transport for the North as it become a Sub-national Transport Body.
- 8.2 The Regulations to enable TfN to become a statutory Sub-national Transport Body, through Parliamentary processes are being drafted jointly by DfT and TfN officials. NECA legal representatives have had initial discussions with those drafting the Regulations and the Head of Paid Service in consultation with the Monitoring Officer will approve or otherwise the final drafting, if Leaders are minded to delegate that authority as recommended in this report.

Leadership Board

9. Key Risks

- 9.1 When the Northern Powerhouse was being championed by the government and particularly the Chancellor of the day, George Osborne, there was significant impetus behind the development of the concept and the drive to form TfN. With the uncertainty following the general election, it may become less of a political priority and thus the benefits may not materialise as envisaged.
- 9.2 In a national context the less populated areas often receive less investment than more populated (congested) areas. One of the risks of joining TfN is that this situation is repeated but in a northern context, with Manchester, the M62 corridor and the North West rail network benefitting the most. That said, it is unlikely that this risk would be mitigated by deciding not to join TfN – on the assumption that most, or all, other authorities do indeed join then the NECA would have no ability at all to press its case for TfN to prioritise investment. The voting metrics do give some mitigation against the concentration of funding as does the corridor and network approach being taken through the development of the Strategic Transport Plan.
- 9.3 Currently there is no direct funding contribution from NECA to TfN, although significant officer and member time is invested in it. TfN funding from DfT is only guaranteed until 2020, thus the financial future of TfN is uncertain. There could be a risk that in the future TfN seek local financial contributions to enable it to continue. It should be noted however that under the proposed governance model, this would require unanimous consent from all member authorities. In addition, TfN will not have the ability to raise precepts or levies from constituent authorities.

10. Equality and Diversity

- 10.1 The development and delivery of the emerging schemes aim to improve road and rail connectivity for all and as such do not negatively impact on Equality and Diversity.

11. Crime and Disorder

- 11.1 Safety and Security are fundamental consideration in the design of new services and facilities and thus impacts will be assessed for individual projects at the appropriate stage of development.

12. Consultation/Engagement

- 12.1 Legal Officers have been consulted and involved in the governance process and will review the regulations once they are drafted. The NECA lead legal officer has also assisted with the drafting of this report. Prior to the drafting of this report the Chief Executive officer were briefed on Transport for the North and the outline governance proposals

Leadership Board

- 12.2 There will be no public consultation on the Regulations as this is a parliamentary process led by the Secretary of State, who will formally ask each constituent authority to sign up to the Regulations to make TfN a Statutory Transport Body

13. Other Impact of the Proposals

- 13.1 As each of the projects and plans of TfN become more defined, environmental and economic impacts and analysis will form key considerations when options are being considered.

14. Appendices

Appendix 1: Background information regarding TfN's proposals
Appendix 2: Draft Regulations as at 21st June 2017

15. Background Papers

Report to the Leadership Board on 19th July 2016

16. Contact Officers

- 16.1 Tobyn Hughes, Managing Director (Transport Operations)
Email: Tobyn.hughes@nexus.org.uk Tel: 0191 203 3203
- 16.2 John Softly, Assistant Director Legal Services, Resources Directorate, Newcastle City Council
Email: john.softly@newcastle.gov.uk Tel: 0191 277 7047

17. Sign off

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

18. Glossary

TfN – Transport for the North
STB – Sub-national Transport Body
NECA – North East Combined Authority
DfT – Department for Transport
NERMU – North East Rail Management Unit
NPR – Northern Powerhouse Rail
LEP – Local Enterprise Partnership

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Transport for the North – Incorporation as a Sub-National Transport Body

1. Purpose of the Report

- 1.1 The purpose of this report is for Members to consent to the making of Regulations by the Secretary of State to establish Transport for the North as a Sub –National Transport Body under section 102E of the Local Transport Act 2008. The consent of each Constituent Authority is required to the making of Regulations by the Secretary of State.
- 1.2 Members are also asked to approve in principle the transfer of Rail North Limited to TfN following its inauguration and the signing of a new Rail Franchise Management Agreement with TfN replicating as far as possible the arrangements entered into in respect of Rail North Limited.

2. Background

- 2.1 Getting transport right is central to achieving the Northern Powerhouse ambition which is itself central to a successful UK industrial strategy. A world class transport system linking towns and cities across the North will create a unified economic area, attracting new business, improving productivity in the North and thereby rebalancing the UK economy.
- 2.2 There has been long term underperformance of the Northern economy when compared with other parts of the UK. There is a significant economic performance gap between the North and the rest of the UK economy – a difference in income of £4,800 per person in 2014, compared with the national average, and £22,500 compared with London. Having been on a downward trend since the early 2000s, the gap has widened since the 2008/09 recession.
- 2.3 Productivity accounts for the largest proportion of the 'performance gap', driven by an underdeveloped skills base, under-investment by the private sector and low enterprise rates. This has worsened since the recession, in part due to out-migration of skilled workers to the southern regions where employment prospects are better.
- 2.4 Poor connectivity is central to understanding the economic challenges of the North. There is disproportionately low investment in the North compared with London and other city regions across Europe. A series of studies have shown how investing in transport infrastructure can unlock the economic potential of the North.

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- 2.5 The Independent Economic Review of the Northern Powerhouse shows the scale of the benefits to the UK of closing the productivity gap. Advances in productivity, driven by key sectors of digital technologies, health innovation energy and advanced manufacturing have the potential to transform the North of England's economy adding £97 billion and 850,000 jobs by 2050.
- 2.6 The North has had no way of agreeing strategic priorities, with the responsibility for transport divided over many organisations at different geographical levels. This has made it hard to properly consider and prioritise the right strategic transport interventions to transform economic growth at the regional scale. As a result, the North has been unable to speak with one clearly evidenced voice to Government on its transport priorities in Spending Rounds or rail and road investment plans.
- 2.7 To address these concerns in 2014 Local Transport Authorities and Local Enterprise Partnerships across the North of England came together in partnership with the Department for Transport and the National Transport Agencies to form Transport for the North (TfN). Together they have developed an ambitious pan-northern transport strategy to drive economic growth in the North. The purpose of TfN is to transform the transport system of the North of England and the aim of TfN is to plan and deliver the improvements needed to truly connect the region with fast, frequent and reliable transport links, driving economic growth and creating a Northern Powerhouse.
- 2.8 The ambition of TfN over time is to achieve significant devolution of transport responsibilities for the North of England and specifically to:
- Develop and deliver a multi-modal, integrated strategic transport plan that drives transformational economic growth in the North;
 - Set the strategic outcomes, outputs and priorities for the North of England's rail infrastructure and strategic road network; and
 - Determine specifications and contracts for future rail service franchises in the North of England.
- 2.9 As part of this programme of improvements and devolution of transport strategy to a more local level the Local Transport Authorities came together to form Rail North Limited a company whose objects include the management of the TransPennine Express and Northern Rail Franchises on behalf of the Secretary of State for Transport.
- 2.10 In October 2016 with the agreement of all the Constituent Authorities TfN submitted a proposal to the Secretary of State for Transport that TfN should be established as the first Sub-national Transport Body (STB) under the provisions of section 102E of the Local Transport Act 2008 as amended by the Cities and Local Government Devolution Act 2016.
- 2.11 The 19 Constituent Authorities of TfN are:

Greater Manchester Combined Authority
Liverpool City Region Combined Authority
North East Combined Authority
Sheffield City Region Combined Authority
Tees Valley Combined Authority
West Yorkshire Combined Authority
Cumbria County Council
Lancashire County Council
North Yorkshire County Council
Blackburn with Darwen Unitary Authority
Blackpool Unitary Authority
Cheshire East Unitary Authority
Cheshire West and Chester Unitary Authority
Warrington Unitary Authority
City of York Unitary Authority
East Riding of Yorkshire Unitary Authority
Hull Unitary Authority
North Lincolnshire Unitary Authority
North East Lincolnshire Unitary Authority

3. The Submission Proposal

- 3.1 The Proposal submitted by the Constituent Authorities included the following key provisions:
- a) All Constituent Authorities will be entitled to appoint a representative to TfN, such representative to normally be the Elected Mayor, Leader or Member with delegated responsibility for transport;
 - b) Decisions will be expected to be unanimous but where voting is required votes will be weighted in accordance with the populations of the Constituent Authorities;
 - c) Decisions in relation to the Budget, the adoption of a Transport Strategy and the Constitution will require a Super Majority;
 - d) Funding will be provided by the Secretary of State and no decision to require financial contributions from Constituent Authorities can be made without the agreement of each Authority;
 - e) There will be appropriate mechanisms for Scrutiny of TfN's decisions;
 - f) Rail North Limited will be wholly owned by TfN;
 - g) A wider Partnership Board including representatives of government bodies and the LEPs will be set up to inform TfN's decision making.

4. The Secretary of State's Response

- 4.1 The Secretary of State has now formally responded to the Proposal and has indicated that he is minded to make Regulations creating TfN as the first Sub-national Transport Body with the following functions:
- a) The preparation of a Northern Transport Strategy;

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- b) The provision of advice on the North's priorities, as a Statutory Partner in the Department's investment processes;
 - c) The coordination of regional transport activities, (such as smart ticketing), and the co-management of the TransPennine Express and Northern rail franchises through the acquisition of Rail North Ltd.

5. The Draft Regulations

- 5.1 TfN are positively engaging with the Department for Transport to ensure that the draft regulations reflect the terms of the Proposal in so far as they have been agreed by the Secretary of State and will give TfN the statutory powers necessary to carry out these functions. Engagement thus far has provided TfN with confidence that the regulations will do this, however TfN will continue to work closely with the Department as this work progresses, and will of course update Constituent Authorities as soon as possible with any further information.

6. The Draft Constitution

- 6.1 A Draft Constitution has been drawn up which includes provisions which reflect and implement the Submission Proposal. The Constitution contains the following Provisions:

6.2 Articles

- 6.2.1 The Articles sets out the statutory basis for TfN and its membership. TfN is made up of representatives from the 19 Constituent Authorities who are the Transport Authorities for the North of England. TfN will operate through a delegation to its Chief Officers of all its functions other than decisions in relation to the Constitution, the Budget and the statutory Transport Strategy and any other matters which are specifically reserved to TfN by statute.
- 6.2.2 The Articles contains an overview of the functions of TfN and the major partnerships through which it will exercise these functions, in particular its role as Statutory Partner in determining priorities for road (Highways North Board) and rail investment and its role in managing the TransPennine Express and Northern Rail Franchises.
- 6.2.3 TfN will establish a Partnership Board with representatives of all the Constituent Authorities, representatives of the other Authorities who were members of Rail North Limited, representatives of the 11 LEPs and representatives of the Department for Transport and of other Government Agencies. This Board will be responsible for setting the strategic agenda for transport in the North of England.
- 6.2.4 TfN will also engage with its partners in the Rail North Partnership Board setting the strategic priorities for rail investment and in the Highways North Board setting the strategic priorities for road investment.
- 6.2.5 TfN will co-manage the TransPennine Express and Northern Rail Franchises through a Committee which will include representatives of all the other Authorities who were members of Rail North Limited.

6.3 **Voting**

- 6.3.1 The Articles provide for weighted voting in accordance with a matrix which gives the representative of each Constituent Authority a vote which is weighted to reflect the population of the area of the Constituent Authority.
- 6.3.2 A decision to approve the Budget, to approve the Constitution or to adopt the Transport Strategy will require an increased majority of 75% of the weighted votes and a simple majority of the Members of TfN.
- 6.3.3 It is proposed that TfN should be entitled to co-opt Members and that such co-opted Members should have voting rights. It is further proposed that those Authorities which are members of Rail North Limited but which will not be a Constituent Authority of TfN (the Rail North Authorities) should each be entitled to appoint a representative to be a co-opted Member of TfN with a right to speak and vote on rail franchise matters. The voting in relation to rail franchise matters shall be weighted in accordance with a voting matrix which reflects the voting arrangements for Rail North Limited.

6.4 **Financial Contributions**

- 6.4.1 TfN is funded through government grant and although future funding decisions will remain the responsibility of the government at the time, establishing TfN in statute ensures it has the stability and permanence to be confident of long term central Government support.
- 6.4.2 At present the Constituent Authorities and the Rail North Authorities make the Rail North Support Payment and the Authorities in receipt of rail administrative grant make the Rail North Supplemental Payment to support Rail North Limited. Upon TfN assuming the responsibilities and functions of Rail North Limited these payments will continue to be made to TfN to enable it to continue to support rail franchise management.
- 6.4.3 The Submission Proposal provides that the Constituent Authorities may all agree to contribute to the costs of TfN in the future. However a decision to raise such contributions and the amount would require a unanimous decision of the Constituent Authorities and could only be taken after written consent to the proposal has been received from each of the Constituent Authorities.
- 6.4.4 Unless unanimously agreed otherwise, the apportionment of any financial contributions would be determined on the basis of the Resident Populations of each of the Constituent Authorities.
- 6.4.5 TfN would be entitled to accept voluntary contributions towards its costs from any of the Constituent Authorities.

6.5 **Powers and Functions**

- 6.5.1 This section sets out the powers and functions which will be given to TfN.

6.5.2 These are as follows:

- a) To prepare a Transport Strategy for the Combined Area in accordance with section 102I of the Local Transport Act 2008;
- b) To provide advice to the Secretary of State about the exercise of the transport functions in the Combined Area;
- c) To be a Statutory Partner with the Secretary of State in both road and rail investment processes and to be responsible for setting the objectives and priorities for strategic road and rail investments in the Combined Area;
- d) To be consulted in relation to rail franchise agreements for services to and from or within its area;
- e) To co-manage with the Secretary of State the TransPennine Express and Northern Rail Franchises;
- f) To co-ordinate the carrying out of specified transport functions that are exercisable by its different Constituent Authorities with a view to improving the effectiveness and efficiency of the carrying out of those functions;
- g) To promote and co-ordinate road transport schemes;
- h) To make proposals to the Secretary of State for the transfer of transport functions to TfN;
- i) To make other proposals to the Secretary of State about the role and functions of TfN;
- j) To undertake Smart Ticketing within the Combined Area;
- k) To promote and oppose local or personal bills in Parliament;
- l) To pay Capital Grants to support the funding and delivery of joint projects;
- m) To exercise powers to acquire land and to construct highways under sections Section 24.

6.5.3 In carrying out these functions, TfN will be a statutory partner of the Department for Transport, devolving responsibilities from the Secretary of State and speaking to the Department with a strong, single voice for the North. It is not intended that TfN should take responsibilities away from the Constituent Authorities, instead exercising a coordinating role in relation to specified transport functions and continuing to work in partnership with members. It is not the intention that TfN becomes a Highway Authority.

6.6 Concurrent Functions

6.6.1 Before exercising any transport powers or functions it holds concurrently with any of the Constituent Authorities or Highways Authorities within the TfN area, TfN will consult those Authorities and enter into a Protocol covering the way in which those functions will be exercised.

6.7 Responsibility for Functions

6.7.1 The Membership of TfN will together be responsible for approving the Budget, the Constitution and the Transport Strategy.

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- 6.7.2 Officers of TfN will have delegated responsibility to carry out all of TfN's day to day functions and to implement the strategic decisions made by TfN.
- 6.7.3 In carrying out these functions TfN and its officers will have due regard to the views and advice of the Partnership Board, DfT and other Statutory Agencies.
- 6.8 **Audit and Governance Committee**
- 6.8.1 TfN will appoint an Audit and Governance Committee to provide independent review and assurance to Members on governance, risk management and control frameworks. It oversees financial reporting, the Annual Governance Statement process and internal and external audit, to ensure efficient and effective assurance arrangements are in place.
- 6.9 **Scrutiny Committee**
- 6.9.1 Each of the Constituent Authorities will be entitled to appoint a representative (and a substitute) to the Scrutiny Committee.
- 6.9.2 The role of the Scrutiny Committee will include:-
- a) reviewing the decisions of TfN and of officers of TfN under the scheme of delegations;
 - b) making reports or recommendations to TfN with respect to the discharge of the functions of TfN and on transport matters that affect the TfN area.
- 6.10 **The Rail North Committee**
- 6.10.1 TfN will establish a Rail North Committee which will advise on TfN's Statutory Partner role in relation to rail investment and will have oversight of the management of the TransPennine Express and Northern Rail Franchises. This will replace the Association of Rail North Authorities and will include representatives of the six non-TfN Rail North Authorities as co-opted Members. Voting in the Rail North Committee will be on the basis of weighted votes which replicate the voting provisions of Rail North Limited.
- 6.11 **The Rail North Sub-Committee**
- 6.11.1 TfN will also establish a Rail North Sub-Committee that will be appointed according to provisions which replicate the provisions for appointing the Rail North Limited Board.
- 6.11.2 Rail North Area Sub-Committees - Where requested TfN will also establish Rail North Area Sub-Committees to take the place of the Regional Business Units permitted under the provisions of the Rail North Members Agreement.
- 6.12 **Officers**
- 6.12.1 TfN will appoint its 3 Statutory Officers, the Chief Executive as the Head of Paid Service, the Monitoring Officer and the Finance Director as its Chief Officers to whom it will delegate day to day operations of TfN.

6.12.2 Chief Officers will have due regard to the recommendations of the Partnership Board, the Rail Partnership Board and Highways North Board in carrying out their functions.

6.13 Procedure Rules

6.13.1 This section sets out the procedures which shall apply to meetings of TfN. The Rules of Debate reflect the nature of the business of TfN and that most decisions are expected to be consensual without the need for formal debating procedures.

6.14 Scrutiny Procedure Rules

6.14.1 These set out the role of Scrutiny within TfN.

6.14.2 The Scrutiny Procedure Rules provide for Scrutiny Committee to set up smaller Scrutiny Panels to review discreet topics and to allow these Panels to invite representatives of outside bodies to attend to inform their Reviews.

6.15 Financial Procedures

6.15.1 This section sets out the financial rules and controls which will govern all expenditure by TfN. It also contains the Contract Procurement Rules which will govern how TfN tenders and awards contracts.

6.15.2 It is expected that more detailed financial controls in relation to individual projects will be set out in the Funding Letter from the Secretary of State.

6.16 Codes and Protocols

6.16.1 It is not intended that TfN should have its own Code of Conduct for Members but Members will be expected to adhere to the Code of Conduct of their appointing Authority in the conduct of TfN's business and any Standards issue would be referred back to the appointing Authority by the Monitoring Officer.

6.16.2 The section includes the Codes of Conduct for Officers of TfN, the Protocol on Member/Officer Relations, the Code of Corporate Governance, the Anti-Fraud and Corruption Policy and the Whistleblowing Policy.

6.16.3 Although TfN is not required to adopt its own Code of Conduct for Members it will need to have a separate Disclosure of Interests by each Member in respect of their interests within the whole of the TfN geographical area.

6.16.4 The Code of Conduct for Officers sets out the standards of behaviour expected from TfN's officers.

6.16.5 The Protocol on Member/Officer Relations sets out guidance on the mutual respect which should exist between officers and Members and the way in which they should interact with each other.

6.16.6 The Code of Corporate Governance sets out the core principles and values which will govern the way in which TfN operates.

6.16.7 The Anti-Fraud and Corruption Policy sets out the measures that TfN will put in place to avoid and address fraud and corruption in any of its dealings.

6.16.8 The Whistle Blowing Policy sets out the ways in which whistle-blowers may bring their concerns to management and the protections that are in place to ensure that whistle-blowers are not victimised or discriminated against.

6.17 **Role of the Partnership Board**

6.17.1 TfN has evolved over the years from the inception of Transport for the North as a partnership representing all those with an interest in the improvement of transport in the North of England to the creation of TfN as the first Sub-National Transport Body. Although TfN as a corporate body will consist of the representatives of the 19 Constituent Authorities there is an aspiration that it will continue to operate through the Partnership Board taking decisions in partnership with the representatives of the 11 LEPs as representatives of the business community and with representatives of the Department for Transport and other Government Agencies and will continue to have an independent chair.

6.17.2 The Draft Constitution reflects the legal requirements for decision making within TfN as a corporate body but it will be open to TfN to operate these constitutional arrangements in a way that is consistent with continuing the present arrangements of the Partnership Board if Members so agree.

6.18 **Rail North Limited**

6.18.1 One of the drivers for the creation of TfN as a Sub-National Transport Body was to create a body which could speak with one voice on all transport matters affecting the North of England. To achieve that, it is proposed that TfN should take over ownership of Rail North Limited and subsume all of its functions directly into TfN.

6.18.2 Rail North Limited would be replaced by a Committee of TfN on which the former Rail North Member Authorities would be represented and have the same voting rights as under the Memorandum and Articles of the Company.

6.18.3 Before this can be achieved all the current members of Rail North Limited will need to formally agree to the proposals for the transfer of Rail North Limited to TfN

6.18.4 The current Members Agreement with Rail North Limited will be replaced by a Rail Franchise Management Agreement between TfN and the current Members of Rail North Limited which will replicate as far as possible the provisions of the Members Agreement.

6.19 **The Rail Partnership Board**

6.19.1 A Rail Partnership Board will be set up which will replicate the existing Rail North Board and will include Members of TfN along with representatives of the Department for Transport. This Board will make recommendations in relation to strategic priorities for rail investment and in relation to existing and future rail franchises.

6.20 **The Highways North Board**

6.20.1 TfN will participate in the Highways North Board which will consist of the Members of TfN along with representatives of the Department for Transport and Highways England. The role of the Board will be to make recommendations in respect of the future Roads Investment Strategy and competitive major roads funding programmes.

6.21 **The Chief Executives Meeting**

6.21.1 The Chief Executives or their representatives will continue to meet to provide oversight of the activities of TfN and review draft Board papers and advise on policy and strategy proposals.

6.22 **Consent to the Regulations**

6.22.1 Draft Regulations are being drafted to create TfN as a Sub-National Transport Body. Before the Secretary of State may make these Regulations each of the Constituent Authorities must consent to the making of the Regulations. It is anticipated that the Secretary of State will send a letter to each of the Constituent Authorities requesting formal consent to the making of the Regulations to be provided by early September 2017.

7. Recommendation

It is recommended that you formally consent to:

- a) the making by the Secretary of State of Regulations under section 102E of the Local Transport Act 2008 to establish Transport for the North as a Sub-National Transport Body.
- b) The transfer of Rail North Limited to TfN so that it can be subsumed within TfN
- c) The signing of a new Rail Franchise Management Agreement with TfN replicating as far as possible the current Rail North Limited Members Agreement
- d) Continuation of the payment of the current funding for Rail North Limited to TfN after its inauguration.

Leadership Board

Date: 18 July 2017

Subject: Finance Update – 2016/17 Outturn and 2017/18 Update

Report of: Chief Finance Officer

Executive Summary

The purpose of this report is to present the Leadership Board with the outturn position for 2016/17 against the revenue budget and the capital programme. The outturn for 2016/17 showed capital expenditure of £116.8m, and revenue expenditure of £116.5m, both within budget.

The report also gives an update on the revenue budget and capital programme for 2017/18. The revenue budget monitor for the current year shows a satisfactory revenue position at this early stage in the year, with spending anticipated to be within the overall budget and no unexpected cost pressures arising. Capital expenditure to the end of the second accounting period (May 2016) is relatively low, but in line with the anticipated profile at this early stage in the year. The capital programme has been updated for the changes to the Local Growth Fund (LGF) programme by the Leadership Board at its last meeting on 20 June.

Recommendations

The Leadership Board is recommended to:

- i. Note the outturn position on the revenue budget and the capital programme for 2016/17 as set out in this report
- ii. Note the update about the revenue budget position and capital programme for 2017/18

Leadership Board

1. Background Information

- 1.1 Monitoring information on capital and revenue budgets is provided periodically to the Leadership Board through the year in line with the Constitution, with detailed reports on Transport budgets being reported to TNEC on a regular basis.
- 1.2 This report sets out the outturn position for 2016/17, and an update on 2017/18 budgets as at the end of May (accounting period 2).
- 1.3 The draft accounts for NECA were completed by 31 May 2017 and signed off by the Chief Finance Officer, subject to Audit and sign off by the Leadership Board in September. This is around four weeks earlier than the previous year, and in line with faster close deadlines which come into effect in 2017/18. The draft accounts were published on the NECA website in June, and the public inspection period has now commenced. The draft accounts are subject to audit by the Authority's external auditors, Mazars, and will be presented to the Authority for approval following the audit, at the Leadership Board meeting on 19 September. At its meeting on 4 July the Governance Committee received a report on the outturn position and the key financial statements and their comments have been taken into account in preparing this report.

2. Proposals

2.1 2016/17 Capital Programme Outturn

- 2.1.1 At its meeting in January 2016, the Authority agreed a base capital programme of £133m. This was revised during the year in line with additional approvals and rescheduling of projects to a total approved programme of £142.577m.
- 2.1.2 The table below sets out expenditure to the end of the year against the capital programme, totalling £116.778m. A final outturn against programme of 88% compared with the original budget for the year was achieved. Full expenditure on each area including funding swaps are shown, with lines to remove the double count of expenditure.

2016/17 Capital Programme	Original budget	Latest budget	Outturn	Variance
	£m	£m	£m	£m
Local Growth Fund	76.830	86.658	63.100	(23.558)
Metro Asset Renewal Plan	41.192	38.566	36.585	(1.981)
Nexus Non-Metro Programme	0.650	0.930	0.614	(0.316)
Tyne Tunnels	0.000	1.743	1.956	0.213
(Less LGF / Tyne Tunnels swap)	0.000	0.000	(1.826)	(1.826)
Other Transport Grants	12.362	12.638	12.487	(0.151)
North East Investment Fund	2.022	2.022	5.165	1.840
(Less LGF / NEIF swap)	0.000	0.000	(1.306)	(1.306)
Total	133.056	142.577	116.778	(25.879)

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2.1.3 Local Growth Fund

Final outturn against the Local Growth Fund programme, including funding swaps to maximise expenditure, was £63.100m. This represents an underspend of £16.7m against the total grant available for the year, which is broadly in line with the figure reported to DCLG at the time of the Annual Programme review in December 2016. The 2017/18 grant award letter raised no concerns with this level of performance. Indeed, recent informal feedback indicates that the North East LEP is making good progress in relation to the delivery of its Growth Deal programme expenditure compared to most other LEP areas. The unspent LGF grant has been carried over to be spent in 2017/18 with no loss of funding.

2.1.4 Metro Asset Renewal Programme

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

Despite the table at paragraph 2.1.2 showing an under spend against the revised budget of £1.981m, the budget for any particular year should be seen in the context of the long term funding commitment from government where the following factors are a key feature of how Nexus delivers its renewal programme:

- i. The requirement from DfT that Nexus achieves at least a minimum level of expenditure and no more than a maximum level of expenditure in any one financial year (which for 2016/17 were set at £31.913m and £38.802m respectively);
- ii. The flexible way in which grant funding can be vired between financial years with up to 10% being carried forward into the following year or 10% being brought forward from the following year;
- iii. A recognition that logistical and other planning processes play a significant role in determining where resources are deployed in fulfilling the objectives of Nexus' three year rolling programme, which at any particular time involves the delivery of around 100 individual projects; and

The need for each individual project comprising the overall programme to deliver value for money.

The 2016/17 capital budget therefore included an over-programming level of over 16%. This was necessary because experience has shown that over-programming levels reduce during the course of the year as efficiencies are delivered and/or specific projects are re-phased in order that expenditure levels are contained within the agreed DfT funding envelope.

A key benefit of this approach is that it gives Nexus the ability to actively manage the schedule and delivery of projects to drive efficiencies without a risk of falling below

Leadership Board

minimum expenditure levels. This includes obtaining procurement savings through consolidating packages of work to increase market interest and competitiveness, and ensuring that necessary disruption to the Metro service is minimised (by avoiding key events and making best use of school holidays and lower patronage windows).

During the financial year, the Metro capital budget was subsequently revised from £41.192m prior to the start of the financial year, to £38.566m.

The reduction in the budget was due to the re-profiling of individual projects, some of which were brought into the current year when the 2015/16 year was closed down, some of which have been moved into future years and some of which have been accelerated i.e. delivered earlier than previously planned.

The 2016/17 outturn for the Metro ARP Capital Programme is £35.647m, lower than the revised estimate, as detailed in the table below. However, this is within the agreed DfT funding envelope for the year which required a minimum amount of expenditure of £31.913m. The outturn is only £0.044m less than the Quarter 4 monitoring position reported to the committee earlier this year.

	Latest Approved 2016/17	Outturn 2016/17
	£m	£m
Civils	1.706	1.274
Communications	3.206	3.034
Level Crossings	0.005	0.013
Mechanical & Electrical	0.282	0.176
Metro Cars	1.388	1.410
Miscellaneous	0.300	0.143
Project Management Costs	0.030	-
Overhead Line	2.617	2.483
Permanent Way	19.667	19.947
Plant	0.012	0.006
Power	0.405	0.299
Signalling	3.898	3.748
Stations	3.675	3.116
Total ARP Programme (Note 1)¹	37.191	35.647
Other Projects	1.375	0.938
Total	38.566	36.585

¹ 2017/18 Approved Programme includes various projects that formed part of the original budget for 2016/17 but were subsequently carried forward for delays into future years.

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2.1.5 Nexus Non-Metro Capital Programme

The latest revised budget for 2016/17 was £0.930m with expenditure at the year-end of £0.614m. The Metro Maintenance and Renewals Skills Centre, which will be reliant on £7m of Local Growth Fund grant has not yet received final approval from NECA. In the interim, expenditure on designing and developing the proposition, including the business case, is being met from Nexus' own resources. During 2016/17 following approval of its business case submission for the Real Time Gateway Project, Nexus delivered this project at Gateway locations in Northumberland, Durham and Tyne and Wear.

2.1.6 Tyne Tunnels Capital Programme

The majority of the Tyne Tunnels capital programme relates to the refurbishment of the Tyne Pedestrian and Cycle Tunnels (Phase 3 Improvement Works) (TPCT). Total expenditure during the year amounted to £1.956m, of which £1.826m related to TPCT works and £0.130m related to remaining activity on the New Tyne Crossing project.

During a significant part of 2016/17 the main TPCT activity to take place was the Environmental Clean by specialist contractors to remove or encapsulate asbestos-containing materials which had been used during the original construction of the tunnels. These works were essential to ensure the safety of both construction operatives and the public who will be using the tunnels in the future. During these works no other construction works were permitted to take place within the tunnels. The Environmental Clean was successfully completed in January 2017 and verified by independent consultants engaged by NECA.

The approved source of funding for the Tyne Tunnels capital programme is the Tyne Tunnels reserves. During 2016/17, a funding swap was agreed in order to maximise use of LGF grant during the year, so a total of £1.826m LGF was used to fund the TPCT works. A corresponding amount will be made available from the Tyne Tunnels reserves to fund LGF expenditure in future years and the return of the money in the form of 'revenue' funds will provide significant additional flexibility to the LGF programme.

2.1.7 Other Transport Grants

Local Transport Plan (LTP) Integrated Transport Block grant is a flexible source of capital funding which is awarded to NECA by the DfT. This grant is paid out to NECA's constituent authorities and Nexus to deliver transport capital schemes, and is paid on a quarterly basis. In the case of Nexus, the grant provides match funding to the Metro Capital grant funding the Metro Asset Renewal Programme.

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The variance against the LTP grant (outturn £11.534m compared with latest approved budget of £11.685m) relates to carry forward against the funding held for minor public transport schemes to be delivered in constituent local authorities. This funding will be used to deliver works during 2017/18, which is permitted under the grant conditions.

NECA acts as accountable body for the North East Smart Ticketing Initiative (NESTI) which is a programme of investment in smart ticketing infrastructure across the wider North East. The programme is delivered by Nexus and the works are funded by NESTI contributions held and managed centrally by NECA. The underspend against the programme in 2016/17 (0.707m against a revised programme of £0.953m) will be carried forward to the 2017/18 programme.

2.2 2016/17 Revenue Budget Outturn

2.2.1 At its meeting held on 19 January 2016, the Combined Authority received a report from the Chief Finance Officer setting out the Authority's proposed base net budget for 2016/17 for Transport activity of £87.0m and total levies of £86.894m. The budget was revised during the year to accommodate costs relating to Devolution to be funded through a combination of NECA sources, without requiring any additional contributions from the Constituent Authorities.

2.2.2 The table below summarises the net Revenue Budget (i.e. the net cost to the North East Combined Authority after external income and direct government grants are taken into account) for 2016/17. Both expenditure and income were both below budgeted figures, the main variance being on the Tyne Tunnels budget as a result of lower tolls income and lower resulting payments to the Tunnels operator.

	2016/17 Revised Budget	2016/17 Actual	2016/17 Variance
	£000	£000	£000
Expenditure			
NECA Transport Retained budget	2,961	2,775	(186)
Grant to Durham	15,414	15,414	-
Grant to Nexus	62,500	62,500	-
Grant to Northumberland	6,293	6,293	-
Tyne Tunnels	29,275	28,182	(1,093)
Corporate Budget	450	475	25
Devolution	474	475	1
Inward Investment Budget	439	337	(102)
Total Expenditure	117,806	116,451	(1,355)

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	2016/17 Revised Budget	2016/17 Actual	2016/17 Variance
	£000	£000	£000
Income			
Transport Levy	(86,894)	(86,894)	-
Tyne Tunnels	(29,015)	(28,035)	980
Contributions from local authorities – Corporate	(300)	(300)	-
Contributions from local authorities – Inward Investment	(140)	(140)	-
Contributions from NELEP – Inward Investment	(166)	(146)	20
Interest	(250)	(312)	(62)
Other income	(10)	(121)	(111)
Total income	(116,775)	(115,948)	827
Contribution from NECA Reserves	1,031	503	(528)

2.2.3 Transport Levy Budget

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

The Durham outturn position was a small overspend of £26k against the grant, mainly due to some reductions in bus stations and bus shelters income.

The Northumberland outturn position was an underspend of £125k mainly due to a reduction in the number of concessionary Fare journeys made across the County. Nexus achieved a positive variation of £1.512m against its total budget

Against the NECA Transport Retained budget, the outturn at the year-end shows an improved position against the revised budget reported during the year, mainly because alternative sources of funding (namely the release of an element of North East Smart Ticketing Initiative balances held on behalf of constituent local authorities) were used to fund devolution costs, meaning that the amount to be drawn from reserves was less than anticipated. The final outturn position was a deficit of £88k to be funded from the Tyne and Wear transport reserve, meaning that this reserve now amounts to £475k as at 31 March 2017

These elements of the budget are set out in more detail in the report to the July meeting of TNEC.

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2.2.4 Tyne Tunnels

The Tyne Tunnels are accounted for as a ring fenced account within the NECA budget, meaning that all costs relating to the tunnels are wholly funded from the tolls and Tyne Tunnels reserves, with no call on the levy or government funding at all. Major variances against budget were on the Tolls Income and Contract Payments budgets. During the year, traffic levels at the Tyne Tunnels reduced significantly, which coincided with ongoing works being carried out by the Highways Agency at the Coast Road and A19 Junction, and the completion of works on the A1 which had given a temporary boost to Tunnel traffic. For NECA, reduced tolls income is offset by lower contract payments to the tunnels operator, TT2 Ltd, since their payments are determined by actual traffic levels.

The outturn at the year-end shows an improved position from when the revised budget was agreed in January. The final outturn position was a small surplus of £0.050m to be added to the Tyne Tunnels reserve, an improvement from the previously budgeted £0.160m deficit. This improvement was primarily due to savings in financing charges as set out in earlier reports. After contributions to the capital programme and other deductions from the reserve, the remaining level at 31 March 2017 is £25.993m.

2.2.5 Corporate Budget

Expenditure on the Corporate budget for NECA was slightly in excess of the budget, due to match funding contributions required for the North East Technical Assistance programme which were planned to be met from reserves but not explicitly included in the budget, and additional costs of recruitment for the Chief Executive and Chief Finance Officer posts. These have been met by additional interest income which was achieved in excess of the budget during the year.

Additional income from interest and savings against the Inward Investment budget means that the unringfenced NECA Corporate Reserve increased from £208k at the beginning of the year to £275k at the end of the year, which is considered by the Chief Finance Officer to be a more prudent level to be carried forward to 2017/18.

2.2.6 Devolution

Costs of £475k for the work during the first half of 2016/17 on the Devolution agenda were set out in a finance update report to the November meeting of the Leadership Board.

These costs were met through a combination of contributions from the Transport budget and the approved release of £194k of NESTI balances which NECA holds on behalf of the Constituent Authorities as described in 2.2.3. A review of the

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NESTI programme budget identified an element of project contingency which was no longer required, and so approval was given for the release of these funds to meet the devolution expenditure.

2.2.7 Inward Investment

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

Contributions from the seven councils totalled £140k, matched by a contribution of £140k from NELEP as agreed on a three year basis starting in 2015/16. A one off contribution of £20k from the North East LEP was included in the budget for 2016/17 but was not required. The revised budget as reported to the Leadership Board in previous reports was £439k. Actual expenditure to the year end was £337k, with the underspend being largely due to items which were included in the budget for 2016/17 now commencing in 2017/18, namely the Lead Generation contract which commenced in March 2017. The budget for these items has been carried forward and they will be included within the 2017/18 revised budget.

2.3 2017/18 Capital Programme Update

2.3.1 At its meeting in January 2017, the Authority agreed a base capital programme of, including overprogramming, of £150.644m. Following the 2016/17 year end outturn, this has been revised to £152.333m to take account of slippage and accelerated spend from the prior year, and updating the LGF element of the programme in line with approvals for changes given at the last meeting of the Leadership Board on 20 June. Expenditure at this early stage of the year is low, but this is in line with anticipated profiles across the year with claims from most projects to be submitted following the end of the first quarter.

	Original Approved Budget 2017/18	Latest Approved Budget 2017/18	Period 2 2017/18	Projected Outturn 2017/18
	£m	£m	£m	£m
Local Growth Fund	77.969	75.600	0.392	76.593

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Enterprise Zone Interventions	15.560	15.560	0.000	15.560
Metro Asset Renewal Programme	41.686	45.011	2.699	41.363
Nexus non-Metro*	0.000	0.382	0.205	0.375
Tyne Tunnels Programme	2.425	2.425	0.180	2.425
Other Transport Grants*	11.309	11.660	0.000	11.660
North East Investment Fund	1.695	1.695	0.000	1.695
Total	150.644	152.333	3.476	149.671

* Less grant funding shown in other programme lines

2.3.2 Local Growth Fund

The revised programme for the year now totals £75.600m, with LGF grant of £60.71m available (before the reversal of LGF funding swaps). The level of overprogramming in 2017/18 of £14.89m therefore amounts to 24.5% of the LGF grant available in 2017/18. In 2016/17 the programme commenced the year with 18% overprogramming and finished 22.2% under budget. Due to many more projects now having let their main construction contracts and thereby having overcome pre-construction challenges and potential delays, the 2017/18 programme is considered to be much less at risk of under spending. The current level of overprogramming is considered satisfactory to be able to achieve the use of £60.71m LGF grant by the end of 2017/18, which would demonstrate a high level of performance to DCLG. A higher level of spending could be funded in 2017/18 by reversing some of the funding swaps made in 215/16 or 2016/17. The level of overprogramming on the total LGF programme over the next four years has now fallen to £1.45m, which is 1% over the remaining planned programme funding. This should be reduced by taking savings when they occur and by the inclusion of some interest earned on LGF grant.

2.3.3 Metro Asset Renewal Plan

The Leadership Board approved the Metro Asset Renewal Plan (ARP) capital programme for 2017/18 in January 2017 totalling £41.686m. This is the eighth year of the eleven year ARP programme. The requirement from DfT is that Nexus

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achieves at least a minimum level of expenditure and no more than a maximum level of expenditure in any one financial year (which for 2017/18 were set at £29.710m and £36.377m respectively). The 2017/18 capital budget therefore included an over-programming level of over 25%.

At the end of the second of 13 periods (ending 27 May 2017), the Metro capital budget has been revised to £45.011m. The increase in the budget for this year is due to the re-profiling of individual projects, some of which were brought into the current year when the 2016/17 year was closed down, some of which will need to be moved into future years and some of which will be accelerated i.e. delivered earlier than previously planned. The budget now also includes the Killingworth Road Bridge replacement and the Metro Maintenance and Renewals Skills Centre (£5.1m).

Expenditure as at the end of Period 2 is £2.699m. This represents 9% of the £29.710m minimum expenditure level required by DfT for this financial year. The latest forecast to the year end is now £41.363m; lower than budgeted largely because of reduced expenditure forecasts in the phasing of works relating to the Rail Traffic Management System and Replacement Point Motors projects.

This area of the programme is set out in more detail in the report to the July meeting of TNEC.

2.3.4 Nexus non-Metro

The latest revised budget for 2017/18 is £0.382m, with forecast expenditure at £0.375m. This is on Cycling, Real Time, Wi-Fi and Ferry Works schemes. It is planned to procure a concession for the utilisation of Nexus communications infrastructure with the provision of Wi-Fi facilities during 2017/18. This area of the budget will be funded through LTP grant and Nexus reserves.

2.3.5 Tyne Tunnels Capital Programme

Since the completion of the Environmental Clean described in paragraph 2.1.6 above, the refurbishment works have now recommenced and include:

- Construction of reinforced concrete plinths to take the rails for the new inclined glass elevators;
- Installation of new support steelwork to replaced corroded steelwork to the lower landing areas;
- Installation of scaffolding to allow the installation of the support framework and cladding panels in the inclined shafts;
- Fabrication of bespoke concrete and steel paving and deck plates.

This work will be followed by the installation of mechanical and electrical equipment prior to the installation of the inclined glass elevators which is due to commence in September. At this time it is envisaged that the works will be

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completed in the Spring of 2018. Further details are contained within the report to the July meeting of Tyne and Wear Sub-Committee.

2.3.6 Other Transport Grants

The budget for 2017/18 has been revised to £11.660m to update the figures to include carried forward grant from 2016/17 as described in 2.1.7 above. Spend to date as at May 2017 is shown as nil because the first payments are due at the end of the first quarter.

2.4 2017/18 Revenue Budget Update

2.4.1 At the Leadership Board meeting on 17 January 2017, budgets totalling £114.088m were agreed. Following the 2016/17 year end, these budgets have been revised and expenditure is now forecast to be around £113.189m. A summary is set out in the table below, showing the budget, forecast to the year end and actual expenditure to the end of the second period (May 2017).

	2017/18 Budget	2017/18 Forecast	2017/18 Actual to P2
	£000	£000	£000
Expenditure			
NECA Transport Retained budget	2,182	2,182	297
Grant to Durham	15,447	15,447	2,575
Grant to Nexus	60,890	60,890	10,148
Grant to Northumberland	6,217	6,217	1,036
Tyne Tunnels	28,398	27,358	3,258
Corporate Budget	363	374	27
Inward Investment Budget	460	671	68
Economic Development Budget	25	25	-
Skills Budget	25	25	-
Total Expenditure	114,007	113,189	17,409
Income			
Transport Levy	(84,744)	(84,744)	(14,124)
Tyne Tunnels	(28,240)	(27,200)	(4,459)
Contributions from local authorities – Corporate	(300)	(300)	-
Contributions from local authorities – Inward Investment	(140)	(140)	-
Contributions from NELEP – Inward Investment	(288)	(288)	-
Revenue Grants - DIT	-	(146)	-
Interest	(188)	(199)	-
Other income	(10)	(10)	(3)

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Total income	(113,910)	(113,027)	(18,586)
Contribution from NECA Reserves	97	162	(1,177)

2.4.2 Transport Levy Budget

A substantial reduction in the annual budget for financing charges takes effect from 2017/18, which results from changes made by the Authority in the method used to calculate its Minimum Revenue Provision – the amount set aside from the revenue budget for the repayment of historic debt. This has enabled a reduction of circa £0.500m in the NECA retained Transport Levy budget, contributing to an overall reduction in the levy on constituent local authorities in excess of £2.000m. At this early stage in the year, overall forecast expenditure is anticipated to be within budget with no unanticipated costs arising to date. The forecast is that the budget will largely breakeven, with a small contribution to reserves of £8k, in line with the budget set in January.

Within the Transport grants, Durham and Northumberland Councils are currently forecasting a breakeven position. For Nexus, as at the end of period 2 of 2017/18, a deficit of £0.843m is forecast against the revised budget, a positive variance of £1.045m against the revised budget as a result of savings on Concessionary Travel, High Voltage Power and Support Services. More detail is set out in the report to the Transport North East Committee on 13 July.

2.4.3 Tyne Tunnels

The forecast for Tolls Income and Contract Payments has been further revised downwards to reflect the experience of the previous financial year. As described in section 2.2.4 above, this will have little overall impact on NECA since a decrease in tolls income is offset by a decrease in contract payments. Other budget lines are not currently forecasting any significant variances at this early stage in the financial year.

2.4.4 Corporate Budget

At this time, the Corporate Budget is expected to breakeven with no unanticipated cost pressures or savings identified.

2.4.5 Inward Investment

The forecast position for 2017/18 takes into account rescheduling of some items of expenditure originally included in the budget for 2016/17, as described in 2.2.7 above. A new project with a maximum cost of £146k has also been included in this budget line, which is fully funded by revenue grant from Department for International Trade. This grant will be used to fund participating NECA local authorities with work on foreign direct investment via the employment of staff to work on this area. This is in

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support of a key element of the North East Strategic Economic Plan – strengthening flows of inward investment helping to drive new sources of growth and employment.

2.4.6 Economic Development and Skills

Provision was included in the 2017/18 budget report for a contribution of £25k to help fund the work of the Economic Development and Regeneration Advisory Board being coordinated on behalf of NECA by South Tyneside Council, and a contribution of £25k to help fund Skills activity being undertaken on behalf of NECA by Northumberland County Council, which will be funded by interest income. These payments will be made to the relevant local authorities later in the financial year.

2.5 Reserves

2.5.1 At the year end, total reserves of the Authority in the draft accounts were £171.569m. Under accounting standards which the Authority must follow, reserves as categorised as either 'usable' reserves, which can be applied to fund expenditure, and 'unusable' reserves which hold statutory accounting adjustments, are not backed by cash and cannot be used to fund expenditure.

NECA's usable reserves at 31 March 2017 were £70.719m. This figure includes Grants Unapplied (where grant funding has not yet been used to fund expenditure but is committed to projects), the Metro Reinvigoration Reserve, which is held on behalf of Nexus to contribute towards local match funding for the Metro Asset Renewal Programme, and reserves held by the Tyne Tunnels. Reserves of the North East LEP are also included in this figure, for example those relating to NEIF repayments and Enterprise Zones income.

The increase in reserves during the year relates to LGF grant unapplied that is carried over to be used in 2017/18 and is already fully committed to fund approved schemes. The actual unringfenced Corporate Reserve of NECA was only £0.275m at the year end, and the Tyne and Wear Transport Reserve was £0.475m. Governance Committee requested that the low level of these uncommitted/unearmarked reserves be highlighted in the accounts as the much higher total reserve could give a misleading impression about the level of uncommitted reserves that are available.

3. Reasons for the Proposals

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

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4. Alternative Options Available

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

5. Next Steps and Timetable for Implementation

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

6. Potential Impact on Objectives

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

7. Financial and Other Resources Implications

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

8. Legal Implications

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

9. Key Risks

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

10. Equality and Diversity

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

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11. Crime and Disorder

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

12. Consultation/Engagement

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

13. Other Impact of the Proposals

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

14. Appendices

- 14.1 n/a

15. Background Papers

- 15.1 NECA Revenue Budget and Transport Levies 2016/17 – Leadership Board 19 January 2016

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

NECA Capital Programme 2016/17 – Leadership Board 19 January 2016

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

Project Approvals – Local Growth Fund – Leadership Board 20 June 2017

16. Contact Officers

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

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17. Sign off

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

Leadership Board

Date: 18th July 2017

Subject: Project Approvals – Local Growth Fund

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

Executive Summary

This report seeks the Leadership Board's formal approval to the approval of grant for two projects in the approved Local Growth Fund (LGF) programme. The two projects are -

- A185/A104/A19 (The Arches) scheme in South Tyneside
- A19 North Bank of Tyne (Swans site) in North Tyneside

Recommendations

The Leadership Board is recommended to agree to -

1. Approve a full Grant Funding Agreement of £6.35 million to deliver the Traffic movements along A185/A194/A19 (The Arches) scheme. This is in addition to the stage 1 agreement for £650,000 that was approved by Leadership Board on 17 January 2017 and is subject to South Tyneside Council's Cabinet approval of the Works Contractor;
2. Approve a full Grant Funding Agreement of £4.525 million to deliver the A19 to North Bank of Tyne (Swans site and Port of Tyne) scheme. This is in addition to the stage 1 agreement for £175k that was approved by Leadership Board 17 January 2017; and
3. Authorise the Monitoring Officer to finalise and enter into any legal and Grant Funding documentation required to enable these schemes to proceed approved Local Growth Funding programme to proceed.

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1 Background Information

- 1.1 The North East Local Growth Fund transport programme encompasses major transport projects across the NECA area. A NECA 'Transport Assurance Framework' sets out the governance and approvals process for major transport projects that have been given LGF programme-entry by the NECA Leadership Board and Local Enterprise Partnership Board.
- 1.2 Requests for approval to release allocated Local Growth Funding are taken to the Leadership Board following individual project business case development by project sponsors and a satisfactory independent assessment.
- 1.3 A number of major transport projects have been fully approved by the Leadership Board, as well as others granted 'Stage 1' funding agreements prior to business case finalisation to allow project development and advanced works. This report seeks approvals for the issue of two full grant funding agreements; one for the Traffic movements along A185/A194/A19 (The Arches) scheme and one for the A19 to North Bank of Tyne (Swans site and Port of Tyne) scheme.

2 Proposals

Traffic movements along A185/A194/A19 (The Arches) scheme

- 2.1 The Arches roundabout is located at the junction of two key strategic road corridors in South Tyneside: the A194 and the A185. The A194 provides the main route into South Shields from the A19 and the A185 provides access to the Port of Tyne and the Tyne Tunnels. The existing junction experiences congestion and delay in the peak morning and evening periods.
- 2.2 A proposal to alleviate congestion at the Arches roundabout was allocated £5.83m from the Local Growth Fund as part of the North East Growth Deal. However, In 2015 the LGF allocation for the original Arches project was reduced to £5.21m to help to fund a cost pressure with the related Lindisfarne Roundabout project.
- 2.3 South Tyneside Council have since carried out modelling work on the Arches scheme and the Southern Portal of the Tyne Tunnel project to identify a preferred scheme. A partial gyratory system at the Arches junction was identified as the preferred option and the decision was made to enhance the original Arches scheme and reduce the scope of the Southern Portal to the Tyne Tunnel project.

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- 2.4 The enhanced Arches scheme involves converting the existing roundabout to traffic signals and adopting a partial gyratory layout with all movement maintained. The cost of the enhanced scheme is £8.098m.
- 2.5 In January 2017 the LEP Board gave approval to transfer £1.79m of the £3.55m previously allocated to the Southern Portal of the Tyne Tunnel project to the enhanced Arches scheme, bringing the total LGF allocation to £7m. South Tyneside Council are contributing £1.098m.
- 2.6 At the meeting on 17 January Leadership Board agreed to issue a Stage 1 GFA, releasing £650k of LGF to enable further modelling work and essential land acquisitions to be carried out.
- 2.7 Following the issue of a Stage 1 GFA a full business case has been produced. The business case has undergone independent assessment and was found to be satisfactory. The scheme has a very high benefit cost ratio (BCR) of 7.16 and the scheme is expected to complete Autumn 2018.
- 2.8 It is requested that Leadership Board agree to issue a full Grant Funding Agreement of £6.35 million to enable the Traffic movements along A185/A194/A19 (The Arches) scheme to be delivered. This is subject to South Tyneside Councils Cabinet approval of the Works Contractor on the 12th July 2017.

A19 to North Bank of Tyne (Swans site) scheme

- 2.9 The local highway network along the North Bank of the Tyne includes the A187 between the Royal Quays development and the border with Newcastle adjacent to the Neptune Shipyard. The network also includes the A193 corridor between Percy Main and Wallsend. These corridors serve the entire North Bank of the Tyne employment area, which includes Tyne Tunnel Trading Estate, Swan Hunters, Point Pleasant, Davy Bank, and Port of Tyne, and are becoming increasingly congested.
- 2.10 The A19 to North Bank of Tyne scheme is a highways improvements project that aims to resolve congestion along the corridors in the North Bank of the Tyne area and enhance access to employment sites and key services. The scheme includes upgrading pedestrian crossings, improving cycling infrastructure, improving the performance of traffic signals and enhancing the road layout at key junctions.
- 2.11 Approval has been granted for the scheme to be entirely funded by the LGF at a cost of £4.7m. If scheme costs exceed £4.7m North Tyneside Council will seek to fund the shortfall.

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- 2.12 On 17 January 2017 Leadership Board gave approval for a Stage 1 Grant Funding Agreement to be issued for the A19 to North Bank of Tyne project, releasing £175k of LGF for design and consultancy fees, based on the production of a robust outline business case.
- 2.13 The scheme has a high benefit cost ratio (BCR) at 5.057 and construction is scheduled to complete Summer 2018. The full business case has been independently reviewed and approved.
- 2.14 Leadership Board are asked to grant approval to issue a full Grant Funding Agreement of £4.525 million to enable the A19 to North Bank of Tyne (Swans site and Port of Tyne) scheme to be delivered.

3 Reasons for the Proposals

- 3.1 The North East LEP is responsible for the management of the Local Growth Fund (LGF) Programme, including decisions about new projects and changes to the programme. NECA has the responsibility for approving the release of the grant funding for transport schemes after the business case has been evaluated, and grant allocations can be recommended.

4 Alternatives

- 4.1 There are two options:-

Option 1 – The Leadership Board may accept the recommendations set out in this report; and

Option 2 – The Leadership Board may not accept some of the recommendations, if there are sound legal or financial reasons for not accepting the recommendations.

Option 1 is the recommended option.

5 Next Steps and Timetable for Implementation

- 5.1 Following the expiry of the call in process, the grant funding agreements will be issued to the local authority project sponsors which will enable the schemes to proceed.

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6 Potential Impact on Objectives

- 6.1 The two projects are aimed at improving the highway network and reducing congestion in their respective areas bringing significant benefits to the public and businesses in their respective areas.

7 Finance and Other Resources Implications

- 7.1 The allocation of grant to the two projects is in line with their approved programme allocations in the Local Growth Fund programme, as reported to the Leadership Board in June 2017.

8 Legal

- 8.1 The Monitoring Officer will sign appropriate Local Growth Agreements and any other ancillary legal or other documentation on behalf of NECA as the Accountable Body for the LEP to enable the projects to proceed once she is satisfied that it is appropriate to do so.

9 Key Risks

- 9.1 Risks associated with project delivery have been considered through the development and appraisal of individual project business cases.

10 Equalities and Diversity

- 10.1 There are no specific issues arising from these proposals.

11 Crime and Disorder

- 11.1 There are no specific crime and disorder considerations arising from the contents and recommendations of this report. They have been considered as part of the business case development for each project.

12 Consultation/Community Engagement

- 12.1 The projects have been subject to local community/consultation arrangements appropriate to the scale and nature of the projects.

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13 Other Implications

13.1 None

14 Appendices

None

15 Background Papers

15.1 Detailed Business Cases

16 Contact Officers

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17 Sign off

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

18 Glossary

BCR – Benefit Cost Ratio
LEP - Local Enterprise Partnership
LGF – Local Growth Fund
NECA – North East Combined Authority

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

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