

THIS IS NOT A PUBLIC MEETING

North East Local Enterprise Partnership Board



Thursday 25 May 2023

17.00 – 19.00

The meeting will be held 'in-person' at:

Quadrus Centre, 1 Woodstock Way, Boldon Colliery, NE35 9PF

AGENDA

1. **Welcome from the Chair and apologies** (5.00pm)
2. **Declarations of interest** (5.00pm)

Part One – Annual General Meeting

3. **Looking forward 2023/24 – Annual Delivery Plan** - paper attached (5.05pm)
Helen Golightly to present to the Board.
4. **LEP Budget – Financial outturn 2022/23 and update on 2023/24 budget estimates** – paper attached (5.15pm). Katy Laing to present to the Board.
5. **Annual General Meeting update** – paper attached (5.30pm)
Helen Golightly to present to the Board

Part Two – LEP Business

6. **Minutes of the last Board meeting held on Thursday 17 March 2022** (5.45pm)
Board will be asked to agree the Minutes.
7. **Economic update and Evidence Hub Demo** – paper attached (5.50pm)
Thomas Athey to present to the Board
8. **Devolution update** – verbal update (6.20pm)
Henry Kippin and Helen Golightly to update the Board
9. **Chair and Chief Executive update** - paper attached (6.40pm)
Lucy Winskell and Helen Golightly to update the Board
10. **Any Other Business** (6.50pm)
11. **Date and time of next meeting - Thursday 20 July 2023 from 5 - 7pm**

25 May 2023

Item 3: Annual Delivery Plan 2023/24

1.0 Background

- 1.1 At the North East LEP Board on the 23 March 2023, we looked back and reported our performance for 2022/23 in the 'End of Year Review' report, which set out our progress against the deliverables agreed in our [Annual Delivery Plan for 2022/2023](#).
- 1.2 This paper looks forward setting out our proposed activities in the 2023/24 Annual Delivery Plan, which is appended.

2.0 Looking ahead and future role

- 2.1 The 2023/24 Annual Delivery Plan has been shaped reflecting on:
- The revised role of Local Enterprise Partnerships as defined by government, which is to:
 - Embed a strong, independent and diverse local business voice into the North East' local and combined authorities
 - Carry out strategic economic planning in partnership with local leaders that clearly articulates the North East's economic priorities and sectoral strengths
 - Continue to deliver a number of functions on behalf of government departments, shaped by the local business voice
 - Monitor and assure existing local growth programmes and funds for which the LEP is responsible for.
 - The continued delivery of our contractual commitments, and
 - Operational activities and projects required to create the new North East Mayoral Combined Authority (NEMCA) and the transition of the LEP into it.
- 2.3 The Board will receive progress updates on our delivery at each future meetings.

3.0 Recommendations

- 3.1 The Board is recommended to:
- (i) Agree the proposed Annual Delivery Plan for 2023-24, and delegate authority to the Chief Executive to sign off minor amendments if required;
 - (ii) Note that updates on progress will be presented to future meetings.

4.0 Appendix

- 4.1 Appendix one – Annual Delivery Plan 2023-24

Annual Delivery Plan 2023/24

2023/24 is a year of transition. Our delivery plan for this year reflects this as we work towards the formation of a new Mayoral Combined Authority for the North East, in which the LEP's functions will be integrated.

The roles of the LEP set out by government are to:

- Embed a strong, independent and diverse local business voice into the North East Mayoral Combined Authority
- Carry out strategic economic planning in partnership with local leaders that clearly articulates the North East's economic priorities and sectoral strengths
- Continue to deliver a number of functions on behalf of government departments, shaped by the local business voice
- Monitor and assure existing local growth programmes and funds for which the LEP is responsible for.

This document is structured around these.



Embed a strong, independent and diverse local business voice into the North East Mayoral Combined Authority

Action	Update	Decision/ discussion point	RAG
Lead the transition of the North East LEP board into the governance structure of the new Mayoral Combined Authority, where it will become the Business Board. Ensure that sub boards and business-led groups are also reflected in the wider evolving governance where appropriate.	The LEP Board will evolve into the Business Board within the new Mayoral Combined Authority governance model. Discussions are ongoing on how best to transition.		Green
Map and champion business priorities in line with the structure of the Devolution Deal, ensuring that critical projects identified in the Strategic Economic Plan are not lost.	The LEP executive team will work with the LEP Sub-boards to identify and feed into the developing portfolio plans and identify the projects that business and education stakeholders feel are of regional importance to the delivery of the Devolution Deal.		Green
Convene a business-led group as the route for the new governance structures to be informed, challenged and engaged with the business community at scale with representation from business cluster and membership organisations and the education and VCSE sectors to share knowledge as the devolution detail is developed and provide a two-way forum to feed into the emerging MCA's priorities	The LEP executive is working with business and education partners to merge the existing Business Growth Board, Innovation Delivery Board and Regional Economy Group into a new Business Growth Board to provide a stronger, more consistent and coordinated business voice to feed into the development of the devolution deal and new MCA arrangements. As well as retaining some business leaders, membership will include business and sector representative organisations.	Recommendation to the board to agree the proposed new advisory board structure.	Green

Action	Update	Decision/ discussion point	RAG
<p>Conclude, report on, evaluate and share learning on processes and practices against the delivery of the North East Strategic Plan to inform and transfer knowledge to future economic planning.</p>	<p>Scoping exercise underway to determine the breadth, depth and scope of a review of the SEP.</p>		<p>Green</p>
<p>Update and adhere to the Assurance Framework which includes holding an Annual General Meeting.</p>	<p>The AGM will be held in Q4. The updated Assurance Framework is usually considered annually at the January Board. In addition, it will be reviewed in Q2 as part of developing an Assurance Framework for the new MCA.</p>		<p>Green</p>

Carry out strategic economic planning in partnership with local leaders that clearly articulates the North East's economic priorities and sectoral strengths.

Action	Update	Decision/ discussion point	RAG
<p>Prepare and disseminate a comprehensive evidence base that reflects the North East's economic performance and informs economic planning, investment, and prioritisation. Position the North East Evidence Hub as the go to platform to access and use this information.</p>	<p>We have analysed and disseminated a range of data on the North East Evidence Hub, including:</p> <ul style="list-style-type: none"> • Sub-regional GDP estimates; GVA by industry sector and quarterly GDP indices • Trade in goods by market, by commodity and by value • Regional labour market summary, employment and economic inactivity rates • Employment characteristics and working patterns • Labour market and skills projections 		Green
<p>Work with partners, including our universities, local authorities and national data bodies to analyse, develop research and share intelligence about the economy. This should complement current work programmes and ensure alignment into future priorities.</p>	<p>We have been working with NTCA and Local Authorities to develop a strategic evidence base to support the devolution deal.</p> <p>We are active members of the Northern Evidence Network. Workstream 1 (data) is focusing on developing a northern indicator dashboard and Workstream 2 (research) is scoping a longer term research programme for the North.</p> <p>We are also exploring an opportunity to host a Post-Doctorate placement from Durham University to support our analytical activity and add capacity to the team.</p>		Green

Continue to deliver a number of functions on behalf of government departments, shaped by the local business voice. The functions are summarised below:

Action	Update	Decision/ discussion point	RAG
Deliver and develop contracted/funded business support programmes and services including but not exclusively:			
<p>North East Growth Hub</p> <p>Fulfil our funding commitment to government to:</p> <ul style="list-style-type: none"> • Connecting businesses to the best support available from the private and public sectors. • To target support on those businesses with the opportunity, ambition and greatest potential to grow. • To gather on the ground business and economic intelligence to feed into ongoing policy development. 	<p>The Growth Hub has received an uplift in funding from £390k to £420k which includes £50k to fund collaborative projects between the North East and Tees Valley.</p> <p>The Growth Hub continues to engage and deliver support to businesses to meet Growth Hub KPIs. Although funding has been confirmed we are yet to receive a funding agreement from Government which will also outline reporting criteria for the year.</p> <p>The triage team are using the in-house designed segmentation tool to ensure connector support is focused on those businesses with greatest opportunity for growth.</p>		Green
<p>Made Smarter</p> <p>Deliver the £800k programme engaging with 75 manufacturers during 2023/24, in partnership with government and Tees Valley Combined Authority. The ambition of the programme is to increase digital adoption with advanced manufacturers.</p>	<p>Year two of the Made Smarter Adoption programme is underway. A strong pipeline is being carried forward from 2022/23.</p> <p>The first cohorts workshops are being provided by existing contractors for both the North East LEP and Tees Valley Combined Authority areas.</p> <p>Currently £70k of the £350k grant pot has been committed and 18 manufacturing businesses are engaged in developing their digital roadmaps.</p>		Green
<p>Challenge North Tyne</p> <p>Deliver the £880,000 Challenge North Tyne programme in partnership with the Innovation SuperNetwork to enable 50 innovation projects to tackle the economic, environmental and social challenges through open and collaborative innovation.</p>	<p>Accelerator programme is underway. Raising finance, business canvas and user engagement workshops took place in late March/April.</p> <p>Team appointed an evaluator for the programme in April through an open procurement exercise. The evaluation will conclude in January 2024.</p>		Green

<p>Internationalisation</p> <p>Work with the Department for International Trade to mobilise international trade and investment activity, provision of local business intelligence, grant funding and levelling-up focused projects.</p>	<p>Discussion is ongoing with partner authors of the North East trade strategy (DIT and NEECC) to agree on next steps and implementation. Capacity and budget will need to be identified to move to the next stage of delivering the strategy.</p>		Amber
<p>Provide local skills analysis through the Skills Advisory Panel</p> <p>The Skills Advisory Panel (SAP) aims to bring together local employers and skills providers to pool knowledge on skills and labour market needs, and to work together to understand, address and inform the LEP board, partners, and government about local challenges.</p> <p>The SAP will provide oversight of the delivery of regional skills, inclusion and progression programmes and projects and commission research into key skills challenges.</p> <p>We will work closely with the region's employer representative bodies (ERBs) to produce Local Skills Improvement Plans (LSIPs) in the production of LSIP and continue to commission research on specific localised challenges and opportunities.</p>	<p>Both ERB's) have presented headlines of their LSIPs at the SAP shared how they are consulting with stakeholders/partners and how they are validating data. Both are now looking at DfE Phase 2 'Taking forward their LSIP priorities'.</p> <p>We are working to further inform the LSIP documents to ensure coordination across the region.</p>		Amber
<p>North East Ambition (including Careers Hubs)</p> <p>We will continue to champion and improve provision in good career guidance for each and every young person in the North East, by working with education and business.</p> <p>Through the North East Careers Hub, we will:</p> <ul style="list-style-type: none"> • Increase the number of schools and colleges engaged with us • Reduce the number of schools and colleges achieving fewer than three of the Good Career Guidance Benchmarks • Increase the average Benchmark score across the schools and colleges from within the North East Careers Hub <p>We will continue to deliver the Primary schools' programme, including a new DfE initiative 'Start Small, Dream Big' which focuses on careers related learning in primary schools.</p>	<p>The average number of Good Career Guidance Benchmarks has increased from 4.5 to 4.8 since Term 1. This includes the number of schools/colleges achieving fewer than 3 Benchmarks reducing from 33 to 29 (16 on 2 Benchmarks).</p> <p>76 primary schools from across the North East (based on Education Investment Areas (EIAs)) have signed up to participate in this national pilot.</p> <p>The North of Tyne funded transition project has seen all three partnerships deliver their collaborative employer engagement event and within our core network of primary schools, five career 'champions' have been recruited from within the network to support their local networks of primary schools to embed our adapted set of Good Career Guidance Benchmarks.</p> <p>Our termly regional conference was held for secondary schools/colleges. Over 100 career leaders and other stakeholders signed up to the event.</p>		Green

<p>Enterprise Adviser Network</p> <p>We will champion the Enterprise Advisor Network and Education Support Partnerships by increasing the number of EAs, working strategically with schools and colleges in the North East Careers Hub.</p> <p>We will ensure a minimum of 45 SMEs receive support to engage with education.</p>	<p>There are now 140 schools/colleges matched with an Enterprise Adviser (EA) and 188 Enterprise Advisers in the network - the highest number since we started delivering this programme. Enterprise Advisers are senior business leaders who volunteer their time to work with schools.</p> <p>During April and May 2023, 13 SMEs have been supported to engage with education through our programmes.</p>		Green
<p>Removing Barriers to Digital Inclusion</p> <p>Working with the Digital Alliance we will begin to find ways to deliver a regional strategy to remove barriers to digital inclusion and support progression towards a set of minimum standards.</p>	<p>Stakeholders have come together to develop a regional vision to remove barriers to digital exclusion that also has the potential to align with funding opportunities .</p> <p>A Digital Alliance has been formed to take this work forward.</p>		Amber
<p>Positive outcomes</p> <p>We will continue to support education institutions with bespoke programmes to support careers leaders, teachers, school leaders, governors, employers and other stakeholders to work collaboratively to ensure positive destinations for all young people.</p>	<p>Targeted work has taken place with students from mainstream schools within the ETF project. The intended destinations of students have been confirmed for the entire cohort. 21 employers have engaged with the project during the last term and work has started positively engaging with the parents/careers of the students. Over a third are now connected to the project.</p> <p>Following two CPD workshops, 10 schools north of the Tyne are now partnered with employers to co-design STEM curriculum learning with a focus on careers, reaching over 1100 pupils.</p> <p>In partnership with Newcastle University, 45 initial trainee teachers are signed up to our recently developed Teacher Encounters Programme.</p>		Green

Action	Update	Decision/ discussion point	RAG
<p>Technical Education</p> <p>Collaborate with employers and sector groups to enhance the talent pipeline, bridging the gap between education and employment. Implement the #ApprenticeReady vision to increase demand for apprenticeships and T-level industry placements, while ensuring high-quality technical pathways to priority sectors. Support T-level expansion and alignment with higher technical qualifications</p>	<p>T-levels: Feasibility and development study underway for enhancing existing Provider Portal to support access to T Level information and support for schools and employers, completion date June 23</p> <p>apprenticeReady update:</p> <p>Multi- agency governance structures in place for four of the five #ApprenticeReady objectives with first mutli-agency task and finish groups scheduled to meet by the end of June. Completed delivery of CEC funded apprenticeship project supporting over 50 learners accessing bespoke apprenticeship support. External evaluation will be completed end of June.</p> <p>Technical skills pathways: Regional Skills Health Hub Strategic Sevelopment Fund final report to be published detailing progress made in identifying and addressing gaps in new provision required.</p>		Green
<p>Skills Bootcamps</p> <p>Deliver the £10m Skills Bootcamps project, funded by the Department for Education to support 2,150 learners to train in jobs of the future.</p> <p>Delivery will include completion of wave three, which is focused on green skills and wave four, which extends to include green skills, technical skills, pathways to accelerated apprenticeships, supporting the education, training and learning workforce, people and management skills.</p>	<p>Our efforts have been focused on extensive procurement activity.</p> <p>We have issued contracts extensions to the existing contract holders (Gateshead College and New College Durham and their consortium of 11 delivery organisations) for Wave 3 Skills Bootcamps with a total contract value of £1.2m. This enabled delivery of Wave 4 from 1st April 2023, with the remaining £5.5m being procured through open procurement in during April/May 2023. We have encouraged consortiums bids in the procurement process to continue our strategy of testing new provision and new provider types (including employer providers).</p>		Green

Action	Update	Decision/ discussion point	RAG
Monitoring and assurance of existing local growth programmes and funds for which the LEP is responsible for. Funds include:			
<p>The Local Growth Fund To ensure full expenditure of the residual £5.5m 'swapped' funding in 2023/24 and continue to monitor and report on the performance of over 30 live projects to their conclusion</p>	<p>A bi-annual monitoring return to DLUHC is due to be submitted by 26 May reporting on outcome in 202/23 and updated performance forecasts for future years. A significant underspend on one project that is in delivery is expected to be confirmed in Qtr. 1 that will require a decision to reallocate released funds.</p>	<p>Options will be identified with recommendations to reallocate the anticipated underspend for an approved project at the Board meeting in July. The Central Gateway project at Newcastle Central Station that has been subject to delays has been asked to reprofile its planned expenditure and provide assurance that the remaining works can be completed by 31/3/24. A revised Funding Agreement will be considered in June under the Scheme of Delegation.</p>	Green
<p>The Getting Building Fund To ensure full expenditure of the residual £1.4m 'swapped' funding in 2023/24 and continue to monitor and report on the performance of 19 live projects to their conclusion.</p>	<p>A bi-annual monitoring return to DLUHC is due to be submitted by 26 May reporting on outcome in 202/23 and updated performance forecasts for future years. Three projects have funds remaining to spend, with two expected to be completed in Qtr.1. The third, at Battleship Wharf , Blyth is having to find additional funds and is expected now to complete its GBF spending in Qtr. 2</p>	<p>Unforeseen additional works and costs have delayed completion of the project led by the Port of Blyth on Battleship Wharf/ NEP 1 quays. The Port is in discussion to secure additional funds, it is hoped this matter can be resolved over the next couple of months (additional EZ funding has been ruled out due to the amount of current borrowing already committing forecast additional rates income from the NEP 1 EZ site.)</p> <p>A Ministerial formal opening on 18th May is planned for the new Digital, Autonomous and Robotics Engineering (DARE) Centre at the Offshore Renewable Energy (ORE) Catapult's testing facility in Blyth. The £3m GBF grant was the major source of funding.</p>	Amber

<p>Enterprise Zone Programme</p> <p>To oversee continued investment of £20m across 21 EZ sites, to increase generation of Business Rate Income to the region.</p>	<p>Report on year end outturn by 26 May 2023 to BEIS.</p> <p>Year End Business Rate Income figures being collated and collected from each Local Authority. Final figure for 22/23 to be reported to completed in Qtr 1 23/24.</p>		Green
<p>The North East Investment Fund</p> <p>Includes the Commercial Property Investment Fund and the North East Property Fund performance monitoring of external contracts and also ongoing monitoring of the repayment of existing loans from the NEIF made in previous years.</p>	<p>Quarterly performance reports planned to be received from FW Capital on NEPF and bi-monthly report on CPIF.</p>		Green
<p>Regional Access to Finance</p> <p>Lead the Regional Access to Finance development work</p>	<p>Preparatory work continues with regional stakeholders and representatives from the British Business Bank on the scale and scope of Northern Powerhouse Investment Fund 2 for the region.</p> <p>Work continues with regional partners on the development of the follow on fund to the North East Fund Ltd.</p>		Green

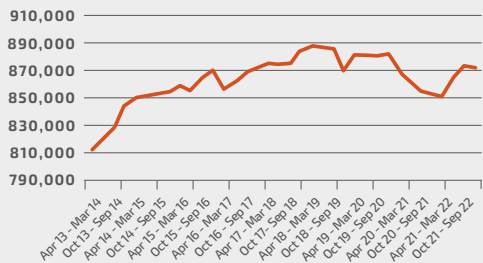
North East Strategic Economic Plan

Target update December 2022

More jobs

Increase employment in the North East by 100,000 by 2024

Position at December 2022: additional employment of 59,600

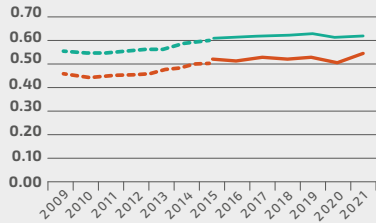


Reduce the gap in private sector employment density

Target: 50% reduction in gap by 2024

Position at 2021: Provisional 13% decrease (compared to 2015)

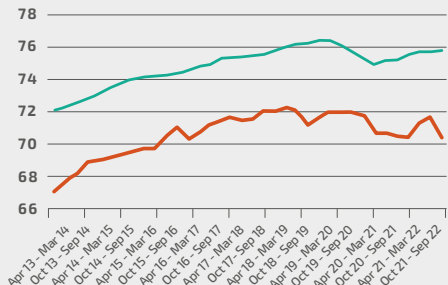
Note: This will be amended when population estimates for 2015 to 2020 are retrospectively updated.



Close the gap in the employment rate (%) for people aged 16-64

Target: 100% reduction in gap by 2024

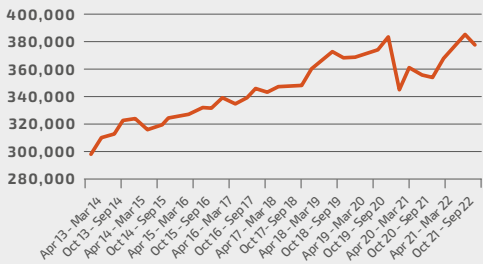
Position at December 2022: 1% increase



Better jobs

70% of additional jobs will be in managerial, professional, associate professional and technical occupations

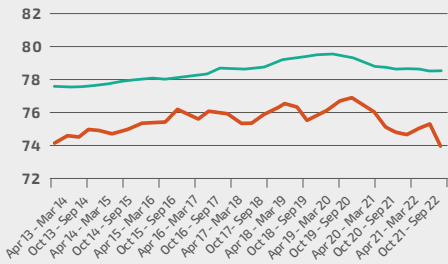
Position at December 2022: additional employment in 'better jobs' occupations of 79,100 (133%)



Reduce the gap in working age economic activity rate

Target: 50% reduction in gap by 2024

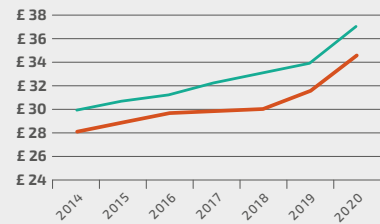
Position at December 2022: 29% increase



Reduce the gap in GVA per hour worked

Target: 50% reduction in gap by 2024

Position at 2020: 9% increase



25th May 2023

**ITEM 4: LEP budget: Financial Outturn 2022/23; and 2023/24
Budget Estimate**

1. Introduction

- 1.1 The purpose of this report is to provide an update to the Board on the final outturn revenue budget position for 2022/23, including the performance on the Enterprise Zone account, Local Growth Fund (LGF), Getting Building Fund (GBF) and the North-East Investment Fund (NEIF).
- 1.2 This report also provides the Board with an update on the current budget position for financial year 2023/24. The budget estimates for 2023/24 reflect a reduced level of LEP Core Funding to £0.250m, with reduced funding from both LGF and GBF as the programmes are tapered towards their close.

2. LEP 2022/23 Revenue Budget Outturn

- 2.1 The LEP core budget for 2022/23 covers core operational activity of the LEP and also management of the LGF, GBF, NEIF and Enterprise Zone (EZ) programmes. Table 1 provides; the original approved budget from May 2022, revised forecast reported to the Board in January 2023 and the actual spend for the year, with further details explaining significant variations provided below.
- 2.2 The original budget for 2022/23 presented in May 2022 comprised gross expenditure of £6.480m and gross income of £6.397m, projecting a drawdown requirement from the EZ Account of £0.083m. The update to the LEP Board in January revised the 2022/23 forecast gross expenditure to £8.320m and gross income to £8.342m, reflecting a forecast surplus of £0.022m

- 2.3 In summary, the North East LEP outturn is a surplus of £0.500m as illustrated in Table 1 set out below.

Table 1: 2022/23 North East LEP Outturn

	Revised Budget 2022/23 (Jan 2023)	Outturn Position 2022/23 (May 2023)	(Under)/ Over Variance to Revised Budget
Expenditure	£000	£000	£000
Employee costs	3,294	3,072	(222)
Other core costs	440	446	6
Programme Operational costs	4,586	4,399	(187)
Contribution to Reserves	-	-	-
Total	8,320	7,917	(403)
Income			
Core Funding	(375)	(375)	0
Grants and Programme Funding	(7,478)	(6,970)	507
Other Income	(490)	(572)	(83)
Contribution from EZ Reserve	(500)	(500)	0
Total	(8,842)	(8,418)	425
Net Outturn (surplus)	(522)	(500)	22
Reserves Brought Forward	(701)	(701)	0
Reserves Carry Forward	(1,223)	(1,201)	22

2.4 Expenditure

Gross Expenditure at the end of the 2022/23 financial year was £0.403m lower than the Revised Budget for the year reported to the January 2022 LEP Board. The key variances making up this underspend are detailed below:

2.5 Employee Costs

Employee expenditure totalled £2.950m, which is £0.217m lower than the revised budget position. This underspend reflects staff leaving the organisation, and also some staff transitioning across into the Accountable Body, the North of Tyne Combined Authority (NTCA).

- 2.6 Premises costs for the financial year 2022/23 totalled £0.247m. This showed an increase of £0.040m against the base budget set in May, this is due to the increase in utility cost rises which is being experienced by many organisations.

2.7 Other Operational Costs funded from Core Budget

Other operational expenditure budgets reflect additional budget provision, funded from LEP Core Funding, provided to the individual sectors to fund key supplementary operational activity. This budget area reflects an underspend of £0.045m. This variance is due to a cautious approach to spending on some operational activities, with the sector teams requesting to carry forward any surplus budget to operational activity in future years.

2.8 Business Growth Team - Operational Costs

The Business Growth Team's operational costs includes the Growth Hub, Made Smarter and LGF High Potential programmes. All of these areas have specific funding streams. Other operational expenditure on areas within the Business Growth Team is as anticipated within budget.

2.9 Energy Strategy Budgets

The Energy Team is funded from various funding streams such as LGF, ERDF, contributions from the North of Tyne and Tees Valley Combined Authorities, plus local authority contributions in relation to the Energy Accelerator programme. Funding mainly covers salary costs with some operational costs in relation to commissioning costs and studies. Going forward this area of work is to be delivered by a team within the NTCA during 2023/24, as the LEP and NTCA teams were merged for more effective delivery across the seven local authorities.

2.10 Strategic Economic Planning Team – operational costs

The key areas of activity within the Strategic Economic Planning Team are the European Union (EU) Exit policy and work programme, Trade and Export Strategy and activities with the Northern Powerhouse 11 (NP11). The EU Exit delivery came in under budget.

2.11 Skills Team – operation costs

The Skills Team covers a number of funding streams, namely the European Social Fund (ESF) North East Ambition, Careers and Enterprise Company (CEC), EY and Department for Education (DfE) One Vision and DfE Skills Advisory Panel and Bootcamps. Expenditure on operational activity across the various funding streams totalled £2.414m, reflecting a small overspend against budget of £0.018m.

2.12 Innovation – operational costs

The LEP was successful in securing grant funding in relation to two key schemes: the Future Markets Acceleration Fund through CRF (Community Renewal Fund) which finished in 2022/23, and the Challenge North of Tyne Fund due to complete in 2023/24. The Challenge North of Tyne project is on target to spend in line with the grant funding profile.

2.13 Investment Team – operational costs

The Investment Team manages the following four funding streams: LGF, GBF, NEIF and the Enterprise Zone account, as well as the new Commercial Property Investment Fund (CPIF) and North East Property Fund (NEPF). Operational activity in this area was £0.427m in total and relates to commissioning activity and external advice to support programme delivery.

2.14 **Income**

The 2022/23 outturn position reflected gross income of £8.417m reflecting an increase in funding of £0.075m compared to the revised budget position reported in January. The increase in gross income reported at year end is linked directly to reduced expenditure on salary and related operational activity.

- 2.15 The Business Growth Team's funding amounted to £2.120m in total, including Made Smarter Funding (£0.800m) and Growth Hub Funding (£0.390m). Growth Hub Funding has been one of the core areas of delivery for the North East LEP, however, it received 50% less funding from Government in 2022/23 in line with the national position.
- 2.16 The Skills Team's funding amounted to £3.694m including ESF North East Ambition (£1.001m) and CEC Funding (£0.614m). Funding of £1.312m across all Skills Sector budgets has been carried forward to fund delivery in future years, in line with contractual commitments.
- 2.17 As mentioned in paragraph 2.12, innovation activity drew in funding for delivery on the CRF Future Market Acceleration Fund (£0.165m) and Challenge North of Tyne, total funding (£0.442m, £0.264m in 2023/24).
- 2.18 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income (EZ BRGI) surplus of up to £0.500m per annum could be utilised to support the revenue budget if required. In January 2023, Board agreed to utilise this drawdown facility in both 2022/23 and 2023/24, which is required as a result of reduced government funding at a time when increased capacity and resource is needed on the development and delivery of the Devolution Deal and the mobilisation of and transition into the new Mayoral Combined Authority, as well as one-off pieces of work, for example, the evaluation of the Strategic Economic Plan.

3. **North East LEP Revenue Balances**

- 3.1 Table 2 below shows the North East LEP revenue balance as at 31st March 2023. The movement in year on the reserve has increased to £1.201m . This increased provision is to recognise the requirement to fund any costs arising from work to progress Integration of the LEP and transition to the North East Mayoral Combined Authority, and funding of maintaining support for the current LEP programmes from May 2024.

Table 2:Revenue Balances

	2022/23 £m
LEP Reserves brought forward	(0.701)
In year (Surplus)/Deficit	(0.500)
Reserves carry forward	(1.201)

4. North East Enterprise Zones

- 4.1 Round 1 Enterprise Zones (EZ) are located across four local authority areas: Newcastle, North Tyneside, Northumberland and Sunderland. Business rates growth generated on these designated sites accrues to the benefit of the North East LEP for a 25-year period with 2022/23 being the tenth year of the Round 1 EZ life.
- 4.2 In April 2017 these were joined by a further ten sites across, Durham, Gateshead, Newcastle, Northumberland, South Tyneside and Sunderland with the International Advanced Manufacturing Park (IAMP) site launched on the 1st April 2018 to complete the coverage. With the exception of the IAMP, it is the fifth year of the round 2 sites life. Ramparts (Northumberland), and Follingsby North (Gateshead) have generated Business Rates Growth Income during 2022/23 as the result of occupation on parts of the sites.
- 4.3 The 2022/23 EZ Account provisional Outturn figures are summarised in Table 3 below, which shows business rate income in 2022/23 of £7.1m for the year, which is significantly higher than the previous year. This is mainly because of the rates income from previous years for buildings on two of the EZ sites (Newcastle International Airport and the Follingsby EZ sites) has only recently been received and the figures include some backdated income in respect of previous years.

Table 3: 2022/23 Enterprise Zone Revenue Account Outturn

	2021/22 Actual £000	2022/23 Estimate £000	2022/23 Outturn £000	2022/23 Variation £000
<u>ROUND 1 EZ SCHEMES</u>				
Newcastle - Neptune Yard	543.1	530.9	509.9	(21.0)
North Tyneside - Swans	199.0	207.6	230.7	23.1
Northumberland - Blyth Port / Estuary	316.4	353.0	381.3	28.3
Sunderland A19 Corridor	830.7	764.0	826.1	62.1
<u>ROUND 2 EZ SCHEMES</u>				
Durham - Jade	185.1	248.9	276.6	27.7
Gateshead - Follingsby	258.6	3,475.0	4,123.9	649.0
Newcastle - International Airport	-	213.7	247.1	33.4
Northumberland -Ashwood Business Park	-	-	-	0.0
Northumberland - Ramparts (Berwick)	61.1	49.0	40.6	(8.4)
South Tyneside - Tyne Dock	-	-	-	0.0
Sunderland/ South Tyneside IAMP	927.9	525.2	500.7	(24.5)
TOTAL BRGI	3,321.8	6,367.3	7,136.9	769.7
Interest	15.0	150.0	53.3	(96.7)
Total Income	3,336.8	6,517.3	7,190.3	673.0
<u>Expenditure</u>				
Capital Financing Costs	2,170.7	2,832.0	2,832.0	-
Revenue Operating Costs	95.5	108.0	108.0	-

Contribution to INEE Team Costs	157.0	241.0	208.3	(32.3)
Total Costs	2,423.2	3,181.0	3,148.3	(32.3)
Annual Surplus	913.6	3,336.3	4,042.0	705.3
Cumulative Surplus	4,568.6	7,904.9	8,610.6	705.3
<u>Use of the Surplus</u>				
- Fund LEP Core Costs		(500.0)	(500.0)	-
- Project Development Fund		(885.8)	(706.0)	179.8
Residual Surplus balance	4,568.6	6,519.1	7,404.2	885.1

- 4.4 Actual interest earned on balances and other costs were lower than the estimate. The annual surplus of £4.041m was higher than the estimate and resulted in a cumulative surplus of £8.610m.
- 4.5 In terms of capital financing costs, the outturn figure of £2.820m includes in year interest costs paid to councils for projects in construction (£0.257m), annuity loan borrowing costs (of £1.861m) paid to councils and NECA and repayment of NEIF loans (£0.712m) previously used to fund capital costs on EZ sites. Capital financing costs have been kept in line with the budget for the year.
- 4.6 The original approved budget for the year envisaged that the EZ surplus could be used to meet up to a £0.5m contribution to the LEP annual budget and could fund up to £1.5m of Development Fund projects. The EZ account has funded the full budget provision of £0.5m of LEP costs for the first time. Actual Development Fund costs in 2022/23 of £0.706m were lower than originally anticipated and have been partly met in the first instance by the approved budget contribution from the NEIF.
- 4.7 Capital expenditure and the cost of feasibility studies in 2022/23 was slightly lower than anticipated at £11.55m. This was more than twice the level in the previous year. Expenditure to be funded by some EZ loans slipped back into future years as the use of grant funding from the Local Growth Fund (LGF) were used first before the use of EZ funding.

Table 4 : 2022/23 Enterprise Zone – Capital Expenditure

	2022/23 March £	2022/23 Outturn £	Variation £
Newcastle - International Airport - Site B	43,034	24,562	(18,472)
Northumberland - Ashwood Business Park	588,421	452,098	(136,323)
South Tyneside - Holborn 1	2,813,077	2,213,097	(599,980)
South Tyneside/Sunderland - IAMP	4,471,348	4,471,473	125
Northumberland - NEP1	(766,436)	(766,436)	0
Newcastle - North Bank of Tyne	1,932,701	2,443,556	510,855
Port of Sunderland	3,159,739	2,713,406	(446,333)
Feasibility Studies	202,968	0	(202,968)
Total	12,444,852	11,551,756	(893,096)

4.8 Capital expenditure on the Northumberland Energy Park (NEP1) was funded from Getting Building Fund grant over a two-year period, resulting in a refund of EZ funding relating to 2021/22. The cost of Feasibility Studies was funded by Local Growth Fund (LGF) grant in line with the approval of the North East LEP Board in January 2023.

5. Local Growth Fund

5.1 The Local Growth Fund (LGF) provided capital funding of £270.1m over six years up until March 2021. However, temporary project funding swaps, using budget freedoms and flexibilities from DLUHC over the lifetime of the LGF programme, has allowed legacy funding to fund projects beyond March 2021, including revenue projects. The outturn expenditure of £6.51m, of which £0.555m related to project management costs, was below the initial estimate of £7.288m for the year, reflecting slippage into 2023/24 on the East Pilgrim Street (public realm works project), Central Gateway (Newcastle Central Station - access and amenity improvements) and a lower than expected take up of the Invest in North East England inward investment fund. Investment activity includes the Energy Project Acceleration Fund that is facilitating the development of strategic energy projects in support Net Zero Carbon ambitions and work to install EV Rapid Charging points across all local authority areas.

5.2 The programme has achieved good outputs during the past year with almost 2,200 jobs, 70,000sqm of new and refurbished floorspace created and £81m of 'follow on' private sector investment delivered on key employment sites across the North East including the International Advanced Manufacturing Park, Sunderland, East Pilgrim Street Newcastle and the Integra 61 employment site in County Durham.

Getting Building Fund

- 5.3 The Getting Building Fund (GBF) programme received £47m capital from DLUHC split 50/50 over financial years 2020/21 and 2021/22. All funds were spent by the end of the two-year programme period, helped by the ability to use financial flexibilities and freedoms provided by the DLUHC. These flexibilities have been important given the significant challenges faced by the majority of the programme's capital projects in terms COVID disruptions and more recently rising construction costs and associated budget pressures. These factors have contributed to the outturn expenditure of £9.78m, of which £0.358m related to project management costs, being below the initial forecast for the year of £11.2m.
- 5.4 Of the 20 projects in the programme, three have residual grant budget allocations that have slipped into 2023/24 totalling £1.44m. Local funding from the NEIF/EZ account will be used to monitor and report on programme performance in 2023/24 and 2024/25. Though it is expected that the remaining GBF funds will be claimed by the end of Quarter 2 2023/24, several project will not financially complete until early 2024. The risk of further underspend in 2022/23 was mitigated by the LEP Board's decision to withdraw the Panther Court project following protracted delays in its commencement and the reallocation of over £960,000 of decommitted funds to the NETPark Phase 3 units scheme.
- 5.5 Due to delays in the physical completion of many projects the occupation of new buildings and the creation of new jobs has consequently been much lower than forecast to date, with just over 100 jobs reported against a forecast of 700. Although lower than forecast, the amount of new commercial floorspace created at 27,000sqm remains significant and the UK's first Digital, Autonomous and Robotic Engineering (DARE) research centre was opened at the Offshore Renewable Energy Catapult in Blyth, Northumberland.

North East Investment Fund

- 5.6 During 2022/23 the North East Investment Fund continued to receive repayments from its projects continuing its record of 0% default on investment. Of greatest significance having successfully completed the necessary procurement exercise, FW Capital Limited were appointed in January 2023 to carry out fund management services for the new Commercial Property Investment Fund (CPIF) for the region. The NEIF will cashflow the CPIF to help tackle weaknesses in the North East commercial property market. The CPIF provides £35m of senior debt, supported by up to £15m of grant incentives over the Fund term of 15 years. The fund was launched by FW Capital in January 2023, with Local Authorities and the Local Developer community on facilitating deal flow.

Table 5: North East Investment Fund (NEIF) Position

NEIF Fund 31 March 2023	
Regional Growth Fund (RGF)	£29.3m
Growing Places Fund (GPF)	£24.7m
Total Fund Budget (including interest)	£54m+(£2.1m)
Total Investment made to date (no. of projects)	£79m (31)
Current Balance for Investment	£15.4m

- 5.7 Repayments have continued from significant projects, however, NEIF beneficiaries have been amongst the many businesses affected by macro-economic challenges, and this has resulted in several projects renegotiating repayment terms. The secured nature of NEIF investments has meant the Partnership has been able to agree to such requests when they have come forward when supported by satisfactory evidence. Investment has continued into the North East Property Development Fund, managed by FW Capital (FWC), providing loans up to £1m to developers of small scale residential and commercial development. The additional investment occurs following the successful piloting of the Fund and growth in demand from SME developers in region
- 5.8 FW Capital have invested £13.2m during 2022/23 into 10 investment opportunities. There are further 11 investments under consideration as funds return for re-investment. The current qualified loan pipeline is £3.98m and relates to 5 schemes. FWC are actively working on the six remaining enquiries, which a potential borrowing requirement of £3.81m. This call on the Fund across deals, led to FWC drawing on the final tranche of approved NEIF funds of £2.5m, which was paid at the beginning of November. The fund is now at maximum capacity.

Commercial Property Investment Fund (CPIF)

- 5.6 At the year-end some £15.4m is available from the NEIF to support new activity. In addition, there will be £5m available for incentives from the Enterprise Zone account over the first investment cycle. This is envisaged to be used to fund Inward Investment Activity and to support the proposals for a new Commercial Property Investment Fund, which has been previously agreed by the Board. It is estimated that the £35m CPIF investment which will be made over the four years (including other NEIF returned funds and cash flow) will be loaned out several times (three or more cycles are envisaged) and repaid in full at the end of the 15-year period, plus interest of c£10.3m and the potential of surplus of £6m, potentially rising to £8m if the bad debt provision is not called upon.

6 LEP Revenue Budget 2023/24

- 6.1 The indicative budget position for 2023/24 was reported to the North of Tyne Combined Authority (NTCA) as the accountable body for the North East LEP on 31 January 2023, and to the North East LEP Board on 26 January 2023.
- 6.2 The Levelling Up White Paper detailed the direction of travel for the integration of LEPs into combined or local authorities, with LEP Core Funding reduced to £0.375m in 2022/23 from £0.500m and then further reduced in 2023/24 to £0.250m. Growth Hub funding also was reduced from £0.780m to £0.390m in 2022/23 and confirmed at that level for 2023/24. The 2023/24 budget detailed in Table 7 takes account of the reduced funding. This report will be reported to the NTCA Cabinet on 6 June 2023, as the accountable body for the North East LEP.
- 6.2 Table 7 below, provides a summary of the revenue budget for the North East LEP showing financial years 2023/24.

Table 7: 2023/24 North East LEP Budget

	Indicative Budget (January LEP Board)	Base Budget (May LEP Board)	Variance
Expenditure	£'000	£'000	£'000
Employee costs	3,037	3,168	130
Other core costs	440	440	0
Programme Operational costs	3,472	10,174	6,702
Contribution to Reserves	-	-	-
Total	6,950	13,782	6,833
Income			
Core Funding	(375)	(250)	125
Grants and Programme Funding	(5,044)	(12,393)	(7,351)
Other Income	(716)	(727)	(12)
Contribution from EZ Reserve	(500)	(411)	89
Total	(6,634)	(13,782)	(7,147)
Net Budget Position (surplus)/deficit	315	0	0
Reserves Brought Forward	(1,223)	(1,201)	22
Contribution from LEP Reserve	315	0	315
Reserves Carry Forward	(908)	(1,201)	(293)

- 6.3 The 2023/24 LEP base budget reflects an increase of £0.130m in salary costs. The increase is largely due to an increase to the superannuation employer rate from 5.2% to 15.1% as part of the triennial pensions review. The employee expenditure line also includes the LEP Chair remuneration (£0.021m) and a travel allowance budget for all staff of £0.020m. Should no additional income be identified the costs are estimated to exceed the available grant and core contributions income by up to £0.411m in 2023/24. The deficit of £0.411m in 2023/24 is proposed to be funded from the EZ account

surpluses as agreed at the January 2023 Board. This enables the potential risk of not securing additional income during the transition year to be managed.

- 6.4 In November 2014, the Board agreed that Enterprise Zone Business Rates Growth Income (EZ BRGI) surplus of up to £0.500m per annum could be utilised to support the revenue budget if required. To date there has not been a requirement to use this facility and therefore in effect saving £2.500m of potential spend from the EZ account.
- 6.5 The opportunity to draw on the EZ reserve, if necessary, helps compensate for the uncertainty of other income streams. In recent years, this contingency has not been called upon as other income streams have been confirmed or new income streams have been identified.
- 6.6 Employee budgets have factored in an average pay award of 2% to NJC pay grades, however this has not been accepted by Unions at this stage. The budget reflects the very recently approved pay award for JNC posts. A staff turnover allowance of 3% has been factored into the employee budget, which is considered prudent given experience in recent years.
- 6.7 The NECA pension fund enabled the LEP to benefit from a 0% employer superannuation contribution rate which provided a significant budget saving. The change in accountable body status to NTCA, has meant an employer superannuation contribution rate of 15.1% is now applicable, however, in order to maintain the saving benefit to the LEP, the NTCA are providing a contribution at the same level to achieve a net budget impact (£0.378m in 2023/24).
- 6.8 The Communications' team operational budget for 2023/24 will maintain the level in 2022/23 at £0.200m, which had been at £0.250m since 2017. Key aspects of the budget include development of the communications' activity related to delivering the SEP plus the continuation of essential PR & Media support.
- 6.9 The LEP Core funding from Government is £0.250m, with an assumed match of £0.250m collectively from the seven local authorities. The Board is asked to note that the LEP team are providing significant capacity to support the seven local authorities in developing the devolution plans and to support the development and mobilisation of the new Mayoral Combined Authority.
- 6.10 As previously agreed by the Board, a 2.6% top-slice of the Local Growth Fund allocation is available to support the delivery of the programme, primarily LEP team staffing costs. Although the LGF programme officially ended in March 2021, by using funding SWAPs, revenue funds will be available in 2023/24 to support extended activity. The drawdown of the balance of the top-slice budget is profiled to be £0.338m for 2023/24.

6.11 As the annual LGF grant allocation is normally paid by Government in full at the beginning of the financial year, the cash balances held are able to attract interest (£0.100m in 2023/24). An estimate for each financial year is included within the budget, based on an assumption of the timing of LGF expenditure. The level of interest generated naturally reduces in line with the reducing LGF and GBF grant receipts in future years and also depends on the rate of interest that can be earned on fund balances. We will continue to seek to maximise the level of interest earned on cash flow balances and will update the estimate when the budget is reviewed during the year.

9. Recommendations

9.1 The Board is requested to:

- i. Note the positive budget outturn position for 2022/23.
- ii. Approve the 2023/24 budget.

10. Appendices

10.1 Appendix A: Outturn table 22-23
Appendix B: Budget table 23-24

Appendix A – Outturn table 22-23

	2022/23 TOTALS			
	Original Budget 2022/23 (May 22)	Revised Budget 2022/23 (Jan 2023)	Forecast Outturn Position 2022/23 (May 2023)	(Under)/ Over Variance to Original Budget
	£'000	£'000	£'000	£'000
Employees	3,129,642	3,168,249	2,950,296	(217,954)
Employee - Allowances	20,000	20,000	15,331	(4,669)
Strain on the Fund		18,319	18,319	0
Redundancy Costs	61,650	66,804	66,804	0
LEP Chair Renumeration	21,000	21,000	21,584	584
Premises	207,000	240,000	247,364	7,364
Communications	200,000	200,000	198,901	(1,099)
Other Operational Costs (Core)	586,803	301,232	255,976	(45,256)
Growth Hub Operational Costs (L6019)	228,500	103,249	110,478	7,229
Made Smarter	472,500	558,098	679,032	120,934
LGF High Potential Operational (L6047)	40,000	52,752	42,963	(9,789)
Life and Health Sciences (L6059)	48,008	48,008	35,053	(12,955)
Energy Operational Costs	0	26,000	0	(26,000)
BEIS NEY HUB Geothermal/Heat Network/Energy Accelerator	0	100,000	0	(100,000)
Future Markets Acceleration Fund Ghead	136,917	91,784	91,784	0
Future Markets Acceleration Fund Sunderland	185,968	36,016	73,082	37,066
Challenge North of Tyne	438,241	470,000	378,856	(91,144)
Brexit Policy Work Programme (Strategy & Policy)	0	0	0	0
Trade and Export Strategy	20,000	18,000	2,733	(15,267)
NP11	0	0	0	0
North East Ambition Operational Costs 1	59,033	8,650	8,650	0
North East Ambition Operational Costs 2	125,687	125,687	68,769	(56,918)
Skills Operational BOSS, KS, CODE	0	200,155	74,189	(125,966)
Bootcamps	0	1,561,233	1,656,609	95,376
Skills Operational CEC, DfE	316,312	417,519	411,936	(5,583)
CEC Effective Transitions Fund	0	61,605	67,181	5,576
NTCA Careers	0	20,001	1,390	(18,611)
Sustainability Careers and Enterprise	0	0	12,218	12,218
NTCA Transitions	0	0	605	605
Central Hub	0	0	112,024	112,024
EZ, NEIF Costs	100,000	100,000	82,874	(17,126)
CPIF	0	0	0	0
LGF Project Management	22,000	195,000	180,431	(14,569)
GBF Project Management	61,382	90,682	51,859	(38,823)
GROSS EXPENDITURE	6,480,643	8,320,043	7,917,292	(402,751)
LEP Core & Strategy Grant from DCLG	(375,000)	(375,000)	(375,000)	0
Local Authority Match Contributions	(250,000)	(250,000)	(250,000)	0
CORE FUNDING	(625,000)	(625,000)	(625,000)	0
LGF Project Management	(431,239)	(540,926)	(555,478)	(14,551)
GBF Project Management	(195,604)	(215,469)	(191,223)	24,246
Interest Generated on Funds	(110,000)	(110,000)	(187,121)	(77,121)
Growth Hub	(390,000)	(390,000)	(390,000)	0
Made Smarter	(600,000)	(697,000)	(800,000)	(103,000)
LGF High Potential	(40,000)	(52,752)	(42,963)	9,789
Academic Health Science Network (AHSN)(LGF)	(48,008)	(48,008)	(79,375)	(31,367)
Energy Accelerator	(180,000)	(90,000)	(118,012)	(28,012)
Energy Strategy BEIS / TVCA / LGF	(63,918)	(159,271)	(84,333)	74,938
BEIS NEY HUB Geothermal/Heat Network/Energy Accelerator	0	(100,000)	0	100,000
CRF Future Market Acceleration Programme Ghead	(148,355)	(91,784)	(91,784)	0
CRF Future Market Acceleration Programme Sunderland	(185,968)	(73,082)	(73,082)	0
Challenge North of Tyne	(497,804)	(470,460)	(441,396)	29,064
Internationalisation Policy Work (Brexit)	(92,036)	(57,751)	(85,562)	(27,811)
Trade and Export Strategy	(20,000)	(18,000)	(2,735)	15,265
NP11	0	0	0	0
European Social Fund North East Ambition 1	(169,044)	(243,144)	(153,104)	90,040
European Social Fund North East Ambition 2 (Mar 23)	(859,377)	(859,377)	(848,708)	10,669
FRIC Monies	(320,618)	(260,279)	0	260,279
Skills BOSS CODE KickStart	0	(156,958)	(79,859)	77,099
Bootcamps	0	(1,561,233)	(1,656,608)	(95,375)
Enterprise Adviser grant - CEC	(715,105)	(723,386)	(613,933)	109,453
CEC Effective Transitions Fund	0	(61,605)	(67,179)	(5,574)
Education Challenge	(20,980)	(20,980)	0	20,980
DfE	(79,382)	(76,047)	(36,047)	40,000
DFE - One Vison	(192,432)	(180,835)	(113,273)	67,562
Central Hub	0	0	(112,324)	(112,324)
Sustainability Careers and Enterprise	0	0	(12,218)	(12,218)
NTCA Careers	0	(20,001)	(1,390)	18,611
NTCA Transitions	0	(13,000)	0	13,000
NEIF Contribution to cover activity costs	(147,355)	(124,727)	(185,187)	(60,460)
EZ Contribution to cover activity costs	(31,570)	(61,570)	(134,400)	(72,830)
Contribution Pension - NTCA	(133,692)	(139,592)	(135,339)	4,253
EZ Contribution			(500,000)	(500,000)
Other Income	(100,000)	(100,000)		100,000
EXTERNAL FUNDING	(5,772,486)	(7,717,237)	(7,792,634)	(75,396)
GROSS INCOME	(6,397,486)	(8,342,237)	(8,417,634)	(75,396)
NET BUDGET	83,156	(22,194)	(500,342)	(478,148)
BROUGHT FORWARD BALANCE	(701,317)	(701,317)	(701,317)	
Use or (Contribution) LEP Reserves		(22,194)	(500,342)	
EZ Contribution	(83,156)	(500,000)		
CARRY FORWARD BALANCE	(701,317)	(1,223,511)	(1,201,659)	

Appendix B: Budget table 23-24

2023/24 North East LEP Budget	2023/24 Indicative Budget (January LEP Board)	2023/24 Base Budget (May LEP Board)
	£'000	£'000
Employees	3,037,395	3,167,648
Premises	240,000	240,000
Communications	200,000	200,000
Other Operational Costs	600,000	600,000
Reduction in Operational Costs	(150,000)	0
Core Operational Costs c/f from 2022/23	0	16,907
Growth Hub Operational Costs	228,500	90,497
BG Operational Costs c/f L6027	0	87,818
Made Smarter	664,560	665,998
Energy Programme Operational Costs	5,000	0
Access to Finance	0	33,000
Challenge North of Tyne	242,395	228,971
North East Ambition Operational (ESF) 1	8,650	8,650
North East Ambition Operational (ESF) 2	140,764	50,000
Sustainability CEC	0	53,566
Bootcamps	1,129,631	7,460,306
Skills Operational CEC, DfE, BOSS,Kickstart, CODE	229,542	346,098
CEC Effective Transition Funds	50,395	116,321
Central Hub	0	155,081
NTCA Careers	49,403	0
NTCA Transitions	25,104	0
Internationalisation	0	15,000
Trade and Export Strategy	22,000	20,000
Norther Powerhouse11	15,275	15,275
EZ NEIF Costs	100,000	100,000
LGF Project Management	93,100	93,100
Getting Building Fund Project Management	17,844	17,844
GROSS EXPENDITURE	6,949,558	13,782,081
LEP Core & Strategy Grant from DCLG	(375,000)	(250,000)
Local Authority Match Contributions	(250,000)	(250,000)
CORE FUNDING	(625,000)	(500,000)
Local Growth Fund (Programme Mgmt)	(192,100)	(338,859)
Getting Building Fund (Programme Mgmt)	(38,744)	(80,126)
Interest Generated on Funds	(100,000)	(100,000)
Growth Hub	(390,000)	(420,000)
GH Business Support C/F	0	(204,875)
Enterprise Adviser grant - CEC	(234,065)	(583,585)
Challenge North of Tyne	(242,395)	(263,797)
NEIF Contribution to cover activity costs	(152,734)	(142,980)
EZ Contribution to cover activity costs	(35,156)	(28,653)
North East Ambition 1 (ESF)	(194,370)	(196,944)
North East Ambition 2 March 2023	(636,428)	(740,884)
Skills Operational CODE, BOSS, Kickstart	(226,207)	(305,410)
Bootcamps	(1,129,631)	(7,610,306)
DfE	(229,542)	(44,535)
Central Hub	0	(155,081)
Sustainability CEC	0	(53,566)
NTCA Careers	(49,403)	0
NTCA Transitions	(25,104)	0
CEC Effective Transition Funds	(50,395)	(127,821)
Internationalisation	(34,285)	(15,000)
SEP Core Operational c/f	(49,711)	(14,903)
Trade and Export Strategy	(22,000)	(20,000)
Norther Powerhouse11	(15,275)	(15,275)
Made Smarter	(800,000)	(800,000)
Access to Finance	0	(57,724)
Energy Accelerator LA Contributions	(75,000)	0
Energy Strategy BEIS/TVCA/LGF	(58,682)	0
DFE - One Vison	(62,370)	(72,917)
Contribution Pension - NTCA	(365,582)	(377,798)
Contribution from EZ Reserve	(500,000)	(411,041)
Other Income	(100,000)	(100,000)
EXTERNAL FUNDING	(6,009,179)	(13,282,081)
GROSS INCOME	(6,634,179)	(13,782,081)
NET BUDGET	315,378	(0)
	2023-24	2023-24
LEP Reserves brought forward	(1,223,511)	(1,201,659)
In year (Surplus)/Deficit	315,378	(0)
Reserves carry forward	(908,133)	(1,201,659)

25 May 2023

Item 5: Annual General Meeting Update

1.0 Background

1.1 This annual update sets out whether there are any proposed changes to governance matters. The paper covers:

- The North East LEP Constitution
- The Scheme of Delegation
- LEP Board and sub-board membership
- Dates for Board meetings to March 2024

2.0 North East LEP Constitution

2.1 The Constitution is available to read [here](#). It was approved 28 May 2020. As set out in paragraph 1.1 of the Constitution, it states that:

“The Board is free to determine its own procedural rules and has constituted the following sub-boards to support it in the discharge of its role(s) and which operate in accordance with their approved terms of reference.

- 1.1.1. Business Growth Board*
- 1.1.2. Skills Advisory Panel*
- 1.1.3. Innovation Delivery Board*
- 1.1.4. Investment Board.”*

It is proposed that the Business Growth Board and the Innovation Delivery Board merge for 2023/24, to provide greater focus and coordination of the ‘business voice’ to feed into the development of the devolution portfolios.

3.0 Scheme of Delegation

3.1 The Scheme of Delegation is available to read [here](#) and there are no changes proposed for 2023/24. The North East LEP Board agreed this Scheme of Delegation in May 2021.

4.0 LEP Board and sub-board membership

4.1 In accordance with the Constitution, we have requested the following LEP Board nominations from each of the North East Combined Authority (NECA) and the North of Tyne Combined Authority (NTCA):

- Three LEP Board members
- A Vice Chair from the pool of three nominated Board members
- One Board observer

4.2 We have also asked each Combined Authority for the following nominations for the sub-boards:

- One Investment Board member
- One Business Growth Board member
- One Skills Advisory Panel member

4.3 The nominations will be confirmed by each Combined Authority following their own meetings on 6 June 2023 and the nominees will be invited to our next Board in July.

4.4 The current LEP Board membership is noted in the table below for reference:

Lucy Winskell	Chair
Heidi Mottram	Vice Chair
Cllr Tracy Dixon	Vice Chair, NECA representative
Mayor Norma Redfearn	Vice Chair, NTCA representative:
Carole Botten	One VCSE representative and also the Board's diversity champion
Alan Johnson Ammar Mirza* Colin Hewitt Emily Cox Mark Thompson Phil Redman Sam Whitehouse	Private sector representatives, excluding the Chair and Vice Chair above. *Note Ammar Mirza is the Board's SME Champion.
Ellen Thinnesen Professor Chris Day	One higher education representative and one representative of further education colleges (together the 'education members');
Cllr Gannon Cllr Miller	North East Combined Authority members and one observer** excluding the Vice Chair above

Cllr Hopgood**	
Cllr Kemp Mayor Driscoll Cllr Wearmouth**	North of Tyne Combined Authority members and one observer** excluding the Vice Chair above

5.0 LEP Board meeting dates for 2023/24

5.1 Board meetings are held every two months on the last Thursday of that month from 5-7pm, except March meetings and July meetings where they are a week earlier due to the start of the pre-election period and summer school holidays respectively.

The dates for 2023/24 are therefore proposed to be:

- 20 July 2023
- 28 September 2023
- 30 November 2023
- 25 January 2024
- 21 March 2024

Members are asked to confirm these dates for the following year, meeting at 5-7pm.

6.0 Recommendation

6.1 The Board is recommended to:

- (i) Note there are no substantive proposed changes to the Constitution, and agree the merger of the Business Growth and Innovation Delivery Boards;
- (ii) Note there are no proposed changes to the Scheme of Delegation;
- (iii) Note that the public sector nominations for the LEP Board and sub-boards will be confirmed by each Combined Authority ahead of the next LEP Board in July.

7.0 Appendices

7.1 None.

Economic Round Up

May 2023



Economic Outlook

[Forecasts suggest](#) that by May 2024 43% of all UK households will not be able to afford a decent standard of living.

[CPI annual inflation](#) was 10.1% for the 12 months to March 2023, a fall from 10.4% for February. This compares to a 5.6% increase in median employee pay in the North East region in the year to March.

The annual inflation rate was higher for food and non-alcoholic beverages (19.2%). 69% of North East residents say they are spending less on essentials and 46% on essentials.

[ONS estimates](#) suggest that, in December, the inflation rate for low income households was 1.4 percentage points higher than for high income households.

51% of people reported being worried about the cost of food and 48% worried about the cost of energy [in April 2023](#), with 70% reporting an increase in the cost of living compared to a month ago.

[Projections suggest](#) that by 2026 Newcastle will add half a billion pounds of value to the economy, in comparison to 2022.



Labour Market

Nationally, [ONS reports](#) suggest redundancies could increase this year with the number of employers proposing redundancies up by 69% compared to the same time in 2022. Nestle and Tolent announced redundancies in the North East.

The most recent sub-national data is at the regional level only. In the [latest \(Dec 22-Feb 23\) release](#), the North East region had the lowest working age employment rate amongst the nine English regions, the third highest unemployment rate and the highest working age economic inactivity rate.

However, compared to a year earlier, the employment rate had seen the largest percentage point increase, while the unemployment and working age economic inactivity rates had seen the largest percentage point decreases.

The picture from LEP and local authority level data is less clear cut. The [Jan 22-Dec 22 inactivity rate](#) was higher than in Jan 21-Dec 21 in the North East LEP area.

Employment growth forecasts suggest [the North East will grow by 1%](#) per year from 2024 – 2026, compared to a national rate of 1.3%.

A focus for North East business organisations is inward progression, with the aim to free up entry level positions.



Internationalisation

[North East good exports](#) increased for the 5th quarter in a row in Q4 2022

The percentage increase this quarter was 6%, the second largest amongst the English regions

This month's quarterly data was driven by a [very strong increase in road vehicles exports](#), which increased by 37%. Exports of this commodity are still below their immediate pre Covid-19 levels

Exports of pharmaceutical products declined slightly this quarter but remained strong, Q4 2022 exports were still the third most valuable of this commodity since 2014

Global banking issues have led to [reduced confidence](#) and the potential for banks to tighten credit conditions, which could further increase costs to households and businesses.

The [North East Economic Forum \(NEEF\)](#) have announced a Saudi-North East England Trade and Investment Dialogue, building on the partnerships forged with Newcastle United.



Business Activity

A [Make UK report](#) shows an increase in total orders for manufacturing businesses, fuelled by domestic growth.

Investment in the manufacturing sector looks to be increasing with the balance figure for investment in Q4 2022 [recorded as +14%](#), up from -5% in Q3.
















61% of businesses nationally expect [to increase their prices](#) in the next 12 months.

59.8% of North East region businesses report that they are having to absorb new costs due to increases in prices, a minority (34.6%) report that they are having to pass on price increases to consumers.

Increases in staffing costs are one of the drivers behind increased costs with 53.6% of regional businesses saying that they are expecting staff costs to increase in the next three months.

[Business confidence](#) in the North East rose to 41% in April from 38%, this puts the North East in third place for business confidence across the seven UK regions, behind the East Midlands and London.

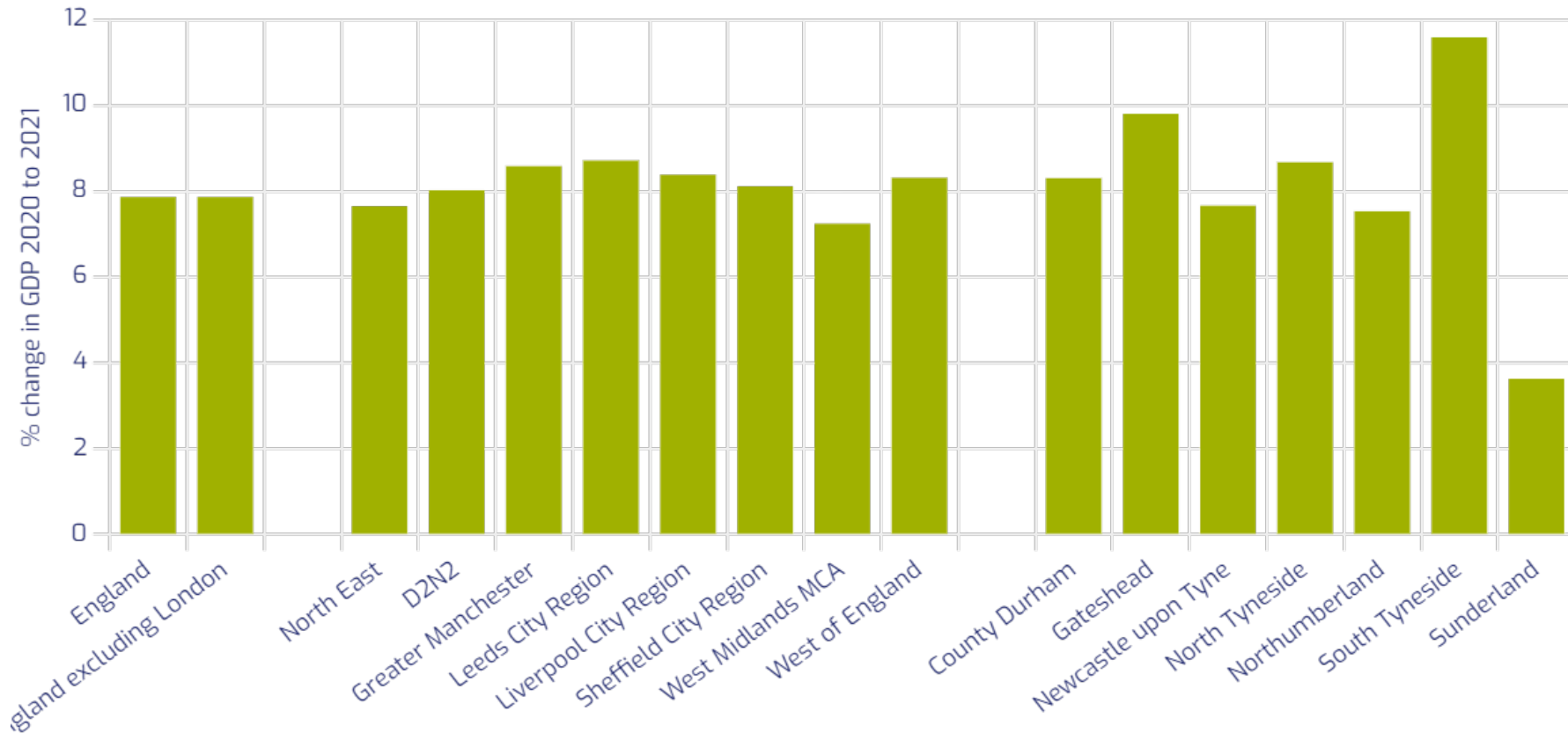
North East economic data summary

	Latest data	Recent change	Comparison with latest national data	Recent change compared with national change
Working age employment rate	70.4% (Jan 22-Dec 22)	 Decrease by 0.1 pp (since Jan 21-Dec 21)	 Lower: 75.8% (England excl. London)	 Decrease. England excl. London increase (0.6 pp)
Working age economic inactivity rate	26.0% (Jan 22-Dec 22)	 Increase by 0.8 pp (since Jan 21-Dec 21)	 Higher 21.5% (England excl. London)	 Larger pp increase than England excl. London (0.1 pp)
Claimant count rate (% of 16 to 64 population)	4.1% (Mar 23)	 Decrease by 0.6 pp (since Mar 22)	 Higher 3.6% (England excl. London)	 Larger pp decrease than England excl. London (-0.3 pp)
Regional GDP index % change	Decrease -1.6% (Q1 22 to Q2 22, North East region)	 Decrease -2.3% (since Q4 19)	 Lower +0% (England)	 Larger decrease than England (-1.7%)
Regional exports of goods value	£7,694 ph (Q1 22 – Q4 22, North East region)	 Increase by 6% (Q4 22 to Q3 22)	 Higher £7,469 ph (England excl. London)	 Larger % increase than England excl. London (+1.8%)

pp: percentage points
ph: per head

Data Insights: North East GDP

GDP, change in latest year (%), North East, geographic comparisons



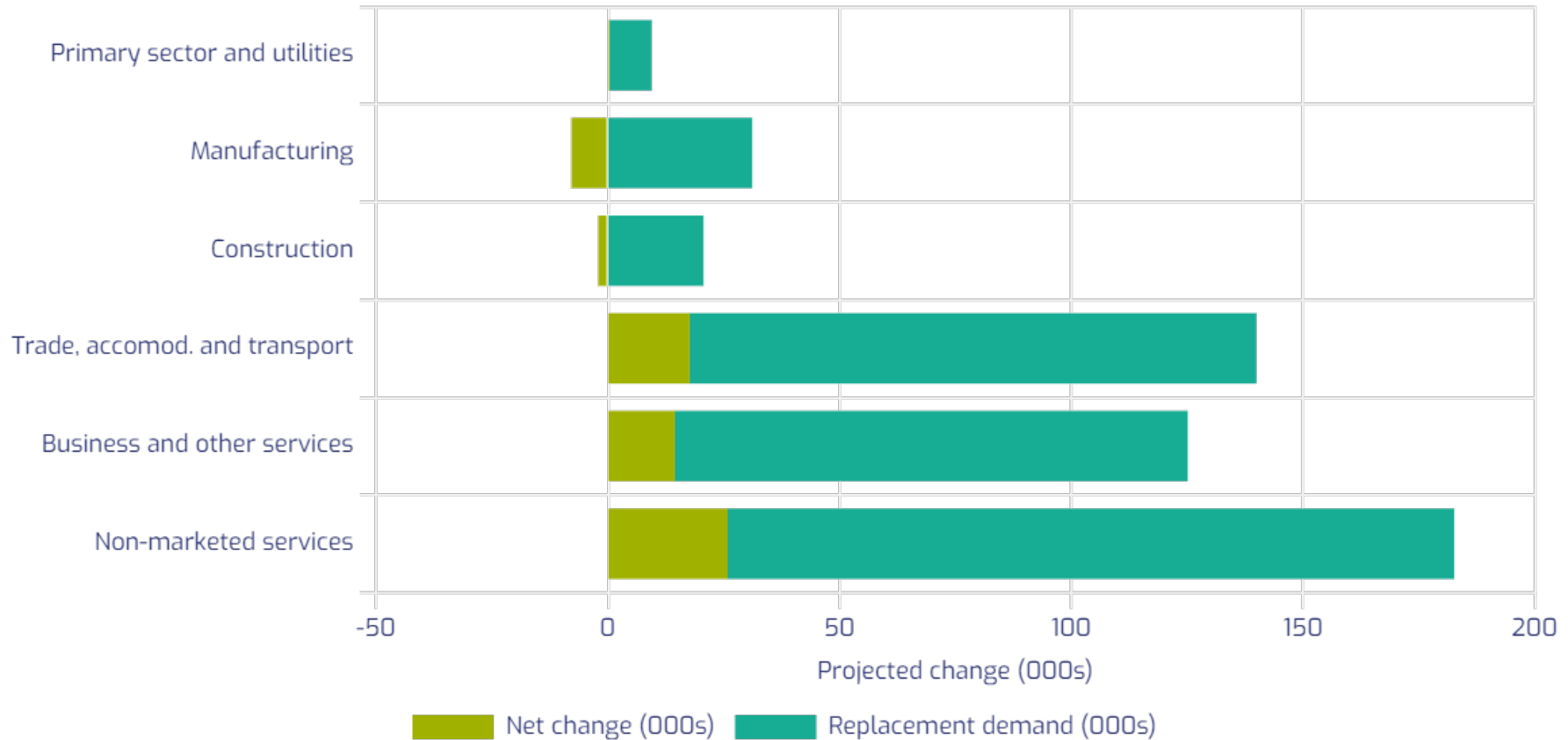
In 2021 GDP in the North East was 7.7% higher than a year earlier. South Tyneside had the highest increase in the North East in the past year at 11.6%.



The North East's increase in GDP was slightly lower than in England excluding London and the second lowest among the eight core city areas. Sunderland had the lowest increase in the North East at 3.6%. The overall North East increase is not enough to bring the total back to pre-COVID levels.

Data Insights: Projected Employment Requirements

Projected employment requirement 2020 to 2035, North East by broad industry



Projections show the North East will have a net employment requirement of about half a million in the 15 years to 2035.

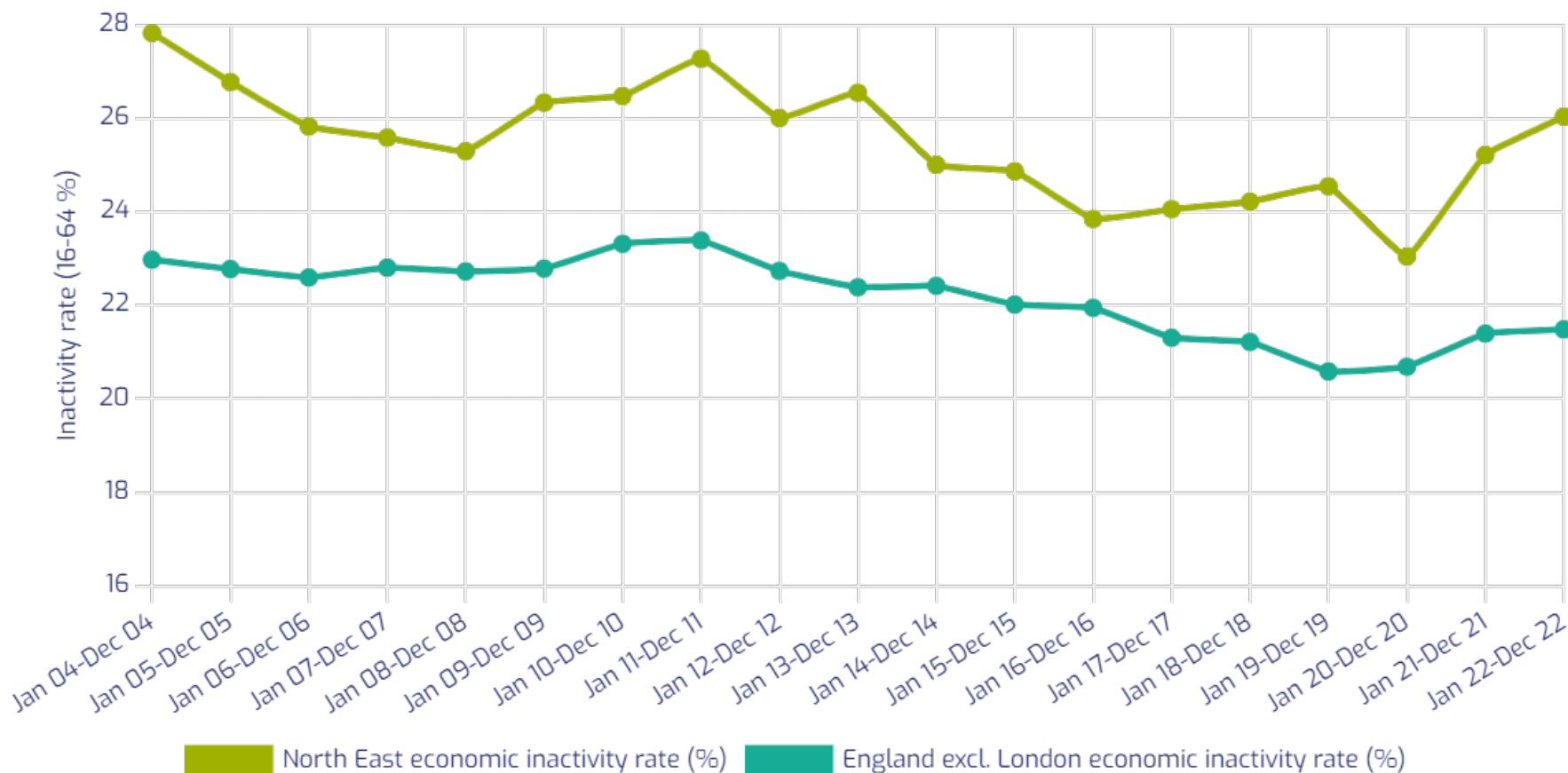


The breakdown of net employment requirements is as follows:

- 36% in non marketed services (health, education and public administration)
- 28% in trade, accommodation and transport
- 25% in business and other services

Data Insights: Economic inactivity

Economic inactivity rate since 2004, North East LEP area, England excluding London



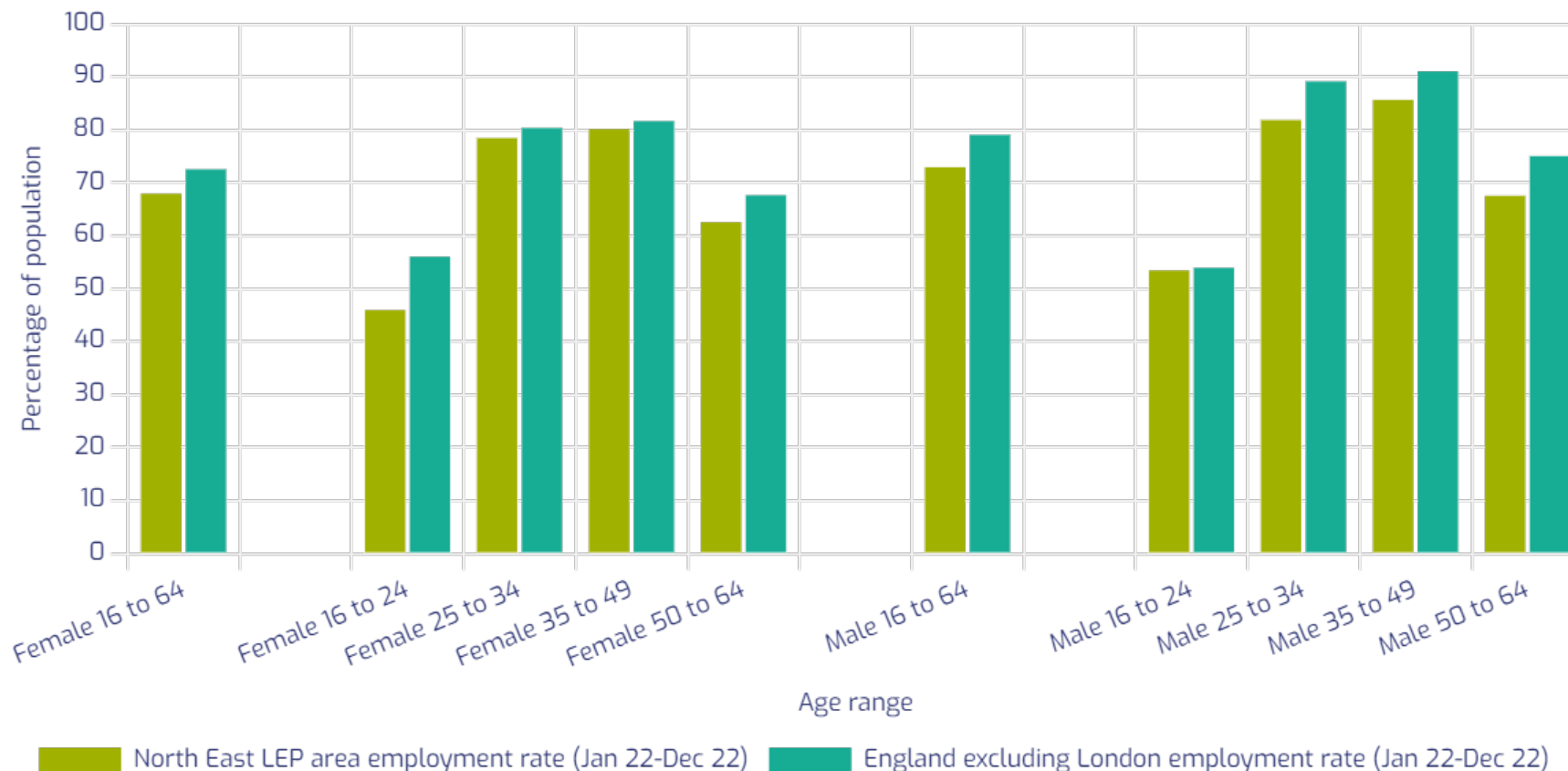
In the Jan 22 – Dec 22 period, 26.0% of the population aged 16 to 64 in the North East LEP area was economically inactive. This was above the England excluding London rate of 21.5%.



The latest North East rate was 0.8 percentage points higher than a year earlier, South Tyneside had the highest economic inactivity rate among North East local authority areas at 30.6%. North Tyneside had the lowest at 21.2%

Data Insights: Male and female employment rates by age

Employment rates, North East, England excluding London (<https://evidencehub.northeastlep.co.uk/report/employment-rate>)



The North East employment rate in the Jan 22-Dec 22 period was lower than in England excluding London for both males and females. The male rate was 6.1 percentage points (pp) lower. The female rate was 4.6 pp lower.



The North East rate for each of the four age groups was lower than the England excluding London rate for both males and females. The largest pp gaps were among females aged 16 to 24 and males aged 50 to 64 or 25 to 34

Key Trends: Inflation

Trends in inflation



The headline consumer price index rate of inflation fell slightly from February to March from 10.4% to 10.1%. This suggests that inflation may have peaked and is now starting to decrease. This compares to a 5.6% increase in median employee pay in the North East



Inflation is still well above the Bank of England's target and in February they raised interest rates by 0.25% to 4.25% (a smaller increase than the previous 0.5%). The next interest rate decision at the time of writing is on the 11th of May



The ONS notes that the primary upward pressure on inflation has shifted over time. Transport (mostly motor fuels) is now exerting the largest downward pressure on inflation having previously been a major contributor



The major upward pressure on consumer price inflation is now food and non-alcoholic beverages, increasing by 19.1% over 12 months

Responses by residents and businesses



Residents in the North East report that they are taking actions in response to rising prices. Between September and January

- 69% of North East residents reported spending less on non-essentials
- 67% using less fuel in their home
- 50% shopping around more
- 46% spending less on food shopping and essentials
- 42% cutting back on non-essential journey in their vehicles



North East region businesses are also being affected by increases in prices, with 59.8% in the North East saying that they have had to absorb costs and 34.6% that they had to pass on price increases to consumers. Anecdotally businesses are worried about passing on increases due to the price sensitivity of consumers



53.6% of North East region businesses say that they expect their staffing costs to increase over the next three months, and a minority report that they are still having recruitment difficulties (30.1%)



Few North East businesses are currently reporting decreased demand (only 7.9%) and more business expect turnover to increase in May than decrease

Key Trends: Budget

Budget Headlines



Budget aims to address structural issues in the UK economy with packages that aim to raise the labour supply and provide investment in high growth areas.



[Support for businesses includes](#) an enhanced rate of tax relief for loss making R&D intensive SMEs, the ability to deduct investment in qualifying plant and machinery to reduce taxable profits and a simpler tax system for small businesses.



Energy price guarantee [extended for three months](#) until the end of June



[Childcare support reforms](#) to be introduced from April 2024. They will provide 30 hours of free childcare for working parents of one and two year olds in England.

25%

main rate of [corporation tax](#) on taxable profits over £250 000, an increase from 19%.



Tougher rules for those receiving [universal credit](#) to raise the labour supply

Effect on the North East

£80 million

Allocated to [12 new investment zones](#) across the UK over 5 years, the North East has been invited to apply. Support could include tax relief and business rates retention. The zones will be based around research institutions and will focus on growth in key sectors.

£211 million

Worth of grants available for [16 regeneration projects](#) across England, one of which will be in Northumberland.



South Tyneside to benefit from place-based regeneration as part of the Levelling Up Partnerships. [£400 million has been allocated](#) to fund at least seven of these partnerships.



North East to receive [£563mn over the next five years](#) as part of the City Region Sustainable Transport Settlement.

Opportunities and challenges

Opportunities



Looking forward over the medium-term employment projections show there is predicted to be a net increase in business services, non-marketed services, and trade and transport. Many of these net increases are predicted to be in highly skilled jobs with an opportunity to improve overall job quality in the region – but there are skills shortages in areas such as health and tech that may limit potential changes.



Offshore wind plans for North of Tyne are being developed to develop the world's largest offshore wind farm. Businesses in the region are being positioned to supply the wind farm to support local jobs and growth.



The five regional universities released the ['Innovating Together – Universities in the North East'](#) report that outlines how the universities can lead and support the region. There are a number of partnerships already in place as detailed in the report which have delivered a research value of £243 million. The region will continue to benefit from these resources in the future.



A number of Inclusive Growth policies have been developed by the local and combined authorities making the North East a leader in this area. As inclusive growth becomes a more prominent national policy area there is an opportunity for the region to use this position to shape the national conversation.

Challenges



Detailed GDP data shows how despite a large increase in GDP in 2021 the North East did not quite immediately fully recover from Covid-19 (unlike other regions). Specific challenges in the automotive supply chain are part of the explanation behind this divergence.



The labour market remains tight with elevated levels of vacancies and economic inactivity. This may encourage businesses to retain staff even if demand falls in response to high prices, reducing the risk of rising unemployment later in the year.



Residents are responding to increased prices by reducing their spending on essentials and non-essentials, demonstrating how inflation is having an impact on standards of living (with low-income households especially at risk).



Most of the employment change to 2035 is due to replacement demand, which will need to be managed to avoid the loss of tacit knowledge amongst these workers. There are net contractions predicted in manufacturing and construction despite replacement demand.

For further data analysis and research visit the [North East Evidence Hub](#)

25 May 2023

Item 9: Chair and Chief Executive Update

1.0 Background

1.1 The Chair and Chief Executive would like to provide an update to Board Members on some of the discussions and meetings that they have been involved in since the last Board meeting in March.

2.0 Chair's key meetings and discussions

2.1 Since the last Board meeting on the 23 March 2023, the LEP Chair has been involved in a variety of meetings and discussions as outlined below:

- Regular meetings with the North East LEP CEO;
- NP11 meeting in Leeds;
- NECA Leadership Board;
- Developing Consensus Workshop;
- Regional Studies Associational 2023 panel;
- Insights North East Conference speaker;
- Various conversations regarding the role of the business board for the new Combined Authority.

3.0 Chief Executive's key meetings and discussions

3.1 Since the last Board meeting, outside of the internal and external 'business as usual' and project meetings, the Chief Executive has been involved in a number of meetings that continue to move the regional economic growth agenda forward. These include:

- Meetings with the LEP Network;
- Meetings with government officials;
- Meeting with the British Business Bank;
- North East Devolution Operational Transition Board;
- LEP Board member induction session;
- Net Zero North East meetings;
- Northern Powerhouse Investment Fund Roundtable;
- Speaker at What does Devolution mean for businesses – Muckle, Lichfields and Turner and Townsend;
- Developing Consensus Workshop;
- Insights North East Conference.

4.0 Recommendation

4.1 The Board is recommended to note the report.