

Leadership Board

Tuesday 19th April 2016 at 2.00 pm

Meeting to be held at Sunderland Civic Centre, Burdon Road, Sunderland, SR2 7SN

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AGENDA

Page No

1. **Apologies for Absence**
2. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.
3. **Minutes of the Previous Meeting held on 19 January 2016** **1 - 8**
4. **Minutes of the Extraordinary Meeting held on 24 March 2016** **9 - 14**
5. **Updates from Thematic Leads**
 - (a) **Economic Development and Regeneration** **15 - 22**
 - (b) **Employability and Inclusion** **23 - 32**
 - (c) **Transport** **33 - 44**
6. **Financial Update and Treasury Management Annual Review** **45 - 68**
7. **Date and Time of Next Meeting**

Friday, 13 May 2016 at 3pm at North Tyneside Council (extraordinary meeting)

Tuesday, 21 June 2016 at 2pm at Gateshead Council (annual meeting)

8. **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.

9. **Implementing the North East JEREMIE 2 Fund**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

10. **Tyne Pedestrian and Cyclist Tunnels: Tender Report**

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

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

To All Members

North East Combined Authority

Leadership Board

19 January 2016

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

Present:

Councillor S Henig (Chair)

Councillors G Davey, N Forbes, M Henry, I Malcolm and P Watson and Mayor N Redfearn

37 **APOLOGIES FOR ABSENCE**

An apology for absence was received from Mr P Woolston.

38 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

39 **MINUTES OF THE PREVIOUS MEETING**

The minutes of the previous meeting held on 17 November 2015 were approved as a correct record and signed by the Chair.

40 **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 progress of the key developments within the Economic Development and Regeneration theme of the Combined Authority. The report was introduced by the Thematic Lead.

RESOLVED – That the report be noted.

(b) **Employability and Inclusion**

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

Members considered the report which provided an update on progress of the key developments within the Employability and Inclusion theme of the Combined Authority. The report was introduced by the Thematic Lead.

RESOLVED – That the report be noted.

(c) **Transport**

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

Members considered the report which provided an update on progress of the key developments within the Transport theme of the Combined Authority. The report was introduced by the Thematic Lead who highlighted key issues arising.

Members noted the lack of effective support from Network Rail following the recent landslide which had damaged the rail line between Newcastle and Carlisle. Reference was also made to the role of Network Rail in the recent incidents of disruption to the Metro services. It was noted that the Managing Director (Transport Operations) had written to Network Rail about these issues.

Members commented on the lack of control of the Combined Authority, its constituent local authorities and Nexus over the issues with the Metro services running on the section of track on the Sunderland extension that was maintained by Network Rail. Members emphasised the importance of an effective communications strategy to ensure the public received correct and comprehensive information.

Members also noted that the proposed delegation to approve the final version of the Transport Manifesto related to minor tweaks only; there were no substantial amendments proposed. The Manifesto had already been considered by the Leaders and the Transport North East Committee and also discussed by Members of the Transport North East Committee at workshops.

RESOLVED – That:

- i. the report be noted;
- ii. the Scrutiny Committee be recommended to invite Network Rail to its future meeting to consider the rail tracks system management issues in the Combined Authority area; and
- iii. the Thematic Lead for Transport would contact Network Rail on the issues with the rail track system management.

41 **2016/17 REVENUE BUDGET AND TRANSPORT LEVIES**

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

Members considered the report which invited them to agree the 2016/17 revenue budget and transport levies for the North East Combined Authority (NECA).

RESOLVED – That:

A. In terms of the NECA Transport Budget and Transport Levies for 2016/17:

- a) a transport net revenue budget for 2016/17 of £86,893,972 as set out in section 5 of the report be agreed;
- b) the following Transport Levies for 2016/17 be agreed:
- | | | |
|------|--|-------------|
| i. | Durham County Council | £15,440,043 |
| ii. | Northumberland County Council | £6,333,929 |
| iii. | Tyne and Wear Councils (detailed in table 7) | £65,120,000 |
- c) a transport revenue grant to Durham County Council for the delivery of transport services of £15,435,104, as outlined in section 5.5.3 of the report, be agreed;
- d) a transport revenue grant to Northumberland County council for the delivery of transport services of £6,328,990, as outlined in section 5.5.8 of the report, be agreed;
- e) a transport revenue grant to Nexus for the delivery of transport services in Tyne and Wear of £62,500,000, as outlined in section 5.5.17 of the report, be agreed; and
- f) the increase in the Tyne Tunnel tolls for cars (class 2 vehicles) from £1.60 to £1.70 and for HGVs (class 3 vehicles) from £3.20 to £3.40, as set out in section 9.5 of the report, be approved.

B. In terms of the Non-Transport elements for the NECA budget:

- a) an annual contribution to fund the North East LEP core capacity costs of £250,000 as match funding to secure a £250,000 Government grant, paid for by an equal contribution of £35,714.29 from each of the seven councils in the NECA, as set out in section 6.1 of the report, would continue;
- b) the continuation of the budget contribution of £140,000 towards inward investment activity, which was paid for by an equal contribution of £20,000 from each of the seven councils in NECA, as set out in section 6.8 of the report, which included a potential increase in the total funding for this activity to £505,000 in 2016/17 and £575,000 in 2017/18, subject to a satisfactory report on progress later this year be approved;
- c) a budget for the corporate costs of the NECA of up to £550,000 in 2016/17, with £300,000, paid for by an equal contribution of £42,857.14 from each of the seven councils in NECA, as set out in section 7 of the report, be agreed;
- d) the Leadership Board noted that the Treasury Management and Investment Strategy and the statement on minimum revenue provision repayments for borrowed capital expenditure for 2016/17 were set out in the report on the Capital Programme elsewhere on the agenda for this meeting; and
- e) the level of reserves set out in section 11 of the report be held and the Leadership Board noted that the Chief Finance Officer considered this level of reserve to be satisfactory, given the information currently available about the arrangements for managing financial risks facing the Combined Authority.

42 **CAPITAL PROGRAMME 2016/17 AND TREASURY MANAGEMENT POLICY AND STRATEGY 2016/17**

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

Members considered the report which provided an update on the forecast capital outturn position for 2015/16 and presented the initial 2016/17 capital programme and forward commitments for approval. The report also set out the Treasury Management Policy and Strategy for 2016/17 and the Prudential Indicators for 2016/17.

RESOLVED – That:

- i. the latest position in respect of the 2015/16 capital programme be noted;
- ii. the proposed approach to maximising Local Growth Fund (LGF) capital spending in 2015/16, set out in section 2.4 of the report, which would be subject to the North East Local Partnership (NELEP) approval and DCLG/BIS approval, where this was necessary, be agreed;
- iii. the proposed initial Capital Programme for 2016/17 mounting to £129.3m, as set out in the report, be approved;
- iv. the Treasury Management Policy and Strategy for 2016/17, including the Borrowing and Investment Strategies, and the Prudential Indicators, as set out in Appendix C, be approved; and
- v. the Minimum Revenue Provision Statement for 2016/17, as set out in Appendix D, be approved.

43 **PROJECT APPROVALS**

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

Members considered the report which provided an update on the Local Growth Fund (LGF) projects and sought approval of associated actions. As an update, it was noted that the second and third bullet points in section 4.2 of the report should be removed.

RESOLVED – That:

A. The following actions for the projects listed below be approved:

1. A19 Employment Corridor Access Improvements – The project was approved to proceed to grant funding agreement and construction based on a full and compliant business case, with an LGF grant of £4.7m;

2. A191 Junctions including Coach Lane and Tyne View Park – The project was approved to proceed to grant funding agreement and construction based on a full and compliant business case, with an LGF grant of £1.5m;
3. Sunderland Low Carbon Zone – The project was approved to proceed to grant funding agreement and construction based on a full and compliant business case, with the release of LGF grant of £5.95m;
4. Northern Access Corridor Phase 2 (Cowgate to Osborne Road) – To delegate the decision to approve the business case and funding release to the Head of Paid Service, in consultation with the Thematic Lead for Transport, the Chief Finance Officer and the Monitoring Officer, subject to receipt of a full and compliant business case and no increase in the overall level of LGF grant for the project;
5. Scotswood Bridgehead Improvements – To delegate the decision to approve the business case and funding release to the Head of Paid Service, Service in consultation with the Thematic Lead for Transport, the Chief Finance Officer and the Monitoring Officer, subject to receipt of a full and compliant business case and no increase in the overall level of LGF grant for the project. In the event of a delay in finalising the full business case a 1st phase advance approval (around £500,000) be granted;
6. Newcastle Central Station to Stephenson Quarter – To agree to a phased approval and release of LGF for the project, beginning with a 1st phase approval for £850,000 for design and advanced junction works, anticipating a subsequent full business case and remaining LGF approval request expected to be made in late Spring 2016;
7. South Shields Interchange – To agree to a phased approval and release of LGF for the project, beginning with a 1st phase approval for £1,600,000 for design, consultancy fees and site assembly works, anticipating a remaining LGF approval for £5,300,000 expected to be made in late spring 2016;
8. Northern Access Corridor Phase 3 (Osbourne Rd to Haddrick's Mill) – To agree to a phased approval and release of LGF for the project, beginning with a 1st phase approval of £635,000 for advance works, anticipating a remaining LGF approval for £3,795,000 expected to be made in late Spring 2016.

B. The use of the LGF grant for the two Enterprise Zone schemes in order to maximise the use of the LGF grant in the current year, as set out in section 2.4 of the report, subject to the approval of NELEP and DCLG/BIS, where this was necessary, be agreed.

44 **DEVOLUTION UPDATE**

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

Members considered the report which provided an update on progress of a devolution deal for the region. The Chair introduced the report and provided an

update referring to the fact that further consultation events had been held and explaining that the Cities and Local Government Devolution Bill was now awaiting the Royal Assent.

During the ensuing discussion, Members expressed concern about risks arising in relation to the following matters:

- some crucial detail had not yet been discussed or addressed;
- the timescales involved; and
- the Combined Authority's understanding that the current status of the proposed devolution deal was not a final deal but a proposal only, and that further work was required with the government to address issues and finalise the deal.

RESOLVED – That the report be noted.

45 **NORTH EAST RAIL MANAGEMENT UNIT AND RAIL NORTH MEMBERS AGREEMENT**

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

Members considered the report which invited the Combined Authority to enter into Members' Agreement for the Rail North arrangement and also the associated Collaboration Agreement for the North East Regional Management Unit.

The following matters were clarified:

- the proposed authorisation arrangements for entering into the Rail North Members' Agreement related to the final tuning rather than any material changes;
- the term "North East" within the Rail North arrangement included partners from North Yorkshire and Cumbria and this was to align with the structure of the North East Rail Network;
- the full agreement document had been considered by the Leadership Board at its last meeting;
- the relatively low voting share proposed for the Combined Authority as part of the Rail North arrangement was based on the population mileage and was considered to be a good starting point;
- as a result of the proposed arrangement, the Combined Authority would have a level of influence over the specification of the new rail franchises, including rolling stock and frequencies and quality of rail services; and
- the aspiration as part of the North Rail arrangement matched the Combined Authority's economic growth agenda, including creating and growing jobs.

Clarification was also offered on the historical background of the local authorities working over the previous years to join in a way that could influence the specification of rail franchises.

Members noted the timescales involved.

RESOLVED – That:

- i. the Monitoring Officer be authorised, on behalf of the NECA, to enter into the Rail North Members Agreement in consultation with the Head of Paid Service and the Thematic Lead for Transport;
- ii. the Monitoring Officer be authorised, on behalf of the NECA, to enter into a Collaboration Agreement with other local transport authorities whose local rail services were covered by the 'North East Rail Management Unit', in consultation with the Head of Paid Service and the Thematic Lead for Transport; and
- iii. the Thematic Lead for Transport to represent the NECA on the Board of the 'North East Rail Management Unit'.

46 **DATE AND TIME OF NEXT MEETING**

Tuesday, 19 April 2016 at 2pm at Sunderland Civic Centre

ANNOUNCEMENT - THE CHAIR OF THE LEADERSHIP BOARD

The Chair was congratulated on his recent appointment to the Order of British Empire (CBE).

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North East Combined Authority

Leadership Board

24 March 2016

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

Present:

Councillor S Henig (Chair)

Councillors G Davey, N Forbes, M Gannon, I Malcolm and P Watson and Mayor N Redfearn

47 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor M Henry and Mr A Hodgson.

48 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

49 **MEMBERSHIP OF THE LEADERSHIP BOARD - APPOINTMENT OF THE LEP REPRESENTATIVE**

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

Members considered the report which invited appointment of Mr Andrew Hodgson, the Chair of the North East Local Enterprise Partnership (LEP) and the LEP-nominated representative on the Leadership Board, as a non-voting member of the Leadership Board for the remainder of the municipal year 2015/16.

RESOLVED – That Mr Andrew Hodgson be appointed as the non-voting Member of the Leadership Board for the remainder of the municipal year 2015/16, representing the North East Local Enterprise Partnership.

50 **LOCAL GROWTH FUND - PROJECT APPROVALS**

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

Members considered the report which provided information on progress of five specific Local Growth Fund (LGF) projects and sought approval of actions in relation to the management of the LGF programme.

RESOLVED – That:

- a) the use of the LGF grant to fund Enterprise Zone schemes in order to maximise the use of the LGF grant in the current year be used as set out in section 3.1 be agreed;
- b) the allocations of LGF be increased by £2.5m (to £9.4m) for the South Shields Transport Hub and by £1.05m (to £6.15m) for Lindisfarne Roundabout, funded by a redirection of the grant for the Testos Roundabout/Boldon Business Park project of £3.55m, as described in section 3.2 and 3.3 of the report; and the full approval of the Lindisfarne Roundabout project based on the receipt of a final compliant business case be agreed;
- c) the release of £3m of LGF grant for advance works and matched project construction works for the Northern Access Corridor Phase 2, as set out in section 3.4, be agreed;
- d) spending on the Sunderland Central Business District LGF project be brought forward from future years, with £1.592m to be included in the 2015/16 programme and £9.208m to be included in the 2016/17 programme, as described in section 3.5;
- e) the proposal to maximise the use of Regional Growth Fund grant in 2015/16, as set out in section 3.6, be agreed.
- f) the actions being taken to manage the funding gaps on other priority projects set out in section 4 be noted; and
- g) the Monitoring Officer be authorised to enter into amended funding agreements, as appropriate, in accordance with the recommendations above.

51 **TYNE TUNNELS TOLLS 2016/17**

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

Members considered the report which sought formal confirmation of the information that was necessary to be provided to the Department for Transport for continuing the 10% discount for the Tyne Tunnels permit holders. The report also confirmed that the toll increase for heavy goods vehicles (HGVs) (class 3 vehicles) would be 10p rather than the 20p previously reported and that the implementation of the increase would take place after the permission from the Secretary of State for Transport had been received.

RESOLVED – That:

- i. the increase in tolls for cars (class 2 vehicles) from £1.60 to £1.70 and for HGVs (class 3 vehicles) from £3.20 to £3.30 to take effect from Sunday 22 May 2016, as set out in section 2.1 of the report, be approved;
- ii. the continuation of the 10% discount for permit holders as set out in section 2.1 of the report, be approved; and

- iii. the Monitoring Officer be authorised to publish the relevant notices and submit the necessary documentation to the Secretary of State, as prescribed in the River Tyne (Tunnels) (Modification) Order 2011.

52 **TYNE AND WEAR BUS STRATEGY - NEXT STEPS**

Submitted: A joint report of the Chief Executive Officer for Transport and Managing Director (Transport Operations) (previously circulated and copy attached to Official Minutes).

Members considered the report which sought approval of the next steps in relation to the delivery of the Bus Strategy.

Following the ensuing discussion, it was:

RESOLVED – That:

- i. Officers be instructed to develop options to deliver the Bus Strategy in light of the options available when the new legislation was enacted; and these options be submitted to a future meeting; and
- ii. Nexus' analysis of the QCS Board's opinion be noted; and the QCS process be brought to an end.

53 **METRO OPERATIONS 2017 TO 2019**

Submitted: A joint report of the Chief Executive Officer for Transport and Managing Director (Transport Operations) (previously circulated and copy attached to Official Minutes).

Members considered the report which sought endorsement of the proposed course of action in relation to the concession to operate the Tyne and Wear Metro following the expiration of the current contract on 31 March 2017.

Following the ensuing discussion, it was:

RESOLVED – That:

- i. Nexus should plan to manage the Metro as an in-house operation for the period from 1 April 2017 to 31 March 2019;
- ii. Nexus' intention to allow the current Metro Concession with DB Regio Tyne and Wear Limited (DBTW) to expire on 31 March 2017 be endorsed;
- iii. The Leadership Board noted that Nexus has secured confirmation from the Department for Transport that revenue funding for Metro would be unaffected by this move, for the period April 2017 to March 2019;
- iv. The Leadership Board noted that Nexus and DBTW had agreed an investment package to secure improvements in fleet performance and

customer service until the expiry of the current contract on 31 March 2017;
and

- v. A further report identifying options for 2019 onwards be submitted in the summer of this year.

54 THE DEVOLUTION AGREEMENT

Submitted:

(i) A report of the Head of Paid Service (previously circulated and copy attached to Official Minutes); and

(ii) A supplementary report (with the Chair's permission, due to the timetables involved circulated at the meeting and copy attached to Official Minutes).

Members considered the report and also the supplementary report which was circulated at the meeting because it included updated information following the meeting of the Cabinet of South Tyneside Council that was held earlier today, which set out the current position regarding the proposed devolution agreement, including the outcome of the constituent authorities' Cabinet meetings, and set out recommendations in regard to the next steps.

Following the ensuing discussion which included Members' views on the following matters:

- the principle of devolution;
- scrutiny arrangements;
- the importance of a meaningful devolution;
- the extent of the consultation process in the region;
- the impact on the region of the devolved powers to Scotland regarding the Air Passenger Duty;
- uncertainties with regard to the Local Growth Fund;
- the impact of the recently announced position with regard to the local authorities' ability to retain business rates;
- the importance of recognition of challenges of rural areas and the importance of an equitable share of funding for rural areas;
- the reduced and reducing budgets of the local authorities;
- the importance of fiscal devolution and a fair financial settlement; and
- the need for further negotiations with the government, and the importance of being at the negotiation table, to achieve clarification, assurances and better conditions within the proposed deal, it was:

RESOLVED – That:

- i. The contents of the report, the outcome of the consultation undertaken and the financial implications of the Devolution deal as set out in the North East Combined Authority Devolution Agreement entered into on 23 October 2015 (the "Proposed Agreement") and the governance arrangements as outlined in the report be noted;

- ii. The Leadership Board's continued support for devolution and support for the Proposed Agreement entered into on 23rd October 2015 be confirmed, but the Leadership Board noted the outstanding issues, including those referred to in the main report (paragraph 68) and matters raised in section 2 of the supplementary report, required further clarification and commitment by Government;
- iii. The Head of Paid Service be authorised to secure appropriate clarification and commitment from the Government on the outstanding issues referred to in Recommendation (2) above; and
- iv. An extraordinary meeting of the Leadership Board be convened during the week commencing 9 May 2016 to consider the further information received in relation to the outstanding issues referred to in Recommendations (2) and (3) above [from Government] and to consider the next steps.

55 DATE AND TIME OF NEXT ORDINARY MEETING

Tuesday, 19 April 2016 at 2pm.

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North East Combined Authority

Leadership Board

DATE: 19 April 2016

SUBJECT: An Update Report of the Thematic Lead for Economic Development and Regeneration

REPORT OF: Economic Development and Regeneration Thematic Lead

EXECUTIVE SUMMARY

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

RECOMMENDATIONS

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

North East Combined Authority

Leadership Board

1.0 Executive Summary

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

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

2.0 Economic Development and Regeneration Advisory Board (EDRAB)

- 2.1 The Advisory Board met on 31 March 2016 and received presentations from representatives of UKTI and the private sector in order to gain further insight into processes, perspectives and experiences relating to investing in the North East.

- 2.2 Denise Rawls, Head of Local Engagement and Tas Baqir, Partnership Manager (Local Investment Team) from UKTI gave a presentation on the role and remit of UKTI in promoting the North East's offer and working with potential investors.

- 2.3 During the discussion that followed, the Board explored ways in which feedback from prospective investors could be maximised and arrangements developed for effective two-way information exchange. The role that overseas posts can play (details of a recent overseas posts visit to the region are provided at 3.9 below) and the Developing Sector Knowledge and Project Matchmaker programmes were discussed. It was agreed that UKTI colleagues would continue to work closely with the Combined Authority through the Invest North East England Team and the EDRAB, to develop effective joint working arrangements resulting in increased inward investment to the area.

- 2.4 Next, Adam Serfontein, Managing Director of Hanro Group Ltd and Chair of Developing Consensus – a network of local property developers, investors and advisors - spoke to the Board about his perspective as a representative of the property sector, on the need to take a collaborative, cross-sector approach, to attracting inward investment to the region. His view was that a shared 'point of entry' and marketing effort was needed across the NECA area in order to present a coherent image of the region and its wide ranging offer, to prospective investors.

- 2.5 Finally, Mark Brannen, Fusion Contact Centre Services' Head of Site in Sunderland, spoke to the Board from the point of view of an investor. He outlined the reasons for the company's original location and subsequent expansion in the region. Key reasons included quality of workforce, low turnover, longer than average tenure with the company, the on-going

North East Combined Authority

Leadership Board

support of the local authority, and as a result, higher performance and customer satisfaction levels than at other sites and locations. The Board also heard about the need for the customer services sector to change and adapt over the next four to five years – and as a consequence job roles – to keep pace with changing customer preferences and technology advances.

3.0 Inward Investment

3.1 Invest North East England Team

The Team is now in place with the two new members joining in January and February 2016. The Team is made up of:

- Invest North East England Director – Guy Currey
- Inward Investment Project Executive – David Pattison
- Business Support Executive – Rebecca Hall

3.2 Development of Sector Based Propositions

As previously outlined, consultants, working closely with a variety of partners including the NECA Team, Local Authorities, UKTI, Industry representative bodies, and the Private Sector, have produced a number of evidence-based sector propositions (or toolkits) for those sectors identified as having the best potential for attracting new investment to the area. Toolkits have been produced for the following sectors:

- Energy (Oil and Gas and Offshore Wind);
- Business, Financial and Professional and Services;
- Automotive;
- Rail;
- Space;
- Software and IT;
- Video Games;
- Life Sciences.

There is also 'Fact File' in the form of a general overview document.

- 3.3 The toolkits are now being used by the NECA Investment Team to respond to inward investment enquiries and training has been provided to the Local Authority investment teams, so that they can also use them. The contract has recently been extended to produce one further toolkit for the Advanced Manufacturing sector, covering those sub sectors that have been identified as key sectors by UKTI within the Northern Powerhouse (e.g. food and drink, precision engineering and chemicals).

North East Combined Authority

Leadership Board

3.4 Work is also underway to develop branding and marketing materials to present the sector propositions, with draft ideas recently circulated to Leaders and the Elected Mayor for comment.

3.5 **Inward Investment Successes**

3.6 **Foreign Direct Investment (FDI)**

In first three quarters of the 2015/16 financial year, it is confirmed that the NECA constituent authorities reported 48 investment successes by foreign owned companies. Some were investments by new companies to the area (9), but the majority were reinvestments in existing operations, leading to an expansion of the companies' workforces. Many of these however, were new projects secured in the region against international competition within the company or group (e.g. the Nissan Juke contract).

3.7 Together, these investments are predicted to lead to the creation of 2,092 new jobs with the safeguarding of thousands more. Key companies announcing significant investments included:

- TRW (automotive)
- Thorn (lighting)
- Akzo Nobel (chemicals/paint)
- Logicnow (software)
- Accenture (ICT)
- HP (ICT)
- Piramal (Life Sciences)
- Nissan (Automotive)
- Amazon (delivery centre)
- DNV (Energy)

In terms of sector representation, the 48 successes reported are from the following broad sectors:

- Digital – 6
- Automotive – 9
- Other High Value Manufacturing – 10
- Business, Financial and Professional Services – 9
- Lifesciences (including pharma) – 6
- Energy – 4
- Other - 4

3.8 **UK-Owned Investments**

In addition to the above FDI successes, there were 17 new investments from UK-owned businesses moving into the area.

North East Combined Authority

Leadership Board

Significant investments included:

- Euro Car Parts (car parts distribution)
- Ambassador Theatre group (Ticketing)
- Home Logic (Customer support centre)
- Itison (digital)
- Icarus (Steel Fabrication)
- Urosens (medical testing)
- Dunlop (Advanced manufacturing)
- Rolls Royce (expansion) (Advanced Manufacturing)

These investments should lead to the creation of 408 new jobs and were in the following sectors:

- Digital – 2
- Automotive – 2
- Other High Value Manufacturing – 3
- Business, Financial and Professional Services – 6
- Lifesciences (including pharma) – 1
- Energy – 1
- Other – 2

3.9 Other Activities

- **UKTI Automotive Visit**

A visit by UKTI HQ staff along with overseas posts took place to the region in February. The visits are undertaken so that UKTI staff can maintain a good level of knowledge of the region and its offer to potential investors. The delegation received a presentation from Guy Currey and then visited the Nissan plant. Feedback from UKTI was extremely positive in terms of the learning gained.

- **NOF Energy Conference 2016**

The Invest North East England Team exhibited at the conference held on 9 March at the Sage, Gateshead. The Team organised a boat trip on the River Tyne for selected delegates. Guests were shown development sites, companies, Research & Development and training facilities, and other key elements of infrastructure in that area.

5.0 Regional Investment Plan – Economic Assets

5.1 The Economic Development and Regeneration theme takes lead responsibility for coordinating efforts to enhance the region's important

North East Combined Authority

Leadership Board

economic assets and to develop new ones that will promote growth.

5.2 As previously outlined, a pipeline of both employment sites and housing sites has been developed to underpin this approach. The sites identified illustrate a brief overview, type of investment, planned output/outcomes, whether or not public investment is required, delivery timescales, planning status and barriers to development.

5.3 **Short Term Call for Projects**

5.4 A call for projects to utilise projected underspend in the North East's allocation of the Local Growth Fund was recently launched by NELEP as part of the North East Growth and Infrastructure Fund (LGF). This call closed on 8 April 2016.

5.5 It was a capital call seeking projects which can demonstrate readiness to spend and an ability to complete spend over the short-term. Whilst this is in addition to the work being undertaken on developing the longer term pipeline of projects across all six themes from the North East's Strategic Economic Plan, work to date on the pipeline, identifying projects and their delivery timescales, proved helpful.

5.6 The LEP advised that the call was in part designed to assist with the approach to LGF over-programming in 2016/17 which was agreed by the LEP Board and the NECA Leadership Board in January. Considerable weighting will be given to projects that are well advanced and have the potential to commence in 2016/17 or promptly in 2017/18. Between £14m-30m could be available depending on the strength of projects submitted – this could equate to 5-15 projects. Local authority partners were encouraged to limit the number of EOI (expression of interest) project submissions to those that provide the strongest fit with the programme criteria.

5.7 The 2 key areas of investment are:

1. Smart specialisation sectors – supporting innovation, incubation and skills infrastructure
2. Investment in strategic economic infrastructure.

5.8 There was also a parallel assessment of the investment requirements for each of the second round of Enterprise Zone sites in the North East. For those investments where spend would fit with the timescale of this LGF call, projects were encouraged to apply. This is because investment in the EZ sites fits with the direction and priorities of the call, as the sites are key elements of the North East's economic infrastructure.

5.9 The NELEP is currently considering EOI submissions from private, public and voluntary sector organisations against the published scoring criteria, covering strategic fit and deliverability within timescale. Updates will be

North East Combined Authority

Leadership Board

provided to the Leadership Board as the process progresses.

6.0 Potential Impact on Objectives

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

7.0 Finance and Other Resources

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

8.0 Legal

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

9.0 Other Considerations

9.1 Consultation/Community Engagement

There are no issues arising from this report for consultation.

9.2 Human Rights

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

9.3 Equalities and Diversity

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

9.4 Risk Management

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

9.5 Crime and Disorder

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

9.6 Environment and Sustainability

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

10 Background Documents

North East Combined Authority

Leadership Board

10.1 North East Strategic Economic Plan – More and Better Jobs

11 Links to Plans in the Policy Framework

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

12 Appendices

12.1 None.

13 Contact Officers

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14 Sign off

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

North East Combined Authority

Leadership Board

Date: 19 April 2016

Subject: An Update Report of the Thematic Lead for Employability And Inclusion

Report Of: Thematic Lead for Employability and Inclusion

Executive Summary

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

Recommendations

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

North East Combined Authority

Leadership Board

1 Employment Support

Intelligence

- 1.1 The Labour Market Intelligence (LMI) Portal for the North East has been redesigned to include real time access to Office for National Statistics data sets and now incorporates vacancy data available through the Labour Insight Tool. The data is available at NELEP/NECA and Local Authority levels at: <http://www.labourmarketnortheast.co.uk/>. The site has received almost 38,000 views by 9,000 unique users in the last 12 months and has 1,200 subscribers to a weekly e-bulletin.
- 1.2 The next stage of development is the commissioning of a number of Careers Videos that will be developed to promote our key priority sectors. It will involve local employers and younger employees (apprentices) who can talk about what it is like to work in a particular industry. The videos will be supplemented by information packs and lesson plans for teachers. The specification is currently being drafted with the videos to be publically available during 2016.
- 1.3 Discussions have also taken place with CfBT (the North East provider for the National Careers Service) to host a North East LMI Conference in Autumn 2016. The conference will raise awareness of the availability and potential uses of LMI as well as including a number of sector-focused workshops to showcase current and future opportunities in particular sectors and industries.

DWP European Social Fund (ESF) Opt-In North East

- 1.4 The Invitation to Tender has been issued for the DWP ESF Opt –In North East. It was issued on 21 March 2016 with bids to be submitted by 28 April 2016.
- 1.5 This Programme has been co-designed with NECA and will see the implementation of provision that is voluntary with the aim of improving the job outcome rates for claimants who have left the Work Programme without a successful outcome, preventing them from becoming longer term unemployed and further detached from the labour market.
- 1.6 The provision will offer intensive support to gain employment which is tailored to the needs of the individual and delivered by an Employment Coach. Coverage will be across the 7 local authority areas within the North East LEP boundary. The maximum contract value is £5,400,000 and provision will support a minimum of 2,500 people over a three year period.
- 1.7 NECA will be involved in the tender evaluation and contract award stages to ensure that this provision affords the opportunity to deliver a localised solution to a key economic challenge in the North East. It is anticipated that delivery will start in November 2016.

North East Combined Authority

Leadership Board

DWP Work and Health Programme

- 1.8 The 2015 Autumn Statement announced that DWP Work Programme and Work Choice will be replaced with a new 'Work and Health Programme' from 2017 and NECA was named as one of five 'co-design' areas for the new programme. The new programme will take a more targeted approach than Work Programme to support benefit claimants with health conditions and who are unemployed for two years or more. The national budget of £130m per annum (including Scotland) is a significant reduction from Work Programme (C£500m pa – c£37m for NE). This in part reflects the different nature of the programme and the reduced scale of expected cohort volumes.
- 1.9 DWP has signalled an open approach to discussion with co-design areas which began with an initial scoping session in London on 25 January followed by a workshop in the North East on 11 February to assess lessons from Work Programme design and commissioning to inform the new programme. A further design session on 24 March began to determine outcomes and timelines. The programme is scheduled to go to Invitation to Tender in October 2016 to allow contracts for delivery by October 2017.
- 1.10 NECA officers involved will work to ensure programme design more directly meets local need than Work Programme did. In particular, there will be a stress on greater integration of health and employment support for people with both physical and mental health conditions which act as barriers to work.
- 1.11 A White Paper is expected by spring 2016 on reforms to support people with health conditions into work.

Mental Health Trailblazer

- 1.12 The Leadership Board has received updates on the development of a North East Mental Health Trailblazer pilot programme of integrated employment support and psychological therapy to improve job outcome rates for unemployed people with mental health conditions, developed in consultation with Clinical Commissioning Groups (CCGs) and Increasing Access to Psychological Therapies (IAPT) providers. The programme is one of four national pilot programmes now being overseen by the national DWP / DH Joint Unit. A European Social Fund (ESF) application was approved in February to match DCLG Transformation Challenge Award (TCA) funding of £1.1m to total a £2.2m two year pilot.
- 1.13 The project management team at Northumberland County Council (NCC) has worked with IAPT providers in all seven local authority areas to support the programme by hosting employment coaches in their clinical delivery teams. The first phase of recruitment for delivery staff began in early March with all posts advertised in NECA jobs managed by NCC. Interviews were conducted by NCC and respective IAPT service managers in their respective areas. Appointments will be made in April

North East Combined Authority

Leadership Board

with delivery commencing in May subject to finalisation of data sharing issues with DWP.

2 Youth employment

Generation NE

- 2.1 Generation NE is now fully operational and the programme has nearly reached its 2000th young person participating, of which nearly 1000 have been placed in a labour market focussed opportunity; 809 have moved into employment to date, 377 of those have now sustained employment for 6 months or more.
- 2.2 Performance within the programme when compared to resource deployed remains strong and improving, with a further expansion in capacity now complete; this has increased the mainstream front line advisor team working with 18-24 year old young people to 12, and has seen an externally commissioned Peer Mentoring Service begin supporting young people who have more complex barriers to employment. Generation NE has temporarily expanded its delivery to some 16-18 year old NEET young people in response to a gap in support for this group.
- 2.3 The recruitment of three 'Vacancy Coordinator' Apprentices has supported the business facing team in coordinating Generation NE's response to employer demand and improvements are being seen in the quality and responsiveness of the service given to employers as a result. Demand from business remains buoyant.
- 2.4 A central In-Work Service has been established to test new models of supporting young people in work through Social Media, its aim is to drive efficient and responsive in-work support focussed on progression of young people into better and more secure employment over the medium term.
- 2.5 Work undertaken to increase the rate of referral of young people from Jobcentre Plus has begun to deliver higher and more stable referral numbers, which will continued to be monitored. Additional eligibility groups are being considered as a part of an effort to respond to a changing picture of unemployment in the area since the programme began delivery.

Durham Youth Employment Initiative

- 2.6 The approval of the Youth Employment Initiative for County Durham was received from DWP in mid-March. The £17.04m "Durham Works" programme, made up of £12.78m of YEI/ESF funding and £4.26m of match funding, will run until July 2018. It will develop the skills of, and increase the immediate and longer term economic, social and health benefits and opportunities for, at least 5,830 16 to 24-year-olds who are NEET and living in County Durham. The activities below will be key to the programme:

North East Combined Authority

Leadership Board

- Provision of individual guidance and support for young people, over a sustained period, using transition advisers, peer mentors and employment advisers. These support workers will provide on-going advice and support to unemployed young people looking to progress into employment, training or learning.
- Programmes which specifically help vulnerable young people with multiple barriers to their progress. Programmes will include innovative activities to engage and motivate young people and support the development of their confidence and resilience. Other activities will develop employment related skills and provide work experience to enhance employability. A separate strand of activity will support disadvantaged young people who are living in deprived areas, are experiencing rural isolation or have been economically inactive for a longer period of time.
- Creating employment, Apprenticeship and Traineeship opportunities and work experience through employer engagement and the provision of one to one recruitment and ongoing mentoring support for employers. In addition, creating alternative routes into employment and training by developing social enterprises, self-employment and volunteering.

2.7 Service Level Agreements are currently being negotiated with the 20 Delivery Partners and delivery will begin from April onwards.

Good Career Guidance Benchmarks

2.8 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.

2.9 Over two academic years (2015/16 and 2016/17), Gatsby will invest around £500,000 to support up to 16 schools and FE Colleges in the North East Local Enterprise Partnership area (covering Northumberland, Newcastle, Gateshead, North Tyneside, South Tyneside, Sunderland and Durham) to develop careers guidance and education in their setting by meeting the Good Careers Guidance Benchmarks.

2.10 In the Autumn term of 2015 participants completed their audit against the benchmarks and developed action plans to ensure they achieve and embed the benchmarks. Each benchmark consists of a number of elements and for a benchmark to be achieved all of the elements have to be implemented for each and every student.

2.11 The Facilitator is a vital role within the pilot and is supporting the schools / colleges with their action plans, looking for innovative ways to solve some of the barriers that the participants face. In acknowledgment of this, in addition to a small amount of

North East Combined Authority

Leadership Board

start-up funding, the participants can also apply for some funding (150K over two years across the participants) for this innovation work. There are currently three approved Innovation Fund projects and a further four are currently being assessed after the latest funding window closed.

2.12 The current innovation projects are:

- St Joseph's Catholic Academy in Hebburn is exploring innovative and sustainable ways in which, from a school perspective, employer engagement programmes such as Enterprise Advisors can be integrated alongside the Gatsby benchmarks. At the end of the two-year project, it will produce a best practice guide that can be potentially used by schools and colleges across England.
- Churchill Community College in Wallsend, is working with Northumbria University on how the benchmarks can be used within schools.
- A Labour Market Information project made up of six schools and colleges will also spend three months working with young people to find out how the young people themselves access and use information such as employment figures.

2.13 The IAG Advisory Group, chaired by Sarah Glendinning of the CBI is also now operational. Its primary focus is to widen the engagement of schools and businesses and improve communications on the key North East LEP IAG activities.

2.14 The International Centre for Guidance Studies at the University of Derby has been selected to carry out the evaluation of the benchmark pilot. The lead researcher is Professor Tristram Hooley, and the project manager is Senior Lecturer Nicki Moore. They were part of the Derby team that co-authored the Good Career Guidance report. They are also working with the Gatsby and the Careers and Enterprise Company on the development of the national benchmarking tool. They have been tasked with providing a full report on the pilot, case studies, good practice guides, and a lessons-learned toolkit. The North East LEP will be rolling these out via a series of events and activities during the course of the pilot.

Enterprise Advisors

2.15 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.

2.16 The North East LEP has taken the opportunity to shape and adapt the original CEC model to enhance the opportunities for school and business engagement. A dedicated co-ordinator was recruited in November 2015 and there are now 24 schools participating in the initiative – with a target of 70 Enterprise Advisors in place by May 2016.

North East Combined Authority

Leadership Board

- 2.17 By using the Gatsby benchmarks we can identify three areas where businesses can support schools and colleges directly. This is being trialled in our pilot schools and additionally other schools in the region who have by their own initiative adopted the benchmarks to develop their IAG provision. Enterprise Advisors are volunteers from the world of work (businesses and the public sector, organisations of all sizes included the self-employed). Working directly with school and college leaders, they are responsible for helping schools and colleges build employer engagement plans drawing on their own local business networks.
- 2.18 The Enterprise Advisors are provided with training and will have simple tools available to lay out the range of programmes available to schools and colleges nationally and locally, for example speakers in schools, CV and skill building, work experience. The Enterprise Advisor network will help 'join the dots' at a local level and increase coverage across the country.

3 Apprenticeships

- 3.1 A written submission has been made to the Apprenticeships Inquiry currently being undertaken by the Parliamentary Committee on Education, Skills, and the Economy.
- 3.2 The response emphasises that 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 stretching targets that the region has set itself within the Strategic Economic Plan (SEP).
- 3.3 Given this background, a desire has been expressed to the Parliamentary Committee within the context of devolution and localism to explore the scope for ensuring how the structural changes being generated by the introduction of the Apprenticeship Levy can be tailored to the specific needs of the North East with a view to maximising the number of apprenticeships starts. This is based on the premise that whilst a simple and clear approach is welcome, one size may not fit all. The North East has a high dependency upon smaller businesses with low numbers of larger, independent employers. Therefore the Combined Authority is keen to influence local solutions and flexibilities that deliver greater outcomes for all our employers, including our smaller employers and individuals.
- 3.4 The Parliamentary Committee has therefore been requested to explore the scope to build in local flexibilities to the national framework for the Apprenticeship Levy – which could obviously be enshrined in subsequent Devolution Agreements. Within this the Combined Authority's submission indicated that the North East are prepared to act as a pilot in exploring such options and as such would be happy to participate and inform any debates or further work the Parliamentary Committee undertakes with regard to this issue.

North East Combined Authority

Leadership Board

4 Potential Impact on Objectives

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

5 Finance and Other Resources

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

6 Legal

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

7 Other Considerations

7.1 Consultation/Community Engagement

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

7.2 Human Rights

There are no specific issues arising from this report.

7.3 Equalities and Diversity

There are no specific issues arising from this report.

7.4 Risk Management

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

7.5 Crime and Disorder

There are no specific issues arising from this report.

7.6 Environment and Sustainability

There are no specific issues arising from this report.

8 Background Documents

None

North East Combined Authority

Leadership Board

9 Links to the plans and policy framework

- Strategic Economic Plan – More and better Jobs
- North East Devolution Agreement

10 Appendices

None

11 Contact Officers

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12 Sign off

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

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North East Combined Authority

Leadership Board

DATE: 19 April 2016

SUBJECT: An Update Report of the Thematic Lead for Transport

REPORT OF: Thematic Lead for Transport

EXECUTIVE SUMMARY

This report outlines details of major transport developments and announcements since the last update report was provided to the Leadership Board on 19th January 2016.

The report also includes an update on digital connectivity, reflecting the inclusion of these issues alongside transport within the Strategic Economic Plan's 'connectivity' priority.

RECOMMENDATIONS

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

North East Combined Authority

Leadership Board

1. **Transport developments and announcements since the previous report**

1.1 Since the last full meeting of the Leadership Board, there have been a number of significant transport developments and announcements affecting the North East. These are detailed below.

2. **March 2016 Budget Statement**

2.1 In last month's Budget, the Chancellor made several announcements about transport funding.

2.2 Funding was allocated for the development of major transport schemes (drawn from a £300m pot announced in the Autumn Statement) including:

- £60m for HS3/Northern Powerhouse Rail aimed at reducing the Leeds – Manchester rail journey time to around 30 minutes
- £75m for A66 / A69 highway improvements (and for the Trans-Pennine tunnel)

Funding of £50m was announced for the Potholes Action Fund in 2016-17.

2.3 As with most budget statements, further clarification is awaited on some of the details announced. It should be noted that, whilst the government has announced its intention to deliver the HS3 improvements, the funding announced for the highway improvements is, at this stage, only aimed at further progressing plans for these routes – which are at present the subject of separate studies on behalf of Transport for the North. If approved, these route schemes would form part of Highways England's next Road Investment Strategy to commence in 2020.

2.4 Plans were also announced to conduct trials of driverless cars on the strategic road network by 2017 and to provide extra funding for the repair of roads and bridges damaged by flooding – including Ovingham Bridge in Northumberland.

3. **National Infrastructure Commission – High Speed North**

3.1 The National Infrastructure Commission was established in October 2015 and is chaired by Lord Andrew Adonis, who has previously chaired the North East Independent Economic Review. The Commission was initially established to examine 3 issues: Smart Power, Transport Infrastructure in London and Connecting Northern Cities. The initial reports on these issues were published in the lead-up to the 2016 Budget.

3.2 The report on Connecting Northern Cities - 'High Speed North' was published on the 15th March. Its recommendations focused around 'HS3', a transformed pan-Northern rail network; accelerated enhancements to the M62 and the provision of development funding to prepare for future large transport schemes.

North East Combined Authority

Leadership Board

3.3 As noted earlier, the March 2016 Budget allocated money from the Transport Development Fund for the development of road and rail schemes to improve northern connectivity.

3.4 To put the costs of Northern transport schemes in context, the Commission's report on transport in London recommended that the Crossrail 2 rail link be made a "development priority". The estimated cost of this scheme is £33 bn.

4. Transport for the North

4.1 The Northern Transport Strategy Spring Report was published on 7th March and outlines progress with the various elements of the Transport for the North (TfN) programme of activities. The full report can be viewed at <http://www.transportfornorth.com/pdfs/The-Northern-Transport-Strategy-Spring-2016-Report.PDF> . The NECA continues to be actively involved with TfN and it is proposed to bring a report to the July meeting of this Board, seeking consent for NECA to become part of TfN as a statutory body.

Details of progress with individual TfN workstreams is given below.

4.2 Rail

Early indicative train service specification work is continuing for the development of options to transform capacity and journey times between the North's key economic centres. The main options to consider for the Newcastle to York section of the overall network is whether to include stops within these additional train services and if so, where these should be. The remit thus far has been to provide sufficient capacity to meet the forecast demands linked to economic growth and to enable journey speeds to be dramatically reduced. The current work is looking at the impacts of adding additional trains to the baseline network, but is not yet at the stage to determine what interventions would be required and at what cost to achieve the journey time and capacity requirements.

Work will follow on to assess the various options on the corridors themselves and also to look at how sequencing of intervention works may be ranked.

There is a significant amount of work to do across a large and complex network, so it is not expected to report any key findings until the autumn.

In addition to track improvements, the uplift in train capacity will also impact on Newcastle Station and work will start later this year on what improvements to platforms may be required to accommodate additional trains.

4.3 Road

North East Combined Authority

Leadership Board

Studies continue into road investment proposals, including the strategic study exploring the case for dualling the A69 and/or A66, with the aim of creating a new strategic link across the Pennines in northern England. Further development funding was made available in the Budget, as outlined in section 2 of this report.

4.4 Freight

The Northern Region Freight and Logistics Strategy sets out an ambitious strategy for improving the operational efficiency of the freight and logistics industry, in order to deliver substantial economic benefits across the north. The strategy is currently being finalised and further details will be provided in the next update report.

4.5 Strategic Local Connectivity

This workstream focuses on interventions which will have a pan-Northern impact but do not fit into one of the other workstreams. A number of interventions in the NECA area are under consideration in this workstream, encompassing highway, rail and Metro improvements. Initial feedback is positive, but a final report will not be prepared until May. Where interventions are designated as a priority across TfN, it does not imply a commitment to funding as this will likely form a later stage of work to prioritise further.

4.6 International Connectivity

NECA are leading on this workstream, on behalf of Transport for the North, and have initiated a study to determine where improvements in international connectivity are needed and how these might benefit the Northern economy. The consultants carrying out the work, York Aviation together with partners MDS Transmodal and Regeneris Consulting, have already produced an initial report and a stakeholder workshop will be held in the week commencing 25th April. The final report will be produced in July.

4.7 Smart Travel

Nexus officers continue to be actively involved in this workstream, acting on behalf of the Combined Authority, with the aim of delivering smart and integrated ticketing across local transport and rail services in the North. With the introduction of Smart Ticketing technology now well advanced on the Tyne and Wear Metro and across the NECA area through the NESTI Programme, the NECA is in a strong position to take a lead role in the early implementation phases of new technologies.

North East Combined Authority

Leadership Board

5. Transport Vision for the North East

- 5.1 As described in previous reports, the Combined Authority has agreed to produce a Transport Plan for the North East which will supersede the existing Local Transport Plans for Durham, Northumberland and Tyne and Wear. The two-stage process for the production of this Plan is
1. A Transport Manifesto setting out high level ambitions; followed by
 2. The Transport Plan – a comprehensive, statutory document
- 5.2 The Transport Manifesto consultation began on 5th February and ended on 8th April i.e. nine weeks. Approximately 1,700 responses had been received by this date. A small number of disability organisations asked for an extra two weeks to digest the alternative format versions of the Manifesto and questionnaire and this was agreed. These will be incorporated in the final analysis of the questionnaires.
- 5.3 The two principal questions asked respondents what they believed NECA's priorities for transport in the next 20 years should be. An interim analysis of the responses suggested that the main subjects to emerge in order of importance were:
- Good access to workplaces, services, shops and leisure
 - Well-maintained, climate-resilient and safe transport networks
 - Less road congestion
 - More sustainable travel
 - Growth in economic activity
 - Better air quality and lower carbon emissions
 - Efficient use of transport assets
 - Land use planning that favours sustainable travel
 - Healthy, active lifestyles
 - Equality of opportunity
- 5.4 While the Transport Manifesto consultation as described above is progressing, background work is also being undertaken on the Transport Plan to the following indicative outline timetable:
- May 2016 : produce final report on Manifesto analysis
 - June - July 2016 : produce first draft Transport Plan and seek approval of the document and to commence public consultation from NE Leadership Board, Transport North East Committee and Overview and Scrutiny Committee
 - August 2016 : set up consultation process
 - September - November 2016 : formal consultation on Transport Plan (a minimum 12 weeks is needed, and any earlier start date would result in the consultation running over the summer holidays which

North East Combined Authority

Leadership Board

should be avoided)

- December 2016 - January 2017 : analyse Transport Plan consultation responses
- February - March 2017 : amend Transport Plan for the North East in the light of consultation responses
- April – May 2017 : seek approval of final draft Transport Plan from Leadership Board, Transport for the North East Committee and Overview & Scrutiny Committee
- June 2017 : publish final version of Transport Plan

These timescales are challenging for a report of this magnitude which is likely to arouse widespread interest from elected members, the public and business groups. Therefore, additional time may be required to allow for revisions if they are requested.

6. Rail update

6.1 Rail Franchising

6.1.1 The new Arriva Rail North and the new First TransPennine Express services came into being on the 1st April 2016 with a launch event at Manchester Piccadilly, complemented by a 'local' event at Hexham. Work is underway to establish the operators' main contacts for the North East with a view to establishing regular dialogue regarding performance and the progress being made on the introduction of the committed improvements (e.g. Pacer replacements) as outlined in the Franchise awards.

6.1.2 Within the Franchise, Arriva Rail North has three months to establish their North East Business Unit and this will be the main interaction with the Local Authorities North East Rail Management Unit previously approved.

6.2 Network Rail Long Term Planning Process

6.2.1 Alongside the Northern Powerhouse Rail workstream, Network Rail is also conducting their East Coast Rail study to determine what train services will be required by 2023 and 2043 and, as a consequence, what infrastructure changes would be needed to meet the increased demand. There have been two industry workshops with particular interest to the North East, namely the York to Newcastle section of track and capacity constraints at Newcastle Station. Aspirations for opening up Newcastle Station south side (Stephenson Quarter) and for future regional rail / Metro services have been fed into the process. A third workshop on the Newcastle to Edinburgh section is also planned. The findings of this study will be published for consultation towards the end of 2016.

6.3 The Shaw report

North East Combined Authority

Leadership Board

6.3.1 Nicola Shaw was asked by Government to undertake a study of Network Rail with a view to making recommendations as to its future shape and financing. Following consultation the report findings have been summarised in seven recommendations:

- **Place the needs of passengers and freight shippers at the heart of rail infrastructure management**
- **Focus on the customer through deeper route devolution, supported by independent regulation**
- **Create a route* for the North**
- **Clarify the government's role in the railway and in Network Rail**
- **Plan the railway based on customer, passenger and freight needs**
- **Explore new ways of paying for the growth in passengers and freight on the railway**
- **Develop industry-wide plans to develop skills and improve diversity**

* Note "route" is the term used by Network Rail to describe a geographical area of management control

6.3.2 The most direct impact of the review on this area is the establishment of a route for the North. The Shaw Report team recommends establishing a new route for the North, aligned with the political and economic geography and supported by institutional structures such as Transport for the North.

6.3.3 This new route would be formed from the northern sections of the current London North East (LNE) and London North West (LNW) routes, together with the current TransPennine and Northern Franchise routes. Over the coming months Nexus on behalf of NECA will be working with Network Rail to see how this recommendation can be brought into being alongside the other planning work described in the other Rail updates in this section.

7. Public Transport

7.1 Bus

7.1.1 At its meeting in March the Leadership Board agreed that officers should conduct a scoping study into bus franchising, partnerships and other methods of delivering bus policies and strategies in the NECA area. This scoping study will be conducted over the next two months, with its conclusions put before elected members to seek their endorsement.

7.1.2 A business case will then be developed to identify a preferred option, with any conclusions being amended in the light of the final provisions of the Buses Bill, which is about to enter the parliamentary process.

North East Combined Authority

Leadership Board

7.1.3 It is expected that the Buses Bill will seek to create legislation to allow local authorities to introduce bus franchising under certain conditions, and will set out some changes to the legislation covering bus partnerships. We expect the legislation to address the major problems which our experience has demonstrated with the current legislation.

7.2 **Metro**

7.2.1 At its meeting in March the Leadership Board confirmed a proposal that the current operating concession for Metro end as planned on 31st March 2017, without the option of a two-year extension being taken up. Nexus has agreed an investment package with the concessionaire covering the last year of the contract; it will then operate Metro directly until 2019. A further report will be brought to the Leadership Board in the summer identifying options to take Metro beyond this, tied in with investment plans for a new train fleet.

7.2.2 A 15-day Major Line Closure to replace Metro track, trackbeds and drainage between Tynemouth and West Monkseaton was completed as planned on 2nd April. Further weekend line closures and a second Major Line Closure from Monkseaton to Benton during August will take place as part of the asset renewal programme.

7.2.3 A limited trial allowing non-folding bikes to be taken on Metro began on 4th April and will last up to six months. The trial allows two non-folding bikes per train (one per carriage) to be carried between Jesmond and Callerton Parkway stations between 10am and 3pm on weekdays. The trial will allow Nexus and its operating concessionaire to examine the impact on passenger comfort, safety and train operation.

7.3 **Smart Travel**

7.3.1 There has been a significant advance in the number of local transport services accepting Pop Pay As You Go smart cards in the Combined Authority area and neighbouring Tees Valley. Cards are on sale at Nexus Travelshops and Payzone retail outlets.

7.3.2 From 3rd April, all Stagecoach bus services within South Tyneside began accepting Pop Pay As You Go as a form of payment. It can also now be accepted as payment for Durham City Park and Ride, alongside its use on Metro (with a daily price cap), the Shields Ferry, Arriva bus services north of the Tyne and selected Go North East services and Stanley Travel services 40, 40A and 40B in and around Durham City.

7.3.3 Pop Pay As You Go was developed through the North East Smart Ticketing Initiative (NESTI), a joint programme between local authorities in the Combined Authority area and those in the Tees Valley. The smart card is now also widely accepted as a form of payment on Arriva and Stagecoach services within the Tees Valley.

North East Combined Authority

Leadership Board

7.3.4 Nexus is also playing a key role in a programme led by Transport for the North to develop a smart ticketing solution to help make it simpler to travel across the north.

8. Aviation

8.1 Scottish Air Passenger Duty consultation

8.1.1 The devolution of Air Passenger Duty to Scotland is being enabled via the Scotland Bill, 2015. On 14th March 2016, the Scottish government published a consultation on their proposals to halve the level of APD for flights leaving from Scottish airports from 2018, as a precursor to the complete abolition of the duty once their finances allow. The deadline for responses is 3rd June.

8.1.2 The NECA have previously expressed their concern to the UK government about this proposal, which would place airports in this region at a severe competitive disadvantage when compared to Scottish airports. It is anticipated that the May meeting of NE Leadership Board will be asked to approve a response to the consultation on behalf of NECA expressing our opposition to the proposal. The Chancellor made no reference to the APD issue in his Budget speech.

9. Sustainable Transport

9.1 Transition Year funding opportunity

9.1.2 The Department for Transport is making £20m revenue funding available to local authorities, Combined Transport Authorities, and Passenger Transport Executives in England for delivery in 2016/17, through a 'Sustainable Travel Transition Year' bidding opportunity.

9.1.3 Guidance published on 15th February 2016 states that bids must demonstrate that they are building on successful sustainable transport initiatives, will increase the numbers of people cycling and walking, and show a strategic vision for accessing jobs, education, and training. With the approval of TNEC and in consultation with the Transport Thematic Lead, Statutory Officers and NECA's Sustainable Transport Group, a NECA-based revenue only bid was submitted on the deadline of 29th March 2016.

10. Digital Connectivity Update

10.1 The North East Digital leads group has set out a vision and ambitions to shape future activity and approach.

The vision is that:

- Digital connectivity plays a significant role in future economic growth
- All businesses and communities in the North East benefit from the opportunities in an increasingly digital economy
- We stand apart from other regions as a location to invest and do business

North East Combined Authority

Leadership Board

- Part of a globally connected community
- Enabling safe business

10.2 A pro-active approach is being taken to scope and develop activity that will ensure:

- Connectivity in the North East is globally competitive – including 4G, Superfast and Ultrafast (residential and commercial). A connected approach across broadband and telephony networks throughout the region makes us a first choice for private investment in pilots and roll-out
- The North East is at the forefront of developing new technologies and data solutions, aligned to our priorities for Smart Specialisation
- Our unique European and Transatlantic connections support export – setting us apart from competitors by utilising our location to develop strategic partnerships and open up fibre
- All businesses are equipped with the skills and confidence to use digital technologies to thrive and grow
- Digital assets in the North East work for the region as a whole – opened up and connected for community benefit
- There is co-creation of digital opportunities within all projects

10.3 As a starting point, work is underway to provide a fuller understanding of connectivity levels across the North East. A map identifying connectivity infrastructure and technologies will highlight different levels of coverage and 'not spots'. It will be used to inform future approaches to economic development and investments in infrastructure. The map can also be overlaid with information about existing provision and plans for other themes, such as transport, housing and employment sites. An initial map will be produced by June.

10.4 The Devolution Agreement for the North East included the potential to establish a Smart Data Institute in the North East. £15m was announced in the Chancellor's Budget 2016 to help establish a new National Institute for Smart Data Innovation, bringing together industry, the public sector and universities.

10.5 The process will be led by Newcastle University, who will progress plans to establish a new £30 million centre to unleash the potential offered by big data. This will act as a beacon for Smart Data innovation, helping the region, and the rest of the UK, to become global leaders in this increasingly important sector.

11. Next Steps

The North East Combined Authority will continue to work with funding bodies, transport operators and delivery partners to secure a modern, sustainable and efficient transport network and to progress our digital connectivity

North East Combined Authority

Leadership Board

objectives. Work will continue on developing the Transport Plan for the North East.

12. Potential Impact on Objectives

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.

13. Finance and Other Resources

The report includes information on funding and funding opportunities. There are no additional financial implications for NECA arising from the specific recommendations in this report.

14. Legal

There are no specific legal implications arising from this report.

15. Other Considerations

15.1 Human Rights

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

15.2 Equalities and Diversity

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

15.3 Consultation / community engagement

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

15.4 Risk Management

This report is for information only and there are no specific risk management implications arising from it.

15.5 Crime and disorder

North East Combined Authority

Leadership Board

This report is for information only and there are no specific risk management implications arising from it.

15.6 Environment and Sustainability

Delivery of the various rail, cycling and public transport measures listed in this report should assist in meeting our objectives for a more sustainable transport system and improved air quality. The Sustainable Transport Transition Year funding bid referred to in section 9 is specifically aimed at the promotion of active, sustainable travel and the reduction of carbon emissions.

16. Background Documents

None.

17. Links to plans in the policy framework

The various transport schemes and programmes listed in this report link to the forthcoming Transport Plan for the North East that is covered in section 5 of this report.

18. Contact Officers

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19. Sign off

Head of Paid Service ✓

Monitoring Officer ✓

Chief Finance Officer ✓

North East Combined Authority

Leadership Board

Date: 19 April 2016

Subject: Financial Update and Treasury Management Annual Review

Report Of: Chief Finance Officer

Executive Summary

This report sets out the latest position with regard to Capital Expenditure in 2015/16 and provides an update on key elements of the capital programme for 2016/17 to 2018/19, including a revised Metro Asset renewal Programme. It provides an update on revenue spending in 2015/16 and the carry over of the Devolution workstream budget agreed last year to fund continuing activity in 2016/17. It also provides an annual review of Treasury Management activity in 2015/16.

Recommendations

The Leadership Board is recommended to:

1. Note the latest information about capital spending in 2015/16 set out in section 2.1 and approve the revised spending profile for the Northern Access Corridor Phase 2 scheme, which will increase the level of spending in 2015/16 from £3.0m to £3.68m, as described in section 2.2;
2. Agree the updated capital programme for 2016/17 in respect of the Metro Asset Renewal Programme set out in section 3;
3. Note the latest information in relation to the revenue budget and agree the carry over of the balance of the £500,000 budget that was established to fund devolution workstreams to fund activity in the new year, as set out in section 5.3;
4. Agree to the underwriting of Mental Health Trailblazer costs by NECA as set out in section 5.4; and
5. Note the information about the Annual Review of Treasury Management Activity in 2015/16 and agree the changes to the investment counterparties set out in section 6.

North East Combined Authority

Leadership Board

1 Background Information

- 1.1 Capital spending figures for 2015/16 are in the process of being finalised. Considerable efforts have been made to maximise the use of the Regional Growth Fund (RGF) and the Local Growth Fund (LGF) capital grants. It is estimated that the balance of the RGF allocation of £30m will be used in full and that the level of LGF grant used will exceed £50m. An update on the latest spending figures will be provided at the meeting.
- 1.2 Revenue spending figures will be finalised and reported in June. At this stage spending appears to be within budget. The balance of the £500,000 allocation to fund devolution workstream activity is estimated to be between £250,000 and £300,000 (subject to finalisation of the year-end outturn), which will be carried over into 2016/17 and will continue to fund current activity needed over the next few months.

2. 2015/16 Capital Programme Update – LGF and RGF Spending

- 2.1 As at 31 March, a total of £24.6m had been defrayed on LGF schemes. The final payments in respect of spending incurred by delivery partners in respect of activity in 2015/16 will be processed in April and accrued in the 2015/16 NECA accounts in line with accounting practice. At this stage it is estimated that the total use of LGF grant should be over £50m, which would be more than 92% of the £53.91m Grant received for the year. The balance of grant will be carried forward to be used in 2016/17. An update on the latest figures will be provided at the meeting.
- 2.2 The current approved programme for the Northern Access Corridor phase 2 scheme, includes LGF grant allocation of £4.09m of which £3m was phased in 2015/16 and £1.09m in 2016/17. Latest information indicates that a more advanced spending profile of up to £3.68m is possible in 2015/16 with the smaller balance to be spent in 2016/17. Approval to the accelerated grant profile of up to £3.7m in 2015/16 is recommended to help maximise the use of LGF grant in 2015/16.
- 2.3 At 31 March, a total of £16.959m had been defrayed on RGF schemes. It is expected that this will bring the total use of RGF Grant to £29.92m, which is 99.7% of the £30m grant approval. Approval has been sought from BIS to carry over the final £80k of grant to be spent by the end of May 2016. This appears likely to be approved and would ensure that 100% of grant has been spent.

North East Combined Authority

Leadership Board

3. Capital Programme Update - Tyne and Wear Metro Asset Renewal Programme (ARP) – 2016/17 to 2018/19

3.1 At its January 2016 meeting, the Leadership Board approved a Capital Programme for Metro for 2016/17, and endorsed Nexus' intention to bring a further report covering the programme for the following two years.

3.2 This was necessary because the Spending Review 2015 had confirmed the amount of capital grant payable to Nexus through to 2020/21 at £120m, which was £33m less than had previously been expected. The confirmed grant for each year is as detailed in the following table:-

DfT Metro Rail Grant (Capital)	16/17	17/18	18/19	19/20	20/21	TOTAL
	£m	£m	£m	£m	£m	£m
SR2015 confirmed	31.0	30.0	23.0	18.0	18.0	120.0

3.3 The methodology used to determine future investment priorities in Metro, to the end of 2021 is attached as a background paper. This takes into account both asset condition and the need to manage operational risks on a day to day basis.

Progress in delivering the Metro Asset Renewal Plan to date (2010/11 to 2015/16)

3.4 Forecast expenditure since 2010 to the end of the current financial year 2015/16 amounts to £218m; funded £196m or 90% from DfT capital grant and £22m or 10% via a local contribution.

3.5 The amount of activity and assets renewed and/or replaced has been significant. The following provides an indication of the scale of investment made so far:

- 33km of new and renewed track has been laid
- 4.4km of new drainage has been introduced
- 31.5km of refurbished cable troughing has been laid
- 44km of signalling cables have been replaced
- 4km of overhead line has been replaced
- 5 level crossings have been upgraded
- 50 new sets of point motors have been introduced
- 17 bridges have been refurbished, reconstructed or strengthened
- 86 Metrocar trains have been refurbished
- 25 stations have been refurbished, including the replacement of all 26 escalators and whilst 12 lifts have been replaced together with a further 5 new lifts installed

North East Combined Authority

Leadership Board

- 3.6 Nexus estimates that it has created 78 new jobs (comprising 60 staff within its own direct labour organisation for capital delivery, together with 30 apprenticeships, 18 of which were over and above those previously planned) as well as helping to create and/or sustain hundreds of other jobs in the supply chain.
- 3.7 In addition, by subjecting Nexus to periodic performance reviews, DfT has acknowledged Nexus' effective delivery of the programme. The next review is expected in 2017.
- 3.8 Furthermore, DfT continues to acknowledge the need for it to provide financial support for the Metro system beyond 2020/21 in capital funding terms and 2018/19 in revenue funding which helps with the delivery of train operations. Through the proposed devolution agreement, government has also acknowledged the need for both the renewal of the Metro fleet, the long-term continuation of essential renewals network wide and the Combined Authority's ambition for the expansion of the system, and future integration of the Metro with the rail network.

Proposed Programme (2016/17 to 2018/19)

- 3.9 The proposed programme for the Leadership Board's consideration for 2016/17 to 2018/19 is detailed at Appendix 1, together with a summary at Appendix 2 of proposed projects which are either being deferred (until after 2021), or as in the case of interchange and underground stations, will be delivered should bids for external funding be achieved.
- 3.10 This programme includes delivery of a number of significant projects which are worthy of particular mention and these are detailed below.

i. Permanent Way

Major track works (including earthworks, drainage and Switches and Crossings works) are proposed from Tynemouth to Northumberland Park which will include the completion of the Easter 2016 blockade and a further 15 day blockade currently scheduled to commence in July 2016. In addition, track work is planned from Chillingham Road to St. James and from Jesmond to Gateshead Stadium, followed by works from Northumberland Park to South Gosforth in 2017/18 and Gateshead Stadium to South Shields in 2018/19.

ii. Overhead Line

Works to replace the overhead line will mobilise in 2016/17 following delivery of the specialist vehicles procured in 2015/16. This will be carried out by the internal Capital Delivery Team and is expected to take around

North East Combined Authority

Leadership Board

four years to complete. This is an example of works that can commence now that surety of funding from DfT is firmly committed through to 2021.

iii. Stations

The refurbishment of Central Station (Metro) will be completed and Nexus will continue working with South Tyneside Council and their development partner on a new Bus/Metro interchange at South Shields. These two projects are examples where Nexus has sought and been awarded external funding in order to augment its station investment programme.

Within the resources available, the refurbishment of halt stations will continue and design work will be progressed for a number of interchange, underground and heritage stations for prioritisation and delivery in future years, taking advantage of other sources of funding where possible. For this reason, provision for a 10% contribution from the ARP is retained within the programme budget for these stations.

Appendix 4 provides a network schematic of the station investment programme from 2010 through to 2021.

On Network Rail owned infrastructure, Nexus is working with both Sunderland City Council and Network Rail to attract a package of funding necessary to develop the above ground part of Sunderland Station. The project will improve access to the concourse and offer better retail and passenger information, whilst the exterior of the building will be improved, providing a brighter and lighter environment, complemented by artwork and public realm enhancements. Nexus' contribution to the project is £3.5m.

iv. Civils

Work to line the central area tunnels will progress. The remaining work will focus on bridges with the Howdon viaduct walkways and development of the Killingworth Road Bridge scheme (for which Nexus is also drawing down external funding from the Highways Challenge Fund) for delivery in 2017/18. Bridge structural assessments and designs will be progressed for prioritisation and delivery in later years and required engineering works implemented at a number of bridges. Several earthworks projects and bridge works are proposed to be deferred in view of the reduced funding availability.

v. Communications

During 2016/17 the project to install a new radio system across the network will continue and is due to be completed. This is a safety critical

North East Combined Authority

Leadership Board

system and whilst not obvious to the travelling public is a fundamental part of Metro operations. The project involves fitting equipment to the metro cars as well as installing new transmission masts and antennae around the system and also new equipment at the Metro control centre in South Gosforth as well as Network Rail's Tyneside Integrated Electronic Control Centre in Gateshead.

vi. Signalling

Another essential system which is not obvious to the passenger is the RTMS (Rail Traffic Management System). This system uses a variety of technologies to route trains around the system, automatically set signals and measure train performance. A project to replace the current obsolete system is underway and will continue through the next two years with completion anticipated in 2017. Other works proposed in the three year programme are valued at include the replacement of points motors and improvements to level crossing, reed track circuits and rewiring location cases.

vii. Metrocar Fleet

Whilst the funding and procurement of a new fleet remains a central part of devolution discussions with government, capital expenditure on the existing fleet will continue with up to £0.5m of additional investment, jointly agreed between Nexus and DBTW to be made in 2016/17. This investment is targeted at improving fleet performance levels.

Financial Implications

- 3.11 The three year capital programme is being set at £101.4m as highlighted in the table at paragraph 14.
- 3.12 Experience shows that effective management of the programme requires a degree of re-profiling and re-phasing of planned works in order to respond to both risks and opportunities, whilst remaining within prescribed funding levels. Therefore, given that 'target' expenditure (including the 10% local contribution) necessary to meet DfT funding requirements across the three years is £93.3m, the programme budget necessarily includes over-programming of £6.9m or 6.8%.
- 3.13 Financial management of the programme is helped in part by DfT allowing the virement of (plus or minus) 10% of available grant per annum. Nexus also seeks to deliver efficiencies against individual projects but ultimately, the amount of DfT funding across the three years means that actual expenditure is likely to be less than the overall programme budget.

North East Combined Authority

Leadership Board

3.14 The proposed Metro ARP Capital Programme in 2016/17 to 2018/19 can be summarised at asset category level as follows:-

Asset Category	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m
Civils	1.715	1.000	850	3.565
Permanent Way	19.095	19.010	13.552	51.656
Overhead Line	3.650	3.000	3.000	9.650
Stations	3.632	5.736	1.237	10.605
Communications	3.650	204	128	3.982
Signalling	6.685	2.546	965	10.196
Mechanical and Electrical	255	200	0	455
Metro Cars	0	100	0	100
Capital Maintenance	2.460	2.645	2.358	7.463
Miscellaneous	575	625	2.543	3.743
Total Metro Programme	41.717	35.065	24.633	101.415
Funding	2016/17	2017/18	2018/19	Total
	£m	£m	£m	£m
DfT Grant	31.000	30.000	23.000	84.000
10% Local Contribution	3.444	3.333	2.556	9.333
Major Projects (RCCO)	1.102	0	0	1.102
Overprogramming	6,171	1,732	-922	6,981
Total ARP Funding	41.717	35.065	24.633	101.415

Over-programming (%)	17.4%	5.2%	-3.6%	7.4%
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Minimum/Maximum Spend (assuming no b/f or c/f)				
Minimum Spend (in year)	31.000	30.000	23.000	
Maximum Spend (in year)	37.889	36.667	28.111	
Target Spend	34.444	33.333	25.556	93.333

North East Combined Authority

Leadership Board

4 Capital Programme Update – Tyne Tunnels and the allocation of the Integrated Transport Block

Tyne Tunnels

- 4.1 The original capital programme for 2015/16 amounted to £3.1m including costs relating to the completion of the New Tyne Crossing project and the refurbishment of the Tyne Pedestrian and Cycle Tunnel.
- 4.2 No new capital programme provision was including in the Capital Programme for 2016/17, pending a tendering exercise and a detailed report to Tyne and Wear Sub-Committee on the anticipated costs of completing the Pedestrian and Cycle Tunnel.
- 4.3 Some costs relating to both schemes have slipped from 2015/16 into 2016/17 and it is necessary to create a provisional capital programme allocation in 2016/17 to enable costs on both projects to be funded. It is therefore proposed to carry over the estimated unspent capital programme provision of £1.175m from 2015/16 into 2016/17 as a base programme.
- 4.4 A more detailed report on the options for completing the Tyne Pedestrian and Cycle Tunnel will be presented to the Tyne and Wear Transport Sub-Committee, which will recommend the option to be progressed and the revised capital programme provision required will be presented for consideration at a future meeting of the Leadership Board.
- 4.5 The cost of the Tunnels works will be funded from the Tyne Tunnels reserves.

Integrated Transport Block Allocation

- 4.6 At the Leadership Board meeting in January, it was reported that revised figures for the Integrated Transport Block allocation would be issued. The allocation of the Integrated Transport Capital block between the constituent authorities and Nexus is set out in the table below. The topslice to fund the cost of the Regional Transport Team is lower than in 2015/16, which mean an increased allocation for constituent authorities when compared with 2015/16.

Proposed Allocation of the IT Block for 2016/17			
Area	IT Block Allocation (£)	Funding for Regional Transport Team (£)	Net Allocation
Gateshead	1,328,537	62,500	1,266,037
Newcastle	1,649,703	62,500	1,587,203

North East Combined Authority

Leadership Board

North Tyneside	1,088,437	62,500	1,025,937
South Tyneside	842,722	62,500	780,222
Sunderland	1,605,793	62,500	1,543,293
Nexus/Public Transport Allocation	2,949,808	62,500	2,887,308
Durham County	2,789,000	62,500	2,726,500
Northumberland County	1,695,000	62,500	1,632,500
Total	13,949,000	500,000	13,449,000

- 4.7 The public transport allocation to Nexus in Tyne and Wear is further divided between the match funding needed to secure the external grant from DfT for the Metro Asset Renewal Programme and a public transport allocation for Tyne and Wear authorities. This allocation is set out below.

Nexus / Public Transport Allocation	
Metro ARP Local Contribution	2,640,000
Gateshead	34,713
Newcastle	43,105
North Tyneside	28,439
South Tyneside	22,019
Sunderland	41,957
Nexus	77,075
Total	2,887,308

5 Revenue Budget Update

- 5.1 All transport levy income and other contributions from constituent authorities have been received in line with the budget and Transport Grant payments to Durham CC, Northumberland County Council and Nexus have been paid in line with the budget.
- 5.2 More detailed information on how the Transport grants have been spent and other revenue spending is currently being collated and will be reported at the next scheduled meeting of the Leadership Board.
- 5.3 In November 2015 the Leadership Board agreed a budget of £500,000 to fund activity necessary to deliver various workstreams needed to progress the Devolution agenda. Part of the allocation has been set aside to fund costs associated with the work of the Health and Social Commission up to the production of their report. Project management costs for the various devolution workstreams have also been funded and committed from the allocation. The majority of the allocation estimated at £250,000 to £300,000

North East Combined Authority

Leadership Board

will be carried over into the 2016/17 financial year and will fund activity from April through to June. Once the Devolution decision has been made a report on the use of the allocation and the budget needed to implement any ongoing activity will be reported to the Leadership Board.

Underwriting Mental Health Trailblazer Implementation Costs

- 5.4 Contractual arrangements are being put in place for Northumberland County Council to deliver the Mental Health Trailblazer pilot project on behalf of NECA, which requires the recruitment of up to 26 staff. It is proposed that in the event that staff who have been delivering the project are made redundant on completion of the Project and any claims that are not covered by Eligible Expenditure and funded by external grant would be shared. The level of any costs is uncertain because the staff have not yet been appointed and Northumberland County Council is undertaking an estimate of potential costs, which will inform the approach to recruitment. Northumberland County Council would use its best endeavours to minimise any such costs.
- 5.5 Had NECA employed these staff directly, the costs would automatically have been a liability for NECA and its constituent authorities. NECA would fund the costs on behalf of all seven constituent authorities from its resources including reserves. If reserves are insufficient this may require an equal contribution from the constituent authorities in NECA.

6 Treasury Management Annual Review

- 6.1 As part of its Treasury Management Policy, the Authority is presented at the end of each financial year with a summary of activity during the year.

6.2 Borrowing

External interest rates payable in the first six months of the 2015/16 financial year were at the level assumed in the treasury management strategy, with a weighted average rate of 4.28%. The early repayment of £24.3m of external debt in April 2015, making use of internal funds instead has enabled the Authority to reduce its financing charges. All borrowing currently relates to Tyne and Wear, and the costs of this borrowing are charged to the Tyne and Wear transport levy; the Tyne Tunnels budget and the Nexus budget as appropriate.

No new loans have been taken out during the year. The following table shows the movement between opening and closing level of external loans during

North East Combined Authority

Leadership Board

2015/16. External loans have fall to £170.0m at the year end, which is well within the NECA authorised borrowing limit of £240.0m.

Figures in £m	Actual	Authorised
Level of external loans as at 1 April 2015	196.967	240.000
New loans taken out during 2015/16	-	-
Scheduled repayment of borrowing during 2015/16	(2.667)	-
Early repayment of borrowing during 2015/16	(24.300)	-
Level of external loans as at 31 March 2016	170.000	240.000

6.3 Investing

Due to the receipt of £53.910m Local Growth Deal funding in April 2015, the Authority has had a higher level of cash during 2015/16 than in previous years and the level of external investments has therefore increased.

Investments of cash balances have been extended to periods of up to 12 months in order to secure an increased average rate of return, with increased interest income used to help fund the costs of the Authority in 2015/16 and future years. The average interest rate on external investments outstanding at 31 March 2016 was 0.8%.

External investments at 31 March 2016 were as follows:

Type of Institution	Total Invested (£m)
UK Banks	20.0
UK Building Societies	21.0
UK Local Authorities	10.0
Total	51.0

The Authority also held cash balances at the year-end of approximately £30m.

6.4 Investment criteria and limits

The table below sets out the counterparties and limits relating to the Authority's external investments.

These have been reviewed in light of changes to legislation on financial institutions, which now means that any bank losses not funded from their reserves and equity must be funded from investments held by the institution, including those belonging to local authorities. To minimise this risk of loss of part of the investments, in those circumstances it is proposed to seek secured status for the Authority's investments where appropriate. To facilitate this approach, the Authority's investment criteria have therefore been revised. We

North East Combined Authority

Leadership Board

will consider alternative approaches to investment in the next few months and provide a further report to a future meeting of the leadership Board.

Type of institution	Financial Limit	Time Limit
UK central government (Debt Management Office)	Unlimited	Unlimited
UK banks with AAA, AA+, AA, AA-, A+, A credit ratings	£15m each	1 year unsecured (no change) 2 years secured (NEW)
UK banks with A- credit ratings	£10m each	6 months unsecured (revised) 1 year secured (NEW)
UK Local authorities	£10m each	3 years
UK building societies whose lowest published long-term credit rating is BB <u>and</u> societies without credit ratings with assets greater than £250m	£5m each	6 months unsecured (revised) 1 year secured (revised)
UK money market funds and similar pooled vehicles whose lowest published credit rating is AAA	£5m each	1 year
Local Authority controlled companies in the NECA area (see Note 1)	£30m each	Up to 20 years

Note 1 - A change is proposed to the limit on investments with Local Authority owned companies, to enable increased flexibility to invest in/provide loans to local authority controlled companies in the NECA area should suitable opportunities arise. Specific investments will be agreed by the Leadership Board.

7 Next Steps

- 7.1 The final outturn position on the capital programme and revenue budget will be reported to the Leadership Board at a future meeting.

North East Combined Authority

Leadership Board

8 Potential Impact on Objectives

- 8.1 The report updates on progress with delivery of the capital programme of the Combined Authority which supports the meeting of all its objectives.
- 8.2 Effective treasury management enables financing charges to be minimised and interest income maximised while maintaining security of the Authority's liquid assets. This supports the Authority's overall budget position which enables it to deliver all of its objectives more effectively.

9 Finance and Other Resources

- 9.1 The financial implications are set out in the body of the report.

10 Legal

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

11 Other Considerations

11.1 Consultation/Community Engagement

The Authority's capital programme for 2015/16 comprises previously approved budgets which were subject to consultation as part of the approval process.

11.2 Human Rights

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

11.3 Equalities and Diversity

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

11.4 Risk Management

The report sets out actions in respect of the capital programme and Treasury Management arrangements that are intended to reduce the financial risk to NECA. The risk in respect of mental health trailblazer staffing costs will be managed by Northumberland.

11.5 Crime and Disorder

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

North East Combined Authority

Leadership Board

11.6 Environment and Sustainability

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

12 Background Documents

12.1 NECA Capital Programme 2015/16

NECA Treasury Management and Investment Strategy 2015/16

13 Links to the Local Transport Plans

13.1 There are no specific links to the local transport plans arising as a result of this report.

14 Appendices

14.1 Appendix 1 – Metro Capital Programme 2016/17 to 2018/19

Appendix 2 – Proposed Deferred Projects or Projects seeking Complementary Funding

Appendix 3 – Risk Based Approach to Metro Investment Planning

Appendix 4 – Network Schematic of Station Investment Programme 2010-2021

15 Contact Officers

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16 Sign off

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

North East Combined Authority

Leadership Board

Appendix 1

Metro Capital Programme 2016/17 to 2018/19

Capital Scheme	2016/17 (Year 7) to NELB January 2016	2017/18 (Year 8)	2018/19 (Year 9)	Total (Years 7 to 9)
	£000	£000	£000	£000
Civils				
<u>Bridges GHD-SSS (Scope)</u>				
1005 King Street Underbridge	0	50	200	250
1010 Crossgate Viaduct	50	0	0	50
1031 Concorde Way Underbridge (Jarrow)	50	0	0	50
1041 Reyrolle Underbridge	25	0	0	25
1044 Pelaw Interchange (Sunderland Line) Underbridge (assessment)	50	0	0	50
1045 Pelaw Interchange (Leamside Line) Underbridge (assessment)	50	0	0	50
<u>Bridges PCM to SGF</u>				
1104 Killingworth Road Underbridge	480	0	0	480
1142 Burnside Road Underbridge	50	0	0	50
1148 Beach Road Underbridge	50	0	0	50
1156 Tanners Bank Underbridge (feasibility study)	50	0	0	50
Earthworks GST-SSS (repairs from assessments)	0	0	500	500
Bridges BYK-MAN (1215 Stoddart Road Overbridge)	50	0	0	50
Byker viaduct	250	0	0	250
Howdon viaduct- Walkway works	200	0	0	200
Bridges NSH-WSD (1183 Stephenson's' Underbridge)	50	800	0	850
System wide retaining walls	0	150	150	300
Asbestos revisited works- Central area tunnels	310	0	0	310
Total Civils	1,715	1,000	850	3,565
Permanent Way				
Jesmond to Gateshead Stadium	935	712	0	1,647
Tynemouth to Northumberland Park	13,935	0	0	13,935
Chillingham Road to St James	4,015	0	0	4,015
Northumberland Park to South Gosforth	135	15,197	0	15,332

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Gateshead Stadium to South Shields (incl. S&C)	75	3,100	12,052	15,227
Switches & Crossings - Pelaw 7005pts & 7007pts	0	0	1,500	1,500
Total Permanent Way	19,095	19,010	13,552	51,656
Overhead Line				
OLE - System Development	3,000	3,000	3,000	9,000
Multi Functional Relays	650	0	0	650
Total Overhead Line	3,650	3,000	3,000	9,650
Stations				
Central Station	1,730	30	0	1,760
South Shields Interchange	550	1,750	0	1,750
Heworth	30	7	0	37
Manors	50	89	0	139
Gateshead	25	278	0	303
Jesmond	50	150	50	250
Kingston Park	0	0	150	150
Fawdon	0	0	173	173
Wansbeck Rd	0	0	159	159
West Monkseaton	50	250	0	300
Shiremoor	30	160	0	190
Palmersville	30	135	0	165
Benton	30	160	0	190
Longbenton	30	710	0	740
Tyne Dock	25	197	0	222
Tynemouth	0	60	0	60
Cullercoats	50	227	0	277
Whitley Bay	0	50	0	50
Monkseaton	50	250	0	300
Regent Centre	50	118	0	168
Four Lane Ends	50	87	0	137
Chichester	50	0	0	50
Northumberland Park	0	140	0	140
Stadium of Light/St. Peters	150	0	0	150
South Shields Training Centre	552	0	0	552
Rail Vehicle Accessibility Regulations (RVAR) Design	50	888	705	1,643
Total Stations	3,632	5,736	1,237	10,605
Communications				
Radio	3,050	0	0	3,050

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CCTV / PA Access	250	204	128	582
Public Address System	350	0	0	350
Total Communications	3,650	204	128	3,982
Signalling				
Signalling - RTMS	5,475	970	65	6,510
Reed track circuits	100	200	400	700
Location case rewire	300	300	300	900
Level crossing upgrade	210	200	0	410
Treadle replacement	0	0	200	200
Depot crossings (protection)	50	0	0	50
Scada	50	0	0	50
Signalling- Replacement point motors (critical locations)	500	876	0	1,376
Total Signalling	6,685	2,546	965	10,196
Mechanical and Electrical				
Escalator- Four Lane Ends	5	0	0	5
Escalator- St James	5	0	0	5
Escalator - Manors	5	0	0	5
DC Feeder Cable	240	0	0	240
Northumberland Park	0	200	0	200
Total Mechanical and Electrical	255	200	0	455
Metro Cars				
New Metrocar development	0	100	0	100
Total Metro Cars	0	100	0	100
Capital Maintenance				
Rail Grinding	0	200	0	200
Vehicle Replacement Programme	140	140	140	420
Lifts Refurbishment/Major Items	40	40	40	120
Plain Line Renewal	375	375	375	1,125
OHL Capital Maintenance	0	200	100	300
Capital Maintenance Concession - Part A	955	733	752	2,440
Capital Maintenance Concession - Part B	410	417	411	1,238
Capital Maintenance - Other	500	500	500	1,000
Stations Refurb - Esc Imps/Major Items	40	40	40	120
S&C Steelwork Renewal	0	0	0	0
Total Capital Maintenance	2,460	2,645	2,358	7,463
Miscellaneous				
Asset Knowledge	50	50	50	150

North East Combined Authority

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Metro Service	500	500	500	1,500
Nexus Rail HQ improvements	25	75	0	100
Total Miscellaneous	575	625	550	1,750
PM Costs				
PM Costs	0	0	1,993	1,993
Total PM Costs	0	0	1,993	1,993
Total ARP Programme Funding	41,717	35,065	24,633	101,415
Funding				
DfT Grant	31,000	30,000	23,000	84,000
10% Local Contribution	3,444	3,333	2,556	9,333
Major Projects (RCCO)	1,102	0	0	1,102
Overprogramming	6,171	1,732	-922	6,981
Total	41,717	35,065	24,633	101,415

Overprogramming (%)	17.4%	5.2%	-3.6%	7.4%
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Minimum/Maximum Spend (assuming no b/f or c/f)				
Minimum Spend	31,000	30,000	23,000	
Maximum Spend	37,889	36,667	28,111	

Target Spend	34,444	33,333	25,556	
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Appendix 2

Proposed Deferred Projects or Projects seeking Complementary Funding (within 3 year programme)

Capital Scheme	2017/18	2018/19	Total
	£000	£000	£000
Bridges - Benton (1114 1115B) (subway demolition)	274	0	274
1059 Old Fold Road Underbridge (repair)	371	0	371
1156 Tanners Bank Underbridge (construction)	50	2,647	2,697
1041 Reyrolle Underbridge	75	0	75
Opportunity led Bridge works	0	737	737
Earthworks GST-SSS (repairs from assessments)	2,000	500	2,500
Drainage for plain line	0	500	500
Track works - Regent Centre to Airport	150	150	300
Control Centre improvements	309	0	309
Stations			
Heworth	2,500	0	2,500
Manors	0	2,100	2,100
Gateshead	0	2,800	2,800
Jesmond	0	2,250	2,250
Regent Centre	2,700	0	2,700
Four Lane Ends	2,700	0	2,700
Chichester	384	0	384
Whitley Bay	50	500	550
Tynemouth	40	500	540
Simonside	50	0	50
Total	11,654	12,684	24,338

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Appendix 3

Risk Based Approach to Metro Investment Planning

The risk model uses a simple grading mechanism in order to classify the risk to the business. The risk category is defined as red, amber or green by the combination of impact and probability as shown further in this Appendix.

A number of different impacts are considered when using this model, these being:-

Safety

- Personal Injury
- Customer Safety
- Compliance with Safety Standards

Non Infrastructure

- Passenger Experience
- Security
- Passenger Expectations
- Environment

Infrastructure

- Service Availability
- Service Reliability
- Repeat Failures
- Time to Repair
- Asset Availability

An important consideration in undertaking this assessment is that investment will be undertaken at some point post 2021.

Option 1

Defer refurbishment of underground and interchange stations, and track renewal and refurbishment between Regent Centre and Airport together with track renewal within Gosforth depot.

- This resulted in 1 red risk which was associated with the need for ongoing repairs and 2 amber risks associated with partial station closures and ageing electrical equipment.
- As well as causing disruption to passengers, these risks carry an associated risk of a reduction in fare income (and hence subsidy increase) as a result of station condition.

Option 2

Deferment of all track renewals from 2017/18 onwards.

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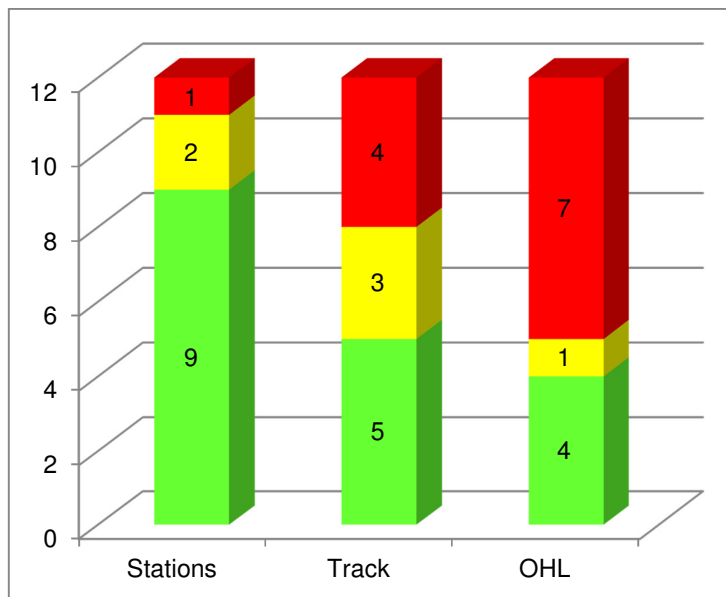
- This results in 4 red risks, the most significant one being the inability to maintain safety standards across the network without introducing permanent speed restrictions.
- The risk of rail buckles and rail breaks will increase with a consequent effect on service punctuality and reliability.
- In addition, there are 3 amber risks associated with passenger experience, passenger expectations and asset availability all of which are likely to result in reduced fare revenue.

Option 3

Deferment of Overhead Line renewals in totality combined with deferment of track renewal and refurbishment between Regent Centre and Airport, Gosforth Depot and a 60% reduction in the scope of track work between Gateshead Stadium and South Shields.

- This resulted in 7 red risks, mainly associated with the inability to maintain safety standards and the potentially significant disruption to the Metro service as result of overhead line failures due to worn wire and component failure. In this situation there would be widespread service disruption potentially leading to a significant reduction in passengers on the entire network with the consequential effect on the farebox.

The risks that are assessed to accrue, based on the analysis undertaken in each of the three options are detailed in the graph below:-



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The lowest risk option of accommodating the reduction in funding is therefore to defer further work on the major underground and interchange type stations. It is recommended however that where appropriate, design work is progressed in order to take advantage of any other sources of funding that might emerge. In particular it should be noted that Expressions of Interest for LGF funding for these stations have been submitted and work is ongoing to develop these bids further.

Nexus Business Risk Assessment Matrices

Nexus Impact Scoring Scale						
Index	Measure	VL	L	M	H	VH
1	Personal Injury	Incident but no Injury	Injury but no time off work	Non Reportable accident (< 3days off work)	Reportable accident (>3 days off work)	Fatality or permanent disability resulting in incapacity to work
2	Customer Safety	Incident but no Injury	Injury but no time off work	Non Reportable accident (< 3days off work)	Reportable accident (>3 days off work)	Fatality or permanent disability resulting in incapacity to work
3	Compliance with Safety Standards	Fully Compliant	Minor non-compliance with derogation in place	Temporary non-compliance with derogation in place	Non-conformance & derogation not in place	Multiple (compound) non-conformance & derogations not in place
4	Passenger Experience	No impact in customers	Minor reduction in customers on entire network	Significant reduction in local customers after peak	Significant reduction in local customers	Significant reduction in customers on entire network
5	Security	No impact in customers	Minor reduction in customers on entire network	Significant reduction in local customers after peak	Significant reduction in local customers	Significant reduction in customers on entire network
6	Passengers expectations	No impact in customers	Minor reduction in customers on entire network	Significant reduction in local customers after peak	Significant reduction in local customers	Significant reduction in customers on entire network
7	Environment	Significantly Exceeds Carbon Emission Target (7% over n years)	Exceeds Carbon Emission Target	Meets Carbon Emission Target	Carbon Emissions Under Target by <=5%	Carbon Emissions Under Target by >5%
8	Service Availability	No impact	Manual intervention to maintain service	Reduced Service	Partial Closure	Close Network
9	Service Reliability	Non-timetabled	Timetabled services	Yellow or Green Off-peak	Yellow & Green Off-peak, Yellow or Green Peak Periods	Yellow & Green Peak Periods
10	Repeat Failures	1	2	3	4	5
11	Time to repair	<10	10 to 29	30 to 59	60 to 179	>180
12	Asset Availability	No impact	Manual intervention required	Reduced Functionality	Partial Closure	Total Closure
13						

Nexus Probability Scoring Scale		
Probability of Impact Occuring		
Matrix	Description	Probability
VH	More than 3 impacts in 2 years	>= 80%
H	1 impact per year up to 3 impacts in 2 years	60% to 79%
M	1 impact in 2 years up to 1 impact per year	40% to 59%
L	1 impact in 5 years up to 1 impact in 2 years	20% to 39%
VL	Less than 1 impact in 5 years	<20%

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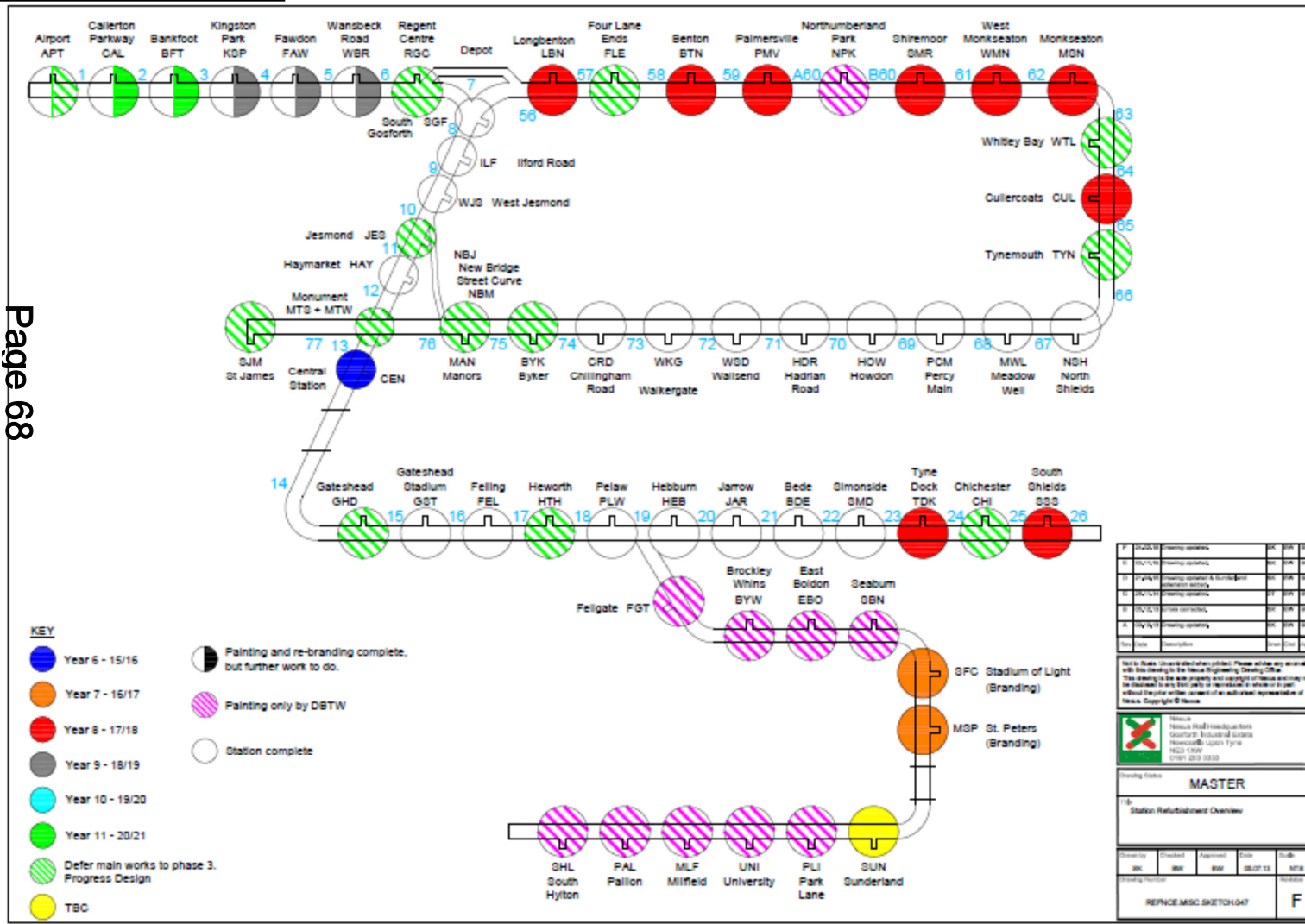
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		Probability / Impact Matrix - Proposed Solution				
		IMPACT				
		VL	L	M	H	VH
PROBABILITY	VH	Green	Yellow	Red	Red	Red
	H	Green	Yellow	Yellow	Red	Red
	M	Green	Green	Yellow	Yellow	Red
	L	Green	Green	Green	Yellow	Yellow
	VL	Green	Green	Green	Green	Yellow

North East Combined Authority

North East Leadership Board (NELB)

Appendix 4



Page 68