



North East Combined Authority, Leadership Board

Tuesday 20 September 2016 at 2.00pm

Meeting to be held: Committee Room, Sunderland Civic Centre, Burdon Road, Sunderland, SR2 7SN

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AGENDA

	Page No
1. Apologies for Absence (Members)	
2. Declarations of Interest	
Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be handed to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.	
3. Minutes of the Previous Meeting held on 19 July 2016	1 - 8
4. Devolution Update	
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	
5. Updates from Thematic Leads	
(a) Economic Development and Regeneration	9 - 14
(b) Employability and Inclusion	15 - 24
(c) Transport	25 - 42

6. **Annual Report and Accounts**

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

7. **Draft Budget 2017/18 and Transport Levies - Process and Timetable** **43 - 50**

8. **Generation NE Progress Update** **51 - 56**

9. **North East JEREMIE 2 Fund** **57 - 72**

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

Tuesday, 15 November 2016 at 2pm at County Hall, Durham.

11. **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.

12. **Confidential Minutes of the Previous Meeting held on 19 July 2016** **73 - 74**

13. **Local Growth Fund - Project Approval**

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

14. **Going Ultra Low Electric Vehicles ERDF Bid**

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

15. **Tyne Tunnels - Update** **75 - 80**

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 July 2016

Meeting held: Committee Room, Northumberland County Council, County Hall, Morpeth, NE61 2EF

Present:

Councillor P Watson (Chair)

Councillors G Davey, N Forbes, M Gannon, S Henig and I Malcolm and Mayor N Redfearn

22 **APOLOGIES FOR ABSENCE (MEMBERS)**

An apology for absence was received from Mr A Hodgson.

23 **DECLARATIONS OF INTEREST**

There were no declarations of interest during the part of the meeting that was open to the public.

24 **MINUTES OF THE PREVIOUS MEETING HELD ON 21 JUNE 2016**

The minutes of the previous meeting held on 21 June 2016 were approved as a correct record and signed by the Chair.

25 **MINUTES OF THE EXTRAORDINARY MEETING HELD ON 4 JULY 2016**

The minutes of the extraordinary meeting held on 4 July 2016 were approved as a correct record and signed by the Chair.

26 **APPOINTMENT OF THE THEMATIC LEADS OF THE COMBINED AUTHORITY, APPOINTMENT OF VICE CHAIRS OF THE LEADERSHIP BOARD AND NOMINATION OF VICE-CHAIR OF THE NORTH EAST LOCAL ENTERPRISE PARTNERSHIP**

The Leadership Board considered the report which invited the Board to appoint its Vice-Chairs, appoint the Thematic Leads for the thematic areas and to nominate the Chair of the Leadership Board to be the Vice-Chair of the North East Local Enterprise Partnership, all for the municipal year 2016/17.

RESOLVED – That:

- i. Councillor Simon Henig and Mayor Norma Redfearn be appointed as Vice-Chairs of the Leadership Board for the municipal year 2016/17;

- ii. Councillor Iain Malcolm be appointed as the Thematic Lead for Economic Development and Regeneration thematic area for the municipal year 2016/17 and Chair of the Economic Development and Regeneration Advisory Board;
- iii. Councillor Nick Forbes be re-appointed as the Thematic Lead for Transport (and Digital Connectivity) thematic area for the municipal year 2016/17;
- iv. Councillor Grant Davey be re-appointed as the Thematic Lead for Employability and Inclusion thematic area for the municipal year 2016/17; and
- v. Councillor P Watson, the Chair of the Leadership Board be nominated as the Vice-Chair of the North East Local Enterprise Partnership.

27 DEVOLUTION UPDATE

Members considered the report which provided an update on the assurances sought from the Government on the provisions of the Devolution Agreement for the North East following the result of the referendum on the UK's membership of the European Union. The report also invited the Leadership Board to consider the next steps.

Members discussed whether the latest letter from the Secretary of State in response to the Authority's request for assurances in relation to the Government's commitment to the terms of the Devolution Agreement of October 2015 should be considered as firm assurances in the light of the changes within the Government. A number of views were expressed.

A Member moved, and this was seconded by another Member, a proposal to amend the recommendations set out in the report to read as at (A) below. During the ensuing discussion Members commenting on the following matters:

- the importance of progressing devolution for the North East;
- the importance of devolution for securing the first tier access to funding;
- risks associated with delaying devolution;
- the importance of the North East having a strong voice and being at the negotiation table through moving forward with the next stages towards devolution;
- the importance of understanding the views of the new Government on devolution;
- the importance of full assurances from the new Government as to the terms of the proposed Devolution Agreement signed in October 2015;
- the importance of the Authority moving forward with its own Scheme;
- the position of Gateshead Council;
- support for devolution from the business sector;
- the promises made as part of the Brexit campaign in relation to honouring previous commitments; and
- the Authority being able to progress with the consultation on the Draft Scheme whilst seeking further assurances from the Government.

The Chair then read out a different set of recommendations, as at (B) below, which were proposed to replace the recommendations set out in the report. Following a deliberation, a Member moved, and this was seconded by another Member, a proposal that the meeting should be adjourned for a short period. The Chair agreed to adjourn the meeting for a short period.

Decision

Once the meeting resumed, Members proceeded to vote on the amendments to the recommendations set out in the report, as proposed and seconded at the meeting.

Proposal A

(A) A Member moved, and this was seconded by another Member, a proposal to amend the recommendations set out in the report to the following:

- i. The contents of the report be noted;
- ii. The heightened importance of devolved funding and powers to the North East as a result of the EU referendum be noted;
- iii. The Governance Review and Scheme be approved and published for consultation;
- iv. Assurances be sought from the Government that the terms of the deal signed on 23 October 2015 continued to be supported by the Government in full;
- v. Further devolution of powers and responsibilities be sought from the Government before the signing of the second Order.

By a majority of 5 to 2 it was **RESOLVED** – That the proposal was not carried.

Proposal B

(B) A Member moved, and this was seconded by another Member, a different proposal to amend the recommendations set out in the report to the following:

- i. The contents of the report be noted;
- ii. The heightened importance of devolved funding and powers to the North East as a result of the EU referendum be noted;
- iii. Assurances be sought from the Government that the terms of the deal signed on 23 October 2015 were supported by the Government in full;
- iv. The Governance Review and Scheme be approved, published and consulted on pursuant to the section 112 of the Local Democracy, Economic Development and Construction Act 2009 subject to receipt and acceptance by the Leadership Board of the assurances from the Government referred to in the recommendation (iii) above;

- v. Preparations be made to negotiate with the Government on the further devolution of funding, powers and responsibilities to the North East prior to the publication of the second order.

By a majority of 5 (with 2 abstentions) it was **RESOLVED** – That the proposal be approved.

The Leadership Board, therefore, **RESOLVED** – That:

- i. The contents of the report be noted;
- ii. The heightened importance of devolved funding and powers to the North East as a result of the EU referendum be noted;
- iii. Assurances be sought from the Government that the terms of the deal signed on 23 October 2015 were supported by the Government in full;
- iv. The Governance Review and Scheme be approved, published and consulted on pursuant to the section 112 of the Local Democracy, Economic Development and Construction Act 2009 subject to receipt and acceptance by the Leadership Board of the assurances from the Government referred to in the recommendation (iii) above;
- v. Preparations be made to negotiate with the Government on the further devolution of funding, powers and responsibilities to the North East prior to the publication of the second order.

28 **UPDATES**

(a) **Economic Development and Regeneration**

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

Members considered the report which provided an update on activity and progress under the Economic Development and Regeneration theme of the Combined Authority. The report was introduced by the Chair who highlighted key achievements and congratulated officers on their work in the current challenging environment following the outcome of the referendum on the UK's membership of the European Union.

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 the latest progress made in delivering the Employability and Inclusion (and Skills) themes of the

Strategic Economic Plan (SEP) for the North East. The report was introduced by the Thematic Lead who highlighted key achievements.

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 developments and announcements in relation to transport. The report also included an update on digital connectivity, reflecting its role alongside transport within the Strategic Economic Plan. The report was introduced by the Thematic Lead who highlighted the vast amount of work being undertaken.

RESOLVED – That the report be noted.

29 **APPROVAL TO SUBMIT A PROPOSAL FOR TRANSPORT FOR THE NORTH TO BECOME A STATUTORY BODY**

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

The Leadership Board considered the report which provided information on the Transport for the North's Partnership Board proposals for Transport for the North to become a statutory body. The report also sought the Leadership Board's endorsement of the proposal and associated matters.

RESOLVED – That:

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

30 **LARGE LOCAL MAJOR SCHEMES FUND**

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

The Leadership Board considered the report which provided a summary of the transport schemes that were proposed to be submitted by the North East Local Enterprise Partnership to the Department for Transport (DfT) for funding from the DfT's Large Local Major Schemes Fund, taking into account further clarification that was awaited from the Department.

RESOLVED – That:

- i. The prior submission of the 'Ashington, Blyth and Tyne Line re-opening' scheme for 'fast track' consideration to the Fund be endorsed;
- ii. The North East Local Enterprise Partnership (LEP) be advised that the 'Sunderland Commercial Links' scheme was considered to be the North East Combined Authority's (NECA) main priority for the LEP's submission to the delivery element of the Fund, as it was the only scheme at the present time in a suitable state to draw down direct capital investment during the funding period, this in addition to the 'fast-track' scheme already submitted;
- iii. If following further discussion with the Department for Transport the opportunity arose, the 'Metrofutures' scheme should be included as an additional proposed scheme to the Fund, but that if not, the development of Metrofutures would be considered as a priority for the NECA and other sources of funding would be sought; and
- iv. Development of improved transport modelling tools should be taken forward by the NECA officers as a priority, and that sources of funding should be identified to achieve this.

31 **DEVELOPMENT OF THE METRO AND LOCAL RAIL SYSTEMS**

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

The Leadership Board considered the report which sought approval for a new Metro and Local Rail Strategy; summarised the outline business cases for the Metro fleet renewal and associated infrastructure and the continuation of essential renewal of the Metro infrastructure; set out the key features of the draft specification for the new Metro fleet; and considered the broad options for future operating arrangements to deliver the Metro service.

Members welcomed the report, particularly the ambitious nature and the regional and holistic approach with regard to the proposals. The Chair congratulated the Managing Director's (Transport Operations) on this work and asked for thanks to be passed on to his team.

The ensuing discussion included matters such as prioritisation of funding, the long-term nature of the strategy, the benefits of working as a combined authority and the benefits of decision-making being undertaken jointly by the constituent local authorities.

RESOLVED – That:

- i. The proposed Metro and Local Rail Strategy be approved;
- ii. The outline business cases for the replacement of the Metrocar fleet and associated infrastructure, and for the continuation of the programme of essential renewal of the Metro infrastructure, be adopted; and
- iii. Progress towards the development of a specification for the new Metrocars, along with the identification of future operating models, be noted.

32 **FINANCE UPDATE - 2016/17 REVENUE BUDGET AND CAPITAL PROGRAMME**

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

The Leadership Board considered the report which provided an update on the position of the revenue budget and capital programme.

RESOLVED – That:

- i. The update information provided about the revenue budget position for 2016/17 be noted; and
- ii. The update information provided about the capital programme for 2016/17 be noted.

33 **FINANCE UPDATE - OUTTURN 2015/16**

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

The Leadership Board considered the report which set out the outturn position for 2015/16 against the revenue budget and the capital programme.

RESOLVED – That the outturn position on the revenue budget and the capital programme for 2015/16, as set out in this report, be noted.

34 **DATE AND TIME OF NEXT MEETING**

Tuesday, 20 September 2016 at 2pm at Sunderland City Council.

35 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED – That by virtue of Paragraphs 3 and 5 of Part 1 of Schedule 12A of the Local Government Act 1972 press and public be excluded from the remainder of the meeting during the consideration of agenda items 15, 16, 17 and 18 because exempt information was likely to be disclosed and the public interest test against the disclosure was satisfied.

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North East Combined Authority

Leadership Board

DATE: 20 September 2016

SUBJECT: Economic Development and Regeneration Theme Update

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.

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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 Inward Investment

2.1 Inward Investment 2016/17 (Quarter 1) Successes

In Quarter 1, in total there were 16 inward investments into the NECA area which will lead to the creation of 2,435 jobs.

2.2 Foreign Direct Investment

There were ten investments leading to the creation of 880 new jobs. Investors included:

- Teleperformance (Call centre outsourcer)
- Accenture (Software ICT)
- Janus international (Manufacturing)
- Unipress (Automotive)

2.3 Investments by UK-owned Companies from Outside of the Region

There were six investments leading to the creation of 1,555 jobs. Companies announcing investments included:

- ResQ (Contact Centre)
- Estover Energy (Energy)
- Fermeda (Life Sciences)

3.1 Enquiries

There continues to be significantly fewer enquiries coming through to the Invest North East England (INEE) Team than last year. This is mainly down to fewer enquiries from UKTI (INEE are the single point of contact for new enquiries from UKTI in the NECA area). The impact of Brexit is one possible cause of this. INEE is working closely with UKTI to gain a better understanding of what is happening and to ensure that enquiry levels recover in the second half of 2016/17.

3.2 Invest North East England Website

One way in which the INEE team is planning to increase the size and quality of its investment enquiry pipeline is by becoming a proactive service, actively generating new investment enquiries. A key element of this new approach is the launch of the new INEE website, scheduled for the end of September.

In parallel with the website launch there will be an associated social media campaign, aimed at generating enquiries from key sectors. New investment leads are also to be sourced through lead generation contracts in key markets. In the first instance UK and overseas companies based in London will be targeted.

3.3 MIPIM UK

INEE is to have a stand presence at the UK's largest property investment event, MIPIM UK, which is being held in London from 19-21 October. Six private sector partner sponsors will also be attending from the North East along with representatives from NECA's constituent local authorities. As part of the event, there will be a business showcase event held with a private/public sector panel discussing key recent property deals and new opportunities available to investors in North East England.

3.4 Economic Development and Regeneration Inward Investment Workshop – 26 July 2016

3.5 Building on the discussion and presentations at the EDRAB meeting in March and a 'UKTI Summit' on the development of the Northern Powerhouse in April, an Inward Investment Workshop took place on 26th July 2016. Alongside EDRAB members (supported by economic development officers from each local authority), UKTI and private sector representatives took part in the workshop.

A debate took place on the future of Inward Investment services and activity in the NECA area. Presentations were received from UKTI and Pricewaterhouse Coopers, property development sector representatives and the Director of Invest North East England.

The Deputy Director of Global Operations for UKTI updated the group on the changes to UKTI including the new dedicated, north-focused team. It was stressed that 'co-delivery' with partners is key in the climate of limited resources. PWC had been commissioned by UKTI to undertake work on the development of the Northern Powerhouse and it was outlined that this would involve an online survey to gather factual evidence over the summer to understand where opportunities exist, followed up with face to face interviews with key stakeholders. The report is expected by the end of the year.

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Adam Serfontein, the Managing Director of Hanro Group and Chair of Developing Consensus, along with other private sector colleagues (Tim Evans from Knight Frank and Michelle Percy from Clouston Group), provided perspectives on investing in the North East. They identified some of the experiences of investors and the private/property sector. Discussion focused on the need to promote the region coherently 'at the point of entry' and to better understand the benefits to all of each single investment. A call was made for more resource into the Invest North East team and an offer was made for the private sector to input funding to grow the team if matched by local authority funding.

The workshop concluded with a presentation from the Director of Invest North East England focusing on the issues in attracting investment to the North East, specifically the organisation of local capacity and resources. The group discussed how best to target these.

It was agreed that the EDRAB would consider the outcomes of the discussion and agree further steps.

4.0 Regional Investment Plan / Project Pipeline

4.1 The Board has received previous updates on the development of a project pipeline and how work undertaken to date has proved useful in informing bids and programmes for funding.

4.2 Information has been compiled on the type of investment, planned output/outcomes, any public investment required, delivery timescales, planning status and barriers to development, for each site (employment and housing). The work is undertaken by the NECA Planning and Housing Officer Group hosted by Durham County Council, which reports into the NECA Economic Directors.

4.3 This pipeline of projects / sites and the supporting 'spatial narrative' have helped inform the assembly of a set of significant infrastructure projects that were included in the NELEP submission to the Local Growth Fund (LGF Round 3) in July 2016. Discussions with DCLG will shortly begin, with announcements anticipated as part of the Chancellor's Autumn Statement (usually late November/early December).

5.0 Potential Impact on Objectives

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

6.0 Finance and Other Resources

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

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8.0 Legal

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

8.0 Other Considerations

8.1 Consultation/Community Engagement

There are no issues arising from this report for consultation.

9.0 Human Rights

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

10.0 Equalities and Diversity

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

11 Risk Management

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

12 Crime and Disorder

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

13 Environment and Sustainability

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

14 Background Documents

14.1 North East Strategic Economic Plan – More and Better Jobs

15 Links to Plans in the Policy Framework

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

16 Appendices

16.1 None.

17 Contact Officers

North East Combined Authority

Leadership Board

17.1 John.scott@southtyneside.gov.uk, 0191 424 6250

18 Sign off

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

North East Combined Authority

Leadership Board

Date: 20 September 2016

Subject: EMPLOYABILITY AND INCLUSION UPDATE

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

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

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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 design of a number of Careers Videos that will be developed to promote our key priority sectors. Denis Hall Associates have been appointed to develop the videos, which are expected to be available in the autumn 2016. They 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.
- 1.3 CfBT (the North East provider for the National Careers Service) is currently developing a programme for a North East LMI Conference. The provisional date for the conference is 17 November 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.
- 1.4 Work is ongoing to support various initiatives with their LMI needs including the Good Career Guidance Benchmarks, development of Devolution proposals and support to ensure that ESF proposals meet our strategic priorities.

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

- 1.5 The DWP 'Opt-In' programme utilising £6m European Social Fund (ESF) will test a locally designed programme to help long term unemployed residents into work, targeting residents who have completed the DWP Work Programme without finding sustained work and who have a mental or physical health barrier to work.
- 1.6 The tendering process closed at the end of April. The preferred bidder for the North East has been agreed and can be made public on 15th September. The anticipated contract period will be November 2016 to October 2019 to support 2,500 participants across the NECA area. NECA officers will be part of performance management arrangements and will work with DWP to ensure

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delivery is effectively at the local level and integrated with other local provision.

Mental Health Trailblazer

- 1.7 The North East Mental Health Trailblazer will pilot an approach to improve job outcome rates for unemployed people with mental health conditions through integrating employment support with psychological therapy delivered by Increasing Access to Psychological Therapies (IAPT) services in each NECA LA area. The £2.2m two year programme will support 1,500 participants across the NECA area. It is being overseen by the DWP/DH Work and Health Unit.
- 1.8 The programme has been significantly delayed by DWP approval processes. However, most processes are now completed and staff are being appointed in September. Jobcentre Plus staff will undergo training to identify and refer participants. The formal launch data and first referrals will now take place in early October.

2 Youth employment

Generation NE

- 2.1 Generation NE is now fully operational and the programme has supported in excess of 2400 young people, of which over 1200 have moved into employment and over 200 have gained work experience to date, 500 of those gaining employment have now sustained employment for 6 months or more.
- 2.2 The programme is continuing to deliver very good value for money compared to original expectations and this has been highlighted in a 'mid-term review' of the programme; a full report of the review findings has been prepared for Leadership Board.
- 2.3 Delivery of Generation NE will extend to the full NECA geography by October 2016, with the programme manager involved in an active dialogue with officers and Jobcentre Plus representatives to facilitate this.
- 2.4 Generation NE is demonstrating the impact that can be achieved through a programme that is locally led, both strategically and operationally and that can impartially 'make sense' of a complex and fragmented system. In order to continue to contribute to tackling our local economic challenges it is suggested that Generation NE should be extended and widen its focus, delivering support for those young people that do not claim benefit and are generally ineligible for much of the mainstream government support. The

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programme manager is in active dialogue with DCLG and DWP to facilitate this.

- 2.5 Funding is currently available to support this extension under Investment Priority 1.2 of the European Social Fund or the equivalent domestic funding to replace it. It is recommended that the principle of aligning some of this available funding to Generation NE should be further explored, which will allow the lifetime of the programme to be extended for up to 3 years and also the impact of the programme to be broadened to support a wider cohort of young people outlined above. Support will continue to be delivered to the existing eligibility group of young people who claim Jobseekers Allowance and Universal Credit.

Durham Youth Employment Initiative (DurhamWorks)

- 2.6 DurhamWorks has been delivering since April and at 10th August had engaged 1005 participants. 62% are male and 38% female with 51% being 16-18 years old and 49% being 19-24. Changes to the participant eligibility evidence required by DWP have proved challenging, but processes are in place to ensure that DWP's expectations are met. The first claim has been submitted to DWP and all partners are now waiting for confirmation of payment.
- 2.7 All Delivery Partners have access to the BkSB initial assessment tool which they are using to support participants with functional English and maths.
- 2.8 The Hanlon participant tracking system is being used by all Delivery Partners and continues to be refined to meet the needs of the programme. The performance reporting tools in the system are beginning to take shape and will provide valuable data from quarter 3 onwards.
- 2.9 Groups to support the ESIF Cross Cutting themes of Sustainability and Gender Equality and Equality of Opportunity have been established, alongside those for the development of Marketing activity and the Participant Voice. The latter group is particularly important because the group will identify ways to access feedback from DurhamWorks participants about what is and isn't working for them in order to refine delivery. Delivery Partner representatives are engaged in each of these groups and their expertise and knowledge will be invaluable in shaping the groups' work.
- 2.10 Marketing and Employer Engagement plans are in place. There is an interim DurhamWorks website - www.durhamworks.info and a procurement exercise is currently underway to create a permanent site. The DurhamWorks Facebook page is also now live - www.facebook.com/durhamworks. The wrap

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around support staff are using Facebook as an engagement tool with participants and young people are responding well to this form of contact.

Good Career Guidance Benchmarks

- 2.11 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.
- 2.12 Schools and colleges are currently re-auditing their position against each benchmark. This process will be completed by September and we are seeing significant progress, both in terms of fully achieving and partially achieving each career benchmark. At least three schools now fully achieve five of the benchmarks – making them comparable with the best that was seen nationally. The North East LEP is currently considering models to enable the benchmarks to be rolled-out wider than the initial pilot schools and colleges.
- 2.13 The new national strategy for careers education has been completed in final draft form. The release of the new strategy has been delayed due to the appointment of a new Secretary of State for Education and a new ministerial team. The decision was taken to release the Sainsbury Review of Technical Education first and this happened in July. We are in close contact with the DfE about the release of the new national careers strategy and associated updated statutory guidance; and have developed a regional campaign to coincide with the release of the new national careers strategy so that the North East's position, in terms of leading on this work, is recognised.
- 2.14 The Sub-Committee, formed last year from the BIS and Education Select Committees to look at Careers Education, published its report. The Career Benchmarks and the North East pilot were mentioned favourably. The work we are doing delivers against many of the recommendations. We are in the process of arranging meetings with the North East MP's who sit on the reporting committee.
- 2.15 An information session was held in July for LA guidance staff to raise awareness and understanding of the career benchmarks and how they are being implemented by schools in each LA area. This builds on previous sessions that have been held in several LA areas. Two members of staff from each LA team attended the Connexions Hub and will share information back with their respective teams.
- 2.16 The pilot has funded 10 additional innovation projects across the North East LEP region. These include:

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- How can schools provide meaningful experiences of workplaces in constrained financial climates? – a study with the MDI Unit at Northumbria University with recommendations tested by schools.
- A National Good Practice guide focusing on how employers (especially enterprise advisers) can be integrated into the to both the pastoral and curriculum aspects of a school to make maximum impact.
- A research report investigating what young people mean by LMI, how they currently access LMI, how they would like to access this in the future and what they would like to be able to do with it.
- Sector based resource development with associated lesson plans for Y7/8 pupils.
- The development of a young career advocates programme focusing on pupil voice in careers education and the development of peer to peer careers resources and peer to peer careers messaging. The model will be created for replication in other schools and colleges.
- Integrating careers education into the initial teacher training of staff who intend to join the profession.
- An investigative study looking at where parents get their careers information from and how this could be improved in the future so that accurate information can be provided to young people to enable them to make more fully informed decisions.
- Development of a real-time data analytics resource that can be integrated into curriculum planning and careers messaging, including the potential development of a digital careers adviser app.
- Destinations data being tracked and shared in a more comprehensive, more timely and more coherent form so that it can be used more effectively by LEP's, LA's, School leaders, careers advisers, parents and young people.

Enterprise Advisors

- 2.17 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.
- 2.18 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

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another in May 2016. To date there are currently 59 Enterprise Advisers supporting the initiative; 40 as strategic level Enterprise Advisers (Tier 1) and 19 who wish to support the strategic level Enterprise Advisers (Tier 2).

- 2.19 Activity planned in the near future includes an 'Inspiration event', in the autumn, which will celebrate distance travelled by the national 'Good Career Guidance Benchmarks' pilot in the North East LEP region; further promote the opportunity to join Enterprise Adviser Network and enable further matches of Enterprise Advisers and schools/colleges.

3. Apprenticeships

- 3.1 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).
- 3.2 Given this background, a desire has been expressed to 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.
- 3.3 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.
- 3.4 The Apprenticeship Growth Partnership (AGP) met in July 2016, future meeting scheduled to take place on a quarterly basis. The group now has broad and varied representation from businesses, education and training provision. The remit of the AGP is to support businesses, to encourage the development of apprenticeship vacancies, to promote higher level

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apprenticeships and to engage sector groups to develop standards and liaise and promote the development of high quality apprenticeships.

- 3.5 The focus of the latest meeting was to discuss a strategy to engage employers regarding the reforms, concerns and the challenges employers foresee and how these can be collated and fed back through boards to Government.
- 3.6 On Friday 12th August the government published updated proposals for consultation on how the apprenticeship levy will operate from April 2017. This had been due at the end of June 2016 and was delayed due to the referendum.
- 3.7 This included information on a new apprenticeship funding system for frameworks and standards, rules for funding cross-border training and the re-training of existing staff. Updated guidance has also been published for businesses considering the employer-provider option and proposals for a new register specifically for apprenticeship training providers. The government is aiming to publish the consultation outcome in October, which will be followed by the final funding & eligibility rules in December.

4. Skills – capital investment

- 4.1 2015/16 was the first full year of the North East Growth Deal LGF Capital Programme. Ensuring the annual budget was effectively committed was a major challenge and through the efforts of delivery partners 96% of budget was spent which is regarded by Government as a positive achievement.
- 4.2 Most projects in the programme still remain at the pipeline or construction phase; however two skills projects were fully completed in 2015/16. It is not until later years of the programme that contracted outcomes are forecast to increase and targets for 2015/16 were largely met.
- 4.3 Government has confirmed that the £4.275bn remaining from the £12bn national Growth Fund budget 2015-21 will be allocated as follows:
- Housing and Communities Agency (HCA) - £2bn to support, via loans, infrastructure investment for major housing schemes – developments of over 2,500 homes.
 - DofT Large Local Transport Scheme - £475m – of which £150m is pre-allocated.
 - Growth Deal Round 3 - £1.8bn – includes a non- ring fenced £500m Access Fund.

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- 4.4 Proposals for the Growth Fund Round 3 and Large Transport Scheme were submitted in mid-July 2016. Formal notification is expected as part of the 2016 Autumn statement. Consultation with a wide range of strategic partners was undertaken and Skills Capital remains a high priority for the region.

5 Potential Impact on Objectives

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

6 Finance and Other Resources

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

7 Legal

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

8 Other Considerations

8.1 Consultation/Community Engagement

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

8.2 Human Rights

There are no specific issues arising from this report.

8.3 Equalities and Diversity

There are no specific issues arising from this report.

8.4 Risk Management

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

8.5 Crime and Disorder

There are no specific issues arising from this report.

8.6 Environment and Sustainability

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There are no specific issues arising from this report.

9 Background Documents

9.1 None

10 Links to the Local Transport Plans

10.1 Accessibility to employability, inclusion and skills provision is a key challenge for the North East that is appropriately reflected in the emerging Local Transport Plan.

11 Appendices

11.1 None

12 Contact Officers

12.1 Janice Rose, Policy Manager, Northumberland County Council
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01670 624747

12 Sign off

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

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Leadership Board

DATE: 20th September 2016

SUBJECT: Transport Thematic Lead Update Report

REPORT OF: Thematic Lead for Transport

EXECUTIVE SUMMARY

This report gives details of developments and announcements since the last update report was provided to the Leadership Board on 19th July 2016. Although, due to the parliamentary recess, major government announcements have been relatively few, there has been progress as reported below regarding:

- Transport Manifesto and Plan
- Transport for the North
- Rail
- Public Transport (Buses, Metro and Smart Travel)
- Large Local Major Transport Schemes
- Sustainable Transport

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

RECOMMENDATIONS

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

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1. Transport Manifesto and Plan

1.1 The draft refreshed version of the Transport Manifesto will be taken to the November meeting of Transport North East Committee for approval and then placed on the NECA website when the full Plan goes out to public consultation.

1.2 The draft of the full Transport Plan document is currently with relevant officers at each of the seven Councils for comment. Informal discussions will be held with lead Members from each Council in late September/early October. Dependent on the scale of consequent changes it is hoped to take the Plan to the November meeting of Transport North East Committee and to Leadership Board. The public consultation is intended to take place in early 2017.

2. Transport for the North (TfN)

2.1 At its last meeting the Leadership Board agreed in principle to support the proposal for TfN to become a statutory body, drawing down powers to deliver investment and improve services, devolved from central government.

Details of progress with individual TfN workstreams are given below.

2.2 TfN Transport Strategy and Investment Plan

2.2.1 As a sub-national transport body, TfN must develop a Transport Strategy and Investment Plan. Work on the Plan, which will draw together all of TfN's existing workstreams into a unified whole, is underway and will be completed in late 2017. The Plan will also incorporate two 'daughter' strategies, a Highways Strategy and an Integrated Rail Strategy. NECA officers will be taking part in the development of the plan and associated Strategies.

2.3 Northern Powerhouse Rail (NPR)

2.3.1 NPR is the title given to a workstream looking at infrastructure options to increase capacity on the North's rail network as well as speeding up journeys between key economic centres. For the North East this work focuses on the Leeds to Newcastle corridor. Evidence from a separate Network Rail long term planning process is showing that, even without NPR, capacity between Leeds and Newcastle, including at Newcastle Central Station, will need to increase in the future to accommodate predicted growth.

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- 2.3.2 Regarding the Leeds to Newcastle corridor, work led by Network Rail suggests that significant track and station improvements will be required to achieve TfN's ambitions for a 60 minute Newcastle – Leeds journey time and a frequency of 4 trains per hour. This would bring significant economic benefits to the North East by improving connections to other major economic centres.
- 2.3.3 TfN has engaged consultants to assist with the route option prioritisation process which will lead to a preferred infrastructure package being recommended for consideration by the TfN Partnership Board at its December meeting. Three broad options are emerging:
- i) a wholly new direct line between Leeds and Newcastle
 - ii) utilising the planned HS2 route from Leeds to the ECML, and then line improvements north of York with some 'cut offs' to improve journey time
 - iii) As option (ii) plus reopening the Leamside Line to increase capacity
- 2.3.4 Although the original remit for NPR was to link the main northern cities plus Manchester Airport, as work has progressed and the upgrade of the East Coast Main Line is forming a likely part of the solution, calls at York, Darlington and Durham are also being looked at in terms of the impact on journey times as well as the economic value of calling at these other significant economic centres.
- 2.3.5 At the same time work is also progressing on the economic case for the overall Northern regional network to feed into the development of the outline business case for investment to fund the ambitious rail improvements required to deliver the overall NPR capacity and journey time outputs.
- 2.3.6 Network Rail's "Digital Railway" Project, which involves the long-term replacement of the track side signalling with an on-board signalling system, would also assist towards meeting the journey time reduction target when introduced on the East Coast Main Line.
- 2.3.7 The aim of NPR is to boost economic growth through facilitating greater numbers of passengers travelling to key locations for jobs, education and leisure purposes. The stations where these services stop will therefore need to be assessed to see how best to accommodate the predicted increase in passengers.
- 2.3.8 With regard to the changes needed to accommodate additional passengers at Newcastle Station, it has not yet been determined how many additional trains are required to complement the current services to cater for the uplift in demand. Adjustments to the existing services may possibly meet, in part, the required frequency, capacity and journey time requirements. Two options for improvements to passenger access are being considered; either greater

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over track pedestrian access or new under track pedestrian access (the latter fits in with the proposal for a new South entrance to the station and would also provide direct access to the Central Metro Station).

- 2.3.9 In summary, the next significant decision point for the development of the NPR will come towards the end of the calendar year. The preferred package of options will then proceed through the next phases of more detailed design and economic appraisal work. Regular updates will be provided to this Board and also to Transport North East Committee.

2.4 Road

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, is well under way. Interim findings suggest that dualling of the A69 generates the largest journey time savings but will also be the most expensive option. In comparison, completion of A66 dualling will generate around half the journey time savings of the A69 dualling but will be less costly. Further work will take place to refine these options, taking into account wider economic benefits, with a final report due to be completed by the end of 2016. NECA officers attend the Programme Board for the study on behalf of TfN.

2.5 Freight

The Northern Region Freight and Logistics Report was published on 7th September 2016 and the completed report can be viewed at <http://www.transportforthenorth.com/pdfs/TfN-Freight-and-Logistics-Report.pdf>. This will be followed by a series of LEP-area studies looking in more detail at the implications for individual regions. The freight sector in this area will continue to be kept informed via the North East Freight Partnership.

2.6 Strategic Local Connectivity

This workstream examines interventions which might complement larger schemes and have a pan-northern economic impact, in light of the Northern Independent Economic Review. In the initial assessment of this process five NECA schemes were considered to potentially have a pan-Northern Impact. This workstream will now be considered as part of the evidence for the TfN Strategic Transport Plan.

2.7 International Connectivity

This workstream is tasked with reviewing international connectivity in the north and identifying ways of achieving the best possible connectivity for the north's airports and major ports. The workstream will also identify opportunities to expand into new international markets. The report is expected to be published in the autumn.

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2.8 Smart Travel

2.8.1 Nexus officers continue to be actively involved in this workstream, with the aim of delivering smart and integrated ticketing across local bus, Metro and rail services in the North. With the introduction of smart ticketing technology now well advanced on the Tyne and Wear Metro and on bus services 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 the next generation of Smart Ticketing technologies.

2.8.2 TfN has commissioned Nexus and Transport for Greater Manchester (TfGM), to jointly develop the specification for an 'Intelligent Back Office' on behalf of TfN. The Intelligent Back Office will enable the introduction of the next generation of Smart Ticketing technologies, including the use of contactless bank cards. This presents an opportunity for passengers in the NECA area to be early beneficiaries of this investment.

3. **Rail update**

3.1 North East Rail Management Unit (NERMU)

3.1.1 The new 'NERMU Officers Steering Group' held its inaugural meeting on the 14th July. Representatives from each of the North East Combined Authority, Tees Valley Combined Authority, North Yorkshire County Council (Esk Valley line interests) and Cumbria County Council (Tyne Valley Line interests) were invited. At the meeting Northern, TransPennine Express, Virgin Trains East Coast, Grand Central, Cross Country and Network Rail were represented and gave an overview of service performance.

3.1.2 The Train Operating Companies (TOCs) will every two months provide updates regarding individual performance measures and any underlying issues which impact on rail passengers in the North East.

3.1.3 There is also a commitment from the TOCs and the local authorities to share investment and development plans so as to work collectively to maximise the benefits to rail passengers of any single or joint investment in the North East

3.1.4 A draft business plan has been produced for the NERMU and arrangements are being put in place to hold the inaugural NERMU board meeting to ratify the business plan.

3.1.5 Officers of the NERMU are working closely with Northern as it develops Station Investment Plans, as required under the Franchise Agreement. Across the whole Northern Franchise there is £22.6m to be spent upgrading facilities at stations controlled by Northern. The funding is split across four

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themes; physical comfort; customer information; customer safety and customer retail choice.

3.1.6 Officers are working to maximise the value and benefits of that investment in the North East. Once Northern has agreed its plans with Rail North and the Secretary of State, improvement work will start to commence and be delivered over the next 4 years. Some common improvements such as introducing improved lighting through an LED replacement programme not only improve the safety and security at stations but also contribute to reduced running costs.

3.2 Network Rail Long Term Planning Process

3.2.1 Network Rail is combining work on the East Coast Main Line (ECML) Route Study (from London to the Scottish Border) with development work for Northern Powerhouse Rail (as reported in section 3.3 above). As work progresses, it is becoming more apparent that significant improvements to the East Coast Main Line will be required to meet the expected impact of growth on the route up to 2023 and 2043.

3.2.2 Officers are therefore working with Network Rail to press for a programme of progressive improvements to the East Coast Main Line to ensure that improvements over the coming years are complementary.

3.2.3 Both the outcomes of the Route Study and the preferred options for NPR are due to be known by the end of the calendar year.

3.3 Regional Rail improvements

3.3.1 A range of improvements and, in some cases, re-openings to routes and stations are being sought in order to upgrade local rail connectivity and re-connect local communities to the national rail network.

3.3.2 The most significant project is the proposed re-opening of the Ashington, Blyth and Tyne line, a key strategic transport infrastructure investment identified in the Strategic Economic Plan in 2014 and in the devolution deal. Passenger forecasts indicate the potential of 360,000 users per annum by 2034. The service would enhance connectivity for many communities in South East Northumberland with the rest of the region, improving access to employment and learning facilities and locally acting as a catalyst for the further regeneration of communities along the line.

3.3.3 Development funding for this scheme is being sought through the Large Local Major Schemes Fund and the present position in respect of NECA's bid is outlined in section 5 of this report.

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- 3.3.4 Elsewhere in South-East Northumberland, the Council are exploring opportunities for the provision of a newly located railway station at Cramlington to help facilitate growth in the town and take advantage of the opportunities presented by its location on the strategically important East Coast Main Line.
- 3.3.5 In the west of the region, Northumberland County Council are working in partnership with the local community, endorsed by MPs for the relevant Northumberland (Guy Opperman MP) and Cumbria (Rory Stewart MP) constituencies, to reopen Gilsland station to passengers, acting as a gateway to Hadrian's Wall. Further work will need to be undertaken to challenge the emerging costs of reopening which currently appear significant.
- 3.3.6 The Durham Coast line is an important link between Tyneside, Wearside and the Tees Valley. We are working with the rail industry to seek improved services on the route as a whole and, in particular, Durham County Council are developing plans with key partners, including Network Rail and Northern Rail, for a proposed new station at Horden. The benefits will include:
- Improved access to jobs and opportunities for residents in the East Durham area
 - Enhanced connectivity to the main regional centres of Sunderland, Newcastle and Teesside for business and leisure
 - Decreases in car km on the local highway network related to modal shift to rail, with consequent reductions in congestion, accidents, noise and emissions
 - Stimulus to the local economy in the form of wider economic benefits, including increased attractiveness of the area for development and extra visitors to the Durham Heritage Coast.
- 3.3.7 Positive discussions have been held with Northern Rail regarding them as the rail operator using the station. A site options appraisal study was concluded in May 2016 with Network Rail, and the Council are moving into GRIP (Governance for Railway Investment Projects) Stage 4 (single option development). Subject to progression along within the GRIP process, extra required funding being found, and land assembly being confirmed, it is likely there will be a 24 month lead in to commencing on site.
- 3.3.8 In summary, NECA are engaging closely with the rail industry, local communities and funding bodies to ensure that our regional rail network can play an even greater role in supporting economic growth and providing better connectivity for our residents.

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3.4 HS2

3.4.1 On 22nd July, the HS2 East Partnership, in collaboration with the NECA Regional Transport Team, hosted the event, *HS2 East: Improving Connectivity to the North East and Scotland*.

3.4.2 The HS2 East Partnership is a broad coalition of local government and combined authorities, including the NECA, that are working to make the case for why the Eastern Leg of HS2 East is the best option for bringing the benefits of High Speed Rail to all communities, from the Midlands to the North of England and Scotland via the North East.

3.4.3 Delegates from the political and business worlds, from Scotland to Nottingham, attended the event to discuss the benefits that HS2 East could deliver for Eastern regions.

3.4.4 A panel discussion was held involving myself, the leader of Nottingham City Council Councillor Jon Collins, Councillor Russell Imrie of Midlothian Council, and Sir David Higgins of HS2 Limited.

3.4.5 The discussions centred on the importance of the Eastern proposed route for HS2, emphasising that it will serve more economies and businesses on a route to Scotland than the Western routing. HS2 East was frequently referred to as a 'jobs railway', and a key way to help re-balance the national economy. Linking high speed services to Scotland via an upgraded East Coast Main Line will bring a major total economic uplift of £717 million annually, with 70% of this benefit being generated outside London.

3.4.6 It is expected that a decision will be made during the Autumn on whether the HS2 East proposal will be recommended by HS2 Limited.

4. **Public Transport**

4.1 Bus

4.1.1 The Bus Services Bill has been introduced to Parliament, and it is hoped it will complete its progress through the Commons in early 2017 and gain Royal Assent in the spring. The last thematic update to this meeting outlined the potential options it might provide for the NECA to deliver improvements to bus services.

4.1.2 These options are being examined through a scoping study conducted jointly by Nexus, Durham County Council and Northumberland County Council on behalf of the NECA and further reports will be submitted to Leadership Board and Transport North East Committee once this process is complete.

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4.2 Metro

- 4.2.1 At its meeting in March the Leadership Board confirmed Nexus' proposal to allow the current operating concession for Metro to lapse on 31st March 2017. Nexus has established a Metro Transition project to ensure a smooth transfer of the Metro back to Nexus' direct operation from 1 April 2017.
- 4.2.2 At its meeting in July the Leadership Board approved a new Metro and Local Rail strategy, along with an outline of the proposed Metro fleet specification, as well as essential renewals for the 2021-2035 period and potential future Metro network extensions.
- 4.2.3 As Thematic Lead for Transport, I wrote to the new Secretary of State for Transport on 26th July 2016, introducing the new Strategy and requesting his support for the replacement of Metro rolling stock. The letter is attached for information at Appendix A.
- 4.2.4 Metro performance has improved since the start of the year and charter punctuality was 85.52% in the most recent period (covering July). This is slightly below the target set by Nexus for the train operator. Passenger numbers have dipped slightly below the peak of 40 million but still represents a four million increase compared to 2013.
- 4.2.5 A major line closure between Benton and Monkseaton took place for 15 days from 23rd July until 6th August 2016 to allow for track replacement. A bus replacement service was provided for passengers in the affected areas. Works were delivered according to plan, with follow up works now underway between Cullercoats and Northumberland Park. Refurbishment of Central Station continues and is due to be completed by the end of October, following a series of weekend closures to primarily lay new floors. The final new escalator at Central Station will be brought into service in time for the Great North Run weekend.
- 4.2.6 Significant work has been undertaken in preparation for this year's Great North Run on Sunday 11th September, including revised queuing systems at South Shields, and additional trains and customer facing staff on the day.

4.3 Smart Travel

- 4.3.1 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. Pop Pay As You Go can now be used as payment for;

- Arriva Services north of the Tyne and in Redcar and Cleveland
- all Go North East services in the NECA area
- all Stagecoach services in the NECA area and Tees Valley
- Durham City Park and Ride

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- On Metro (with a daily price cap) and the Shields Ferry
- Stanley Travel services 40, 40A and 40B in and around Durham City

4.3.2 Plans are in the process of being implemented that will see Pop Pay As You Go being accepted in place of cash payment for tickets across all services of the three major bus operators by the end of the summer. Work to extend the provision across the smaller bus operators is continuing.

4.3.3 As noted in section 2.8 above, Nexus are playing a key role in TfN's smart ticketing development.

5. Large Local Major Transport Scheme Update

5.1 The Leadership Board approved a report on the Large Local Major Transport Schemes Fund at its meeting on 19th July, outlining the proposed approach to prioritising and submitting schemes to this Fund from the NECA.

5.2 The report recommended that the 'Sunderland Commercial Links' scheme be submitted as the main priority for the region, and that two other schemes – 'Ashington, Blyth & Tyne Line' and 'Metrofutures' – would also be submitted, the latter subject to further discussions with the Department for Transport. The report pointed out that, of these three schemes, only the Sunderland Commercial Links scheme was at a suitable point of business case development to bid for full scheme funding, whereas bids for the other two schemes would be for development funds to progress a business case.

5.3 Subsequent discussions with the DfT confirmed that it was reasonable to submit 'Metrofutures' as a third scheme, therefore this and the 'Sunderland Commercial Links' scheme were submitted by the Local Enterprise Partnership to the DfT by the main submission deadline of 28th July. The report had also pointed out that the 'Ashington, Blyth & Tyne Line' had been submitted to an earlier 'fast-track' opportunity, which allowed bids for funding for 2016/17.

5.4 On 5th August, the DfT announced that it had received 17 fast-track scheme bids in total, and awarded funding to just four, and the Ashington, Blyth & Tyne Line was not successful in gaining fast-track funding. However, the DfT then allowed a short extension to the deadline for main round bids for LEPs to resubmit unsuccessful fast-track schemes if they chose. The bid document for 'Ashington, Blyth & Tyne Line' was therefore amended accordingly with the funding request put back into the 2017/18 year, and then resubmitted.

5.5 It is expected that the Government will announce the successful schemes for Large Local Major Transport Scheme funding just before or at the Autumn Spending Statement. It is also expected that further bidding rounds for this Fund will be announced in the future; however, no indication has yet been given of the timing of subsequent bidding rounds.

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6. Sustainable Transport

6.1 Access Fund 2017-20

6.1.1 At the meeting of Leadership Board on 6th September, the NECA's proposed bid to the Department for Transport Access Fund was approved. NECA is seeking £7.497m of revenue funding for the 2017-20 period to deliver a range of sustainable transport projects that seek to grow the economy by boosting levels of cycling and walking, and by improving access to jobs, skills, training and education, building on the success of our existing Go Smarter programme.

6.1.2 A decision is expected in December and, if approved, measures will begin to be delivered from April 2017.

6.2 Go Smarter 2016-17

6.2.1 Whilst a decision is awaited on the Access Fund, delivery of current Go Smarter activities for 2016-17, using funding received from a previous funding award, is taking place with schools activities being resumed for the new term. This will include a new 'Be a Smarter Parker' campaign to be launched next month, aimed at all schools in the NECA area, following the success of similar campaigns in 2014 and 2015.

6.2.2 'Be a Smarter Parker' encourages parents to think carefully when parking near to the school, or even within the school car park, to help keep our children safe by reducing congestion around the school gates. The campaign consists of printed materials, like flyers and banners, PR and social media.

7. Digital Connectivity Update

7.1 The North East Digital Leads group is currently developing investible propositions to sustain and grow the region's competitiveness in the Digital Economy, alongside the development of a Digital Connectivity Strategy. The NECA Digital Leads group are working closely with the North East LEP to ensure strategic and collaborative opportunities are not missed, and to present a co-ordinated and coherent vision of our strengths and potential to external partners.

7.2 This work reaffirms that the North East Digital Economy is growing and competitive. We have one of the most thriving clusters in the country and have attracted a number of world-leading institutions and key investors in the sector; from '5G' trailblazers to multinational companies. In doing so, this work is not taking place in isolation, but in coherence with our aspiration to ensure we deliver the inclusive growth which enables our people, businesses and communities to play a prominent role in the Digital Economy.

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7.3 Some of the key messages that we are getting from businesses include:

- Digital connectivity will play a significant role in future economic growth.
- All businesses and communities in the North East are able to benefit from the Digital Economy; through wealth creation, jobs, skills and infrastructure.
- We achieve distinctiveness within the UK by being widely regarded as a leading location for sorting, analysing and adding value to data.
- There are significant opportunities arising from the development and testing of 5G technology, which will underpin growth opportunities arising from Big Data and the 'Internet of Things' (IOT) – with an aspiration that the North East is increasingly seen not only nationally, but globally as a location of choice for testing, refining and rolling out Digital products and services.

8. Next Steps

8.1 It is anticipated that, before the next meeting of Leadership Board:

- A freight study, focused on local LEP areas, will be under way to follow up publication of the Northern Region Freight and Logistics Report
- A fresh range of Go Smarter activities will be in progress within schools for the new term
- The 'Be a Smarter Parker' campaign will have been launched
- The draft refreshed version of the NECA Transport Manifesto will have been taken to the November meeting of Transport North East Committee for approval
- The consultation draft version of the full Transport Plan will also have been approved by TNEC
- The inaugural NERMU board meeting will have taken place

8.2 By the end of the calendar year:

- A preferred infrastructure package for the Leeds – Newcastle rail corridor will have been approved, enabling more detailed design and economic appraisal work to commence
- The strategic study exploring the case for dualling the A69 and/or A66 will have been published setting out recommended options

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8.3 In addition, work will continue to:

- Participate in TfN workstreams and the Network Rail Long Term Planning Process
- Engage with Network Rail and TfN to develop options for NPR and start the refining of options to be recommended for more detailed design and economic appraisal
- Monitor the progress of the Bus Services Bill through Parliament and continue to progress the Bus Services Bill scoping study
- Roll out Pop Pay as You Go across the region
- Progress development of large local major transport schemes depending on the outcome of the government's funding decision
- Refine the Digital Connectivity Strategy and develop investible propositions alongside partners

9. Potential Impact on Objectives

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

10. Finance and Other Resources

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

11. Legal

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

12. Other Considerations

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

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

12.3 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.

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

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

12.6 Environment and Sustainability
Delivery of the various rail 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 Access Fund bid referred to in section 6.1 is specifically aimed at the reduction of carbon emissions and the promotion of active, sustainable travel.

13. Background Documents

None.

14. 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 1 of this report.

15. Appendices

Appendix A – letter from Councillor Forbes to the Secretary of State for Transport

16. Contact Officers

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North East Combined Authority

Leadership Board

17. Sign off

Interim Head of Paid Service ✓

Monitoring Officer ✓

Chief Finance Officer ✓

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Chris Grayling MP
Secretary of State for Transport
Department for Transport
Great Minster House
33 Horseferry Road
London
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26 July 2016

Dear Chris

Congratulations on your new role as Secretary of State for Transport. As the North East Combined Authority's Thematic Lead Member for Transport, and the Leader of Newcastle City Council, I look forward to a productive engagement with you as we work to improve transport in Newcastle and the North East.

I am writing to ask for your help in securing essential investment in the Tyne and Wear Metro system. It is hard to over-state the Metro's importance to our economy, environment and wider society. The Metro carries over 40 million people each year to work, education and social activities and it keeps many millions of car trips off our already congested roads.

The combined authority this week adopted a new Metro and local rail strategy that sets out a long-term vision for growing the system, supporting the plans for economic growth that we share with our Local Economic Partnership. I enclose a copy for your information.

Before we can properly consider expanding the system we have an immediate and pressing need to replace our train fleet. We are still operating the original trains from the late 1970s, which have already passed the end of their design life. Train faults now create delays and disruption on most days, and our passengers' patience is being tested to breaking point as the system, quite literally, grinds to a halt.

We plan to introduce new trains five years from now, with procurement beginning in 2017. Maintaining the current timetable with the existing fleet for another five years will be a significant challenge in itself; beyond 2021 it is likely to be impossible and reductions in service levels seem inevitable. Urgent action needs to be taken to protect the Metro system and its essential role in the North East's local economy – the future of the system is at risk.

The full Outline Business Case, previously discussed in draft has now been passed to officials in your department. In the future we intend to couple ongoing revenue funding with capital funds, so that we can go to the rolling stock supply market with the proposition of a very long-term contract.

In order to progress this we need to have a complete understanding, by the end of this calendar year, of three key funding streams for Metro that are under the government's control:

- Capital and/or revenue funding to support fleet replacement. We estimate the investment needed to be £537 million, with a benefit-to-cost ratio of 2.22;
- Ongoing 'Metropolitan Rail Grant' that supports the operation of the Metro. This amounts to approximately £25 million per annum, and the current DfT funding agreement ends in 2019; and
- Capital funding to support the continuation of our programme of essential asset renewals on the Metro's railway infrastructure. The current DfT funding agreement for this ends in 2021. We estimate the investment needed over the subsequent 15 years to be £518 million, with a benefit-to-cost ratio of 6.09:1.

I understand that a series of structured discussions is planned between combined authority representatives and DfT officials over the next few months, with support from HM Treasury representatives where appropriate, to move this matter forward. I would be grateful if you could lend your support to this process.

This investment will lay the foundation for future system growth to help us to create more and better jobs, empower our future workforce, attract inward investment, and unleash the economic potential of the area. Not surprisingly this proposal has extensive support from across our local business community.

I would appreciate an opportunity to discuss this with you face to face, and I would be delighted to meet you in Newcastle to show you the Metro system. If you would like to take me up on this, my office will be pleased to discuss suitable dates.

I look forward to your reply.

Yours sincerely

Nick Forbes .

Cllr Nick Forbes
Leader of the Council, and neca Thematic Lead for Transport

North East Combined Authority

North East Leadership Board (NELB)

Date: 20 September 2016

Subject: 2017/18 Budget Process and Timetable

Report Of: Chief Finance Officer

Executive Summary

The purpose of this report is to set out the process and timetable for the preparation, consultation and approval of the 2017/18 budget and indicative medium term financial strategy for consideration and approval by the Leadership Board.

The North East Combined Authority is required by law to set its Transport Levies for 2017/18 by 15 February 2017, and has previously agreed its overall budget in January in order to enable constituent authorities to take the levies and other contributions to the Authority into account in setting their own budgets for 2017/18.

Recommendations

The Leadership Board is recommended to:

1. Agree that the detailed budget for 2017/18 be prepared for approval at the Leadership Board's meeting on 17 January 2017;
2. Agree that the draft budget be presented to the Leadership Board on 15 November 2016 as a basis for consultation on the 2017/18 budget;
3. Note the intention to present a report to the Combined Authority's next meeting which will provide an update on the 2016/17 Revenue Budget.

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1 Background Information

- 1.1 The Transport Levying Bodies (Amendment) Regulations 2015 require the Authority to set its Transport Levies for 2017/18 by 15 February 2017. NECA's practice is to set the levies in January to ensure that this statutory deadline is met, but also to give constituent authorities information about the transport levies as early as possible to enable them to reflect the amounts in their budgets.
- 1.2 In addition to the Transport Levies, the budget will set out any contributions from constituent authorities to meeting the non-transport costs of the Authority for agreement.

2 NECA Budget Process and Timetable

2.1 2017/18 Budget and Medium Term Financial Strategy

- 2.1.1 The Combined Authority is required to set a Budget and Transport Levies in its area for 2017/18 before 15 February 2017. It is currently planned that the NECA Leadership Board will agree these at its meeting on 17 January 2017.
- 2.1.2 To achieve this, Transport levies must be considered by the Tyne and Wear Transport Sub-Committee and in Durham and Northumberland by mid-December 2016.
- 2.1.3 In regard to the Tyne and Wear transport levy, the Leadership Board will recall that it agreed a reduction in this particular levy in the current year of £2.08m. Of this, £2.0m related to the grant paid to Nexus and as a consequence, approval was given to the Nexus budget being balanced by use of reserves, pending the delivery of further savings in future years. To facilitate this, Nexus has recently undertaken the first phase of a public consultation exercise, seeking users' views about the services it provides, the outcome of which is to be reported to the Tyne and Wear Transport Sub-Committee on 15 September 2016. The need for expenditure reductions within the Nexus budget next year will therefore be heavily influenced by the level of the Tyne and Wear transport levy in 2017/18 and this will need to be reflected in the initial budget report in November.
- 2.1.4 While the statutory requirement is for an annual budget and levies to be set for 2017/18, it is good practice to seek to set a budget and in particular a capital programme within the context of a Medium Term Financial Strategy covering a three to five year period. In the last two years external factors have meant that the Combined authority has only been able to set annual budgets. The authority will need to take into account the information available about the

North East Combined Authority

North East Leadership Board (NELB)

availability of revenue and capital resources for future years when it considered its budget position for future years.

2.2 Medium Term Investment Programme

- 2.2.1 A substantial and growing element of NECA's budget is capital investment, both in terms of Highways and Transport Infrastructure and investment in Economic Development and Business Support initiatives.
- 2.2.2 Infrastructure projects by their nature have a longer term planning and delivery profile and a longer term Investment Strategy and Plan is important. The authority is expected to hear the outcome of its Local Growth Fund round 3 bid at the time of the Autumn statement. In the absence of confirmed longer term funding under a devolution deal, the Authority will develop its capital programme based upon the known level of resources that it will be able to access and will continue to bid for additional capital funding from any available sources.

2.3 Budget Timetable

- 2.3.1 An indicative timetable has been prepared (see Appendix 1) to enable the budget and levy decisions to be taken on 17 January 2017, and to meet the need for consultation over the 2017/18 budget proposals as set out in NECA's constitution.
- 2.3.2 The timetable will be challenging, and requires an outline budget for 2017/18 to be agreed on 15 November for consultation, meaning discussion of substantive policy, strategy and financial considerations in September and October.
- 2.3.3 The budget will need to reflect the latest information about the devolution agreement and it is intended to report on the implications of the devolution decision on the base budget for 2016/17 to the Authority's next meeting.
- 2.3.4 The outline budget proposals should highlight the overall level of the capital and revenue budgets for 2017/18, and any significant service impacts upon which consultation would be required. It should set out the level of reserves considered prudent for NECA and an assessment of the opportunities and risks facing the authority. More detail can be agreed in early December to be added to the budget report for 17 January.

North East Combined Authority

North East Leadership Board (NELB)

3 Risk and Reserves

- 3.1 The budget proposals need to include an assessment of the level of financial risk facing the NECA budget. Risks to the budget are currently considered to be generally relatively low in respect of Transport as, under the Levy rules, the in-year Transport cost risks are taken by Durham and Northumberland Councils, and by Nexus for Tyne and Wear.
- 3.2 Risks from the pension fund are minimal as NECA has repaid most of its historic pension deficit. The position will become clearer over the next few months following the triennial revaluation, which will set contributions for the next three years.
- 3.3 Risks associated with Treasury Management loans and investments will be covered in a separate statement as part of the budget process.
- 3.4 Risks relating to NELEP funds will be managed within the NELEP, including access to funds where the use is determined by the NELEP board.
- 3.5 While NECA has substantial total reserves, these are virtually all earmarked for specific purposes, particularly capital investment, the North East Smart Ticketing Initiative and the Tyne Tunnels. The NECA corporate reserves is very low. The adequacy of this reserve will be reviewed and updated. This reserve was being used on a temporary basis to fund a significant element of of the £0.5m costs of preparing for Devolution. In the absence of devolution funding to cover these costs, it is likely that the reserves will need to be replenished by contributions from constituent authorities to restore a minimum level of general reserves. The level of this contribution is currently being assessed and will be reported to a future meeting.

4 Next Steps

- 4.1 During August and early September the budget process is being discussed with Economic Development Officer Group, the Directors of Finance Group, the Transport Officers Group and individual Treasurers. Senior officers have been encouraged to have discussions within each authority as part of their budget process. The implication of devolution decisions and the success in bidding for Government funding will also be assessed and taken into account in preparing the budget proposals.
- 4.2 Meetings in September and October with Senior officers and members will identify the key issues that need to be reflected in the initial budget report in November.

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North East Leadership Board (NELB)

5 Potential Impact on Objectives

- 5.1 The budget and Medium Term Financial Strategy will be prepared to reflect the objectives of the Authority including the delivery of the Strategic Economic Plan. Future reports will set out revenue and capital budget proposals in detail that will help deliver the objectives of the Authority.

6 Finance and Other Resources

- 6.1 This report sets out the timetable and process for agreement of the necessary budgets and funding for the Authority. The Chief Finance Officer will draw on available resources to deliver the budget report and plan.
- 6.2 An update on the 2016/17 Budget will be prepared for the Authority's next meeting, taking into account the latest information available about devolution and other external funding.

7 Legal

- 7.1 NECA is required by the Transport Levying Bodies (Amendment) Regulations 2015 to issue the transport levies by 15 February preceding the commencement of the financial year in respect of which it is issued.
- 7.2 In accordance with the Budget and Policy Framework Rules of Procedure of the NECA's Constitution, at least 2 months before the calculation of the revenue budget and transport levies are required to be finalised, the Leadership Board will produce initial outline proposals to the NECA's Overview and Scrutiny committee.
- 7.3 Once the consultation process has been completed, details of the final proposals in relation to the revenue budget and levies will be referred to the Overview and Scrutiny Committee.
- 7.4 Given the timescales set out above, the detailed proposals in relation to the revenue budget and transport levies need to be considered by the Leadership Board at its meeting on 15 November 2016 and by the Overview and Scrutiny Committee on 14 December.

8 Other Considerations

8.1 Consultation/Community Engagement

The proposed budget will be subject to a period of consultation including the constituent Local Authorities, Overview and Scrutiny Committee, Governance Committee, Transport North East Committee and the North East Chamber of Commerce.

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North East Leadership Board (NELB)

8.2 Human Rights

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

8.3 Equalities and Diversity

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

8.4 Risk Management

The budget proposals will include an assessment of risk facing the NECA budget, which will be used to inform the level of reserves which is determined to be prudent. This report is for information on the budget process and has no specific risk management implications.

8.5 Crime and Disorder

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

8.6 Environment and Sustainability

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

9 Background Documents

9.1 None

10 Links to the Local Transport Plans

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

11 Appendices

Appendix 1 – Budget Timeline

12 Contact Officers

12.1 Paul Woods, Chief Finance Officer, paul.woods@northeastca.gov.uk

13 Sign off

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

North East Combined Authority

North East Leadership Board (NELB)

Appendix 1 – Budget Timeline

DATE	EVENT/MEETING	ACTION
17 January 2017	NECA Leadership Board	Formally agree levies and budget
January 2017	NELEP Board	Final North East LEP budget report
11 January 2017	Paper circulation	Final budget report published
14 December 2016	NECA Overview & Scrutiny Committee	Consider Budget report as part of consultation process
13 December 2016	LA7 Leadership Briefing	Informal consideration of the content of the budget report and levy proposals
December 2016 (date to be confirmed)	Transport North East Committee – Tyne & Wear Sub Committee	Consider/agree transport budget/levy proposals for consideration by Leadership Board (to be arranged if required)
6 December 2016	NECA Governance Committee	Consultation on budget proposals
15 November 2016	NECA Leadership Board	Consider and agree draft budget report for wider consultation
24 November 2016	North East LEP Board	NE LEP Budget Preparation
3 November 2016	Transport North East Committee	Consider/Agree Transport budget/Levy proposals for consideration by Leadership Board
October 2016	Meetings with individual authorities	Consult/Discuss budget proposals; identify and resolve issues
20 September 2016	NECA Leadership Board	Consider and agree 2017/18 budget process/timetable and updated 2016/17 budget (including Devolution funds)
15 September 2016	Transport North East Committee – Tyne & Wear Sub Committee	Update on budget process, feedback in connection with the Nexus service review, the Tyne & Wear transport Levy, Tyne Tunnels budget etc.
13 September 2016	NECA Governance Committee	Update on Budget Process and Timetable and Treasury Management Mid-Year review
August-September 2016	Budget preparation – discussions with local authorities and officer groups	Consider and comment on NECA budget issues

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North East Combined Authority

Leadership Board

Date: 20 September 2016

Subject: Generation NE Progress Update

Report of: Generation NE Programme Manager – Mark Stamper

Executive Summary

This report provides an update on the progress made in the delivery of the Generation NE programme; providing an overview of performance to date, lessons learned and implications for future service delivery.

Recommendations

The Leadership Board is recommended to note the contents of the report and general direction of travel with regard to the Generation NE programme.

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1 Summary

- 1.1 Generation NE has now been operational for two years and is now delivering a significant part of the support offer available to young unemployed people in the NECA area. To date over 2200 young people have benefited from support with over 800 moving into employment to date.
- 1.2 The programme to date has delivered excellent Value for Money and illustrated the opportunities from Devolution; in part due to the close partnership working across NECA in its delivery.
- 1.3 A significant evidence base and track record has been developed through the delivery of Generation NE though it has highlighted that there are still issues within the wider system, particularly with regard to gaining access to young people in need of support. There remain lots of young people who need help and support – but problem not as severe as it was three years ago
- 1.4 Generation NE is expected to run for a further 3 years subject to funding, and the scale of the programme will be defined by the availability of funding from the European Social Fund or further sources of devolved funding.

2 Introduction to Generation NE

- 2.1 In 2014 the Cabinet Office launched a Youth Contract for Cities initiative which utilised underspent national funding to test locally devolved approaches to tackling youth unemployment. The NECA area was awarded a £4.5m grant in April 2014.
- 2.2 Generation NE, the programme resulting from this grant tests the principles of delivery for devolved employment programmes. It was implemented within a context of devolution negotiations with the intention of testing, at scale, the impact of locally designed approaches to tackling youth unemployment. Generation NE set out to blend locally integrated delivery with the benefits of a single brand and a clear offer of support to young people and businesses.

3 Labour Market Context

Levels of Youth Unemployment

- 3.1 The number of young people claiming active out of work benefits has halved over the period that Generation NE has been operational. In January 2014, the year that the programme launched the Claimant Count for the 18-24 age group was 14,300; in July 2016 it was 7500.

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- 3.2 In March 2016, according to Annual Population Survey Data, there were 31,600 young people aged 18-24 who were unemployed, including non-benefit claimants, in the NECA area. This highlights that there remain lots of young people who need help and support, but problem not as severe as it was three years ago or not as many young people are claiming benefits.

Employment and Recruitment Trends

- 3.4 National trends have been broadly reflected in the NECA area. At a national level youth unemployment (ILO) has steadily fallen from 22% in 2013 to 17% in 2016.
- 3.5 Trends in the labour market observed to date include the relative instability and low quality of employment opportunities for young people. There is also a prevalence of apprenticeships paid at minimum wage which are not always attractive or viable propositions for sustainable employment for many young people. The use of online application processes by many employers continues to be significant and a major barrier for some young people.

4 Programme Performance to Date

Overall Performance to Date

- 4.1 The Generation NE programme has to date engaged a significant number of young people in support. To date 2294 young people have benefitted from the support of Generation NE; an additional 74 young people have had more than one period of support.
- 4.2 Since April 2014 Generation NE has supported 897 individuals into employment, which is 40% of those starting the programme; 548 young people have to date sustained employment for more than six months.
- 4.3 Generation NE is a long term intervention for young people, the recent mid-term review of the programme highlights that for those young people who started on the programme between July and August 2014 an average of 51% of them have since moved into employment.
- 4.4 Total spending on the Generation NE programme up to the end of the financial year 2015/16 was **£1,334,485**. The programme is delivering excellent value for money and exceeding already stretching initial estimates, delivering almost 50% of the required outputs for less than 30% of the available budget (to April 2016).

North East Combined Authority

Leadership Board

5 Delivery Insights and Direction of Travel

5.1 To date the delivery of the Generation NE programme has:

- Involved partnership working across the NECA area and illustrated the opportunities from Devolution
- Supported a large number of young people into positive outcomes that improve their life chances
- Demonstrated flexibility, local alignment and integration whilst delivering a consistent quality driven programme that retains integrity
- Delivered a significant evidence base for the effectiveness and future development of devolved employment programmes.
- Delivered excellent value for money to date
- Innovated, demonstrating that digital service delivery can work well with young people within a broader offer of personalised support

5.2 For those employers and young people that have engaged in Generation NE, the programme vision is being achieved. However there remain some inherent challenges to tackle youth unemployment. Specifically that:

- Young people are difficult to access, with low and inconsistent referral numbers from Jobcentre Plus; the existing system can provide a barrier to young people getting the right support at the right time
- Young people don't engage without a trusted introduction, a process that requires constant improvement and effective coordination between services
- Stimulating employer demand is necessary but much of the struggle remains in preparing young people for the world of work
- Small and medium sized enterprises (SMEs) have offered a large numbers of opportunities to young people but only in small numbers at a time, which are more resource intensive to service
- Systemic issues still remain within the skills agenda at a national level though with an opportunity to re-shape this through successive devolution deals

5.3 Insights from the programme to date have been shared within the appropriate NECA structures to further inform human capital devolution discussions; it is suggested that NECA continue to call for a significant improvement in the

North East Combined Authority

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quality, coordination and a reduction of fragmentation within the employment and skills offer for young people.

6 Potential Impact on Objectives

6.1 None

7 Finance and Other Resources

7.1 None

8 Legal

8.1 None

9 Other Considerations

9.1 Consultation/Community Engagement

The partnership-based Steering Group for Generation NE informed the evaluation process.

9.2 Human Rights

There are no specific issues arising from this report.

9.3 Equalities and Diversity

There are no specific issues arising from this report.

9.4 Risk Management

There are no specific issues arising from this report.

9.5 Crime and Disorder

There are no specific issues arising from this report.

9.6 Environment and Sustainability

There are no specific issues arising from this report.

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10 Background Documents

10.1 None

11 Links to the Local Transport Plans

11.1 Accessibility to employability, inclusion and skills provision is a key challenge for the North East that is appropriately reflected in the emerging Local Transport Plan.

12 Appendices

12.1 None

13 Contact Officers

13.1 Mark Stamper, Programme Manager, Generation NE
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14 Sign off

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

North East Combined Authority

Leadership Board

DATE: 20 September 2016

SUBJECT: North East JEREMIE 2 Fund

REPORT OF: Interim Head of Paid Service, Interim Chief Finance Officer and Monitoring Officer

EXECUTIVE SUMMARY

The Leadership Board received a report on the 19 April 2016, this provided details of the delivery of the JEREMIE 2 scheme in the North East; and approved the commencement of the procurement process of Investment Fund Managers. This also recommended that a further report be brought to the Leadership Board detailing the final structure of the Implementing Body for the JEREMIE 2 Investment Funds.

The JEREMIE 2 scheme will continue the successful JEREMIE 1 scheme and providing access to up to £120m of loan/repayable finance to Businesses in the North East. It is expected that this will help provide financial support for an estimated 600 businesses; help create an estimated 3,500 jobs over the next five years and deliver a legacy fund of up to £80m over the next 10 years to help provide further financial support to businesses in future years. The scheme is proposed to be fully funded by £58.5m of European (ERDF) funding, a loan from the European Investment Bank of up to £60m and legacy funding from previous loan schemes. In order to secure the European funding for this scheme it is necessary to establish the Implementing Body in October and secure Government approval to the ERDF funding before the Autumn Statement in November.

The purpose of this report is to seek agreement from the Leadership Board to the proposed structure and governance arrangements for the implementation of the JEREMIE 2 Investment Funds.

The report proposes that the Constituent Authorities of NECA become members of the Implementing Body of the JEREMIE 2 funding project, which will be a publically owned Special Purpose Vehicle (SPV), a company limited by guarantee and will hold the investment funds.

The report also provides an update on the procurement of fund managers for the JEREMIE 2 programme.

RECOMMENDATIONS (DRAFT)

North East Combined Authority

Leadership Board

It is recommended that, subject to the agreement of each Constituent Authority, the Leadership Board:

- 1) Agree to the establishment of the Special Purpose Vehicle, as set out in the report;
- 2) Agree to the proposed governance arrangements for the Special Purpose Vehicle as set out in the report;
- 3) Agree, subject to a successful ERDF application, that the funding received from the Department for Communities and Local Government is passported to the Special Purpose Vehicle;
- 4) Agree to support the Leaders (or their nominees) of the constituent authorities in overseeing the establishment and activity of the Special Purpose Vehicle and agree that an officer of NECA or its constituent authorities can be members of the shadow SPV Board, together with the appointed of a suitably experienced Board member as a 'key responsible person' to satisfy funder requirements, until the full board of the SPV can be appointed;
- 5) Agree to delegate the implementation arrangements to the Interim Head of Paid Service in consultation with the Interim Chief Finance Officer, the Monitoring Officer and the Chair of NECA.

1 Background Information

1.1 Background

- 1.1.1 The North East JEREMIE 2 Fund will provide a successor to the Finance for Business North East (FBNE) JEREMIE 1 fund, which currently provides access to finance to Small and Medium Sized Businesses in the North East. The JEREMIE 1 scheme was extended with access to finance for business now due to end in December 2016.
- 1.1.2 The investment phase of the JEREMIE 2 fund is intended to start early in the new year, providing access to an additional £120m of finance for business over the next five years until 2022/2023, with a further period of up to five years of portfolio activity (business support and repayment of the investment funds). The objective of the fund is to provide access to finance for businesses, to support business growth. This will help to increase the number

North East Combined Authority

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and quality of private sector jobs in the economy as a key proposition to meet the objectives in our Strategic Economic Plan.

- 1.1.3 Other regional JEREMIE funds are being consolidated into the Northern Powerhouse Investment Fund (NPIF), with the British Business Bank acting as the Implementing Body (Fund of Funds Holder), which will be operated from Sheffield. The North East opted not to join NPIF, preferring to create a successor fund based in the North East, utilising existing expertise and infrastructure and received Government approval in principle in 2015 to establish a North East fund operated by an Implementing Body located in the North East.
- 1.1.4 The North East JEREMIE 2 Fund is proposed to make £120m of investments, which will be financed by an ERDF grant of £58.5m, and £1.5m of legacy funds from previous loans schemes, which will be matched by £60m of loans from the European Investment Bank (EIB). EIB also provided the loan finance for the current JEREMIE 1 fund. The costs of the scheme over the next ten years are estimated to be up to £25m and are to be fully funded by legacy funds generated from previous loans schemes.
- 1.1.5 Following North East LEP approval and NECA's approval to commence the procurement of fund managers on 19 April 2016, the Project Board and Project Team have worked as quickly as possible with key stakeholders including DCLG, the European Investment Bank, and BEIS to operationalise the fund and avoid a hiatus in the availability of suitable finance for North East SMEs. Senior officers from all of the Constituent Authorities have been kept informed of progress on a regular basis.
- 1.1.6 A fully compliant OJEU procurement of Fund Managers commenced in late April 2016. Currently initial tenders have been received and a series of negotiation meetings will be undertaken prior to final tenders being obtained. The procurement process for the Fund Managers is currently underway and will be complete by November 2016.
- 1.1.7 Since April 2016 the Project Team has submitted a final outline proposal to DCLG and BIS (British Business Bank) to secure £58.5m million of European funding and the release of legacy funds from previous loan schemes.
- 1.1.8 The report presented in April 2016 detailed that a compliant Implementing Body would be required to deliver the JEREMIE 2 fund. This report provides a further update and recommends proposals for the Implementing Body structure.

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1.1.9 It was originally envisaged in April 2016 that the NECA would be the sole member of the SPV. Further investigations have lead the team to conclude that this is not appropriate as NECA does still not have the required economic development borrowing powers. This report provides an update as to the proposed structure of the SPV.

2. The Proposed Approach

2.1 The Special Purpose Vehicle (SPV)

2.1.1 The Implementing Body will have a legally compliant structure and will comply with guidance from the European Commission. The body will have the capability, capacity and experience to be 'appointed' as the Implementing Body by DCLG / EIB. In order to comply with European Guidance this structure Body is required to be 100% publically owned and with 80% of its activities in the performance of tasks related to the JEREMIE2 fund.

2.1.2 The Implementing Body (Special Purpose Vehicle), would be wholly publically owned and in accordance with EU Guidance 80% of the activities

2.1.3 in the role would include:

- Responsibility for overall project delivery and regulatory compliance (for comparison, over 20 audits have been carried out on JEREMIE1 to date)
- Act as European Regional Development Fund (ERDF) grant recipient
- Act as European Investment Bank (EIB) borrower, which would need appropriate borrowing powers
- Monitoring and management of fund managers
- Reporting to all stakeholders and investors
- Responsibility for marketing overall programme and building local networks and 'ecosystem'
- Treasury management of idle funds.
- Potential to be responsible for management of Legacy Funds of JEREMIE2

2.1.4 Initially 3 options were considered for the SPV. They included:

North East Combined Authority

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- i) NECA acting as the sole member of the SPV. NECA is currently unable to act as the sole owner of an SPV if it is to borrow, as NECA does not currently have borrowing powers for economic development activity (it can only borrow for Transport schemes). Consequently, being the owner of an SPV which then sought to borrow could be deemed to be overreaching the vires of NECA;
- ii) A constituent authority acting as sole member of the SPV. Legal advice was sought and whilst this is possible, the jurisdictional issues are considered too great for one constituent authority to proceed on its own; and
- iii) The constituent authorities of NECA acting as members of the SPV, which, after careful consideration, is the recommended option

2.1.5 If the SPV is set up with the 7 local authorities (NECA constituent authorities) as members, the SPV would be the borrower for the purposes of the EIB loan. The SPV would be a company limited by guarantee. This is possible as each member has borrowing powers, the SPV may only act within its powers and as a wholly owned subsidiary of the constituent authorities would have the same borrowing powers. Each local authority would guarantee the liabilities of the SPV; this would however be limited to a nominal sum (i.e. £1 each). The local authorities would not guarantee the loan to the SPV. The ERDF funding from DCLG would be passported to the SPV from the NECA. The SPV would borrow the funding from the EIB and it would be repaid as a first call on the repayment of loans/financial support that had been given to businesses over the next 5 to 10 years.

2.1.6 Advice received and previous experience in JEREMIE 1 Funds nationally, is that no indemnity or guarantee is required from the EIB as it is a commercial loan. Risks associated with ERDF clawback will be managed within the SPV and its contractual arrangements with fund managers. The local authorities' liabilities will be limited to their £1 membership guarantee of the SPV. Their borrowing limits will not be affected and their involvement in the company will appear as a relatively simple narrative in their annual accounts.

2.1.7 An outline proposal has been shared with DCLG which outlines the Project Board's proposal for the appointment of an Implementing Body as a publically owned Special Purpose Vehicle which would meet the requirements set out in EU regulations.

2.1.8 The existing JEREMIE 1 fund has had significant impact across the region and in some areas investment has been greater than in other areas. It is proposed that in setting up and operating JEREMIE 2 there is a significant increase in the level of effort and resource committed to ensuring that the

North East Combined Authority

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Fund has an impact on businesses in every part of the NECA/NELEP area. This will include an enhanced role for the Implementing Body holding the funds, as well as additional requirements for the fund managers.

2.2 Enhanced Role of the Implementing Body holding the funds

- To prepare an annual report to each local authority area, to include levels of investment (deals done and in the pipeline), networking and engagement activity and narrative regarding proposed improvements;
- Formal twice-annual meetings with each of the seven Economic Development Teams;
- Intensive launch / awareness-building programme (to be agreed with Economic Development teams) for the first 12 months;
- At least one 'investment fair'/ investment readiness workshop in each Local Authority per annum;
- Local Stakeholder liaison director (possibly full-time) in a high level role focussed on aligning with devolved (mayoral) and Local Authority agendas – e.g. Enterprise Zones, Growth Hubs, complementary funds etc;
- Two (part-time) marketing co-ordinators (rural/urban or north of Tyne/south of Tyne), following a similar model used to great success in Tees Valley under the current programme. There may be potential for these posts to be part-funded by fund managers and their focus would be primarily organizing events, co-ordinating fund manager activities, networking with intermediaries and others;
- Web links to local business networks and organizations and dedicated Local Authority level pages on the main North East Finance site

2.3 Role of the Individual Fund Managers

2.3.1 The key responsibilities of the Fund Managers (following an open procurement)) include:

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- Marketing individual funds
- Managing funds in accordance with investment policy
- Sourcing deal flow and undertaking investments (Financial Conduct Authority regulated)
- Negotiation of investment terms and completing investments by drawing down funds from the Implementing Body
- Managing post investment relationship with investees and reporting of investment performance to the Implementing Body

2.3.2 Additionally under the JEREMIE 2 arrangements fund managers will be required:

- To report on Local Authority level engagement and networking activities as part of quarterly monitoring
- To meet specific assessment criteria related to plans to address Local Authority level investment, including activity to improve investment levels in 'underserved' Local Authority areas to be included in fund business plans

2.4 Role of Leadership Board

2.4.1 The SPV and the members will have an agreement with the Leadership Board which will set out the Leadership Board's role and responsibilities in relation to the SPV.

2.4.2 NECA would apply for the ERDF grant as the accountable body of the North East LEP.

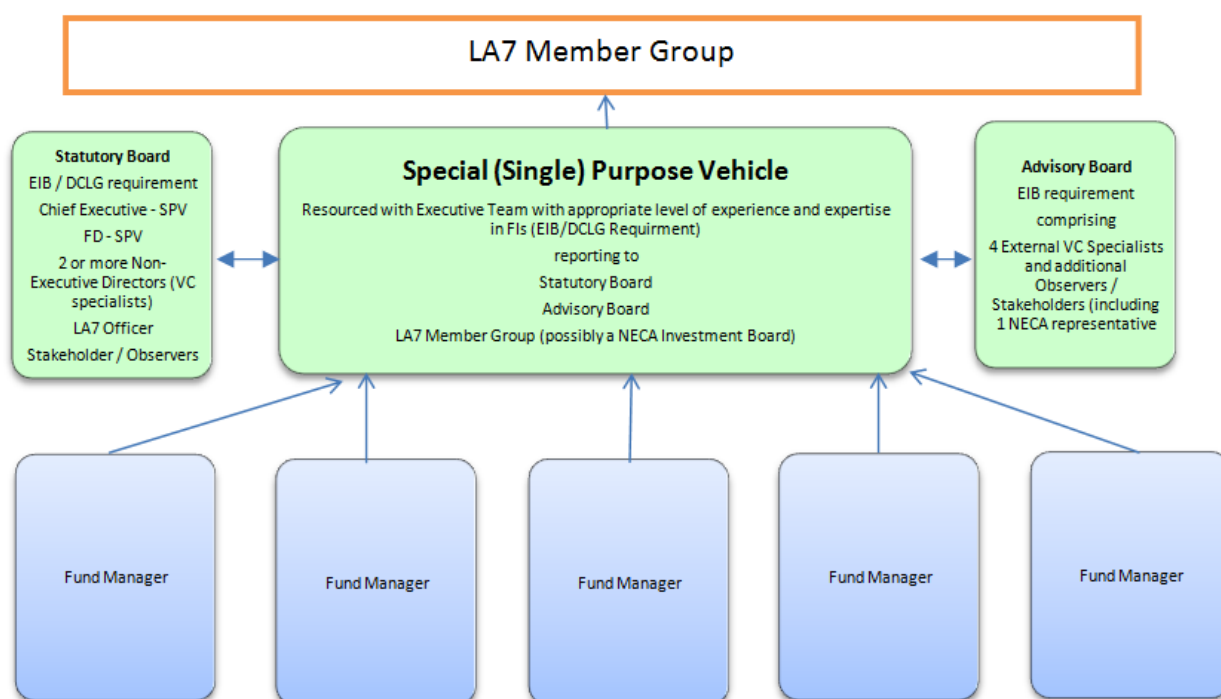
2.5 Governance

2.5.1 The local authorities shall be the members of the SPV. They in effect will be the owners of the company and will retain strategic decision making over the SPV. The operational funding decisions will be taken only by the SPV and their contracted fund managers. The company will be registered with Companies House. The overseeing Members group will comprise of representatives of the member constituent authorities, potentially the Leaders of each authority (or their nominee) to receive information about the performance of the fund and will enable a local strategic monitoring of the SPV.

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- 2.5.2 The members will adopt the articles of association and will enter into a Members Agreement. This will detail how the company will function and identify key decisions which will be retained for members, further details are set out at paragraph 1.6.7 below.
- 2.5.3 Members will meet at least annually and provide strategic oversight to the company, however this will be detailed in the articles of association and directors of the company will deal with the day to day running of the company.
- 2.5.4 The company will have a statutory board of directors, subject to conflicts of interest it is proposed this is made up of the SPV's appointed Chief Executive and Finance Officer, a director who may be an officer representing the Leadership Board, together with some independently appointed directors who have appropriate investment expertise.. The Directors are to be appointed by the Leadership Board. Initially some may be secondees from the JEREMIE 1 delivery arm. There is an option for an officer representative of the LA7 authorities to be appointed to the statutory board of directors and for a member to be an observer on the SPV's advisory board. This is illustrated in the chart below.



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2.5.5 It is preferable that NECA's Statutory Officers are not appointed as directors in the authority controlled structure to ensure a clear separation of their roles and their advice to the NECA. It is therefore proposed that an approach is taken to initially establish the SPV with a single director to enable the signature of the tri-partite agreement prior to appointing the full board of directors with the appropriate balance of skills and experience.

2.5.6 The SPV will also have an advisory board, which is an EIB requirement and will be made up of a number of experts with suitable investment expertise and will include observers and key stakeholders including British Business Bank, the Department for Business Innovation and Skills and the European Investment Bank. This is currently in place with JEREMIE 1. There would also be an option for an observer from the Leadership Board, such as the portfolio holder for economic development and regeneration to be on the advisory board.

2.5.7 The SPV could itself report regularly into a NECA Governance structure – which would include members from each of the Local Authorities acting as a shareholder group.

2.5.8 The constituent authorities will enter into a Members Agreement, this will detail the following:

- Voting rights;
- Ability to direct the Board of Directors;
- Reservation of matters for the Members;
- Nomination of Directors (by the NECA);
- Adopting a scheme of delegation for the SPV.

2.6 Timetable

2.6.1 Currently the ESIF Committee will make a recommendation about the ERDF funding by written representation in early October 2016. Approval to the establishment of the SPV is needed at this stage. This is necessary to support the ERDF funding application to DCLG, which will be subject to an accelerated appraisal and approval process to secure the funding approval before the autumn statement.

2.6.2 The SPV will be required to enter into a tri-partite funding agreement with either all the members or one member and DCLG.

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2.6.3 The SPV will need to be established and at least 1 director appointed to sign the agreement on behalf of the SPV before the end of October, with appropriate experience to satisfy the funders including EIB. Other directors could be appointed at a later date.

2.7 Transitional arrangements

2.7.1 The peak transition period is anticipated to be between 2016 and 30 September 2018. To enable the Project to progress effectively and expeditiously during this period it is proposed that an additional temporary resource will be retained. This additional temporary resource will provide support across the finance and compliance function over the longer-term succession planning will be developed as appropriate.

2.7.2 To maximise the efficient, and ensure best value for money, utilising existing experience from the Jeremie 1 Project, it is proposed that the current Chief Executive of NEF, who delivered the Jeremie 1 Project, will continue in this role through to the end of the transition period and supervise a smooth transition of responsibility for the JEREMIE 2 programme.

2.7.3 A full succession plan proposal will be developed during the first period of operation of the SPV. Continuity at the senior level in line with stakeholder requirements is paramount for the fund and a requirement of DCLG

3 Next Steps

3.1 The Leadership Board is invited to agree to the recommendations set out above.

3.2 If the Leadership Board notes and agrees this report and the Constituent Authorities agree to become members of the SPV the SPV shall be created. The proposed Articles of Association of the SPV shall be developed and finalised under delegated authority of NECA and the constituent authorities.

4 Potential Impact on Objectives

4.1 As described in the Strategic Economic Plan, increasing the number and quality of private sector jobs in the economy is a key proposition in our European strategy and strategic economic plan. These are reflected in the strategic priorities for investing in growing our businesses and key to this is

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ensuring North East businesses have the access to finance to support growth and expansion plans.

- 4.2 Evidence suggests that small businesses tend to remain in the region if they can secure the capital they need and successful small businesses also source locally and employ locally.
- 4.3 The delivery of a Financial Instrument is strongly aligned to UK and European policy
- 4.4 Financial Instruments are designed to deliver equity, loan and mezzanine investments to underserved geographic areas, and are a way of increasing the efficiency of European Structural and Investment Funds. Financial instruments can make these funds go further by leveraging in additional public, private or social finance and by creating legacies for future use. They can bring in additional expertise which increases the efficiency and effectiveness of the use of public money and they can enable the recycling of funds for long term benefit in localities.
- 4.5 Financial instruments are expected to achieve¹:
- Leverage of resources and increased impact
 - Efficiency and effectiveness gains due to revolving nature of funds, which stay in the programme area for future use for similar objectives
 - Better quality of projects as investment must be repaid
 - Access to a wider spectrum of financial tools for policy delivery & private sector involvement and expertise (including using private sector financial institutions and investors to make the investment/lending decision)
 - Collateral benefits to SMEs through contact with financial and sector experts – even where there is ultimately no investment

A move away from a 'grant dependency' culture.

- 4.6 Based on the success of JEREMIE 1, it is estimated that –
- around 600 small and medium sized enterprises should benefit from financial support, with many hundreds more benefiting from advice;
 - 3,500 jobs should be created, with over 2,000 existing jobs protected; and
 - a legacy fund of c £80m could be created to fund future financial support to business beyond the end of this programme.

5 Finance and Other Resources

¹ Financial Instruments in ESIF programmes 2014-2020, European Commission, December 2014.

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- 5.1 Over the life of the JEREMIE 2 Programme, it is envisaged that £120m will be provided as Financial Instrument support to Businesses in the first five years. The cost of the fund managers over a longer 10 to 12 year period, will also provide important support and guidance to businesses and work with businesses to secure the return of the funding, is estimated to cost up to £20m, with a provision for the cost of operating the SPV over the 10 to 12 year period of up to £5m, an average of £0.5m a year.

The envisaged costs and funding for this is summarised below.

Estimated Costs and Funding

	ERDF Grant	EIB Loan	Legacy Funds	Total
	£m	£m	£m	£m
Financial Instruments to Businesses (Loans/equity)	58.5	60.0	1.5	120.0
Fund Manager Costs over 10 years			20.0	20.0
IB / SPV costs over 10 years			5.0	5.0
Total	58.5	60.0	26.5	145.0

- 5.2 The estimated costs of the scheme have been based on the costs of JEREMIE 1 with some savings that have been identified in the operation of JEREMIE 2 . The estimated costs have been scrutinised by the funders and approved in principle, with final approval being given when the ERDF grant and EIB Loan facility are agreed. The costs and performance of the Fund will be heavily scrutinised by the funders over the period, who have observers on the SPV Advisory Board; receive quarterly reports; and carry out audits on the fund over its life. The current JEREMIE 1 scheme has been subject to over 20 Audits so far, with positive outcomes.
- 5.3 The business model assumes that the payback from businesses over the 10 year period will recover the full cost of the Fund of £145m. The first receipts must be used to repay the EIB loan facility, with further payments creating a legacy fund in the SPV to fund future rounds of financial support to business. The EIB are making a purely commercial loan with repayment at their risk, with this decision being based upon their assessment of the track record of previous loan schemes and their confidence in the robust and experienced fund management arrangements that they require to be established. No guarantee for the loan facility will be given by the owners of the SPV and there is therefore no loan liability for the local councils.
- 5.4 Two legacy funds are being used, which requires the approval of Government Departments. Single programme Legacy Funds, with at least £6m and up to

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£8m expected to be available, where approval has been sought from the IDAB committee (responsible to DCLG and BEIS) and approval is expected on 8th September. The balance of the £26.5m will be funded from ERDF legacy funds from previous loan schemes, which has been conditionally approved by DCLG.

- 5.5 An application for ERDF funding of £58.5m has been submitted by NECA on behalf of the LEP. The application is being considered by written procedure of the ESIF committee at the beginning of October 2016. The ESIF Committee will give advice to DCLG about the strategic use of regional funds. The final decision and application approval rests with the Managing Authority (DCLG).
- 5.6 The arrangements described above comply with the advice and guidance being received from DCLG. Equally important is that the arrangements are also EIB compliant, as they are the match funder, providing the loan at their risk. Once approved, ERDF funding will be awarded to NECA and passported to the SPV, being drawn down over the life of the programme. ERDF match funding of £60m is to be achieved through a loan from the European Investment Bank direct to the SPV. Advice received and previous experience in JEREMIE 1 Funds nationally, is that no indemnity or guarantee is required from the EIB. Risks associated with ERDF clawback will be managed within the SPV and its contractual arrangements with fund managers, so there is not expected to be a clawback risk for the local authority owners of the SPV.
- 5.7 The local council's liabilities will be limited to their £1 membership guarantee of the SPV. Their borrowing limits will not be affected and their involvement in the company should appear as a narrative note in their annual accounts.
- 5.8 The performance of the JEREMIE 1 fund is positive and it is on track to repay its EIB loan soon and to generate legacy funds broadly in line with projections. The main financial implications of the estimated £145m investment payback not being received in full is that it will reduce the level of legacy funds available to be used to fund future access to finance schemes in future periods.
- 5.9 Give the potential of volume of jobs to be created and protected and the impact on the growth in the region's economy, the scheme is considered to represent very good value for money.

6 Legal

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- 6.1 A legal representative for NECA is part of the Project Team and contractual agreements will be subject to the approval of the NECA Monitoring Officer.
- 6.2 The Special Purpose Vehicle shall be established as the Implementing Body for the fund in accordance with legal advice, which has been obtained regarding the appropriate structure. The creation of the SPV shall comply with EU Procurement legislation and EU Commission Guidance.
- 6.3 The Fund Managers will be appointed following an EU compliant procurement process. Those bidders providing the most economically advantageous tender shall be appointed. This will be assessed in accordance with procurement criteria, to cover matters such as quality and value for money.

7 Other Considerations

7.1 Consultation/Community Engagement

- 7.1.1 The proposals for the extension of Financial Instruments are the result of an independent assessment report, development of the Strategic Economic Plan and the ESIF strategy, all of which included wide consultation and engagement processes.

7.2 Human Rights

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

7.3 Equalities and Diversity

- 7.3.1 There are no equalities and diversity implications in relation to this report.

7.4 Risk Management

- 7.4.1 The risk for the Financial Instrument are being managed in common with other Financial Instruments, including the British Business Bank's Northern

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Powerhouse Investment Fund and previous regional financial instruments (JEREMIE1)

7.4.2 If the North East JEREMIE2 does not proceed as envisaged, there is a risk that the Government will decide that the Financial Instrument should be provided through the Northern Powerhouse arrangement, managed in Sheffield, which would result in a loss of dedicated funding and a reduced influence for the North East.

7.4.3 Financial

7.4.3.1 As previously stated, a detailed financial model has been developed for the NE Fund of Funds Programme by the Project Team which outlines how the project will be financed, how it will invest funds, create jobs and ultimately repay its creditors. The risk of individual investments not being repaid will fall on the level of legacy funds generated. EIB will take the risk of their loan not being repaid in full, limited to the income and assets of the SPV.

7.4.3.2 The European grants would not be clawed back if job outcomes were less than envisaged. However, it is important that the normal risk of clawback of European grants due to improper procurement arrangements is managed and mitigated through following proper procurement practices; through the limited liability of the Special Purpose Vehicle structure and by application of legacy funds.

7.4.4 State Aid

7.4.4.1 The JEREMIE2 programme will be structured so that it can operate in accordance with the risk finance provisions of the General Block Exemption Regulation (GBER 651/2014), and so will not need to be notified to the European Commission. The JEREMIE2 structure will be established to operate in accordance with Articles 17, 19, 21 and 22 of GBER, and the *de minimis* regulation (depending on the recipient of the aid, the level of aid and its use) – with fund managers also having the discretion to complete individual investments on a suitable “no aid” basis, with oversight by the Implementing Body.

7.5 Crime and Disorder

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

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7.6 Environment and Sustainability

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

8 Background Documents

8.1 Confidential report to the Leadership Board dated 19 April 2016. Outline ERDF grant application to DCLG

9 Links to the Local Transport Plans

9.1 Non

10 Appendices

10.1 None.

11 Contact Officers

11.1 Paul Woods, NECA CFO paul.woods@northeastca.gov.uk 07446936840

12 Sign off

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

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